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# Business Ethics™

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*Forget the government.*

## It's the community that can shut you DOWN



*A silent power shift is underway, from government to activist community groups. Woe to corporations that don't understand this.*

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# *Forget the government.* It's the community that can shut you DOWN



*A silent power shift is underway, from government to activist community groups like Greenpeace and ACORN. Woe to corporations that don't understand this.*

**ITEM 1** On June 10, 1995, Shell UK began towing a used oil rig out in the North Atlantic to sink it. This deep-water disposal decision had been reached after four years of study by scientists (including a Nobel Prize winner), and with the approval of the British government. Ten days later the plan was halted by community sentiment whipped up by Greenpeace. Shell was forced to move the rig to a Norwegian fjord, while it made plans to dispose of it on land.

The cost to the company? Incalculable. Shell estimates it cost $200 million just to change the disposal decision. In one week alone, boycotts in Germany cut sales in half. Fifty Shell service stations were vandalized, two fire-bombed, and one raked with bullets. Employee morale plummeted.

**ITEM 2** A month later, on July 27, phosphorous trichloride leaked from Merck's Flint River pharmaceutical plant in Albany, Georgia. The leak produced a visible toxic cloud, just as a TV crew was driving by. Forty-five people were taken to hospitals, and 400 workers were evacuated.

When the TV reporters began interviewing nearby residents, they found the response nonchalant, sometimes laudatory. Mozel Faircloth, director of a nearby daycare center, said, "I've never had any reason to be concerned about Merck." Scott Robertson, a compliance officer with the Georgia EDP hazardous waste unit, said Merck is "environmentally conscious."

**WHAT DID MERCK DO RIGHT?** Simply this: *Merck realized that the rules of community relations have changed profoundly.* Shell thought government approval gave it the green light, but Merck knew that the real green light (or red light) comes from the community. And it courted community acceptance long before the crisis hit.

The Shell incident is one of many where hostility has thwarted company plans. In 1996, the Walt Disney Co. spent millions on plans for a theme park in northern Virginia—only to find the idea scuttled by community opposition. Wal-Mart was prevented from opening stores in Massachusetts, Vermont, and Virginia, by activist groups of maybe a dozen people each. Similar disapproval blocked Monsanto's plan to open a plant in Bowling Green, Kentucky.

Times have changed. External affairs strategies like those crafted thirty years ago no longer work. They relate to a world that no longer exists.



**Wal-Mart was prevented from opening stores in Massachusetts, Vermont, and Virginia, by activist groups of a dozen people each.**

## A new era of external affairs

Thirty years ago, the federal government defined a company's license to operate, and federal regulations governed everything from wages and prices to safety and environment. That's no longer true. With the exception of taxes, *every major domestic policy program of the past two or three decades has been set by advocacy groups.* The Clean Air Act, the Endangered Species Act, AIDS research, disability access, and family-friendly accommodations are just a few examples.

Advocacy groups also monitor corporate performance. In Cincinnati, a neighborhood group won a $78 million settlement against a uranium processing plant. The Association of Community Organizations for Reform took Allstate Insurance Co. to task for "blatantly violating fair housing and insurance laws" in seventeen cities. Telephone companies came under fire for their giving practices to racial and ethnic groups, in an action organized by the National Committee for Responsive Philanthropy. AIDS groups closed down the New York Stock Exchange. And in Boston, Fleet Financial was forced to contribute $20 million for inner-city loans because of lending violations uncovered by neighborhood activists.

The community defines the policy agenda today. As Richard Evans, V.P. of Amoco has said, "Companies operate only with the permission of the community." That permission has to be earned—but too often it isn't. As companies downsize, consolidate, and close plants, community an-

BY EDMUND M. BURKE, PH.D.



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**ACORN took Allstate Insurance to task for fair housing violations in seventeen cities.**

ger is rising. The challenge for corporations is to become *a neighbor of choice*. And that means three things: developing community relationships, crafting effective programs, and keeping in touch with local needs.

### 1. Building relationships that create trust

The intention is to develop positive relationships with key people and organizations, so the company is viewed as an asset, not a liability, in the community. Relationship-building creates a legacy of trust, which helps when a crisis hits—as it did with Merck's chemical release accident. Merck was able to capitalize on its relationships in the Albany community.

*Another example:* None of McDonald's thirty-one restaurants was burned or looted in the 1992 Los Angeles riots, and the company credits this as the "real payoff" for its community relations.

*Among the ways companies are building relationships:* running plant tours, offering company facilities for events, providing training for charitable agency executives, or establishing community advisory panels. In a strategy called "site-based community relations," Merck expects general managers to attend community meetings, and meet with opinion leaders. That changes the job of community relations managers, who shift to providing coaching, or take on special projects.

When Merck was planning to move its headquarters from Rahway, N.J., to rural Whitehouse Station, a community relations manager was sent to the community two years before the move. Neighbors to the proposed site (the "fenceline" community) were interviewed, and their requests led to design changes. The consequence: In a *New York Times* feature, Merck was praised by mayors of both communities. When another company complained that Merck was having no difficulty obtaining permits, the mayor of Whitehouse Station replied, "Merck does its homework."

### 2. Designing programs for strategic advantage

A company's community programs—philanthropy, voluntarism, and partnerships—are its most visible community relations activities. Until the mid-1980s, these programs were grudgingly tolerated, and often limited to projects like the favorite charity of the CEO's wife. But corporate giving has risen from less than $2 billion in 1979 to over $6 billion in 1994. And there's growing recognition that community programs can support business strategies.

*Job loyalty, for example, can be significantly enhanced.* Studies by David Lewin at UCLA revealed that employee morale is three times greater in companies with strong community relations. Marketing also benefits. A survey by Grey Advertising showed that consumers are increasingly influenced by a company's community reputation. Corporations take this seriously enough to subtly advertise their philanthropy — as when Brooks Brothers advertised its scholarship programs, or Benneton organized a consumer drive for used clothing for the needy.

But community programs can't serve business needs alone—or they will be viewed as self-serving. Robert Bothwell, executive director of the National Committee for Responsive Philanthropy, is critical of corporations that depend entirely upon marketing strategies to make charitable giving decisions, saying this approach can leave key community needs unmet.

Programs must contribute to quality of life. One way to assess this is with a *community audit of issues and needs*—which can serve as a dramatic and inexpensive demonstration of a company's commitment. When COMSAT Corp. conducted a needs assessment in Washington, D.C., a congressman complimented the company for seeking community advice. After Imperial Oil in Canada completed a needs assessment in Drayton Valley, the mayor sent a thank you note which was printed in the local paper.

When possible, programs can be chosen that serve both company and community needs—as when United Parcel Service and Thom McAn used employee volunteer programs to teach diversity skills.

### 3. Monitoring community concerns as an early warning system

If today's social policy agenda is defined at the community level, then it's crucial to put in place an early warning system. One example: Bank of America credits its issues management staff with helping the company influence legislation that could have affected its lending policies.

But such efforts are too often focused on legislation, and overlook community issues. At Disney Company, for example, an awareness of the historical concerns of community residents might have led the company to revise its strategy of locating a theme park in northern Virginia, and saved millions of dollars.

Monitoring community concerns isn't difficult, but the process is often unsystematic. Companies need a management plan. And the neighbor of choice strategy provides the direction. As companies focus on relationship building, they can be monitoring issues at the same time. But it must be a managed responsibility, not simply an add-on responsibility. Issue monitoring can't be left to chance.



**AIDS groups closed down the New York Stock Exchange.**

The neighbor of choice strategy is a corporate strategy. If it's viewed as a philanthropic or community relations strategy, it will fail. Company leaders must acknowledge that societal issues have a direct relationship to success, and that corporations today need not only a business vision but a *community vision.*

A community vision is simply this: an image of how the company would like to interact with the community. It springs



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from an understanding of community issues, and how they impact the company. If a community has inadequate housing, for example, or strained race relations, it can interfere with a company's ability to grow or even survive.

Recognizing this symbiosis, companies might begin to craft a community vision with questions like these: What do you want the community to say about the company? Is it a responsible neighbor? Is it committed to enhancing quality of life in the community?

The community vision must be widely communicated throughout the company, particularly by the CEO. Only the CEO has the clout to insist upon the importance of community relations to company success. Explaining the *need* for the vision is most important. Without that, the community vision becomes a platitude.

But to be effective, the neighbor of choice strategy must become corporate wide—a part of the culture. Before business decisions are made, managers need to consider: *What are the community implications of this decision?* Senior managers may resist spending time and money on community issues, but they must recognize that today's social environment calls for a new approach to managing. Some companies—like Motorola, Polaroid, and Nova—send general managers to executive education programs in community relations.

Some CEOs are recognizing the need, too. In 1989, Richard Mahoney of Monsanto announced a company goal of reducing toxic air emissions by 90 percent, out of respect for growing public criticism of pollution. "Communities around the world," he told employees, "are making it plain, both in word and deed, that plants operating in their neighborhood must be safe, not just for workers at the plant, but for the neighborhood as a whole. And they're right."

Society is forcing companies to change the way they do business. Companies can no longer take community acceptance for granted, simply because they pay taxes and hire residents. They must become neighbors of choice—not just as a way to organize community relations, but as an imperative for success.

*Adapted from a speech by Edmund M. Burke at the March 1997 conference of The Center for Corporate Community Relations at Boston College, held in Charleston, S.C. Burke is founder and director emeritus of The Center. Contact: CCCR, Boston College, Chestnut Hill, MA 02167-3835. Phone 617/552-4545. E-mail: CCCR@bc.edu. Web site http://www.bc.edu/cccr*

**Walt Disney Co. lost millions when community activists thwarted plans for a theme park in Virginia.**

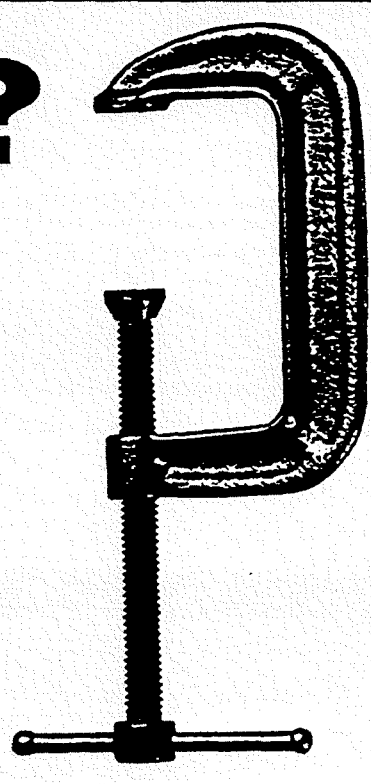
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