Edmund M. Burke

CORPORATE COMMUNITY RELATIONS

THE PRINCIPLE OF THE NEIGHBOR OF CHOICE

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Foreword by Raymond V. Gilmartin

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Foreword: Why Merck Wants to Be a Neighbor of Choice

At Merck our business is to respond to society's needs for important medicines and vaccines. This the foundation of everything we do.

In 1950, George W. Merck, our modern-day founder, expressed a belief that reflects our operating philosophy to this day. He said, "We try to remember that medicine is for the patient. We try never to forget that medicine is for people. Not for the profits. The profits will follow, and if we have remembered that, they have never failed to appear."

This approach has guided us in discovering, developing, manufacturing, and marketing breakthrough medicines that prevent disease and enhance the quality of life for millions of people around the world. It also guides the way we conduct our business in the communities where we operate.

Neighbor of choice is consistent with our mission and operating philosophy. We agree with Dr. Burke that basing relationships on trust and respect leads to more lasting and constructive interactions with the vital forces of society.

We recognize that trust has to be earned. It is by providing an excellent work environment that we earn the loyalty of our employees; by developing innovative medicines that customers see our products as adding value to their lives; and by committing to practices that protect our neighbors and the environment that we earn their acceptance and license to operate.

Trust, however, is not granted to us just because we pay our share of taxes or hire residents to work in our company. While that may have been the case at one time, it is not the only criterion today. People expect us to become partners in solving community problems. They want the private sector to support programs and institutions that improve the quality of community life.

That is why we have adopted the principle of neighbor of choice. It is a metaphor that accurately depicts how we want to be positioned in our communities. We want our communities to be proud of Merck. We want to be seen as integral constructive members of the communities in which we operate.

We believe this approach to community relations produces an atmosphere where businesses and communities can work together and prosper.

Raymond V. Gilmartin
Chairman, President, & Chief Executive Officer
Merck & Co., Inc.

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In particular, I need to acknowledge the support of Nancy Goldberg, who not only offered her insightful advice, original ideas, constructive comments, and thoughtful criticism, most of which found its way into this book. She also gave me the encouragement and enthusiasm needed to write this book. She had a lot to do with helping me form the ideas that led to the development of the neighbor of choice concept. I could not have written this book without her advice.

I am also indebted to those who provided the beginning support for the Boston College Center for Corporate Community Relations, which provided the forum for learning about a newly emerging function in business. June Gary Hopps, Dean of the Graduate School of Social Work at Boston College, provided the seed money to start The Center's first institutes. Many community relations and public affairs managers offered advice, guidance, and, most of all, encouragement to start a center on community relations.

My wife, Lee, provided not only inspiration for the book; she was also the source of the information about the psychological contract. She gave me a critical understanding of the concept and its applicability to corporations and communities.

In addition, this book could not have been written without the comments, thoughts, and reactions of the thousands of corporate community relations executives who have attended the courses, workshops, and seminars I have taught since 1983. Their observations have served as a reality check to the principles explained in this book, and they have been instrumental in the formation of the neighbor of choice principle. I also apologize for subjecting them to what sometimes has been a work in progress. They have been part of an experiment, often unwittingly. I am exceedingly grateful for their part in helping me write this book. It is as much theirs as it is mine.

Introduction: The New Expectations of Today's Corporate Communities

On June 10, 1995, Shell Oil Co. in the United Kingdom began towing a used oil rig, commissioned Brent Spar, out into the North Atlantic to sink it. The company arrived at the deep-water disposal decision after four years of environmental studies, reports, and observations by scientists (including a Nobel Prize winner), consultants, and universities. Government officials from regulators to the prime minister of Great Britain approved and supported the decision.

But environmental activists led by Greenpeace whipped up community sentiment against the company and brought a halt to Shell's plans ten days later. The company was forced to move the rig to a Norwegian fjord while it made contingency plans for disposing of it on dry land.

The costs to the company? Incalculable. At the very least, Shell estimates that it cost an additional $200 million just to change the disposal decision. In addition, boycotts and threats against service stations caused huge losses in sales. In one week alone boycotts in Germany caused sales of Shell products to drop 50 percent. Fifty Shell service stations were vandalized, two firebombed, and one raked with bullets.

The company's image as an environmental leader in the oil industry, admits Shell's managing director Heinz Rothermund, was damaged severely. Its reputation as a company was shattered, causing employee morale to plummet.

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

The TV reporters quickly began reporting on the incident and interviewing nearby residents, one of whom was the director of a day care center. The potential for damage to Merck's image and its ability to operate was great, but to the surprise of the reporters, the community response was nonchalantly indifferent and, in some cases, laudatory. Some examples:

> I've never had any reason to be concerned about Merck.
> —Mozelle Faircloth, director of a nearby day care center

> I worked down there at Merck for 3 or 4 years. . . . Merck's a good company to be close to.
> —James Donaldson, 36-year resident of the area next to the plant

> They [Merck] are environmentally conscious and have a good record.
> —Scott Robertson, a compliance officer with the Georgia's Environmental Protection Department's hazardous waste unit

Few would disagree that Merck and Shell are admired companies. They are well managed, efficient, and financially very successful. Why the difference? Is it a matter of scale? Is it just a matter of chance? Is Merck lucky? Could Shell have avoided the problems it encountered?

It certainly could have—which is the message of this book. The public environment in which companies operate today, not just in the United States but worldwide, is far different than it was just 20 years ago. There are dramatic and far-reaching changes in the expectations of communities and societies today that define and influence how a company can operate. "Companies," cautions Gary Greve, president of BP Chemicals, "ignore community expectations at their own peril."[1]

Companies, therefore, that do not balance strategic intent with community expectations are likely to find their business aims and opportunities thwarted and, even more damaging, discover that their license to operate becomes increasingly curtailed. And the more a company's license to operate is curtailed, the more its ability to achieve a competitive advantage decreases.

At the same time, the public's changed expectations present significant economic opportunities for companies. Those that are positioned favorably in the community are treated differentially and respectfully. Time and expense needed to obtain permits are shorter and cheaper. Mistakes that happen are given the benefit of the doubt. Consumers are attracted to a company that promotes its good works. Employees prefer to work for companies that have a positive community reputation. In other words, what a company does in a community and how it does it can serve as a competitive advantage in the marketplace.

A successful company today, therefore, should pursue two goals, one necessary and the other optional.

1. It must redesign its community and operational practices in ways that respond to the community's expectations that increasingly now define how a company should operate.

2. It should take advantage of the public's shift in attitudes and design its community involvement programs to support its business goals and enhance its competitive advantage.

That is what this book is about. It proposes strategies based on the principle that companies need to be positioned in communities as desirable, trusted, and respected assets—or, in other words, to be what I call "a neighbor of choice." This is a necessary requirement to maintain the company's license to operate.

It also describes community relations strategies and programs that can both improve its community reputation and contribute to adding value to the company's economic goals. This is a good and sufficient reason to rethink the purpose of a company's community relations programs.

BACKGROUND

The development of the neighbor of choice principle and its strategies is based on my work over the past fifteen years teaching, consulting, and doing research in corporate community relations. As founder and now director emeritus of The Boston College Center for Corporate Community Relations, I have worked with over a thousand corporations around the world, helping them plan and develop community relations strategies and programs. This has been a rich source of information and experience, much of which forms the basis for the neighbor of choice principle and its strategies. Many of the examples used in the book come directly from my consulting with these companies.

The book is also based on my research and teaching of community planning in graduate schools for the past 30 years, along with my professional work in community planning for United Way and other community planning agencies. I cite these experiences deliberately. When a company engages in working with community leaders to develop positive relationships or contributes to the support of community organizations and agencies, it is intervening in the life of a community. Much like a community planning organization, the company is advocating for a point of view. The company wants its opinions and its contributions to be considered fairly and honestly.

To be successful in planning its community practices and programs, a company needs to understand how a community makes decisions and who gets involved and why they get involved in making or influencing community decisions. It also needs to be sensitive to the unique culture and values of the community in which it operates. The experience and practice of community planners, particularly those engaged in community planning in the voluntary sector, therefore, is a very useful background for understanding and guiding the community relations practices of companies.

A FEW WORDS ABOUT TERMINOLOGY

There are many different terms and points of view to describe the relationship between companies and communities. *Corporate social responsibility, corporate citizenship, corporate social responsiveness, government or public affairs, corporate social performance, corporate community affairs, corporate community investment*, and *corporate community relations* are some of the most common examples. There are a number of well-written and well-researched articles and books that describe each of these terms in detail.[2]

I prefer to use the term *community relations*. It is an expression commonly used by companies around the world to describe their community involvement activities and programs. It is also the term given to managers responsible for the company's community activities and programs.

Of equal importance, this is not a book about corporate philanthropy, although methods for designing contributions programs will be described. Neither is it about employee volunteerism, although corporate volunteer programs will be profiled. Nor is it about partnership programs with community organizations and schools. Success stories about partnerships as well as lessons learned from corporate experience will be described. This book is about the actions—total actions—of a company in the community and how a company goes about ensuring that its actions, as well as its community involvement programs, position it favorably in the community.

Community relations as it will be used in this book, therefore, is the state of relations between the company and the communities in which it has a presence or impact. It encompasses programs that advance the interests of both the company and its communities, such as donations, employee volunteerism, and community partnerships. It involves the impact of the operational activities of the company on its communities as well as programs established to develop relationships with groups and organizations in communities.[3]

While this book is about *corporate* community relations and the examples used to describe methods and techniques of community relations are derived from corporate experiences, many of the principles described can be applied to other types of organizations, such as colleges, universities, nonprofit organizations, and government agencies. The erosion of confidence, for example, in education is due in part to school districts' refusal to involve citizens and groups in their aims and planning. The unwillingness to involve communities in their deliberations has made governments the followers of community and societal expectations, not the promoters. Universities, similar to corporations, have been frustrated in achieving their planning goals.

Fordham University, for example, has had difficulty expanding a radio tower on its campus because of the opposition of its neighbor, the New York Botanical Gardens. Neighborhood groups have prevented Boston College from building a new teaching and student facility in the center of its campus, causing lengthy litigation and expensive construction delays. The Massachusetts Institute of

Technology (MIT) was required to fund a homeless organization in exchange for permission to expand one of its buildings. The 92nd Street Y in New York City wants to expand its facility to build additional classrooms on a vacant lot. The neighborhood has protested, organized a committee (Friends of Historic 92nd Street), and hired a lawyer to fight the Y's plan.

No organization, in other words, is immune from the changing forces and expectations of societies. Communities want to be involved in the planning and decisions of all organizations, not just corporations. Remaining indifferent or aloof from the community is an expensive folly.

ORGANIZATION OF THIS BOOK

Becoming a "neighbor of choice" describes the way a company has to be viewed to function in a changing public environment. It guides the development of the company's functional strategies, programs, and practices in the communities in which it operates.

Part I of the book outlines the forces that give rise to the need for adopting the neighbor of choice principle. Chapter 1 explains how communities have become increasingly important in influencing and defining a company's license or freedom to operate. It presents the concept of the psychological contract between companies and communities and how that contract has to be managed in order for a company to maintain its license to operate.

Chapter 2 describes the way a company has to respond to the changing psychological contract and the kinds of functional strategies that are needed to position the company as a neighbor of choice. It also provides a brief historical description of the evolution from an era of corporate philanthropy to the "neighbor of choice" solution as a guide for community relations practice.

A company cannot, for any length of time, engage in practices or activities that neglect its primary obligation to be competitive and successful in increasing shareholder value. Chapter 3 shows how the changes in attitudes and behaviors of customers and employees can be used to develop programs that help to sustain the competitive advantage of the company.

Part II of this book focuses on the implementation of the neighbor of choice principle. Chapter 4 describes the basic elements of the internal analysis needed in the formulation of strategies that take into consideration the company's business goals and objectives. Because of the complexity of the community environment, three chapters explain how to conduct an external or community environmental analysis. Chapter 5 describes the different kinds and types of communities in which a company operates. Chapter 6 describes the leadership patterns in communities and how to identify leaders and organizations that influence community decision making. Chapter 7 outlines the elements of the community assessment.

Part III describes the three strategies for becoming a neighbor of choice. A core strategy of the neighbor of choice principle is relationship building. Techniques for building sustainable relationships are described in Chapter 8. Chapter 9 describes the implementation of the second strategy, identifying and responding to the concerns and issues of the community. This chapter describes the kinds of relationship building and issues monitoring practices needed to respond to community concerns and to build trust in communities.

Chapters 10 and 11 focus on the third strategy of the neighbor of choice: a company's community programs. Chapter 10 describes the elements of a company's community programs and the role community programs have in building trust. Chapter 11 outlines how a company can use its community programs both to build trust and to achieve a competitive advantage.

Part IV explains the importance of a value or philosophical premise to achieving the full understanding of the neighbor of choice principle. Its sole chapter, Chapter 12, outlines the elements necessary for a company developing a social vision—the underlying premise of the neighbor of choice principle.

NOTES

1. G. Greve, "Global Neighbors: Commitment to Community Relations as a Key Business Strategy" (speech presented at the International Leaders Conference, 1998, Santa Barbara, March 16, 1998).

2. See, for example, C. L. Marsden and J. Andrio, "Towards an Understanding of Corporate Citizenship and How to Influence It," *Citizenship Studies Journal*, June 1998, pp. 329–352; D. J. Wood, "Corporate Social Performance Revisited," *Academy of Management Review*, Vol. 16, no. 4 (1991), pp. 661–718; D. J. Wood and P. L. Cochran, "Business and Society in Transition," *Business and Society*, Spring 1992, pp. 1–7; M. Sharfman, "Changing Institutional Rules," *Business and Society*, Vol. 33, no. 3 (December 1994), pp. 236–269; R. Ackerman and R. Bauer, *Corporate Social Responsiveness: The Modern Dilemma* (Reston, VA: Reston Publishing Company, 1976); C. Smith, "The New Corporate Philanthropy," *Harvard Business Review*, May–June 1994, pp. 105–116; R. E. Freeman and J. Liedtka, "Corporate Social Responsibility: A Critical Approach," *Business Horizons*, July–August 1991, pp. 92–98.

3. This is adapted from the definition of *community relations* used by The Center for Corporate Community Relations at Boston College. See "The Standards of Excellence in Community Relations: Guiding Principles for Community Relations Practice" (Boston: The Center for Corporate Community Relations at Boston College, 1994).

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Part I

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