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Sunningdale Park, England
9-10 April 1980

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ON

COMMUNITY INVOLVEMENT

Sunningdale Park, England

9 - 10 April 1980

PAPERS AND PROCEEDINGS

London
Department of the Environment
1980

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FOREWORD

The Anglo-American Conference on Community Involvement was sponsored jointly by H E Kingman Brewster, US Ambassador to the United Kingdom, and Rt Hon Tom King MP, Minister for Local Government and Environmental Services, and was held at the Civil Service College, Sunningdale, on 9 - 10 April 1980. It was attended by senior executives of major firms in the United States and the UK, together with those from the US with direct experience at the most senior level of private sector initiatives within the community. The object was to explore the concept of corporate social responsibility and to provide the opportunity for an exchange of experience between those in the two countries, particularly those outside Government, with an interest in greater community involvement by large firms.

Department of the Environment

October 1980

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LIST OF DELEGATES

Sir Wilfred Burns	Deputy Secretary and Chief Planner, Department of the Environment, London.
Henry Cohen	Dean, Center for New York City Affairs, Graduate School of Management and Urban Affairs, New School for Social Research, New York.
Samuel M Convisser	Staff Vice President, Education and Community Relations, RCA, New York.
W G Haslam	Deputy Chairman, The Prudential Corporation, London.
Elton Jolly	National Executive Director, OICs of America Inc, Philadelphia.
Rt Hon Tom King MP	Minister for Local Government and Environmental Services, Department of the Environment, London.
James F Langton	Senior Vice President, Bank of America, San Francisco.
Dr Leonard Lund	Project Director, Business Urban Issues, Public Affairs Research, The Conference Board, New York.
Victor Marrero	Under Secretary, Department of Housing and Urban Development, Washington.
R H Marriott	Manager Public Affairs, IBM United Kingdom Ltd, London.
Robert E McCabe	President, Detroit Renaissance.
David Mitchell MP	Parliamentary Under Secretary of State, Department of Industry, London.
I N Momtchiloff	Finance for Industry Ltd, London.
James M Morris	Manager, Public Affairs, General Motors European Advisory Council, London.
Sara Morrison	The General Electric Company Ltd, London.
Anne Mueller	Deputy Secretary, Department of Industry, London.
Ernest L Osborne	Deputy Under Secretary for Intergovernmental Affairs, Department of Health, Education and Welfare, Washington.

W S Page	Principal Chief Officer and City Treasurer City of Birmingham.
A A Pelling	Assistant Secretary, Department of the Environment, London.
David Peters	Chief Executive, Engineering Division, BOC Ltd, London.
Sir Alastair Pilkington FRS	Chairman, Pilkington Brothers Ltd, St Helens.
J M Raisman	Chairman, Shell UK Ltd, London.
Jerome M Rosow	President, Work in America Institute Inc, Scarsdale (NY).
David Sarre	Director of Personnel, BP, London.
David D Sieff	Marks and Spencer, London.
Abraham S Venable	Director, Urban Affairs, General Motors Corporation, Detroit.
Jack Ward	Managing Director, Control Data Ltd, London.

PROGRAMME

Wednesday 9 April

- 2.00 Introduction by Rt Hon Tom King MP, Minister for Local Government and Environmental Services.
- 2.30 The Role of Corporate Responsibility in Large Firms. Discussions led by Mr David Sieff (Marks and Spencer Ltd) and Mr James Langton (Bank of America).
- 4.45 The Private Sector Role in Inner City Regeneration. Discussions led by Mr Abraham Venable (General Motors) and Mr Robert McCabe (Detroit Renaissance).

Thursday 10 April

- 9.30 The Role of Leading Employers in the Community. Discussions led by Mrs Sara Morrison (G.E.C.) and Mr Elton Jolly (Opportunities Industrialization Centers).
- 11.30 Summing up.

SUMMARY OF PROCEEDINGS

The Role of Corporate Responsibility in Large Firms

During the opening session discussion was concentrated on reasons why a large company might want to be concerned with the problems facing urban communities. It was accepted that while the problems facing urban communities in both countries were similar there were important differences which could affect the way in which solutions were found. In the United States problems associated with race were a major feature of city life. Disenchantment with the public education system was widespread and there were wide income discrepancies. It was felt that none of these features was as critical in the UK where local authorities had greater powers and provided an accepted authority to act in a wide range of planning and social activities. Another difference was that the corporate headquarters of US companies were generally distributed more widely throughout the country than those of UK companies which tended to be centralised in London. With financial institutions and public utilities also locally based in the United States, there was a greater concern with the economic health of the local community than was at present found in the United Kingdom.

The US participants were of the view that UK attitudes to inner city problems (reinforced by the response to the disturbances in the St Paul's area of Bristol which took place a few days before the Conference) were the same as those held generally in the US in the 1950s. They felt that the US experience provided a useful lesson for the UK. While the difficulty of anticipating problems could not be exaggerated, there was great value in not waiting until it was too late before reacting.

It was emphasised that in both countries private firms were part of society and therefore had a natural interest in its well-being. They needed to adapt themselves to a community's requirements if they were to survive. Close involvement with the community in these circumstances did not depend on altruism but rather on self-

interest. A broad view should be taken of the company's self-interest, but attempts should be made to deal with concrete problems within its competence so that performance could be measured in the same way as in other company activities. Involvement with the community pursued in this manner would require no further justification to shareholders.

Community involvement of corporations in the United States had arisen in most cases in response to crises or other outside factors. It seldom arose from factors inside an organisation. There was, however, also a concern that if the private sector took no action the resultant pressures could inhibit economic growth. Involvement also followed Government financial incentives.

The Private Sector Role in Inner City Regeneration

Discussion of the role of leading firms concentrated on the practical ways in which they could help to resolve some of the problems which arose in inner city areas. It was clear from the outset that in the UK there was a more rigid separation of responsibilities between the public and private sectors. Both sectors tended to the view that inner city problems were essentially for solution by the public sector. It was agreed that any attempt to change this attitude must involve both the public and private sectors.

While the private sector in both countries had a substantial investment in inner city areas and therefore an interest in maintaining its value, the private sector in the US appeared to be more prepared to recognise the need to take a positive line to protect its investments. Companies there could not only rely on the public authorities to take action but in a large number of cities, and increasingly in rural areas, companies were joining forces to make financial investments intended to reverse the downward trend of a district. Although the investments did not produce returns as quickly as normal, they had proved viable and had succeeded in their intention of stimulating a widening circle of private sector investment. The Federal Government had recognised the value of such joint action and had devised appropriate programmes offering financial incentives.

Major firms represented at the Conference recognised that benefits could flow to a company from involvement in community-based projects. Seconded staff benefited from the wider experience gained in them. Managerial resources were as valuable to such projects as cash and ancillary services. Assistance to small firms, while helping to stimulate the economy and reduce unemployment, could also provide a better base for the supply of goods and services to a company and also a more prosperous community as customers. Help to redundant employees to set up in their own business, perhaps using technology developed within the company but not relevant to its activities, could help, with other community involvement activities, to provide a better climate for change within a company's organisation. All agreed that while pure philanthropy had its place, greater value could be obtained from assisting projects which would eventually become self-sustaining.

The willingness of companies to make available facilities to others in the community was obviously very relevant in the UK context of restrictions in public expenditure. In the US, company support added to Federal grants enabled not-for-profit organisations to meet the problems of the unemployed and the poor. Special attention was given to training unemployed youths, disenchanted with the public education system, to enable them to take up employment opportunities. In addition to alleviating the social problems resulting from unemployment the view was taken that taxpayers, as distinct from tax users, were more likely to be customers for the company's products. Company support was also given to specialised housing programmes, eg for senior citizens, and to other particular requirements of the community.

The Role of Leading Employers in the Community

If a company was to become involved in the community at large it needed to take some very positive steps.

As the needs of different communities varied, so the mechanisms to deal with them also varied. It was clear, however, that if a company decided on a policy of involvement, the commitment of all staff to that policy was required. While the main need for such commitment would obviously come from the most senior managers of the organisation, opportunities often arose at a local level and it was important that local management should be able to grasp them.

Involvement in projects or activities within the community required that the company should develop a formal structure to ensure that its response was most effective. The US experience was that participation in any project needed to be institutionalised to ensure a commitment to continuation of the project. This experience also suggested that once a company had agreed on an open policy of involvement with the community, a whole range of ideas, usually with benefits to the Company, arose from within the organisation. The need to consider carefully the public relations aspects of a community involvement programme was stressed. While communication of the role being played by the Company was important to both the general public and to its own employees, public cynicism as to the motives of the organisation could diminish the effectiveness of the involvement itself. Public reaction was more likely to be favourable if it was seen that the main factor behind the involvement was the desire to carry out a joint action with a public authority.

Conclusions

While there were some fundamental differences between conditions in the UK and the US which affected reactions to the problems facing urban communities, it was agreed that the private sector in both countries had a vital interest in the economic well-being of their communities. The private sector had resources, managerial as well as financial, which could be of great assistance to these communities. While each company had to decide on its own reaction to the particular needs of its community, the most effective actions could be taken jointly with other companies and with public authorities.

Despite the differences between the two countries it was felt that the US experience was potentially highly relevant to British circumstances and should be explored further. The British participants were also anxious to consider how this experience might be imparted to a wider circle of British companies. It was agreed, therefore, that there should be continuing contacts between the two groups, with both sides forming working groups to facilitate this and (the British one in particular) to consider further their reaction to the lessons learned

London Enterprise Agency

A Paper on the UK Experience

The Starting Point



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ANGLO-AMERICAN CONFERENCE ON COMMUNITY INVOLVEMENT

The Starting Point - A Paper on the UK Experience
Prepared by the London Enterprise Agency

Introduction

Many of the problems facing urban communities in the United States and in the United Kingdom are similar and solutions will demand the participation of both the public and private sectors. Against a background of common problems and similar initiatives it is useful to exchange experience between major firms and organisations of the two countries, in particular on the extended role for corporate responsibility activities of major companies. This paper touches on some of the differences between and the common problems of the two countries and goes on to describe some of the work being done in the field of corporate responsibility by some major UK companies.

Differences between US and UK

The two countries are naturally deemed to be very similar as they are both Western democracies sharing a common language, with considerable cross fertilisation of ideas through business, arts, science and tourism. But even a cursory examination shows there are differences in culture noticeably in the relationship between the individual and society.

America, a federal republic, enshrines the rights of the individual in the Constitution and the Bill of Rights and the legal system provides opportunities for individuals or small groups of individuals to assert their rights and any consequent award of damages can be very high. While it would of course be nonsense to claim that there is no privilege in the US nor class mobility in the UK, there is a different ethos in British society. British employees are more unionised than in the US and there is a strong ideological base to unionisation which is not known in America. There is considerable security of employment in Britain stemming from employment protection and trade union and labour relations legislation.

According to the Corporate Priorities programme of consultants, Inbucon and Yankelovich Skelly and White, business in the US is regarded with more hostility than it is in the UK and twice as many people in the UK as in the US regard corporate executives as "credible" i.e. truthful and trustworthy. This is particularly well demonstrated in the same survey which confirms that in the US the energy crisis is often held to be phoney and engineered by the oil companies while in Britain supply shortages by the year 2,000 are taken as a serious threat and oil companies are

given good marks for their role in meeting the country's needs.

Many of the pressures being applied to business both in the US and UK are similar but the difference in cultures has resulted in different emphasis which in turn affects the response of companies. In America the major pressures have been on pollution and product safety, including the toxicity of foods, while over the last ten years British business has faced considerable pressure to preserve employment, provide equal opportunities and pay increasing regard to health and safety at work.

Although there are differences between the US and the UK both in society in general and within company practice there are of course unifying factors and first amongst these is concern about the level of inflation. There is mutual concern about the environment and particularly about the decline of inner city areas. Reports published in February of this year by the School of Planning Studies at Reading University as a result of a comparative study of urban difficulties in Britain, the United States and West Germany sponsored by the German Marshall Fund of Washington DC, concluded that much greater involvement of both private enterprise and local communities is needed if the problems of Britain's declining inner cities are to be tackled effectively.

The UK Experience

The latest available survey carried out at the end of 1978 by Management Centre Europe of European business practice on corporate responsibility found that of all chief executives in Europe those in Britain and Germany spent the least time on public and social issues and had the least interest in making a formal study of their social responsibilities. For very different reasons Spain and Sweden showed the greatest interest and awareness. Chief Executives in all European countries agreed that the greatest social pressure over the previous five years had been for the greater disclosure of information. This was followed by health and safety at work with pressure from minority groups of low priority.

Although slightly dated it remains true that only a limited number of British companies have defined policies on corporate responsibility. High unemployment with the prospect of higher levels to come appear to be causing considerable concern to a number of large companies. There is a real and justifiable fear that where whole communities have lost any real prospect of employment - particularly in inner city areas - there will be widespread alienation adding to what is already an increasingly hostile climate for business.

'Corporate responsibility' is often viewed - if at all - with cynicism by the general public and indeed by many companies. This can lead to the problem, even for the committed company, of winning support for corporate responsibility programmes within their own management.

To the public it is a veneer - the 'acceptable face' of capitalism - to many companies it is seen as rather irrelevant to the day to day business of producing goods, selling them and making a profit. It either smacks of woolly liberalism or is an over-elaborate public relations exercise, but whichever it is, it is often seen as only an option for large companies with more money than sense.

Those companies operating in the UK with defined policies on corporate responsibilities, and which are actively implemented, are usually confined to the largest of the indigenous companies or to the subsidiaries of multi-nationals who are following the parent's policy. They include ICI, BP, BOC, GEC, IBM, Marks and Spencer, Shell, Esso and the Clearing Banks. Companies with corporate responsibility programmes are usually highly exposed either through their large consumer markets or through their strong presence within a community. Another common factor is that they are often high technology and highly capital intensive companies such as Shell, ICI, BP and IBM. There is also a tradition of British companies with a strong non-conformist religious background, particularly the Quakers, having long practised 'corporate responsibility'. Companies like Cadbury and Rowntree often pioneered employee welfare activities, such as being among the earliest to introduce pensions.

Although relatively few companies in Britain pursue corporate responsibility policies those consultants who are active in the field detect a growing interest. Much of this has been seen in the last year and in part reflects a response to the new Government's intention to reduce the State's activities in society.

Those companies active in corporate responsibility appear to see it in the wider sense of enlightened self-interest and believe that in the long term business must flow with the tide of society and that by being aware of the way it is flowing and being ahead of society's requirements, companies can lessen any hostility towards them in particular and business in general. It might be argued that the reduction of the State's activities in society and Government measures to combat inflation, including public expenditure cuts, result in an increased need for involvement in community affairs by large firms. But there is, of course, a dilemma, since difficult financial circumstances tend to concentrate the mind of the corporate executive on short term profitability.

As well as cuts in public spending there is rising unemployment, expected to reach 2 million by 1981 - the highest level since the 1930's. In addition the British economy is forecast by some to decline by as much as 3 per cent this year. British companies in the UK are faced with a series of problems. Their own well being is tied to the prosperity of the British economy and they have an active interest in its regeneration. Related to this is the level of unemployment and its uneven distribution over the country with some regions and inner cities particularly run down and depressed.

Large companies are aware that they are not likely to increase their levels of manning, indeed many wish to reduce it. A growing small firms sector is seen as an important way in which employment levels can be improved and as an identifiable way in which large companies, by attempting to give a boost to this sector, can help. By doing so large firms will also make it easier to reduce their own staffing levels.

This widespread interest in the regeneration of small companies both by industry and government has led to a number of initiatives around the country. Companies like Pilkington, Shell and ICI have set up specific projects to help small business. Assistance has been various and includes advice on business, financial and technical affairs, the provision of land and buildings, assistance with research and development and the secondment of personnel.

Conclusion

This Paper has set out to highlight some of the issues which can be expected to be discussed at the Conference. It can only touch on a small number of the wide range of initiatives which have been taken by UK Companies. Individual company initiatives have been supplemented by joint ventures such as Action Resource Centre, the London Enterprise Agency and local enterprise trusts such as the Community of St. Helens Trust and Birmingham Venture. Details of these and the corporate responsibility activities of some major UK firms are annexed to this Paper.

March 12, 1980

CORPORATE RESPONSIBILITY ACTIVITIES OF SOME MAJOR UK COMPANIES(1) The British Petroleum Company Ltd

BP is Britain's largest company with a 1978 world-wide turnover of £17560 million and nearly 34,000 employees in the UK. It has recently reviewed all its corporate responsibility activities and brought them together in a community affairs group under the public affairs and information department and extended its activities. Included is a new post, created earlier this year, to help create employment by aiding small businesses with managerial, commercial and technical advice from within BP.

The Company sees expenditure on corporate responsibility matters as 'enlightened self-interest' as it has become increasingly concerned at high levels of unemployment and a stagnant economy.

The community affairs group has five major activities. First is straightforward charitable giving and support for education which in 1978 totalled £460,000. Educational support is aimed mainly at secondary education but it also awards BP studentships to help young people through university and it subsidises a limited number of visiting lectureships.

Second, BP has a large sponsorship programme which is orientated towards activities connected in some way with energy or chemicals or having a link with youth. This programme includes the educational service (providing subsidised educational material to schools), BP competitions such as 'Build a car' and the arts.

The new role of job creation by helping small business is wide-ranging. In addition to the support of the London Enterprise Agency and Action Resource Centre it has flexible and varied schemes for providing advice for small business, and has invested £50,000 in Pilkington's venture capital scheme.

Additionally the community affairs group includes an economic advisor responsible for representing BP views to third parties and at major conferences and a scientific advisor to maintain links with the academic world and scientific institutions.

(2) IBM United Kingdom Ltd

IBM set up its UK operation in 1951 and currently employs over 15,000 people, with a young average age of 35. Although it operates in 40 different locations, over half of its workforce is in the South of England, mainly Hampshire.

IBM sets out to be a good corporate citizen wherever it does business. To this end, it tries to remain alert and responsive to changing expectations of corporate behaviour. Many of these expectations are met by IBM's technical standards and codes of business conduct, in particular with regard to product safety, pollution control, safety at work and financial practices. IBM is also conscious to emphasise social usefulness in the development of its products and services. This results in projects looking at the application of advanced computing techniques to ecology and the development of natural resources, among others.

IBM accepts that it has obligations to five major groups in society: customers, employees, suppliers, investors and the community at large. Its responsibility to the community involves it in activities largely unrelated to short-term commercial interest. However, IBM's participation in these social activities is not only for a variety of moral reasons: it has a sound business rationale which puts "corporate responsibility within the mainstream of business activity, not on the periphery".

Most of these programmes are initiated and run by a Public Affairs department which was established 13 years ago. There is also a strong regional emphasis with the major locations in Hampshire and Greenock and the larger branches developing and supporting their own local programmes. The programmes are diverse, ranging from charitable contributions (IBM is the 13th largest corporate donor to charities, according to Charity Statistics 1978/9), medical and educational support, help to the handicapped and disadvantaged, and sports and arts sponsorship.

In selecting projects to support, the company tries to reflect the key social issues of the time, identified by the professionals, to which business knowledge and experience can make a valuable and practical contribution. In recent years, support has been extended to projects tackling unemployment, particularly among the young; the development of small businesses; the fostering of closer links between industry and education; sponsorship of events over a wide geographical area and covering a broad artistic spectrum; as well as sponsorship of the disadvantaged and disabled on sporting activities.

IBM places a strong emphasis on loaning its people to community projects, in preference to simply giving money. Such a practice helps the company to keep its goals and values in step with those of the rest of the community, as well as providing the community organisation with expertise and experience it could not otherwise afford, and the loaned employee with a unique opportunity to practice and test business skills in an alternative environment. The benefits to all parties of a well-planned 'secondment' are manifold and the programme has therefore been increased to 15 man years per year for secondments to community projects, in addition to normal exchanges with Government, education and research bodies.

There are three types of secondment: short-term of 3-6 months, effectively a management development exercise for promising younger employees; mid-career sabbaticals; and pre-retirement secondments of 2-3 years which offer an excellent transition period between career and retirement. Since 1970, employees have worked with a wide range of organisations including work creation projects sponsored by the Manpower Services Commission, local councils of social or voluntary service, Trident educational trust, the Action Resource Centre, and small business advisory units.

In providing help to the handicapped, IBM supplies hundreds of reconditioned typewriters to disabled persons, at greatly reduced prices. Some of these are supplied to Possum, a group which develops electronic aids which permit the disabled to have control over many electrical devices giving them a great deal of personal independence. IBM also provide a wide variety of services, including printing, administration and direct cash, to the Stoke Mandeville Games, the olympics for the disabled, as well as sponsoring disabled individuals on Ocean Youth Club cruises.

IBM is involved in a number of projects which cover a wide range of educational activities. It runs a Schools Information Service on technology and education, responding to 3000 requests per year. It launched a successful pilot comprehensive school/IBM location twinning scheme in London which is now being enthusiastically considered in other areas. It provides scholarships to Atlantic College which aims to improve international understanding through education, and it provides participants to the Industrial Society's "Challenge of Industry" seminars in schools. As well as making regular annual donations to Oxford, Cambridge and Newcastle universities, IBM gives both money and advice to the Continuing Mathematics Project which is developing teaching aids on aspects of applied mathematics. IBM's cultural sponsorship programme mainly aims to bring music to the regions outside London. It includes sponsorship of performances by leading orchestras and musicians at most major arts festivals as well as ballet productions and art exhibitions, and jointly with its associated companies in Europe IBM UK has supported the formation of a European Community Youth Orchestra and has sponsored the European Museum of the Year Award. Sports sponsorship includes equestrian and cricket events as well as sports coaching weekends for promising young athletes.

(3) Midland Bank Ltd

It remains a strong and welcome feature in the UK that the branch bank manager wears the mantle of an involved member of the local community. Long-standing relationships exist with the vast majority of customers, based on the fact that banking involves people, communities and aspirations. Accordingly, bank managers are closely identified with communities throughout the U.K., engaged in serving these communities (personally and professionally) and well placed to identify and meet local needs. In this regard, corporate responsibility has been and remains a fundamental part of banking business operations and not a latter day discovery.

Against this background the Midland Bank Group has always sought appropriate ways and means of acting for the benefit of the community. This is evidenced by its attitude to employees, its business ethics and the degree of business efficiency which generates and retains that element of profit vital to the maintenance of a strong banking system. Indeed, both profit and its mirror image in the form of taxation are hallmarks of corporate responsibility.

In addition to the infinite signs of corporate responsibility appropriate to any major well managed organisation, it is appropriate to mention the following specific activities :-

Midland Bank announced two major business initiatives in 1979, both aimed to support the small firm sector and still unique amongst the clearing banks. Firstly, the emergence of a risk investment service at a level of investment hitherto regarded as uneconomic. The present allocation of resources is quite disproportionate to the return, but, by making investments of £5,000/£50,000 the Bank hopes to break even in the medium term and intends to help small firms in the short term. It has also taken action to provide small business loans for periods up to 20 years, on a basis which remains unique in the U.K;

Founder members of LEntA; associated by way of secondment, direct help, and other resources with other actual or potential Agencies in Bristol, Birmingham, Liverpool, Newcastle, Runcorn/Halton, St. Helen's;

Sponsorship of the Arts - including the Covent Garden "Proms", the Royal Shakespeare Company - Civic Trust Awards; horse trials and recently the Metropolitan Police Youth Soccer Tournament;

Widespread programme of local community projects - mostly for the arts. This reinforces the Bank's tradition of local involvement;

Secondment of the Midland Bank Research Fellow in Independent Business Studies to the London Business School and a secondment to the GLC London Industrial Centre to facilitate interchange of experience and ideas; involvement with Action Resource Centre and Project Full-Employ.

(4) National Westminster Bank Ltd

National Westminster is the largest banking organisation in the UK with over 3,300 branches and sub-branches in local High Streets and employing over 65,000 staff. A Social Policy Committee was formed in 1974 and is chaired by the Chairman of the Bank itself.

Company policy recognises that the bank needs to balance the respective responsibilities to shareholders, staff, customers and 'society at large'. With one of the largest corporate responsibility budgets National Westminster divides its support to the community into three broad areas, charitable donation, sponsorship and secondment.

Last year National Westminster made donations of £400,000 to a wide variety of charities including health, conservation and education.

The sponsorship budget for 1980 is directed towards 'social affairs' and ranges from support for a national campaign to help elderly people avoid violence and fraud to local support for such things as conservation schemes and providing amenities for play groups.

The bank sponsors cultural events in its arts programme including the London Festival Ballet's 'Nutcracker' and the Old Vic production of 'Romeo and Juliet' and provides support for amateur sport.

In 1980 it expects to second 130 members of staff to a variety of charitable organisations for periods of between two months and two years to work as administrators, organisers, fund raisers, co-ordinators and office managers.

(5) The British Steel Corporation

The British Steel Corporation, Britain's largest producer of steel, was formed in 1967 and has had persistent financial difficulties. In the past five years it has made 29,000 workers redundant and has announced a further 53,000 jobs will have to go by August this year. In many places it has been the town's major employer. Corby, in the Midlands of England, for instance, was a town virtually created around steel works, with most of the labour imported from Scotland, and the closure there will result in a loss of some 5,500 jobs.

BSC (Industry) was set up in 1976 with the purpose of creating new jobs in steel closure areas. In 1978 it was considerably beefed up under a new chief executive, Paddy Naylor, since when it has created nearly 3,000 new jobs and has firm commitments of 4,000 more. BSC's budget for its job creating subsidiary is some £10m plus £1m for premises and a staffing level of 40, recruited from within the Corporation.

BSC (Industry) provides a service helping to solve the problems of companies moving to or expanding in steel closure areas. This includes help in negotiating the maximum financial package, including available grants and subsidies, on behalf of a company. In addition it will help find the right premises, negotiate planning permission where necessary and arrange for connection of services. As many of the companies it attracts are small or medium sized it often commissions management consultants to carry out feasibility studies for the client. Almost all of the jobs created by BSC (Industry) have been in medium and small sized units rather than major projects.

Critics of the BSC initiative say that it is an expensive job creator (the cost involved is an average of £1,000 per job created) to which it would reply that it has come late to the job and is dealing with a crisis.

(6) Shell U.K. Limited

Shell U.K. is the second largest oil company in the UK and employs 28,000 people. It is well known by the public not simply because of its brand image, the Shell pecten, its size, its retail outlets, refineries and oil terminals, but also through a wide range of educational films, books and corporate advertising.

It is also known for its interest in small businesses, being one of the leading large companies involved in encouraging the development of new small businesses.

Shell's interest in the small business sector was initiated by a senior Managing Director, the late Mr. C.C. Pocock, when he gave the 1977 Ashridge Lecture. He argued that small firms were the most likely route for the creation of new employment, as had been demonstrated in the USA. In his view there were a number of practical ways in which large companies could help small businesses, not least of which was paying their bills on time.

Shortly after that lecture Shell sponsored research into ways whereby it could do more to help the creation and development of small firms. The research findings indicated that Shell could help its numerous small suppliers, in addition to prompt payment of bills, by ensuring adequate communication of its purchasing requirements and by taking extra care in implementing policies which could affect small firms with which it was doing business. Other findings were that ideas and inventions which were not suitable for development by Shell, surplus land and buildings owned by Shell, could with benefit be made available to small firms, and there was opportunity for Shell to help small firms with advice and expertise.

Consequent to Mr. Pocock's initiative and the research Shell UK decided to include in its corporate responsibility programme the encouragement of small businesses. Hence in July 1978 the Shell Small Business Unit was set up to put these recommendations into practice, which included reviewing payment practice and ensuring small firms had a fair chance to compete to supply the company.

Shell is a joint sponsor of the New Enterprise Development Project at Durham and has sponsored a Build Your Own Business competition, providing the cash prizes, which generated considerable publicity and attracted a number of other organisations to help the winners.

Shell sponsors research into small business and has three secondees at organisations such as London Enterprise Agency and Action Resource Centre.

The Small Business Unit is part of Shell UK Public Affairs department which, in addition to helping small firms, deals with sponsorship, services to education and the management of an extensive free film service. It also sponsors

competitions for a 'Better Britain' and better canals, endows university facilities, sponsors the arts and gives to charity. Total corporate responsibility activities budget is about £2 million.

(7) Pilkington Brothers

Pilkington Brothers, the UK's largest firm of glassmakers, employs 30,000 people world-wide and has an annual turnover of £549m. Founded in the late 1820s by two Pilkington brothers the family has taken a major part in the company's management for five generations. In 1970 it became a publicly quoted company.

Since the war it has grown rapidly and is now an international concern, greatly helped by the technological breakthrough of 'float glass'. Its main manufacturing base and headquarters is in St. Helens in the North West of England which is widely known as a 'company town'.

Pilkington has a long record of progressive welfare benefits for its employees and a considerable involvement in the town as a whole. Technological advances in the glass industry have resulted in the town facing increasing unemployment. Pilkington has taken two major initiatives to try and create jobs within the community. First was the establishment of the Community of St. Helens Trust which although independent of Pilkington and supported by many other local organisations receives considerable support from the company in the form of finance, premises and general assistance.

The second initiative is one of the most radical in job creation in the UK. The company has set up a venture capital subsidiary to invest initially between £50,000 and £250,000 in new and young businesses which have potential to become major businesses by the 1990s. The venture capital company has £2m available for investing in new businesses of which £1.5m represents Pilkington's commitment. Other shareholders are Prudential Assurance, British Petroleum, the Community of St. Helens Trust and the Industrial and Commercial Finance Corporation. Initially Rainford Venture Capital will only invest in companies in St. Helens. It is to be managed by Venture Founders Limited, the British subsidiary of the American venture capital company Venture Founders Corporation, which was set up in 1972 after an extensive research programme at MIT's Sloan school of management.

SOME EXAMPLES OF VEHICLES FOR CORPORATE RESPONSIBILITY

LONDON ENTERPRISE AGENCY

A group of Britain's major companies combined to establish the London Enterprise Agency in April 1979. The Agency enables the companies to work together to help small firms and inner city regeneration in London.

The founding members of the Agency are:

Barclays Bank Ltd; BOC Ltd; The British Petroleum Company Ltd; GEC Ltd; IBM United Kingdom Ltd; Industrial and Commercial Finance Corporation Ltd; Marks and Spencer Ltd; Midland Bank Ltd; and Shell UK Ltd.

The Agency has a small staff, largely secondees, but the main contribution comes from within the companies themselves through the provision of expert help and advice.

The four main areas of activity are:

1. providing help and advice to both existing firms and start-ups;
2. identifying and evaluating specific projects such as small firm premises with central services;
3. encouraging large firms and other bodies to examine how commercial policy can be used in areas such as purchasing and technological development
4. acting as a catalyst in encouraging economic growth and commercial investment in the inner city.

Help for Small Firms

The Agency offers help to small firms both through its staff and through accountants, technicians, marketing managers etc. made available by sponsoring companies and is also looking at the development of special services including a "marriage bureau" which will match small firms and managers retiring from large firms and/or private sources of funds.

Business Start-Ups

The Agency's main activity in helping business start-ups is a series of one-day conferences, which give a basic outline of some of the aspects involved in starting up in business; followed by a more intensive programme of training and development courses and follow-up assistance in such areas as finding suitable premises and raising the necessary finance.

Premises

The Agency is developing small firms industrial estates. The first such project is on a two acre site in Wandsworth, London, provided by Shell UK Ltd and is under development in partnership with ICFC Properties Ltd. Other companies and bodies will be encouraged to follow suit in releasing land for such schemes. As well as its own projects the Agency gives advice to other similar projects concerned with the supply of small units.

Finance

The Agency does not provide finance itself but seeks to act as a catalyst with the financial institutions to help specific projects and needs. One aspect of the counselling service is to assist small firms and entrepreneurs in presenting an effective case to the institutions.

Commercial Policy

The Agency provides a focal point for large firms and organisations who wish to encourage small firms through purchasing and payment policy. While it is not intended to ask purchasing officers to act in an uncommercial manner the Agency is seeking to encourage large firms to decentralize their purchasing policies and thereby enable small firms to play their full part as sub-contractors and suppliers. Work has commenced on drawing up lists of products which are difficult to buy in the UK.

Projects

The Agency assists specific projects, largely business counselling services and small firm estates, mainly by providing secondees.

Urban Regeneration

The Agency seeks to assist in the regeneration of inner London by acting as a catalyst for the expansion of the economic base, in particular small and medium-sized companies, and by encouraging commercial investment.

As much of the activity of the London Enterprise Agency is essentially of a local nature it is envisaged that similar Enterprise Agencies will be set up in a number of major urban centres and that London should therefore act as a pilot for other cities. A number of such initiatives are now being considered or are under way. Birmingham Venture is a good example.

BIRMINGHAM VENTURE

Birmingham Venture was launched in October 1979 to enable larger Birmingham firms to foster local initiatives and the generation of new jobs. Founding members are Barclays Bank, Cadbury Schweppes, Lucas Industries, Midland Bank and the local newspaper, the Birmingham Post and Mail. Birmingham Venture is looking particularly at :-

1. ways of providing a practical welcome to new firms in the area;
2. how large firms can work more closely with the local council to assist the local economy;
3. ways in which larger companies may be able to provide help to smaller firms in export marketing;
4. providing assistance to small firms in finding and training skilled operatives.

COMMUNITY OF ST. HELENS TRUST LIMITED

The Merseyside town of St. Helens has traditionally relied on large scale process industry, glass, to provide the bulk of the employment in the town. By its nature if such industry is to remain in business and competitive internationally it must advance technologically and this inevitably means a declining work force.

Objectives

The Trust was set up in July 1978 to marshal the resources of the community to create an environment favourable to the growth of business enterprise, in particular new small businesses.

Composition

To achieve these objectives representatives of local industry, the local authority, banks, unions and the Chamber of Commerce make up the Governors of the Trust. These all provide support for the Trust activities. The day to day management of the Trust rests with a Director independent of any individual constituent of the Trust. Supporting staff are secondees.

Activities of the Trust

The Trust does not itself attempt to create business enterprises directly. It acts to support entrepreneurs who can be assisted in the following ways:-

1. Finance

The Trust itself has no resources of its own with the exception of a limited fund for the provision of need capital. Essentially the Trust relies on the resources of its constituent supporters for effective action and provides advice on how to raise funds and secure available grants.

2. Professional Advice

A wide range of specialist advice is available from within the resources of Trust Members e.g. there is a panel of over 20 accountants who have volunteered to help.

3. Premises

Close links are maintained with the local authority on the provision of premises and supporters have taken individual action to establish a "seed bed" industrial estate.

4. Business Opportunities

Where practical the Trust will provide help in finding a market.

5. Training

Close links have been established with technical colleges and other bodies and the need for necessary training

programmes has been emphasised.

ACTION RESOURCE CENTRE

The Action Resource Centre was founded in 1973 on the initiative of a small group of senior businessmen from major companies. It is now well established, actively working with over 200 companies and in touch with many more.

ARC offers a free independent "broker" service to companies which wish to second personnel to community projects. Some companies organise their own programme of secondments: the majority prefer to work through an independent organisation. In its experimental years ARC matched secondees to a wide variety of community projects. In 1976 it decided that a more constructive impact could be made corporately by secondees if all projects it supported were limited to a particular area of community need. Currently all supported projects are associated with the creation of long term work opportunities: projects help specific communities or groups of people toward self help and permanent solutions to unemployment.

ARC sees the benefits of well matched secondments as mutual. A project gains expertise (e.g. managerial, accountancy, marketing etc) it could not initially afford to purchase. A secondee gains the invaluable experience of testing and increasing skills in an alternative environment. A company gains from the increased experience and broadened approach of personnel who have been on secondment. Industry has the practical expertise which can help solve the community's problems: industry needs to be better understood by the community. Through the services of the Action Resource Centre, both these objectives are being met by secondment.

The Role of
Corporate Responsibility
in Large Firms

David Sieff
Marks and Spencer Ltd

THE ROLE OF CORPORATE RESPONSIBILITY IN LARGE FIRMS

I prefer to use the term "social responsibility" rather than the conference term "corporate responsibility", since we are social beings at work and not corporate beings. It is in this spirit that I shall survey briefly the extent to which social responsibility manifests itself in the company in which I have spent my adult life.

Community Involvement in Marks & Spencer developed from the early philosophies of a business that was founded nearly a century ago. We learned that our business cannot progress in isolation from the community in which it trades. We believe that community involvement is both good citizenship and good business and must be conducted spontaneously without expectation and without regard for advertisement.

Fifty years ago, during the prolonged depression of the 1930s, the present shape and outlook of our business was being moulded by Simon Marks, the son of the founding proprietor, and by my grandfather, Israel Sieff. The bleak social and economic difficulties of the time moved them into practical action for the welfare of their staff. The key to successful business was seen to be having the right people working in the right conditions as well of course as having the right goods. Flair and technology will produce the right merchandise; the right staff develop when care and interest is shown in the individual. That care and interest must be based on a sound understanding of people's needs. Human beings are a Company's most expensive resource; yet reading any newspaper today we can be horrified by the tales of strife and lack of understanding that would appear to exist between people working in the same company. Unless one strives to build good relationships within one's own organisation, taking on a social responsibility for the community in which that organisation works is hypocritical.

It is significant that during the great depression of the Thirties, a series of social innovations were made in Marks & Spencer:-

- A cadre of Staff Manageresses was established. Their job was the recruitment,

training and well being of staff; there is today one Staff Manager for every 60 - 70 staff. They make a substantial contribution in creating teams of people who respond with a reciprocating care and concern for the business.

- Secondly, the Welfare Committee was founded in 1934 to hear and solve those personal problems of individual staff that could not be solved at local level. That committee has met weekly ever since.
- Thirdly, a complete system of staff restaurants was organised throughout the Company, where staff could be sure of a substantial mid-day meal at a nominal cost.

Since then, there have been many other innovations but the important point is that these changes were made when the business and social climates were at their blackest.

I tell you about this because many see the symptoms of 1930 re-appearing in 1980 : joblessness, social unrest and spiritual despair. Today we are a much bigger Company, playing a greater part in national life - and our staff of 40,000 in 250 stores have become even more part and parcel of the social environment and community life, the well being of one reflecting the well being of the other. If we are to encourage all to contribute to the society that provides them with so much, it is important that this is not just done by giant corporations and their cheque books, but by many of the people who work in those corporations. This can only be encouraged by developing an obvious attitude of caring in the work environment.

The philosophical thinking that inspired the initiatives of nearly 50 years ago has in no way changed today. I quote the recent words of our Chairman Lord Sieff -

"A helping hand is our social responsibility".

This helping hand shows itself through our donations to welfare charities, support for the Arts and the funding of medical research and educational projects. Nearly £1,000,000 has been given in the past year: a very special emphasis being placed

on schemes that help disadvantaged groups such as the disabled and ethnic minorities.

However, in the last few years an urgent new dimension of community need has emerged. The inner cities, in which we have stores and many staff, present a bewildering range of challenges with problems of decay, unemployment and social unrest. The nature and range of Inner Cities problems have attracted substantial and useful research. However, practical action must be the ultimate measurement of achievement. Throwing money at people and people at projects is not in the long term interests of the community. We have had to be selective in deciding what and where support is given - and why.

For these reasons, we concentrate on what we believe we can do best by studying the problem at first hand. We get ourselves on site, as it were, at the outset and subsequently throughout the life of the project. Our contribution is most effectively exercised when we back projects which concern themselves with:

- Help for the budding entrepreneur : a source of job creation and
- The transition to working life of unemployed youth and school leavers.

A healthy small firm sector is vital in maintaining the social and economic fabric of our inner cities. We have joined together with a group of major British Companies to establish the London Enterprise Agency. The purpose of this Agency is to help small firms start up, survive and expand. Our help to the Agency takes three forms:

- money for running expenses;
- seconded management staff;
- access to our technical and specialised advice resources.

The Agency is already serving as a model for other cities in Britain, where local major Companies are now taking the lead. They are in the formative stage in Birmingham, Leeds, Bristol and Manchester. In a few years, we expect to see a network throughout Britain, each with its regional flavour, but all contributing to the improvement of their blighted areas. These agencies are

exclusively and essentially a private enterprise initiative which works with other agencies in the public or private sector.

The many training workshops established to provide work experience for unemployed youths and disabled people and to which we have given funds, equipment and advice, can themselves be the nucleus of small businesses. With the right product together with an injection of commercial management expertise, workshops are capable of transformation from a training role to a commercial independence.

The reluctant student and the disorientated youth are common features of young people in that twilight zone between school and working life - between truancy and unemployment. Some part of the disenchantment stems from their misconceptions of the economic facts of life; the need to produce manufactured goods and distribute them at a price people can afford are not experiences readily or willingly absorbed in the classroom. A practical learning environment, with experienced working people acting as instructors, projects a credibility that cannot be matched by the formal school room. The business house is a major education resource.

Young people are the wealth creators of the future and we, understandably, pay particular attention to schemes that offer work experience and provide guidance to some of the personal problems that they may encounter in the adult working world. I will give you two examples:

- Project Fullemploy is the name given to a partnership of large firms which contributes funds together with the Manpower Services Commission and arranges work and life skill training for disadvantaged young people. The instructors are mainly seasoned Managers and Supervisors drawn from sponsoring firms; the class room is the work place. We have provided the premises and together with W.H. Smith and **Boots** have seconded Managers to direct a series of 13 week courses in basic retail and social skills.

The students are young people who have had difficulty in finding jobs; their backgrounds are deprived and they have no formal educational qualifications. Their initial attitudes are often resentful and some have been in trouble with the Police, but together we have achieved a high rate of success in motivating these young people to take their place in the working world. From the first course of 22, 19 originally found their own jobs. Possibly of equal significance, they continue to keep in touch with us. The second course is just finishing and it looks as if the job placement will be even more successful than the first.

My second example is that of The Working Coach. This is a Grubb Institute project which involves ordinary working people from the shop floor. Their task is to convey to young people what it is like to be a worker and how to face various issues from a worker's point of view. A group of unemployed or misemployed young people will meet weekly over a period of six months. The effectiveness of their sessions depends on the relatively unsophisticated nature of the instructor and on the practical environment in which the sessions develop. The Manpower Services Commission funds this particular scheme and helps with course nominations. We have staff serving as Working Coaches in London and Wolverhampton and in Glasgow we have encouraged manufacturers with whom we do business to participate.

By such germination, we may see the spread of a national network at minimal cost.

A particularly important point to note in all areas of help is that little is achieved if when the support systems are withdrawn those benefiting fall over. It is too easy to encourage total reliance, and not so easy to exercise the minimum firmness required to get individuals to help themselves.

Much of our community involvement is done in partnership with other large firms. The Action Resource Centre is such a partnership and exists to study

how industrial, commercial and public resources can best help the community and to implement a programme of practical help. Secondment of business managers through the A.R.C. to projects which help to increase the number of permanent jobs, benefits not only the community but gives practical experiences for personal development which enrich the more traditional methods of management training. We believe that secondment plays an important part in career development and we pay special attention to selection from among our best people.

I have described some ways in which our community involvement is expressed in practical form. Giving of time is one of the most important ways in which companies can help. The cheque book, as I have said before, is an easy way out if you are profitable, although profits are essential to be able to do much of what I have been talking about. Allocating your manpower resources to helping is more difficult but equally beneficial to the community and the person helping. This is a point I cannot emphasise enough. Those whom we have seconded to various projects have benefited enormously from the experience. Young managers have matured immeasurably and have had many prejudiced views changed and their eyes opened. Providing such help also enables us to sometimes deal with the real problem and not just treat the symptoms. Talking at first hand with young people can reveal quite frightening attitudes towards the society that has got it all wrong in the eyes of some of its future citizens.

However, our activity represents only a drop in the ocean in relation to the total problem. What we have to be sure about is that our contribution reflects positive thought and not random reaction. We do know that we cannot stand aside in the belief that government has either all the wisdom or the means to solve those problems. The entrepreneurial spirit which private enterprise has, and the public sector often lacks, has an important role to play.

DINOSAURS DID NOT SURVIVE

Corporations Must Learn to Self-Adapt to Survive
in their Changing Social and Political Environment

Paper Prepared By

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September 14, 1978 was not an eventful day in San Francisco. Yet some future historian, reviewing the day's events as reported by the San Francisco news media, may well conclude that the decline and fall of American capitalism was clearly visible on that bright and shining autumn day.

Certainly, on that day, the media presented a kaleidoscope of disturbing images for anyone concerned with the future vitality of the corporate form.

The front page of the morning Chronicle reported that the Ford Motor Company had been indicted by a grand jury in Elkhart, Indiana, on three counts of reckless homicide and one count of criminal recklessness in connection with the death of three girls in a Pinto automobile.

The Wall Street Journal proclaimed that B. F. Goodrich and one of its executives were charged with criminal tax violations in connection with the company's previously disclosed political slush fund.

The homeward-bound commuter's car radio reported a speech on corporate governance. During the course of the broadcast, the boards of directors of American corporations were collectively

excoriated for failure to responsibly direct, for conflict of interest, and for preserving a "clubby protocol".

The evening television news broadcast brought no surcease. For a full five minutes, America's most prominent cereal manufacturers were pilloried for improper labeling, inaccurate advertising, and nutritionally deficient products.

Survival May Be at Stake

Charges such as those of September 14, 1978 are repeated daily in the American press. Some charges leveled against American business are false. Others are misleading. Still others represent grossly simplistic interpretations of enormously complex problems. Nevertheless, whatever the validity of these individual stories, they underline the unmistakable fact that there has been a sweeping change in the value systems of the United States and in the public perception and expectation of the American corporation.

In the 1950s, the public sense of business legitimacy was high. The unprecedented outpouring of goods and services following World War II suited the needs and aspirations of the public and as a

result corporate America was applauded for its performance. By the late 1950s, as American values changed, questions of business performance beyond traditional economic measures arose. In the early sixties, the questioning was subtle. By the late sixties and early seventies, it was explosive. Today it is pervasive.

This questioning has eroded the sense of corporate legitimacy. Legitimacy - the public perception that an institution is serving societal need - is the charter to operate in a democratic society. Without such validation by society, corporations will be strangled by legislation and regulation, or, in the extreme, will be nationalized. Over the past decade, the industrialized countries have seen far too much of both kinds of infringements.

Judson Bemis, Chairman of the Executive Committee of the Bemis Company, addressed what he labeled the "tide of change" in public attitudes and expectations of business.

"We will surmount the tide," Bemis said, "only if business is intellectually, philosophically and astutely wise enough to change. Merely to survive, business will have to change with society; if more than bare survival is our goal, business

will have to change in advance of society" ¹

What has been business's performance in the sociopolitical maelstrom of the past twenty years? In a few companies it has been good, in others it has been spotty, but on the whole it has been miserable. If corporate response to changing preferences in the marketplace for product and service were as torturous as the response to social change, there would be a killing number of bankruptcies in the American business system. Yet, in the long run, failure to adapt to societal change may prove as lethal as failure to adapt to market change.

As every student is taught, the dinosaur did not survive because it was unable to adapt to changing conditions.

An analogy between the plight of the ancient saurian and the contemporary large organization may strike some as whimsical. Yet the corporation is in a similar predicament. Like the dinosaur of ancient times, the corporation looms large in the modern world. The corporation has demonstrated a genius for scale in marshaling capital, technology, and human resources. It has learned to order its internal and economic

¹ Remarks, Project on Corporate Responsibility, Conference, Spring Hill Center, Wayzata, Minnesota, March 1978.

worlds, and has provided the muscle that has raised the living standards of a sizeable segment of this planet's present population. It is, in short, a splendid creation. However, just as the dinosaur was dependent on its natural habitat, so the corporation is dependent upon its social milieu.

Corporations today draw their collective breath and search for the nourishment of profit in a changed and changing social environment. Many executives perceive that environment as hostile and threatening corporate survival. Unfortunately, such value judgments only encourage counterproductive windmill-tilting. Social forces have a drive of their own and therefore it is more constructive to view the social environment as an existential fact and deal with it accordingly. Like the environmental changes that finally did in the old dinosaur, these social forces eventually will sweep away the non-adaptive. Thus, the most important challenge facing the corporate world is to create organizational structures that allow the corporation to mutate its policies and practices so that it can survive amid the realities of its social environment.

Social Validation and Corporate Legitimacy

Confrontation between a politician and a business executive

is the butt of an old but relevant joke. The executive snarls at the politico, "What do you know about it? You've never met a payroll". The politician retorts, "That's all right. You never met a precinct". Today, as never before, it is imperative that the business community, and corporations individually, learn how to "meet a precinct".

The unfortunate fact, borne out by poll after poll, is that the public holds the business community in low esteem.² Acceptance of business conduct and function in public opinion polls is roughly analogous to the electoral approval public officials receive in the political process. Without such social validation, corporate activity is de-legitimized, and in a political democracy, real questions arise concerning survival of the corporate form.

Business is beginning to recognize the problem of legitimacy, but still gropes for its solution. In the late 1960s, some corporate leaders embraced the concept of business social responsibility as the means for achieving the social validation needed for legitimacy. However, the concept was fuzzy and the effort did not realize its potential for lack of a consensus as to what a "socially responsible" corporation was, and because

² Public Opinion Index, The Business Climate, March 1978.

social responsibility was viewed as an attribute, rather than the outcome of a continuing and evolving process. More direct attempts at achieving public acceptance have involved millions and perhaps billions of dollars in corporate expenditures on public interest advertising. Even greater amounts have been spent on a wide variety of economic education programs in the belief that "if only they understood, validation would be forthcoming". Validation has not been forthcoming.

Self-Adaptive Capability Needed

These efforts failed - and will continue to fail - because they attack the wrong problem, in the wrong way, in the wrong place. They are ideological and systemic defenses against attacks that are pragmatic and specific. The complainants against business over the past decade have sought remedy of specific abuses and problems. Questions about discrimination, product safety, truth in advertising, labeling, disclosure, political contributions, redlining, overseas bribes, and the like, are strikingly concrete. They are specific instances of corporate actions engendering external effects. As such, they cry, not simply for external ideological and rhetorical defenses, but for honest examination and appropriate adaptation within the corporation. Yet, with few exceptions,

corporations have failed to install an effective and ongoing self-adaptive capacity to deal with these practical issues.

This failure is important because there is not one shred of evidence that an ideological conflict exists in the United States. Quite the contrary, Americans are almost universally supportive of the concept of private enterprise.³ Yet lacking a formal adaptive capacity, business response to specific complaints all too often takes on an ideological tone. It is not entirely idle to suggest that business's reliance on rhetorical and ideological responses may, eventually, create an ideological conflict where none presently exists. Such a development would be a tragedy worthy of a Greek playwright.

In a recent HBR article, Louis Banks, Adjunct Professor, Sloan School of Management, M.I.T., urges that American corporations enter the marketplace for ideas in a more sophisticated way. He argues that corporate issue campaigns offer the best long-term strategy for corporations to gain both media attention and a chance to present a broader set of arguments to the public at large. He implies that when corporations participate in public debate on specific issues, the end result will be a

³ Daniel Yankelovich, in Business Credibility: The Critical Factors, The Conference Board, New York, N.Y., 1976, p. 21.

change in the public view of corporate practice and thus a greater degree of social legitimacy for the corporation.⁴

Banks' observations are important. Corporations have been reticent to enter the hurly-burly world of political and social ideas. When business has probed the marketplace for ideas, it has tended to be superficial. Lavish films and richly illustrated brochures, which are a feast for the eye and a famine for the mind, are unfortunate hallmarks of corporate public relations, and, as any journalist will testify, corporate public information efforts far too often are exercises in obfuscation. Monitoring corporate developments and positions of a political and social nature, then communicating them intelligently, coherently and honestly, require more skill and coordination in the corporate communications effort than are now generally visible. Therefore, Banks' proposal for an office of external affairs at the apex of the corporation is timely and sorely needed. However, Banks implies that such an office, in addition to presenting the corporation to the outside world, would also be an internal agent for change. Perhaps, but implication is not enough, and issue advocacy alone will not achieve legitimacy for the corporate form.

There is awareness of the legitimacy problem in CEO suites. A few chief executive officers have entered the marketplace of ideas and assumed

⁴ Louis Banks, Taking on the Hostile Media, HBR May-June 1977.

positions of up-front visibility. Many other chief executive officers expend substantial time in meetings devoted to public issues, in an attempt to secure the legitimacy that business needs. These efforts are to be applauded, yet they may well be wasted because of failure to attack the legitimacy problem in the same coolly analytic way that business tackles other problems. Unfortunately, very few CEOs have seen the wisdom of institutionalizing the process of change in response to societal demand.

The time for such institutionalization is now propitious. For the first time in memory, American corporations have the opportunity to ride a ground swell of public sentiment against waste and inefficiency in government. If corporations do this wisely, seeking validation for their own activities from their core constituencies, as well as from the public at large, a major reaffirmation of business legitimacy could take place over the next decade. But this can only happen if corporations have the capacity - and the will - to adapt their operations to the needs and values of the society at large. Henry Schacht, Chairman of Cummins Engine, has said it this way: "The needs of society transcend the needs of any corporation. No corporation or product has an inherent right to the marketplace."⁵

⁵ Remarks, Project on Corporate Responsibility, Conference, Spring Hill Center, Wayzata, Minnesota, March 1978.

A self-adaptive capability does not require an inordinately large staff or expenditure. Nevertheless, it is a difficult undertaking because it demands efforts uncharacteristic of organizational behavior. It requires, in effect, that the corporation shall build and carry its own cross. It is not the kind of activity undertaken with a warm feeling of doing good, but rather, undertaken from a hard appreciation of the need for identifying the firm's core constituencies, and securing their acceptance through a process of dialogue and change.

How does a corporation develop and integrate such a capacity into its existing organization and managerial structures? There are undoubtedly many ways to begin. A good first step is the development of an environmental analysis of the social and political forces which affect the corporation. IBM, Monsanto, Sun, TRW, and Union Carbide are among the corporations that have begun to incorporate issue analysis or social forecasting into the routine activities of external affairs departments.

However, the process of achieving social awareness and self-adaptation through a handful of "change agents" in the external affairs departments must be slow, considering the organizational, ideological, and managerial inertia which must be overcome. Moreover, when issues

have been identified, or when the corporation has gained an understanding of the issues affecting it, how should it respond? The easy approach is rhetorical, but often what is needed is a painful change in corporate policies and practices. A practical design for institutionalizing a capacity for self-adaptation and for engaging in mutually influencing dialogues with core constituencies is suggested by the early experience of a few corporations that have ventured into this terrain.

Identifying Core Constituencies

Who are the core constituencies of a corporation and what are the private actions or inactions of the firm which engender concern to these constituents? One way for the corporation to answer these questions is to adapt the approach of Bank of America when it developed a voluntary disclosure code.⁶ The development of a disclosure code provides a disciplined process for identifying the firm's constituencies, flushing out the issues, problems, and needs for policy changes, as well as providing a blueprint for a specific set of differentiated functions and policies for an ongoing social policy program.

⁶ BankAmerica Corporation Voluntary Disclosure Code, November 1976.

The forging of a corporate disclosure code requires a rigorous look at the information needs of the corporation's core constituencies. For most corporations, these core constituencies include customers, employees, stockholders, public interest groups, the investment community, legislators, regulators, and the general and financial press. The relative importance of such core constituencies will vary from company to company.

The development of a voluntary disclosure code is basic in concept. The objective is to interview core constituencies. The transcendent question to be posed is, "What actions of our company are of concern to you, and what information do you need to properly judge our corporation?" The answers will be as widely disparate as the corporation's constituencies. Indeed, the differing information needs are clear signals of the many-faceted views of the corporation that must be taken into account in the decision-making process.

The process is arduous. At Bank of America, seven senior officers, augmented by internal staff and outside consultants, labored for eight months to find out what people wanted to know about the bank and its operations. In person and by letter, the bank sought the views of legislators, regulators, stockholders, the media, security analysts,