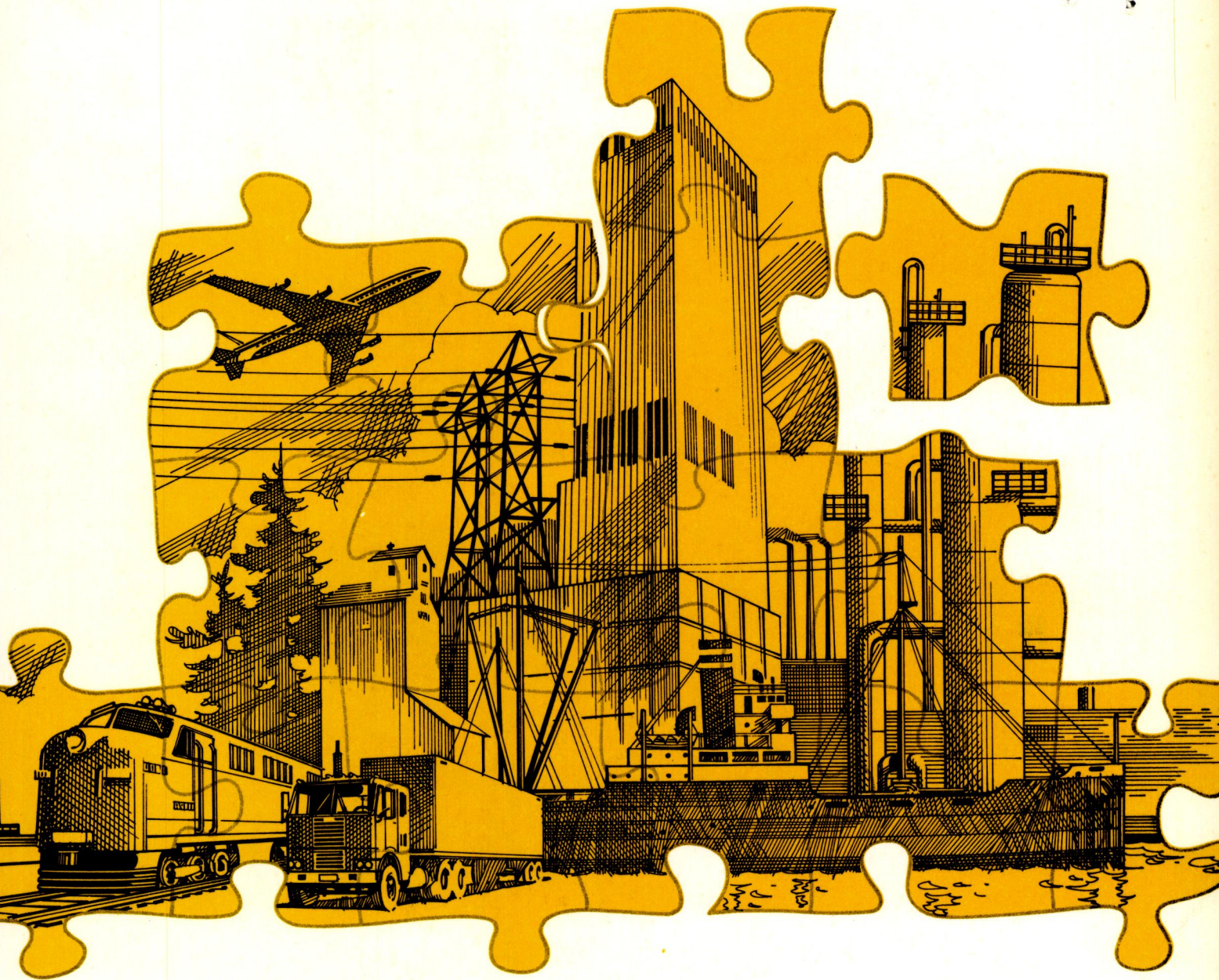


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Royal Commission on Corporate Concentration



STUDY NO. 21

Corporate Social Performance in Canada

A Background Report

Royal Commission on Corporate Concentration

Study No. 21 Corporate Social Performance in Canada

by

The Niagara Institute

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FOREWORD

In April 1975, the Royal Commission on Corporate Concentration was appointed to "inquire into, report upon, and make recommendations concerning:

- (a) the nature and role of major concentrations of corporate power in Canada;
- (b) the economic and social implications for the public interest of such concentrations; and
- (c) whether safeguards exist or may be required to protect the public interest in the presence of such concentrations".

To gather informed opinion, the Commission invited briefs from interested persons and organizations and held hearings across Canada beginning in November 1975. In addition, the Commission organized a number of research projects relevant to its inquiry.

This study on Corporate Social Performance in Canada was prepared for the Commission by the Niagara Institute, a centre for humanistic studies located in Niagara on the Lake, Ontario, which has as one of its interests the study of corporate public affairs. Those with major involvement in the project and the writing of the report included R. Terrence Mactaggart, Executive Director of the Institute; Professor Donald W. Kelly of Carleton University; Professor Lee E. Preston of the State University of New York at Buffalo, and Peter Broadmore of IBM Canada Limited.

The study was completed under partial financial sponsorship of the Royal Commission, but originated and was carried out by the Institute. The Commission is publishing this and other background studies in the public interest. However the analyses presented and conclusions reached in the study are those of the authors, and do not necessarily reflect the views of the Commission, its staff, nor the views and opinions of the Institute's Board of Directors or its members.

Donald N. Thompson
Director of Research

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TERMS OF REFERENCE, METHODOLOGY
AND ACKNOWLEDGEMENTS

During January 1976, the Royal Commission on Corporate Concentration responded to a proposal from The Niagara Institute by contracting it to undertake a special research study on corporate social performance in Canada.

The Niagara Institute is a centre for humanistic studies which through its programs serves three major constituencies of business, labour and government. Since 1973 one of its activities has centred on corporate public affairs and it is through this experience that the present study was initiated.

The concept of corporate social responsibility is still relatively new and is therefore an evolving determinant of corporate behaviour in Canada. As the Commission wished to establish a perspective in this area, the Institute proposed to approach the project in both conceptual and operational terms, placing major emphasis on how corporate executives currently perceive and manage the social involvement of their firms.

The following served as terms of reference for the project:

to define and assess the concept of "corporate social responsibility" in the context of current theory and as it is perceived increasingly by managers of large corporations;

to describe in concrete terms the patterns of response by corporations to the demands of the concept;

to outline the theoretical frontier of the corporation/society relationship and its probable evolution; and

to suggest directions for future research, public discussion and corporate policy development as well as to make recommendations which the Royal Commission may wish to include in their submission to the Government of Canada.

The study was conducted along three separate dimensions, each with a distinctive methodology. First, a review of conceptual material was completed, drawn from a wide literature search and, in particular, the recent work of a few leading academicians. This supplied not only necessary background but also a framework for ordering the analysis of corporate practice which followed. Second, findings were summarized from an extensive survey of Canadian corporations. Underpinning this effort were almost three hundred usable responses to a detailed questionnaire which allowed sufficient breadth to be brought to the study. Third, case studies were

written of nine large corporations, chosen to reflect major sectors in the private economy, and an analysis was undertaken which gave the study important depth. Taken together, these elements provided a view of the current social performance in Canada and allowed a number of conclusions and recommendations to be drawn.

The project was conducted under the auspices of The Niagara Institute by a task force of some twenty individuals over a seven month period. The task force included academicians, consultants and corporate practitioners as well as members of the Institute's staff. Responsibilities for managing the project were shared among the Institute's Executive Director, who served as Project Director, and two Co-Directors of Research, one a teacher and public affairs consultant, and the other a corporate vice-president of public affairs. The corporate case studies were drafted, with one exception, by executives from each subject firm, and edited by another corporate task force member.

The report was written by the Project Director, one Co-Director of Research, the project's Academic Consultant and the task force member responsible for editing the corporate case studies. They worked closely throughout with the task force as a whole, whose individual members provided substantial advice and insight.

While the study was completed under the sponsorship of The Niagara Institute, the report does not necessarily reflect the views and opinions of the Institute's Board of Directors or its members per se.

The Institute and the report authors wish to acknowledge the support of the project task force and also to thank the Royal Commission and the many Canadian corporations who participated in the survey.

Niagara-on-the-Lake,
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April 1977

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CHAPTER I

CORPORATE SOCIAL INVOLVEMENT A GROWING AWARENESS

INTRODUCTION

Traditional analyses of the role of large corporations in society have dealt almost exclusively with characteristics of their economic performance. This is entirely understandable, because economic activity is the originating and distinctive purpose of the business corporation. Hence, corporate size, productivity, competitive practices, profitability, employment, and related variables - and the relationship among them - have been major subjects of academic research and public policy consideration. And these aspects of corporate performance remain of critical importance in Canada today, as the Canadian economy faces significant competitive challenges, and both business and government attempt to develop responsive industrial strategies for the future.

At the same time, and without diluting in any way traditional concern about economic performance, an additional and larger set of questions has been raised concerning the impact of large corporations on the broader social environment of which they are part. These issues - which may be termed social performance issues - arise from an increasing recognition that the modern corporation is not simply an economic entity, but is also involved in a wide range of other interactions with its surrounding milieu. Hence, changes in a firm's environment generate new opportunities and give rise to demands for response by the corporation; in addition, decisions and actions taken by the firm may result in a wide range of impacts on the larger community.

The importance, pervasiveness, and diversity of corporate social impact has been widely recognized throughout the industrialized world over the past decade. During this time, a considerable literature has developed on corporation/environment issues, particularly in the United States and Europe. However, there has been very little public discussion, and apart from a few recent and quite preliminary efforts no rigorous investigation of corporate social performance in the Canadian context.⁽¹⁾ This report then breaks some new ground, both in presentation of principal issues and in empirical study of the way in which Canadian corporations have recognized and responded to their involvement in the broader social environment. Like almost every pioneering work, the report has its limitations.

Nevertheless, its authors hope that it will be of immediate interest to the Royal Commission, corporate executives and outside observers and will also serve to stimulate further public discussion and research in the years to come.

The balance of this introductory chapter describes at more length a new and evolving view of the corporation which encompasses its social impacts and stands in sharp contrast to the classic perspective of the firm as a purely economic entity.

CORPORATE SOCIAL INVOLVEMENT:
AN EMERGING PERSPECTIVE

The reality of corporate social involvement is often dramatized by specific issues and even crises - environmental protection and consumerism, to give two well known examples. The basic relationship is, however, much more fundamental. As James W. McKie recently emphasized:

Public concern with (corporate social performance) stems largely from the growing interdependence and complexity of society, which has greatly increased the mutual involvement and vulnerability of individual persons and organizations. No individual can rely wholly on himself, free of the tyranny of his neighbours' presence; no business firm can assume that it is surrounded entirely by an impersonal and automatic market; no organization can operate without considering the ties and external effects linking it to the rest of society. These inter-relationships have become so pervasive and so intricate that the traditional mechanisms of interaction among independent organizations and individuals, each following its own interests in a private enterprise market economy, no longer seem to work effectively.
(2, pages 1-2)

McKie goes on to point out that the business organization is only one of several large and powerful types of institutions within modern society; and, further, that there is a great difference between the standards and goals of social performance that may be expected of the business system as a whole and the specific activities and policies of individual firms. Full employment, price stability, regional economic development, and the balance of international trade are obvious economic objectives that can only rarely be strongly influenced by the specific acts and decisions of individual enterprises. Similarly, the broad pattern of social relationships, popular culture, and moral and ethical standards characterizing a society can scarcely be traced to origins within any specific business organization, nor

even to all such organizations in the aggregate. Therefore, any suggestion that large corporate organizations - either individually or collectively - have accounted for the principal or dominant forces shaping social and economic life in Canada or anywhere else in the world can be viewed with scepticism. On the other hand, there is now widespread recognition that large corporate organizations are, by their very nature and without exception, inevitably involved in a network of social relationships - with their communities, employees and customers, with other organizations and with society at large - and, further, that many of these relationships are not solely or primarily "economic" in character and are not therefore subject to resolution or adjustment by means of market transactions.

This new awareness of broad corporate social involvement has been affirmed in a wide variety of public statements by business leaders and by semi-official organizations and groups, as well as by critics and governmental authorities. For example, in 1971 the Washington-based Committee for Economic Development declared:

Business functions by public consent, and its basic purpose is to serve constructively the needs of society - to the satisfaction of society....Today it is clear that the terms of the contract between society and business are, in fact, changing in substantial and important ways. Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services.
(3, pages 11 and 16)

Similarly, the Confederation of British Industries has stated:

The public limited company is an artificial creation of law that owes its existence to the will of the community.... Companies do not exist by right but will continue only so long as society finds them useful.... While the law establishes the minimum standard of conduct with which a company must comply if it is to be allowed to exist and trade, a company, like a natural person, must be recognized as having functions, duties and moral obligations that go beyond the pursuit of profit and the specific requirements of legislation. (4, pages 8-9)

A similar concern is reflected in part of the recently adopted Code of Conduct for Multi-National Corporations produced by the Organisation for Economic Co-operation and Development (OECD). As a general policy the Code states, business enterprises should:

give consideration to the host countries' aims and priorities with regard to economic and social progress including industrial and regional development, the protection of the environment, the creation of employment opportunities, the promotion of innovation and the transfer of technology. (5 page 11)

In Canada this broader viewpoint was also clearly indicated by the guidelines for resident multi-national companies issued by the federal Department of Industry, Trade and Commerce during 1975, which includes this statement:

Foreign-controlled businesses in Canada are expected to operate in ways that will bring significant benefit to Canada. To this end they should pursue policies that will foster their independence in decision making, their innovative and other entrepreneurial capabilities, their efficiency, and their identification with Canada and the aspirations of the Canadian people.

Within these general objectives, the following principles of good corporate behaviour are recommended by the Canadian government...

[Foreign-controlled firms in Canada should participate] in Canadian social and cultural life and support those institutions that are concerned with the intellectual, social and cultural advancement of the Canadian community. (6)*

*Since the OECD Code specifically declares that multi-national corporations will not be subject to any greater or different performance requirements than domestic corporations, these guidelines are, in effect, now applicable to all corporations operating within the Canadian economy.

The emerging view of corporation-society relationships has been described by a former vice-president of General Electric as involving:

... a form of social charter, that is, the charter of public expectations of corporate performance. These expectations derive from the current set of social values and national goals; and, as these values and goals change so too will the social charter of the corporation.
(7, page 27)

This belief appears to be shared by at least some Canadian firms as well. For example, the following statement appeared in the 1973 annual report of a major chartered bank:

In addition [to its primary and essential economic function], the modern corporation has become a powerful social force, affecting the life patterns of its employees, its customers, its neighbourhoods and the public at large. Accordingly, society - and this includes shareholders - is coming to judge the performance of the corporation by a far more complex set of measures. Thus, while the basic objectives of a commercial enterprise are to survive and to bring the optimum return to its shareholders, this is essentially a consequence of the more fundamental corporate goal of serving society's needs. (8)

Widespread acceptance of the "corporate social charter" concept will likely have pervasive effects upon the operation of individual firms and on the economy as a whole. Over the next decade, and probably for the rest of this century, corporations, unions, communities, and government will be exploring the dimensions by defining new areas and boundaries of corporate activity, and by establishing mechanisms for setting goals and appraising performance. In addition, corporations themselves will be experimenting with internal organizational changes, reporting mechanisms, and techniques for designating responsibility and accountability in areas of social involvement.

It is improbable that all these new (or at least newly recognized) relationships will be assigned easily to existing units within corporate organizational structures, nor will they be managed readily through existing practices of accounting and control. On the contrary, new organizational structures and new reporting relationships can be expected to evolve. Similarly, traditional patterns of government

regulation, collective bargaining and business/community contact may require modification to deal with these new types of corporate social involvement.

We cannot at this time predict the specific scope of corporate involvement, nor the way in which the variety of goals and interests to be served will be brought into balance. Daniel Bell has suggested that in dealing with this new range of issues, western societies are shifting from "the economizing mode ... based on the proposition that individual satisfaction is the unit in which costs and benefits are to be reckoned", and to which the traditional economic calculus applies, to a "sociologizing mode, or the effort to judge society's needs in more conscious fashion and ... to do so on the basis of some explicit conception of the 'public interest'." (9, pages 17-18) Bell's conception of the "sociologizing mode" emphasizes a concept of participation - internal participation of members of large organizations in the determination of organizational goals and means of achieving them, and external participation by other individuals and entities concerned about those affected by the activities of large organizations within society. This shift towards participative or, in a broad sense "political", techniques of internal management and external co-ordination - as opposed to traditional hierarchical techniques and exchange mechanisms - has been described by Preston and Post as "the third managerial revolution" (10) which goes some way towards showing the potential impact on corporations of the social involvement concept.

CONTRAST WITH THE TRADITIONAL VIEWPOINT

The perspective of corporation/society relationships just described stands in sharp contrast to the traditional conception of the business organization as a purely economic entity. This traditional conception has a long and respectable history, beginning in the days of Adam Smith and presumably ending in our own time in the forceful presentation of Milton Friedman. The central notion underlying these two centuries of conventional economic analysis is that each participant in the economy - the individual firm, household, and productive worker - obtains its share of the benefits available in society by providing goods and performing services that are desired by other economic units and individuals.

The firm or individual makes, in effect, a "market contract" with other members of society, provides them with something they desire on terms more favourable than they can obtain elsewhere, and obtains its won share

of the "social product" from them in return. As Adam Smith described the situation: "Every man ... lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly called a commercial society". (11, pages 19-20)

This conception of market economy is amoral, but not pessimistic. On the contrary, the interplay of the force of self-interest in such an economy was thought to result, as if guided by an "invisible hand", in a harmonious outcome for society as a whole. In the most optimistic version of this analysis, competition assures a close relationship between costs and prices; the accumulation of capital permits mechanization and the division of labor; and increasing productivity results in economic growth and technological progress over time.

The unfortunate defect in this analysis, however, is that it takes no account of economic and social relationships that are not readily brought in balance through the market mechanism. The entire process is, of course, dependent on the initial distribution of wealth and income in society; that is, only those who possess the money "tokens" are eligible to play in the market game. In addition, many subjects of social concern which may be influenced by corporate behaviour, such as information about product quality and safety, community appearance and amenities, environmental quality, and the status of individuals disadvantaged by race, sex, or place of residence, require resolution outside of the market economy and, indeed, typically by some co-operation among private economic organizations as well as between such organizations and appropriate units of government. The newer conception of corporate social involvement, as we will see, takes into account this relationship of economic and non-economic activity by emphasizing the identification of broad elements of social concern relevant to the managements of particular organizations, and by suggesting ways of dealing with them, both internally and externally.

SCOPE OF THIS STUDY

This study is intended to answer two basic and pragmatic questions. First, to what extent has the newer conception of a corporation's relationship with society, and thus the importance of corporate social performance, become recognized within Canadian corporations? Second, where such concerns are recognized, to what extent, in what areas, and by what

organizational arrangements have they been included within the regular managerial activity and decision-making of Canadian firms?

In order to accomplish this task, and to guide the empirical research, we have summarized in Chapter II some of the essential analytical concepts and critical concerns in the present "corporation/society" literature. Chapters III and IV, which make up the bulk of the study, present evidence about the current state of awareness of social involvement issues and about corporate performance which results from this awareness. Two major sources of evidence are utilized. One is a substantial survey questionnaire covering a broad spectrum of Canadian corporations by type of economic activity, size, profitability, ownership and other variables. The results of this survey are analyzed statistically in Chapter III. The second major source of evidence is a series of nine specially commissioned corporate case studies which describe in some detail specific organizational structures adopted, programs pursued, and experience gained by a number of large and important Canadian enterprises. Chapter IV presents a capsule analysis of the case study materials. Edited versions of the actual studies are presented in Appendices B through J. Finally, Chapter V summarizes the major conclusions of the study and makes a number of recommendations.

Although the substance of our results can be conveyed only by the detailed chapters and appendices that follow, the overwhelming general observation can be emphatically stated here at the outset and summed up in a single word: variety. Corporate awareness of social involvement issues ranges from almost none to a widespread and pervasive recognition, as reflected by the appointment of corporate public affairs officers, preparation of formal reports, issuance of public statements, and the undertaking of highly visible social program activities. Similarly, among those firms that are aware of and concerned about social performance issues, the specific organizational structures adopted, policies developed (or, more frequently, in the process of development), and programs and activities underway or contemplated present an even greater variety than we had imagined at the outset.

We believe these results to be substantively interesting. Upon reflection, we find them not surprising and, indeed, highly encouraging. Current relationships between large corporations and their social environments must be viewed as evolutionary. We are in the midst of a movement away from the traditional narrow economic conception of the corporation to a new and as yet undefined broader social/political conception involving a much more complex set of considerations, impacts, and goals. As Carl H. Madden, chief economist of the U.S. Chamber of Commerce, has put it, we are in the process of "inventing the future",

which may take many different forms, depending on the policies adopted and actions taken during the interim. (11) It is hoped that the present study will itself make an important initial contribution to this process.

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CHAPTER II

A FRAMEWORK FOR ANALYSIS

We set forth in this chapter the principal concepts and terms that guide our analysis of the social performance of Canadian corporations. In so doing, we are particularly interested in developing ways of dealing with four major and interrelated sets of questions. First, what is an appropriate way of understanding the relationship of a firm to its broader social environment? How does it interact with the community and what impacts does it have? Second, given an understanding of this relationship, what is the scope of managerial responsibility? Should the firm involve itself with most important social concerns or only with a subset of them? Third, within this scope, how do firms typically respond to social involvement issues? Is there a common process which will enhance our understanding of corporate social performance? And finally, how should corporate performance in society be judged apart from traditional economic standards? Are there goals and measures which individuals inside and outside the firm can use for guidance?

It may be well to emphasize at the outset that this study is not cast primarily in ethical or moral terms. We do not ask whether a company has been "good" or "bad"; nor do we urge the adoption of particular ethical codes or beneficent practices. In order to emphasize the distinction between our own approach and that reflected in a good deal of the popular literature on the subject, we believe it desirable to avoid wherever possible, the widely used term "corporate social responsibility". Given its currency in the business community and elsewhere, we elected to employ it in preparing the questionnaire* which provided the data for analysis in Chapter III. It also appears with some frequency in the corporate case studies and the review of them in Chapter IV. However, we note that the term has unfortunately come to be associated with heavily moralistic discussions of corporate social involvement, on one hand, and also with specific lists of social impact areas (environmental protection, consumer welfare, employment discrimination, etc), and sometimes even with particular practices or goals in each of these areas, on the other. While we wish to raise no argument about the desirability of moral and ethical behaviour, nor even with many of the specific prescriptions put forward by various advocates under the label of "corporate social responsibility", we strongly share the reservations about this phrase expressed by Professor Dow Votaw:

* - See Appendix A.

The term is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behaviour in an ethical sense; to still others, the meaning transmitted is that of 'responsible for', in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large. Even the antonyms, socially 'irresponsible' and 'non-responsible', are subject to multiple interpretations. (1, page 11)

In an attempt to gain greater specificity, we prefer to speak, where possible, of social "involvement" or "impact"; and we describe the behaviour observed in terms of "performance". These terms are intended to be neutral and descriptive of actual relationships, not necessarily implying any judgement of praise or blame. Corporate social performance can thus be delineated, on a purely factual and descriptive basis; a specific firm either does or does not engage in a specific type of activity, or engages in it to some particular extent or in some particular manner. Before such performance can be appraised as "desirable" or "undesirable", it is necessary to state specifically the criteria and standards that are being utilized in order to reach such an appraisal. The explicit identification of areas and dimensions of involvement and impact, and then the careful description and evaluation of performance in each area, appear to us to be the essential requirements for serious analysis and policy development (both corporate and public) with respect to corporation/society relationships.

UNDERSTANDING THE CORPORATION IN SOCIETY: CORE ACTIVITIES AND THEIR CONSEQUENCES

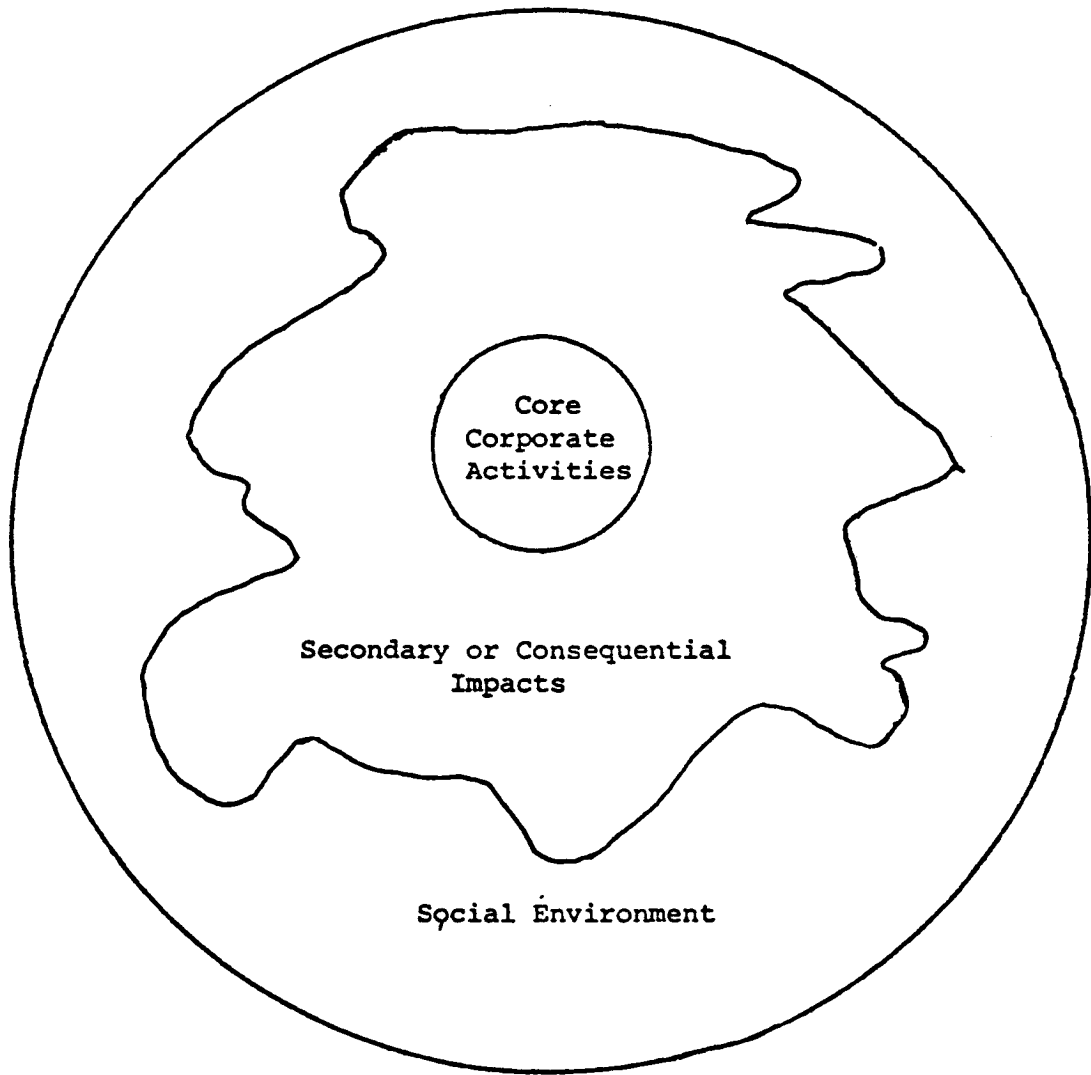
Every business entity is established to accomplish specific economic tasks, and even the most diversified corporation engages in only a few of the many different economic functions carried on in our society. The specific tasks that provide the primary economic basis of any corporation will be referred to here as its "core activities". These are, of course, the primary determinants of the relationship between each corporation and its social environment. They are the activities that the corporation was set up to accomplish, and they give rise to a wide range of corporation/environment interactions, including the marketing of products

and services, the procurement of supplies and equipment, the hiring and deployment of labour, the location of offices and plants and so forth. Specific requirements of public policy are also associated with core activities. Licensing and zoning regulations, tax laws, and many other aspects of general public policy apply to all organizations; and specific public regulations concerning safety, health, product quality, and other detailed managerial practices essential to the conduct of any type of activity become a part of the core for enterprises engaged in it. A corporation is founded, grows, declines, and goes out of business in response to the demand for its core activities, its efficiency in performing them, and their acceptability in the light of general public attitudes and public policy.

The involvement of business firms, particularly large corporations, in society is not, however, limited to making final market sales, paying costs and wages, and meeting specific legal and regulatory requirements. On the contrary, an organization's core activities give rise to "secondary" or "consequential" impacts which may, in fact, be of equal or greater social importance. Advertising and product development, for example, may affect life styles and broad consumption patterns; employment opportunities or their absence may influence social mobility as well as income levels and living standards; conditions in the workplace can affect the health of employees; product quality and environmental effects may have impacts on individuals and areas far removed from direct contact with the particular corporation. All of these relationships define an area of secondary or consequential involvement for the large corporation in its social environment. The range of impact included within this area may vary widely, from few and small to numerous and large. Hence, an appropriate visual analogy is a central core of corporate activities surrounded by an irregular and constantly changing range of secondary and consequential involvements within an even larger social environment (see Figure II-I).

FIGURE II-1

The Corporation in Its
Social Environment



SCOPE OF MANAGERIAL RESPONSIBILITY.

Beyond the range of both core and secondary involvements for any particular corporation lies the vast and varied range of social, political, and economic phenomena in the larger society. Any and all of these phenomena may, of course, be of interest and concern to corporate executives, shareholders, and employees in their roles as citizens. The key point, however, is that many social issues and problems fall outside the sphere of managerial responsibility of almost any business organization, however large. The importance of this external boundary and the clear separation of areas of management responsibility from other aspects of social life are critical to the development of any serious managerial policies regarding corporate social involvement and the appraisal of corporate social performance. The analysis outlined in Chapters III and IV, however, clearly illustrates the difficulty involved in identifying these boundaries for any specific corporation and the great differences in the shape of such boundaries from one corporation to another.

Despite this problem of specification, there are at least three considerations that suggest that the range of managerial responsibility for any particular corporation should be delimited as sharply as possible to its core activities and their clear and traceable consequences. One is the simple matter of competence; it is unlikely that any organization has within its staff and resources the requisite skills and knowledge to arrive at decisions and to discharge functions involving areas of social life far removed from its field of primary expertise and its direct impact on society. The second is the issue of power; that is, no single corporation has the capacity and resources to discharge an unlimited range of unrelated social tasks, even if it should possess the competence to make appropriate decisions and judgements about them.

Finally, there is the question of legitimacy. Even if the large corporation were sufficiently competent and powerful to bring about social changes in areas considerably beyond the range of its own immediate involvement, there is a real question as to whether such endeavours would be appropriate. On the contrary, the public sector and the public policy process - particularly in a democratic society - are specifically charged with the task of defining and carrying out broad programs in response to social need and change. Of course, through appropriate legislative and regulatory procedures, public authorities may induce, require, or otherwise motivate private organizations to bring their activities into conformance with broad social goals. And, in addition, government may choose to contract with private organizations for the performance of

certain public service functions. However, the reverse process - in which the private organization seeks to identify and accomplish broad social objectives on its own volition - is rarely appropriate in our society.* Hence, corporate social involvement for a particular organization can be limited to its areas of core activity and their consequential and secondary impacts. The entire range of social and political issues confronting society need not appear on the corporate social agenda.

CORPORATE RESPONSE TO SOCIAL INVOLVEMENT ISSUES

Within the framework just described, there are two different, sometimes conflicting, roles for corporate management with respect to corporation/society relationships. The first involves active participation in the public policy process and thus in changing the "rules of the game" within which the corporation operates. This role is by nature episodic, varying from case to case and time to time, and is not discussed here in any detail. It has however been presented to some extent to the Royal Commission through corporate briefs and public hearings. Indeed, the submission of such briefs constitutes in itself a form of public policy participation by Canadian corporations. It has also been the subject for recent examination by a Department of Industry, Trade and Commerce task force on business/government interface. (2) The second role for corporate management is the identification of, and response to, secondary involvement issues and impacts. This may eventually become a routinized and regular managerial function and is the primary focus of attention in the present study.

*There are, however, strong arguments in favour of legitimate and open corporate participation in the political process. One of these is the expertise of managers and executives within the particular sphere of activity in which their organizations are specialized. Another is the greater efficiency and lower cost of changes in policy and practice when they can be brought about by internal modification within existing organizations rather than by the creation of additional regulatory authority with accompanying cost and delay. In particular, corporate participation in public policy formulation may develop when external impacts and aggregation effects are widely recognized among firms, and it is clear that any effective response requires a broad consensus, or a uniform pattern of action, among all parties involved. Typical examples here include the development

Following several previous investigations (3, 4), we perceive the overall social involvement process as consisting of three stages:

- (1) a general awareness among corporate management that the firm is a social and political, as well as economic, institution, and a recognition of specific impacts of corporate activity on society, and their consequences;
- (2) analysis and planning related to both general awareness and specific impacts; and
- (3) direct response, including changes in internal policies and organizational structures as well as modifications to external behaviour.

The awareness/recognition stage occurs when corporate executives become conscious of an increased level of discussion and concern about the general role of business in society, changing public attitudes towards the corporation, and increasing expectations that the business sector will perform activities and accept responsibilities beyond its traditional economic functions. The issue of "corporate social responsibility", under whatever name, begins to appear on the agenda of corporate meetings. Executives begin to identify some specific impacts of corporate activity that have previously gone unnoticed, and become more aware of the existence and concerns of groups inside and outside of the corporation that had not been taken into account explicitly in its planning and decision-making before. These developments may come about as a result of specific protests, or may arise from expanded knowledge, increased social awareness, or through the stimulation of interested parties, including the media.

In any event, once the fact of social involvement has become recognized by corporate management, a new phase in the process begins. This phase involves analysis (data gathering and interpretation) and planning. For example, management may determine that a specific social impact exists, but if it is either "positive" (i.e. highly desirable) or of minor importance, no further action or decision will be taken. On the other hand, instances of "negative" or undesirable impact may lead to the development of programatic or policy responses and/or to structural changes within the corporation itself.

of uniform standards or requirements for all organizations that operate as direct competitors, or make use of the same physical environment or natural resource base.

Finally, the organization may reach the response or implementation stage, during which it puts in place new programs adopts new behaviours, or otherwise alters its mode of operation in the light of the recognized situation and the subsequent analysis, planning and policy-making.

This analytical framework is summarized in the form of a matrix in Figure II-2. The matrix delineates the three phases of the process, and makes it possible to distinguish between general corporate policy, on the one hand, and the identification of and response to specific social involvement issues on the other. This is a significant distinction, and one that is quite notable in the survey results and case studies developed in the course of this study. In some organizations, general awareness, analysis and planning, and formal response (for example, the creation of a corporate policy affairs department) sometimes precedes formal attention to any specific social involvement issues. In others, individual issues are recognized - often in response to crisis situations, outside criticisms, or government action - and ad hoc responses are developed, but without any general corporate awareness or policy-making. In cases where the corporation has gone through all three stages in a general corporate policy sense, it may be said to have fully "institutionalized" the entire social involvement relationship within its organizational structure and decision making process. (5) Other organizations may have fully implemented programmatic responses in some areas, and still remain unaware of others and of the frequently important and complex inter-relationships among diverse public affairs issues and concerns.

FIGURE II-2

CORPORATE SOCIAL RESPONSE MATRIX

Stage of Process	General Corporate Policy	Specific Social-Involvement Issues		
		Issue #1	Issue #2	Issue #3
Awareness/ Recognition				
Analysis & Planning				
Response: Policy & Implementation				

A Note on Corporate Philanthropy

At this point a word should be said about corporate philanthropy and how it fits with the preceding analysis. Charitable donations have become a conventional practice in Western Europe and North America. Indeed, in the eyes of some, philanthropy is the principal manifestation of corporate social involvement, and hence the principal criterion for social performance. Such a conception, in our view, is incorrect. The sums of money involved may be quite large, and indeed critical to the survival of many community institutions and services, and the participation of corporate personnel in both leadership and support roles is in some cases an even more important form of philanthropic activity. Nevertheless, the share of corporate earnings devoted to philanthropy is quite small even in the most beneficent organization; and the specific activities supported in this way may be only remotely related to the principal role and function of the corporation itself.

This is not to say that philanthropic activity is always outside or peripheral to the corporation's sphere of secondary involvement in society as we have defined it. Indeed, some corporate executives clearly consider charitable donations as a means of response to recognized secondary involvement issues, particularly the maintenance of a community environment within which their employees will wish to live and work, as well as the maintenance of a generally favourable image for the individual corporation and for the business community as a whole within the larger society. We agree then that philanthropy can constitute one form of response to certain social involvement concerns but suggest that even in exceptional cases, it overlays only a part of the corporation's area of secondary or consequential impacts on society.

Under present tax law, Canadian corporations can deduct contributions to registered charitable organizations of up to 20% of net earnings before tax in a single year. While the average contribution from larger corporations appears to be under 1%, recent research has indicated that Canadian firms in tota provide about 20% of the revenue base of humanistic enterprises (6). Corporations regularly give financial assistance to a wide cross-section of social institutions, including many involved in the fields of health, education and welfare, as well as culture and the arts. Several have also developed policies of supplementing monetary support with gifts in kind - lending professional staff and providing facilities, supplies and transportation services, etc.

Our survey results indicate, however, that the current practice of corporate philanthropy is fairly uneven. The extent of giving varies greatly among corporations and reflects their profitability and previous performance as well as the current preferences of senior management. Many give because it has become conventional to do so. It is perceived as a facet of their corporate citizenship in their respective communities. While the greatest proportion of medium and large firms conduct their philanthropy on a demand-response basis, there are some who have institutionalized procedures to a great extent, including the establishment of processes for assessing social needs, and the development of written policies and specific criteria for giving.

GOALS AND MEASURES OF CORPORATE SOCIAL PERFORMANCE

Let us suppose that the top management of a large corporation has become aware of the broad social influence of its activities and has determined to take account of these "secondary impacts" in its policy decisions and operating practices. Two difficult problems still remain. First, how is the corporation to know what objectives it should pursue and what standards it should apply, in each of these social impact areas? Second, even if objectives can be specified, how can an organization monitor and learn from its experience in these areas, and adapt its internal decision-making and external communication and appraisal?

These questions are not easy to answer. In effect, the corporation is being asked to identify in each area of social performance a set of goals comparable to the goals of profitability, growth and market share that operate within the market economy. In addition, for each new goal or dimension of performance under analysis, a system of accounting and reporting that will serve the same purpose as the existing systems of financial and cost accounting must be developed. In new and exploratory areas, no comprehensive set of goals or prescription of measurement techniques can be readily expected. However, in each of these problem areas, a basic principle can be identified that should serve to guide experimentation and development.

With respect to the goals of corporate social performance, the unambiguous guideline is that they should be derived from observation of the larger social environment, not from the personal judgements or perceptions of individual executives or vocal but unrepresentative outside critics. The task of discovering broad social goals and public policy objectives, and monitoring the patterns of evolution and change that inevitably

occur in a dynamic society, is becoming an important function in the large, socially aware corporate organization. This central task - often described as "scanning the social environment" - is thus both a major initial step and a continuing activity in the analysis of corporate social involvement.

With respect to the measurement and reporting of corporate social performance, a wide variety of techniques and viewpoints has been developed in recent years. (7) One school of thought holds that all corporate social performance results should be evaluated in monetary terms. This approach is attractive, of course, because it represents a direct extension of existing financial accounting practices and is therefore suitable for cost-benefit analysis, summation and aggregation among activities and operating units, etc. The disadvantage in this approach is that it requires making numerous and difficult assumptions about the monetary value of various kinds of social impacts (both beneficial and harmful); and the results obtained depend heavily upon the initial valuation assumptions that are made. At a purely practical level, no one has yet come up with a method for accomplishing this type of analysis on any comprehensive scale, nor have we discovered any attempt to do so on the part of individual Canadian firms.

The alternative approach is to develop measures and reporting techniques suitable to each goal or impact area, with as much emphasis on quantification as possible in each case but with supplementary use of qualitative and descriptive information as well. The great bulk of the actual reporting and monitoring now going on, both within corporations and in government agencies, is of this latter type, as both the general literature and the case studies in Chapter IV clearly illustrate.

REFERENCES - CHAPTER II

1. Dow Votaw. "Genius Becomes Rare". In D. Votaw and S.P. Sethi, The Corporate Dilemma, Englewood Cliffs, N.J.: Prentice-Hall, 1973.
2. See Report to the Ministry of Industry, Trade and Commerce by Roy MacLaren, How To Improve Business-Government Relations in Canada, September 1976.
3. Lee E. Preston and James E. Post. Private Management and Public Policy. Englewood Cliffs, N.J.: Prentice-Hall, 1975, Chap. 4.
4. R.W. Ackerman. "How Companies Respond to Social Demands", Harvard Business Review, Vol. 51, No. 4. (July-August 1973), pp. 88-98.
5. George A. Steiner. "Institutionalizing Corporate Social Decisions". Business Horizons (December 1975).
6. Estimate is for the 1973 calendar year. "Humanistic enterprises" are defined to be all institutions and organizations whose common mode of operation is "not for profit" and whose common objective is the betterment of individual communities or Canadian society. They include, of course, those organizations which qualify as "Registered Canadian Charitable Organizations" under Department of Revenue Guidelines.

For a fuller discussion see Samuel A. Martin, Financing Humanistic Services (Toronto: McClelland and Stewart, 1975), p. 70.
7. R.A. Bauer and D.H. Fenn, Jr. The Corporate Social Audit. New York: Russell Sage Foundation, 1972.

CHAPTER III

A SURVEY OF CORPORATE SOCIAL POLICIES

This chapter examines the results of a mail survey directed to 1083 corporations in Canada which reported, according to Dun and Bradstreet of Canada Limited, \$10 million or more of annual gross revenues in their most recent fiscal year. A small number of respondents reported sales below this figure, but were nevertheless retained in the data collection. The purposes of the survey were to ascertain the current state of "awareness", "analysis and planning", and "response" among Canadian executives within the definitions and conceptual framework discussed in Chapter II, and to identify specific areas of social concern in which their corporations have become actively engaged.

SURVEY PROTOCOL AND DEMOGRAPHICS

An introductory letter accompanied by a blank questionnaire, identified only by a predetermined 4-digit Standard Industrial Classification (S.I.C.) number, and a set of instructions were individually addressed to the President and/or Chief Executive Officer of each potential respondent firm. Out of the initial list of 1083 companies, 284 usable responses (26.2%) were received in time for processing. These 284 responses form the basis of the detailed analysis of the survey in this chapter. The survey questionnaire and accompanying letter are included as Appendix A.

A summary of unduplicated mailings and responses by S.I.C. is shown in Table III-1 below. Excluding the one firm classified as "renewable resource", the response ratio for each category varies within a 10% range, and hence is not overly biased towards any particular sphere of economic activity.

TABLE III-1

Unduplicated Mailings and
Replies Received by S.I.C. Category

<u>S.I.C. Category</u>	<u>Unduplicated Mailings</u>	<u>Responses Received</u>	<u>Percentage Response</u>
1. Resources - Renewable	5	1	20.0
2. Resources - Non-renewable	107	32	29.9
3. Manufacturing - Primary	105	25	23.8
4. Manufacturing - Secondary	312	67	21.5
5. Service	97	21	21.6
6. Transportation & Communication	111	27	24.3
7. Financial	201	68	33.8
8. Food & Agriculture	74	21	28.4
9. Others	<u>71</u>	<u>22</u>	<u>31.0</u>
	<u>1083</u>	<u>284</u>	<u>26.2</u>

In addition to the 284 questionnaires returned, 53 letters were received from company officials who declined to complete the survey form, but in several cases volunteered qualitative responses to many of the issues raised in the questionnaire. Although it was not possible to code and include these replies in the computer analysis, they did provide a rich source of insight into executive attitudes about corporate social involvement. These comments are reviewed separately in the Addendum to this chapter.

Data contained in the 284 usable responses received was put on punch cards and analysed by the McMaster University Data Centre using the Statistical Package for the Social Sciences (S.P.S.S.) program. While approximately 1400 separate data print-outs were obtained from this protocol, only the basic frequency distribution and selected cross-tabulation results are presented below due to limitations on research time and budget. We believe that the data which is now available on punch cards can, and should, be subjected to a much fuller analysis when time and funds permit, so that full benefit can be derived from this unique Canadian survey of corporate social involvement.

Table III-2 describes the respondent firms along three dimensions of size:

1. Gross revenues - last fiscal year;
2. Balance sheet value of fixed assets - last fiscal year; and
3. Total number of employees.

The deliberate bias of the survey towards medium and larger firms is clearly illustrated in the distribution of respondent companies by gross revenues. A full 64% reported revenues during the last fiscal period in excess of \$50 million and 45% in excess of \$100 million. When this profile of survey respondents is contrasted to the distribution by gross annual revenues for all Canadian firms (see Table III-2-1), it is clear that the respondent sample is not at all representative of businesses with sales of \$50 million or less. When the three classifications of sales in excess of \$50 million are compared, however, it is equally clear that the survey respondents represent either a reasonable proportion of (17.7% of firms with sales of \$51-\$100 million) or almost all of (91.3% of firms with sales of over \$500 million) the universe of incorporated businesses in Canada. This medium to larger company bias appears to be further substantiated by the statistics on balance sheet value of fixed assets (Table III-2-2 where 74% of respondent firms reported fixed assets of over \$10 million) and total number of employees (Table III-2-3 where 75% of respondent firms employed a work force of greater than 500 people).

From Table III-3 it is also apparent that the response sample comprises firms which operate in several provinces or on a national basis. Only 25.4% (72) of the firms reported operating in only one province. Cross-tabulation by S.I.C. category (not reported here) substantiated this "national orientation" for virtually all industry groups.

Two other basic dimensions of the respondent sample subjected to analysis were the type of ownership and percentage of equity owned by Canadians (see Table III-4). In short, 54.3% of the respondents are Canadian corporations, either publicly or privately owned, and 32.7% are subsidiaries of foreign corporations. Of all firms responding to the question about Canadian equity ownership, 61.6% reported 50% or more (however, these represent only 32.7% of the total respondent sample, since 46.8% of the sample did not answer this question).

TABLE III-2

Statistics of Responding CompaniesSize(1) Gross Annual Revenues - Last Fiscal Year

<u>Gross Revenues</u>	<u>Survey Respondents</u>			<u>All Firms in Canada*</u>	<u>Number of Survey Respondents as Percentage of All Firms</u>
	<u>Absolute Frequency</u>	<u>Relative Frequency (%)</u>	<u>Cumulative Frequency (%)</u>	<u>Number</u>	
\$50 million or less	101	35.6	35.6	281,000	0.0
\$51-\$100 million	55	19.4	54.9	310	17.7
\$101-\$500 million	86	30.3	85.2	217	39.6
Over \$500 million	<u>42</u>	<u>14.8</u>	100.0	<u>46</u>	91.3
Total	284	100.0		281,573	

(2) Balance Sheet Value of Fixed Assets - Last Fiscal Year End

<u>Value of Fixed Assets</u>	<u>Absolute Frequency</u>	<u>Relative Frequency (%)</u>	<u>Cumulative Frequency (%)</u>
\$10 million or less	73	25.7	25.7
\$11-50 million	79	27.8	53.5
\$51-100 million	26	9.2	62.7
\$101-500 million	60	21.1	83.8
Over \$500 million	42	14.8	98.6
	1	.4	98.9
	<u>3</u>	<u>1.1</u>	100.0
Total	284	100.0	

(3) Total Number of Employees

<u>Number of Employees</u>	<u>Absolute Frequency</u>	<u>Relative Frequency (%)</u>	<u>Cumulative Frequency (%)</u>
500 or less	70	24.6	24.6
501-1,000	60	21.1	45.8
1,001-5,000	109	38.4	84.2
5,001-10,000	18	6.3	90.5
Over 10,000	<u>27</u>	<u>9.5</u>	100.0
Total	284	100.0	

* Source: Statistics Canada; data are for 1974.

TABLE III-3

Statistics of Responding Companies
Location of Production and Distribution Facilities

<u>Number of Provinces</u>	<u>Absolute Frequency</u>	<u>Relative Frequency (%)</u>	<u>Cumulative Frequency (%)</u>
No province	9 ⁽¹⁾	3.2	3.2
1 province only	72	25.4	28.5
2-5 provinces	106	37.3	65.8
6-9 provinces	51	18.0	83.8
All 10 provinces	45	15.8	99.6
All 11 provinces ⁽²⁾	<u>1</u>	<u>.4</u>	100.0
Total	<u>284</u>	<u>100.0</u>	

(1) Presumed to be holding companies which have no production or distribution facilities of their own.

(2) The North West Territories was coded as the "11th" Province.

TABLE III-4

Statistics of Responding Companies
Ownership

(1) Type of Ownership

<u>Ownership Type</u>	<u>Absolute Frequency</u>	<u>Relative Frequency (%)</u>	<u>Cumulative Frequency (%)</u>
Crown corporation	7	2.5	2.5
Canadian-controlled public	105	37.0	39.5
Canadian-controlled private	49	17.3	56.8
Subsidiary of Canadian corporation	20	7.0	63.8
Subsidiary of foreign corporation	93	32.7	96.5
No response to question	10	3.5	100.0
Total	<u>284</u>	<u>100.0</u>	

(2) Percentage of Equity Owned by Canadians

Canadian Equity

Less than 50%	58	20.4	20.4
Equal to/greater than 50%	93	32.7	53.2
No response to question	<u>133</u>	<u>46.8</u>	100.0
Total	<u>284</u>	<u>100.0</u>	

The final basic respondent characteristic examined was organizational structure. These data are shown in Table III-5. The majority of the responding companies (56.0%) have a centralized form of management decision-making and organizational structure. A further 25.4% are essentially decentralized where decision-making and action relating to corporate social involvement would probably be more diffused and localized.

TABLE III-5
Statistics of Responding Companies
Organizational Structure

<u>Organizational Structure</u>	<u>Absolute Frequency</u>	<u>Relative Frequency %</u>	<u>Cumulative Frequency %</u>
Holding company with centralized decision-making	15	5.3	5.3
Operating company with centralized decision-making	159	56.0	61.3
Operating company with de- centralized decision-making	72	25.4	86.6
Holding company with de- centralized decision-making	7	2.5	89.1
Operating company with centralized and de-centralized decision-making	11	3.9	93.0
Other	20	7.0	100.0
Total	<u>284</u>	<u>100.0</u>	

In summary, the survey respondents are medium to large firms the majority of which are nationally oriented and Canadian-controlled and have centralized operating managements. They constitute a significant segment of Canadian business, and thus are appropriate to the focus of the Royal Commission, even though they are not, and are not intended to be, "representative" in a statistical sense of the whole of Canadian business and industry.

FRAMEWORK FOR ANALYSIS

The questionnaire was structured to allow an analysis of the data along two major dimensions discussed in Chapter II and portrayed on the matrix in Table II-1, i.e. 1) the stage of development of the social involvement process and 2) the issue or area of social involvement concerned.

The three stages of involvement used (as defined and discussed in Chapter II) were 1) the awareness/recognition stage, 2) the analysis and planning stage and 3) the response or implementation stage. The three major issues, or areas, of corporate social involvement which were examined were 1) internal human resources, 2) community relations and 3) the physical environment.

We acknowledge that these three areas do not represent an exhaustive cross section of the corporate social involvement agenda. However, it was felt that they are subjects of primary concern both to corporate managers and Canadian society at the present time, and will continue to be particularly important in future. Within each of these three areas, specific issues were examined to illustrate and elaborate upon the stage of response, or the "state of the art", which currently exists.

In presenting the major findings of the survey below, each of the two study dimensions (i.e. stage of involvement, and issues or areas of involvement) were analysed against five major characteristics of the responding firms:

1. Size of respondent - as measured by:
 (a) gross annual revenues;
 and (b) number of employees;
2. S.I.C. category - as discussed above (page 23);
3. Profitability - identified as the five-year average of profits after tax as a percentage of sales;
4. Canadian ownership - identified as being greater or less than 50% of equity owned by Canadians
5. Corporate Organizational Structure - identified as being (a) centralized or (b) decentralized

Schematically, the format for analysing and presenting the data on the stage of corporate social involvement is illustrated in Table III-6.

TABLE III-6

Presentation Format for Survey Results
Stages of Corporate Social Involvement

Independent Variables Analysed

Stage of Corporate Social Involvement	<u>Size</u>		S.I.C. Category	Profit After Tax (1)	Canadian Ownership (2)	Corporate Organizational Structure (3)
	Gross Annual Revenues	Total Employees				
	Awareness/ Recognition					
Analysis & Planning						
Response/ Implementation	↓	↓	↓	↓	↓	↓

(1) Categorized as "less than" the mean profit rate of all respondents for the five previous years or "equal to or greater than" the 5-year mean of the sample.

(2) Categorized as "less than 50%" or "greater than 50%".

(3) Categorized as "centralized" or "decentralized".

Indicates direction of data analysis and discussion.

One could argue that part of the analysis by S.I.C. category should be rejected because of the relatively small number of firms within certain industry classes responding to some questions or part questions. While acknowledging this fact of response, we have nevertheless reported on the results with very few exceptions in all S.I.C. categories, as we believe that the information derived is new and worth studying. This statistical problem should be kept in mind, however, when considering some of the industry by industry analysis.

A somewhat similar format has been used to analyse and present the results of the survey related to the three major issues or areas of corporate social involvement examined. The flow of data analysis and discussion is outlined in Table III-7.

TABLE III-7

Presentation Format for Survey Results
Areas of Corporate Social Involvement

	Size		S.I.C. Category	Profit After Tax (1)
	Gross Annual Sales	Total Employees		
Area of Corporate Involvement	Internal Human Resources			→
	Community Relations			→
	Physical Environment			→

(1) Categorized as "less than" the 5-year mean of the sample or "equal to or greater than" the 5-year mean of the sample.

→ Direction of data analysis and discussion.

CORPORATE SIZE AND STAGE OF
CORPORATE SOCIAL POLICY DEVELOPMENT

Annual Gross Revenues

When asked to rank the extent to which there is a need for some corporate response (i.e. awareness/recognition) on a 5-point scale (question #31) 16.4% of the respondents replied "none" or "minimal" (see Table III-8).* However, for the respondent sample, at least, a direct relationship is evident between increasing size of company, as measured by annual gross revenues, and increasing awareness and recognition of the need for social involvement.

TABLE III-8

Extent to Which There is a Need for Some Corporate
Social Response, by Annual Gross Revenues

<u>Annual Gross Revenues</u>	<u>Need For Response</u>				
	<u>None</u>	<u>Minimal</u>	<u>Moderate in a Few Areas</u>	<u>Critical in a Number of Areas</u>	<u>High and Pervasive</u>
\$50 million or less	3.1%(3)	21.9%(21)	52.1%(50)	17.7%(17)	5.2%(5)
\$51-\$100 million	0%	18.5%(10)	53.7%(29)	18.5%(10)	9.3%(5)
\$101-\$500 million	1.2%(1)	9.5%(8)	50.0%(42)	27.4%(23)	11.9%(10)
More than \$500 million	0%(0)	5.0%(2)	35.0%(14)	50.0%(20)	10.0%(4)
Total respondents(274)	1.4%(4)	15.0%(41)	49.3%(135)	25.5%(70)	8.8%(24)

When the two most urgent classes of response are combined, a distinct pattern of increasing perception of need and increasing corporate size appears (Table III-9).

*In this and all subsequent tabulations, percentages have been computed on the basis of the number of respondents to the specific question, which will seldom include all 284 firms responding to the questionnaire.

TABLE III-9

Extent of Considerable Need for Some
Corporate Social Response, by Annual Gross Revenues

<u>Annual Gross Revenues</u>	<u>"Critical in a Number of Areas" Plus "High and Pervasive" Need for Response</u>
\$50 million or less	22.9%
\$51-\$100 million	27.8%
\$101-\$500 million	39.3%
More than \$500 million	60.0%

At the second stage of corporate social involvement (that of analysis and planning) a similar relationship between company size and social policy development is evident. Using as a summary measure "the extent to which awareness and need for corporate social involvement are formalized within the company" (question #33), the results shown in Table III-10 were obtained.

TABLE III-10

Extent to Which Awareness and Need for
Corporate Social Performance Planning
are Formalized within the Firm,
by Annual Gross Revenues

<u>Annual Gross Revenues</u>	<u>Type of Planning</u>		
	<u>Totally Informal</u>	<u>Formalized in Specific Areas</u>	<u>Institutionalized in Planning System</u>
\$50 million or less	62.6% (57)	29.7% (27)	7.7% (7)
\$51-\$100 million	52.7% (29)	45.5% (25)	1.8% (1)
\$101-\$500 million	39.3% (33)	52.4% (44)	8.3% (7)
More than \$500 million	10.0% (4)	75.0% (30)	15.0% (6)
Total respondents(270)	45.6% (123)	46.7% (126)	7.8% (21)

The above data demonstrate that, for the respondent companies, smaller firms are characterized principally by "totally informal" planning for corporate social involvement. The low overall level of institutionalization for all sizes of companies (average of 7.8%) should also be noted, as should the tendency for relatively greater institutionalization in firms of over \$500 million in revenues.

At the third stage of social involvement, that of specific response and commitment of resources to social involvement concerns (question #34), the pattern of increasing commitment with increasing size of firm found in the two previous stages is repeated. As shown in Table III-11 below, no firms with annual gross revenues in excess of \$500 million indicated "no explicit response" and 27.5% indicated a major commitment of resources in several selected areas. Conversely 34.0% of the respondents with annual gross revenues of \$50 million or less acknowledged that they were making "no explicit response" to social involvement issues, and only 5.3% of firms in this category were making a major effort.

TABLE III-11

Extent to Which Firm Has Developed and Implemented
Some Explicit Response, by Annual Gross Revenues

<u>Annual Gross Revenues</u>	<u>Response</u>			
	<u>No Explicit Response</u>	<u>Limited Response</u>	<u>Response in Several Areas</u>	<u>Major Effort in Several Areas</u>
\$50 million or less	34.0%(32)	43.6%(41)	17.0%(16)	5.3%(5)
\$51-\$100 million	32.7%(18)	36.4%(20)	29.1%(16)	1.8%(1)
\$101-\$500 million	10.8%(9)	30.1%(25)	48.2%(40)	10.8%(9)
Over \$500 million	0%(0)	22.5%(9)	50.0%(20)	27.5%(11)
Total respondents (272)	21.7%(59)	34.9%(95)	33.8%(92)	9.6%(26)

In summary, survey results indicate that the larger the corporation (as measured by annual gross revenues), the more advanced is its stage of awareness, planning and response to corporate social involvement.

Number of Employees

The same direct relationship between corporate size, and awareness/recognition of the need for corporate social involvement is found when size is measured by the number of employees (see Table III-12).

TABLE III-12

Extent to Which There is Need for Some Corporate Social Response, by Number of Employees

<u>Total Number of Employees</u>	<u>Need for Response</u>				
	<u>None</u>	<u>Minimal</u>	<u>Moderate in a Few Areas</u>	<u>Critical in a Number of Areas</u>	<u>High and Pervasive</u>
500 or less	4.7%(3)	21.9%(14)	56.3%(36)	14.1%(9)	3.1%(2)
501-1,000	0%(0)	25.0%(15)	46.7%(28)	20.0%(12)	8.3%(5)
1,001-5,000	.9%(1)	9.3%(10)	49.1%(53)	28.7%(31)	12.0%(13)
Over 5,000	0%(0)	4.8%(2)	42.9%(18)	42.9%(18)	9.5%(4)
<u>Total Respondents (274)</u>	<u>1.5%(4)</u>	<u>15.0%(41)</u>	<u>49.3%(135)</u>	<u>25.5%(70)</u>	<u>8.8%(24)</u>

The similarity of results can be most clearly seen when the "critical in a number of areas" and "high and pervasive" categories are combined.

At the second and third stages of corporate social involvement (analysis planning and response/implementation) survey results indicate relationships which are essentially the same as those obtained on the basis of gross annual revenues (see Tables III-13 and III-14).

TABLE III-13

Extent to Which Awareness and Need for Corporate Social Performance Planning Are Formalized Within the Firm,
by Number of Employees

<u>Total Number of Employees</u>	<u>Type of Planning</u>		
	<u>Totally Informal</u>	<u>Formalized in Specific Areas</u>	<u>Institutionalized</u>
500 or less	64.5% (40)	30.6% (19)	4.8% (3)
501-1,000	62.7% (37)	30.5% (18)	6.8% (4)
1,000-5,000	36.4% (39)	56.1% (60)	7.5% (8)
Over 5,000	16.7% (7)	69.0% (29)	14.3% (6)
Total Respondents (270)	45.6% (123)	46.7% (126)	7.8% (21)

TABLE III-14

Extent to Which the Firm Has Developed and Implemented Some Explicit Response,
by Number of Employees

<u>Total Number of Employees</u>	<u>Response</u>			
	<u>No Response</u>	<u>Limited Response</u>	<u>Response in Several Areas</u>	<u>Major Effort in Several Areas</u>
500 or less	37.5%(24)	42.2%(27)	18.8%(12)	1.6%(1)
501-1,000	27.1%(16)	44.1%(26)	22.0%(13)	6.8%(4)
1,001-5,000	16.8%(18)	31.8%(34)	39.3%(42)	12.1%(13)
Over 5,000	2.4%(1)	19.0%(8)	59.5%(25)	19.0%(8)
Total Respondents (272)	21.7%(59)	34.9%(95)	33.8%(92)	9.6%(26)

TYPE OF INDUSTRY AND STAGE OF
CORPORATE SOCIAL POLICY DEVELOPMENT

The second major aspect of the survey analysed was the relationship of the stage of corporate social involvement to type of industry. As previously indicated, all questionnaires were precoded with a 4-digit S.I.C. number which allowed responses to be sorted into eight specific categories and a ninth category, "others". A cross-tabulation of responses to questions #31, #33 and #34 with S.I.C. codes was made to indicate the levels of awareness/recognition of the need for some form of corporate social involvement. These data are shown in Table III-15.

Excluding the "renewable resource" category (for which there was only one respondent) these data show that:

While extremely few companies (or none) in each industrial category expressed "no perception" of the need for some social involvement, at least 5% of firms in any one S.I.C. category expressed only "minimal" need. In the secondary manufacturing, financial and "others" categories, low levels of perception of need (combining "none" and "minimal") were expressed by about 20% of the firms reporting.

At the other end of the spectrum, 15.6% of the firms in the non-renewable resource category and 19% in the "others" category indicated a "high and pervasive" need for some corporate social response. Less than 10% of the firms in any other industry category reported this high level of perceived need.

When the response levels of "critical in a number of areas" and "high and pervasive" categories are combined, the ranking of industries shown in Table III-16 results.

TABLE III-15

Extent to Which There Is Need for Some
Corporate Social Response, by S.I.C.
Category

<u>S.I.C. Category</u>	<u>Need for Response</u>				
	<u>None</u>	<u>Minimal</u>	<u>Moderate in a Few Areas</u>	<u>Critical in a Number of Areas</u>	<u>High and Pervasive</u>
Non-Renewable resources	0%(0)	6.3%(2)	50.0%(16)	28.1%(9)	15.6%(5)
Primary manufacturing	0%(0)	12.5%(3)	45.8%(11)	37.5%(9)	4.2%(1)
Secondary manufacturing	1.5%(1)	18.2%(12)	48.5%(32)	24.2%(16)	7.6%(5)
Service	0%(0)	15.0%(3)	60.0%(12)	20.0%(4)	5.0%(1)
Transportation and Communication	0%(0)	14.8%(4)	51.9%(14)	25.9%(7)	7.4%(2)
Financial	3.1%(2)	20.3%(13)	42.2%(27)	26.6%(17)	7.8%(5)
Food and Agriculture	0%(0)	5.3%(1)	73.7%(14)	15.8%(3)	5.3%(1)
Others	<u>4.5%(1)</u>	<u>13.6%(3)</u>	<u>40.9%(9)</u>	<u>22.7%(5)</u>	<u>18.2%(4)</u>
Total Respondents (274)	<u>1.5%(4)</u>	<u>15.0%(41)</u>	<u>49.3%(135)</u>	<u>25.5%(70)</u>	<u>8.8%(24)</u>

TABLE III-16

Extent of Considerable Need for Some Corporate
Social Response, by S.I.C. Category

<u>S.I.C. Category</u>	<u>"Critical in a Number of Areas" plus "High and Pervasive"</u>
1. Resources - Non-renewable	43.7%
2. Manufacturing - Primary	41.7%
3. Financial	34.4%
4. Transportation and Communication	33.3%
5. Manufacturing - Secondary	31.8%
6. Service	25.0%
7. Food and Agriculture	21.1%

When asked to indicate the extent to which corporate social involvement is incorporated into the organization's planning systems, about 55% of all firms reporting said that they conduct at least some formal social involvement planning (see Table III-10). The remaining firms indicated that planning was informal. The extent to which respondent firms in each industrial category have formalized their social involvement planning in selected areas, or have institutionalized such planning activity throughout the firm, is shown in Table III-17.

TABLE III-17

Extent to Which Awareness and Need
for Corporate Social Performance
Planning is Formalized within the Firm,
by S.I.C. Category

<u>S.I.C. Category</u>	<u>Type of Planning</u>		
	<u>Totally Informal</u>	<u>Formalized in Specific Areas</u>	<u>Institutionalized</u>
Non-renewable resources	46.9%(15)	53.1%(17)	0%(0)
Primary Manufacturing	34.8%(8)	52.2%(12)	13.0%(3)
Secondary Manufacturing	47.6%(30)	44.4%(28)	7.9%(5)
Service	55.0%(11)	40.0%(8)	5.0%(1)
Transportation and Communication	33.3%(9)	59.3%(16)	7.4%(2)
Financial	45.3%(29)	50.0%(32)	4.7%(3)
Food and Agriculture	47.4%(9)	36.8%(7)	15.8%(3)
Others	54.5%(12)	27.3%(6)	18.2%(4)
Total Respondents (270)	45.5%(123)	46.7%(126)	7.8%(21)

As in the treatment by corporate size, survey responses were analysed by S.I.C. category relative to the third stage of social involvement - that of "response" or "implementation" to explicitly identified issues (question #34). Details of the survey response data by S.I.C. category are shown in Table III-18.

TABLE III-18

Extent to Which the Firm has Developed and Implemented Some Explicit Response, by S.I.C. Category

<u>S.I.C. Category</u>	<u>Response</u>			
	<u>No Explicit Response</u>	<u>Limited Response</u>	<u>Response in Several Areas</u>	<u>Major Effort in Several Areas</u>
Non-renewable Resources	10.0% (3)	36.7%(11)	43.3%(13)	10.0% (3)
Primary Manufacturing	12.5% (3)	41.7%(10)	33.3% (8)	12.5%(3)
Secondary Manufacturing	29.7%(19)	28.1%(18)	28.1%(18)	14.1%(9)
Service	33.3% (7)	28.6% (6)	33.3% (7)	4.8% (1)
Transportation and Communication	7.4% (2)	33.3% (9)	40.7%(11)	18.5%(5)
Financial	23.1%(15)	35.4%(23)	35.4%(23)	6.2% (4)
Food and Agriculture	10.5% (2)	52.6%(10)	31.6% (6)	5.3% (1)
Others	36.4% (8)	36.4% (8)	27.3% (6)	0% (0)
Total Respondents (272)	21.7%(59)	34.9%(95)	33.8%(92)	9.6%(26)

This Table shows that slightly over 20% of all respondents have developed no explicit responses to the corporate social involvement issues, and that the lack of explicit response is most common in the service, secondary manufacturing and financial sectors.

PROFITABILITY AND STATE OF CORPORATE SOCIAL POLICY DEVELOPMENT

A third company characteristic analysed against the three stages of awareness/recognition, planning and response was level of corporate profits after tax. Respondents were asked to identify their company's profit after tax, as a percentage of sales (or gross revenues), for each of the last five fiscal years and the 5-year average. The mean of the 5-year averages was then determined, and the response level analysed on the basis of whether company profits were above or below this mean. (See Tables III-19 to III-21.)

TABLE III-19

Extent to Which There Is a Need for Some Corporate Social Response, by Profit

<u>After-Tax Profit as Percentage of Sales</u>	<u>Need for Response</u>				
	<u>None</u>	<u>Minimal</u>	<u>Moderate in a Few Areas</u>	<u>Critical in a Number of Areas</u>	<u>High and Pervasive</u>
Less than the mean	1.8%(3)	18.7%(32)	49.1%(84)	22.2%(38)	8.2%(14)
Equal to or greater than the mean	0%(0)	12.6%(11)	48.3%(42)	32.2%(28)	6.9%(6)
Total respondents (258)	1.2%(3)	16.7%(43)	48.4%(126)	25.6%(66)	7.8%(20)

According to these results, there appears to be no significant difference between companies which are above or below the mean 5-year average profits for all respondents with respect to general recognition levels. However, when relative profit levels are compared to the extent to which companies incorporate social involvement considerations into their planning systems (Table III-20), profitability (particularly below-average profitability) appears to be influential. A higher percentage of respondent firms with profits above the mean have either formal plans in specific areas or have institutionalized corporate social planning, compared to firms below the mean (63.8% as against 45.2%). The positive impact of profitability on corporate social involvement is further illustrated by examining the data relative to the third stage of involvement - that of explicit response to social involvement issues (Table III-21).

TABLE III-20

Extent to Which Awareness and Need for Corporate Social Performance Planning Are Formalized within the Firm, by Profit

<u>After-Tax Profit as Percentage of Sales</u>	<u>Type of Planning</u>		
	<u>Totally Informal</u>	<u>Formalized in Specific Areas</u>	<u>Institutionalized</u>
Less than the mean	54.8%(85)	39.4%(61)	5.8%(9)
Equal to or greater than the mean	<u>36.2%(34)</u>	<u>55.3%(52)</u>	<u>8.5%(8)</u>
Total respondents (249)	<u>47.8%(119)</u>	<u>45.4%(113)</u>	<u>6.8%(17)</u>

TABLE III-21

Extent to Which the Firm Has Developed
and Implemented Explicit Responses, by Profit

<u>After-Tax Profit as Percentage of Sales</u>	<u>Response</u>			
	<u>No Explicit Response</u>	<u>Limited Response</u>	<u>Response in Several Areas</u>	<u>Major Effort in Several Areas</u>
Less than the mean	26.2%(43)	34.8%(57)	29.9%(49)	9.1%(15)
Equal to or greater than the mean	9.2%(8)	35.6%(31)	42.5%(37)	12.6%(11)
Total respondents (251)	20.3%(51)	35.1%(88)	34.3%(86)	10.4%(26)

In summary, higher levels of corporate social involvement activity among the respondent companies appear to be generally associated with above-average levels of corporate profits. Further, from our review of the many subjective comments made to the questionnaire, it is evident that response to corporate social involvement tends to occur after the achievement of "satisfactory" profit levels and, in reverse, tends to be reduced in anticipation of profit declines.

FOREIGN OWNERSHIP AND CORPORATE
SOCIAL POLICY DEVELOPMENT

The fourth characteristic analysed relative to the stages of corporate social involvement was foreign ownership. The question of interest was whether companies in which there was a high Canadian equity ownership (i.e. above 50%) demonstrated higher levels of social involvement activity than those with lower Canadian equity ownership. The results are shown in Tables III-22 to III-24.

TABLE III-22

Extent to Which There is a Need for
Some Corporate Social Response, by Ownership

<u>Percentage Canadian Equity Ownership</u>	<u>Need for Response</u>				
	<u>None</u>	<u>Minimal</u>	<u>Moderate in a Few Areas</u>	<u>Critical in Number of Areas</u>	<u>High and Pervasive</u>
Less than 50%	1.8%(1)	16.1%(9)	50.0%(28)	23.2%(13)	8.9%(5)
Greater than 50%	<u>0.0%(0)</u>	<u>20.7%(19)</u>	<u>40.2%(37)</u>	<u>27.2%(25)</u>	<u>12.0%(11)</u>
Total respondents (148)	0.7%(1)	18.9%(28)	43.9%(65)	25.7%(38)	10.8%(16)

TABLE III-23

Extent to Which Awareness and Need for Corporate
Social Performance Planning Are Formalized within
the Firm, by Ownership

<u>Percentage Canadian Ownership</u>	<u>Type of Planning</u>		
	<u>Totally Informal</u>	<u>Formalized in Specific Areas</u>	<u>Institutionalized</u>
Less than 50%	43.6%(24)	52.7%(29)	3.6%(2)
Greater than 50%	47.3%(43)	45.1%(41)	7.7%(7)
Total respondents (146)	45.9%(67)	47.9%(70)	6.2%(9)

TABLE III-24

Extent to Which the Firm Has Developed and
Implemented Some Explicit Response, by Ownership

<u>Percentage Canadian Ownership</u>	<u>Response</u>			
	<u>No Explicit Response</u>	<u>Limited Response</u>	<u>Response in Several Areas</u>	<u>Major Efforts in Several Areas</u>
Less than 50%	16.4%(9)	36.4%(20)	40.0%(22)	7.3%(4)
Greater than 50%	<u>24.2%(22)</u>	<u>29.7%(27)</u>	<u>36.3%(33)</u>	<u>9.9%(9)</u>
Total respondents (146)	<u>21.2%(31)</u>	<u>32.2%(47)</u>	<u>37.7%(55)</u>	<u>8.9%(13)</u>

So far as the respondent sample is concerned, the degree of Canadian ownership plays no significant role in determining the stage of corporate social involvement which exists. While foreign-owned companies show some tendency to do more formal planning in specialized areas than do their Canadian-owned counterparts, this same tendency was not reflected in a higher level of response.

ORGANIZATIONAL STRUCTURE AND CORPORATE SOCIAL POLICY DEVELOPMENT

The final variable examined against the stages of social involvement was organizational structure. In the questionnaire (question #18) three major forms of organizational structure were identified: 1) holding companies with centralized decision-making, 2) operating companies with centralized decision-making, and 3) operating companies with decentralized decision-making.

Because of the very low number of responses in the first category (14) only data from the latter two categories are presented (see Tables III-25 to III-27).

From the data in Table III-25 there appears to be little difference in the levels of awareness/recognition of the need for corporate social involvement relative to the organizational structure of the firm, although a higher proportion of decentralized companies expressed a "high and pervasive" need for some form of corporate social response.

TABLE III-25

Extent to Which There is a Need for Some Corporate Social Response, by Organizational Structure

<u>Organizational Structure</u>	<u>Need for Response</u>				
	<u>None</u>	<u>Minimal</u>	<u>Moderate in a Few Areas</u>	<u>Critical in a Number of Areas</u>	<u>High and Pervasive</u>
Centralized	1.9%(3)	14.1%(22)	52.6%(82)	26.3%(41)	5.1%(8)
Decentralized	<u>0.0%(0)</u>	<u>16.9%(12)</u>	<u>43.7%(31)</u>	<u>25.4%(18)</u>	<u>14.1%(10)</u>
Total respondents (227)	<u>1.3%(3)</u>	<u>15.0%(34)</u>	<u>49.8%(113)</u>	<u>26.0%(59)</u>	<u>7.9%(18)</u>

At the third stage of corporate social involvement, some differences appear between centralized and decentralized companies with respect to "major" response effort (Table III-27). Furthermore, a study of the subjective comments included with the questionnaire from each type of firm suggested that management groups in decentralized firms (which tend to be "closer to the firing line" than those in centralized companies) are slightly more responsive to localized community and social issues.

TABLE III-26

Extent to Which Awareness and Need for Corporate Social Performance Planning are Formalized within the Firm, by Organizational Structure

<u>Organizational Structure</u>	<u>Type of Planning</u>		
	<u>Totally Informal</u>	<u>Formalized in Specific Areas</u>	<u>Institutionalized</u>
Centralized	46.4%(71)	45.1%(69)	8.5%(13)
Decentralized	<u>45.7%(32)</u>	<u>47.1%(33)</u>	<u>7.1%(5)</u>
Total respondents (223)	<u>46.2%(103)</u>	<u>45.7%(102)</u>	<u>8.1%(18)</u>

TABLE III-27

Extent to Which the Firm Has Developed and Implemented Some Explicit Responses, by Organizational Structure

<u>Organizational Structure</u>	<u>Response</u>			
	<u>No Response</u>	<u>Limited Response</u>	<u>Response in Several Areas</u>	<u>Major Effort in Several Areas</u>
Centralized	21.2%(33)	41.7%(65)	28.8%(45)	8.3%(13)
Decentralized	<u>20.3%(14)</u>	<u>29.0%(20)</u>	<u>37.7%(26)</u>	<u>13.0%(9)</u>
Total respondents (225)	<u>20.9%(47)</u>	<u>37.8%(85)</u>	<u>31.6%(71)</u>	<u>9.8%(22)</u>

SUMMARY OF STAGES OF
CORPORATE SOCIAL INVOLVEMENT

A number of observations can be made about the survey results presented thus far:

1. As the size of the firms increases (either on the basis of annual gross revenues or total number of employees), the levels of awareness/recognition, analysis/planning and response to corporate social involvement increase.
2. Companies with above average after-tax profits demonstrate higher levels of response at all three stages of social involvement than do those with below average profits.
3. The extent of Canadian ownership appears to have little effect on the responsiveness of the firms to corporate social involvement. Generally, foreign-controlled firms seem to be as responsive at each stage of involvement as the "Canadian" firms.
4. There are significant variations in levels of response to corporate social involvement by type of industry. However, these variations do not reveal any clear pattern from one question to another.
5. Type of organizational structure does not significantly influence the stage of corporate social involvement.
6. Throughout the analysis, responding firms reported involvement in "analysis and planning" more frequently than in actual response. This is not inconsistent with the "state of the art" in Canada. It suggests that many firms (particularly the larger ones) are thinking and planning relative to their corporate social involvement but moving cautiously into the "response/implementation" stage of development. There appears to be a growing potential for active corporate social policies, but they have not yet been formalized and implemented.

RESPONSE TO SPECIFIC AREAS OF CORPORATE SOCIAL INVOLVEMENT

As stated at the outset of this chapter, the format of the questionnaire allowed responses to be examined in three major areas of corporate social involvement:

1. programs and activities related to the internal human resources of the firm (questions #11-14);
2. programs and activities related to the firm's community relations (questions #15-17);
3. programs and activities related to the firm's physical environment (question #18).

We should note again that these three areas in most cases do not embrace all of a corporation's secondary or consequential impacts on society given its core economic activities. They represent, however, three significant dimensions of social involvement which are common to the majority of corporations operating in Canada and in which the responding firms expressed consistent interest and concern.

Within the internal human resources area, four specific types of activities were analysed:

1. training and educational programs designed to increase job skills and foster personal development;
2. "special needs" programs reflecting specific objectives such as the promotion of women and the employment of the handicapped;
3. "special assistance" programs, relating to particular concerns such as physical and mental health, personal financial assistance and flexible working hours;
4. employment programs beyond legal or contractual requirements such as the indexing of pension plans and the provision of other supplementary benefits.

Within the community relations area, three specifics were examined:

1. approximate percentage of pre-tax profits budgeted for charitable contributions;

2. the purposes of such contributions;
3. the extent of non-financial support provided to the community by the corporation and its individual employees.

With respect to the physical environment, only one question was asked: In what, if any, areas (such as pollution abatement, recycling of wastes, conservation of energy, etc.) had the company committed resources beyond those required by law or regulation?

Each of these three activity areas was analysed along the same size, profitability, etc., dimension as in the earlier discussion of the stages of social involvement. However, only three of these variables (size of firm, S.I.C. category and profitability) have been selected for presentation in this chapter, as they were found to provide the best insights into the variations in corporate social policies among respondent firms.*

*Analysis of these data has been confined entirely to those respondents providing specific information relevant to each question or part question. Hence, the number of respondents varies from question to question, and the percentage figures tabulated are based on this number of respondents alone. The alternative of interpreting non-response as equivalent to negative response was rejected, although the numerical data shown could be re-analysed on this basis if one should choose to do so.

PROGRAM RESPONSES TO
INTERNAL HUMAN RESOURCES

Response by Size of Firm

The survey results to questions #11 to #14 analysed by size of firm (based on gross annual revenues) are shown in Table III-28.

A number of observations can be made on the basis of these results:

Almost all firms (95.8%), regardless of size, offered programs to upgrade employee job skills.

Response to employee needs for personal development increased with the size of firm. The largest firms (with gross annual revenues in excess of \$500 million) indicated a response level (83.3%) over twice that of firms in the lowest size category.

A low percentage of the respondent firms (22.2%) engaged in management interchange programs with governments or universities. Within this group the largest firms took advantage of such management development activities more than twice as much as the smallest firms.

Regarding the availability of specific programs to meet special needs of the work force:

17.6% of respondent firms offered employment programs for the handicapped;

29.1% had employment programs for ethnic and/or minority groups;

39.8% had devised policies aimed at promoting women;

85.7% engaged in programs for employment of youth.

While the general level of participation in some of these types of "special needs" programs was low, their availability increased as the size of the firm increased.

The same general results were observed when internal human resource programs were analysed by total number of employees.

TABLE III-28

Internal Human Resource Programs by Size of Firm (Gross Annual Revenues)

Types of Programs

Gross Annual Revenues	Increase Employee Job Skills	Improve Personal Development	Management Interchange	Promotion of Women	Employ Minority Groups	Employ Youth Part-Time	Employ and Train Handicapped Workers	Physical & Mental Health	Employee Financial Planning/ Assistance	Flexible Working Hours
\$50 million or less	93.1%(94)	40.6%(41)	19.8%(20)	26.5%(22)	15.7%(13)	75.9%(63)	13.3%(11)	33.3%(25)	37.3%(28)	41.3%(31)
\$51-\$100 million	96.4%(53)	38.2%(21)	16.4%(9)	34.0%(16)	21.3%(10)	85.1%(40)	12.8%(6)	61.1%(22)	36.1%(13)	63.9%(23)
\$101-\$500 million	96.5%(83)	41.9%(36)	18.6%(16)	45.6%(36)	35.0%(28)	90.0%(72)	39.0%(16)	56.5%(39)	47.8%(33)	55.1%(38)
More than \$500 million	100.0%(42)	83.3%(35)	42.9%(18)	63.4%(40)	53.7%(22)	97.6%(40)	39.0%(16)	65.0%(26)	40.0%(16)	72.5%(29)
All categories	95.8%(272)	46.8%(133)	22.2%(63)	39.8%(215)	29.1%(73)	85.7%(215)	19.6%(44)	50.9%(112)	40.9%(90)	55.0%(121)
Number of Respondents	284	284	284	251	251	251	250	220	220	220

Response by Type of Industry

When the survey data regarding the availability of internal human resource programs were analysed by Standard Industrial Classification, substantial differences occurred in the levels of response from industry to industry. Table III-29 presents the survey results by S.I.C. category for the eleven factors examined. From this exhibit the following observations can be made:

In program areas relating to personal improvement of employees, management interchange, and employment of youth, the transportation and communication sector was found to be most active.

Firms in the non-renewable resource sector, the primary manufacturing sector and the food and agriculture sector, were less active in the promotion of women in the work force than were firms in transportation and communication, financial and secondary manufacturing categories. The service industry was the least active in this area. This same order of industries was also observed for programs dealing with employee physical and mental health problems (except for food and agriculture).

Non-renewable resource firms, not surprisingly given the location of many of their operations, ranked highest of all the S.I.C. categories in the employment of minority groups. The financial sector was the next most active industry type with all other sectors much less active.

Primary manufacturers and financial institutions were most active in providing special assistance for employees in the area of financial planning or assistance. Transportation and communications followed closely. Non-renewable resource firms were the least active in this area.

Table III-29

Internal Human Resource Programs, by Standard Industrial Classification

S.I.C. Category	Type of Program									
	Increase Employee Job Skills	Improve Personal Development	Management Interchange	Promotion of Women	Employ and Train Handi- Capped Workers	Employ Minority Groups	Employ Youth Part-Time	Physical and Mental Health	Employee Financial Planning/ Assistance	Flexible Working Hours
Non-renewable resources	96.9%(31)	46.9%(15)	12.5%(4)	33.3%(10)	20.0%(6)	40.0%(12)	90.0%(27)	42.3%(11)	23.1%(6)	61.5%(16)
Primary manufacturing	100.0%(25)	40.0%(10)	24.0%(6)	26.1%(6)	21.7%(5)	26.1%(6)	95.7%(22)	38.9%(7)	55.6%(10)	27.8%(5)
Secondary manufacturing	94.0%(63)	41.8%(28)	23.9%(16)	42.1%(24)	15.8%(9)	29.8%(17)	82.5%(47)	66.7%(34)	37.3%(19)	51.0%(26)
Service	95.2%(20)	47.5%(10)	23.8%(5)	22.2%(4)	5.6%(1)	11.1%(2)	83.3%(15)	16.7%(3)	33.3%(6)	38.9%(7)
Transportation and Communication	96.3%(26)	55.6%(15)	33.3%(9)	56.5%(13)	13.0%(3)	25.0%(6)	100.0%(24)	47.6%(10)	47.6%(10)	57.1%(12)
Financial	97.1%(66)	50.0%(34)	14.7%(10)	48.3%(29)	23.3%(14)	33.3%(20)	80.0%(48)	53.6%(30)	53.6%(30)	78.6%(44)
Food and Agriculture	95.2%(20)	38.1%(8)	33.3%(7)	35.3%(6)	23.5%(4)	23.5%(4)	82.4%(14)	50.0%(8)	43.8%(7)	18.8%(3)
Others	90.9%(20)	54.5%(12)	27.3%(6)	33.3%(7)	9.5%(2)	23.8%(5)	81.0%(17)	61.5%(8)	15.4%(2)	61.5%(8)
All Categories	95.89%(271)	46.9%(132)	27.3%(63)	39.8%(99)	17.7%(44)	28.8%(72)	85.6%(214)	50.7%(111)	41.1%(90)	55.3%(121)
Number of Respondents	283	283	283	249	249	250	250	219	219	219

The concept of flexible working hours appears to be most developed by financial institutions followed by non-renewable resource firms and transportation and communication firms. Flexible working hours are least applicable to the food and agricultural sectors.

Response by Level of Profitability

When an analysis of corporate response to internal human resource programs was made by level of profitability (above and below the 5-year mean), no significant differences were discernible. For both groups of companies, response levels were highest in programs relating to increasing employee job skills, part-time employment of youth and/or students and supplementary health or income protection. Similarly, both groups were least active in programs directed towards employment of minority or special ethnic groups and employee personal financial planning or assistance.

SUMMARY OF PROGRAM RESPONSE TO INTERNAL HUMAN RESOURCES

It is apparent that there is a positive relationship between firm size (as measured by gross annual revenue) and the extent of firm activity in almost all types of internal human relations programs.

However, firms in each industry sector appear to be selective in their choice of specific programs, i.e. they are more active in one or more human resource program and less so in others. In general terms, the service sectors seem to be the least active of all the sectors examined. Profit performance appears to have little influence on either the scope or the specific forms of internal human resource programs offered.

PROGRAM RESPONSES IN
COMMUNITY RELATIONS

In the survey two dimensions of community relations programs were evaluated. The first, financial contributions to a range of educational, cultural, and health and welfare and community organizations, clearly falls within the category of "corporate philanthropy" discussed in Chapter II. Although, as pointed out there, financial contributions are often directed towards activities "outside or peripheral to the corporation's sphere of secondary involvement", questions #15 and #16 were included for the reason (also noted in Chapter II) that "some corporate executives clearly consider charitable donations as a means of response to recognized social involvement issues."

The second dimension of community relations examined was non-financial support provided to the community by the company and its employees. Such non-financial support would include: 1) allowing employees time away from work to participate in community affairs; and 2) providing physical resources (e.g., meeting rooms, audio-visual equipment, company land and recreational facilities) to the community for its regular or intermittent use.

For each dimension, survey results were considered according to firm size, S.I.C. classification and profitability. In some instances, however, the response level was very low, and thus no generalizations can be made on the data presented.

Financial Response to Community
Relations, by Size of Company

With regard to corporate financial support for community activities and services, those surveyed were asked to indicate: 1) the approximate percentage of pre-tax profits budgeted for such activities; and 2) the purpose of the contribution (education, culture, etc.).

The resulting data were then cross-tabbed against corporate size (as measured by annual gross revenues) to arrive at the information contained in Tables III-30 and III-31.

TABLE III-30

Percentage of Respondent Firms Reporting Charitable Contributions, by Size of Firm

<u>Annual Gross Revenues</u>	<u>Percentage of Pre-Tax Profits</u>					<u>Greater than 1.0%</u>
	<u>0.01%</u> <u>-0.25%</u>	<u>0.26%</u> <u>-0.50%</u>	<u>0.51%</u> <u>-0.75%</u>	<u>0.76%</u> <u>-0.99%</u>	<u>1.0%</u>	
\$50 million or less	10.3%(6)	22.4%(13)	10.3%(6)	1.7%(1)	17.2%(10)	37.9%(22)
\$51-\$100 million	13.5%(5)	18.9%(7)	13.5%(5)	0.0%(0)	24.3%(9)	29.7%(11)
\$101-\$500 million	18.2%(10)	23.6%(13)	5.4%(3)	10.9%(6)	21.8%(12)	20.0%(11)
Over \$500 million	<u>3.2%(1)</u>	<u>35.5%(11)</u>	<u>22.6%(7)</u>	<u>9.7%(3)</u>	<u>9.7%(3)</u>	<u>19.3%(6)</u>
Total Respondents (181)	<u>12.1%(22)</u>	<u>24.3%(44)</u>	<u>11.6%(21)</u>	<u>5.5%(10)</u>	<u>18.9%(34)</u>	<u>27.6%(50)</u>

TABLE III-31

Purpose of Contribution, by Size of Firm

(Percentage of respondent firms in each size class contributing to specific category)*

<u>Annual Gross Revenues</u>	<u>Education</u>	<u>Recreation</u>	<u>Culture/ Arts</u>	<u>Health/ Welfare Service</u>	<u>Community Planning/ Development</u>	<u>Other</u>
\$50 million or less	60.5	47.7	52.3	69.8	43.0	0
\$51-\$100 million	72.5	45.1	56.9	82.4	31.4	5.9
\$101-\$500 million	91.6	74.9	86.7	91.6	49.4	3.6
More than \$500 million	97.4	84.6	97.4	100.0	74.4	7.7

* Each figure in Table III-31 indicates the percentage of firms in each revenue category reporting contributions for the specific purpose listed. For example, 60.5% of the 58 responding firms with \$50 million or less in gross annual revenues contributed funds to education. A firm, of course, could contribute to more than one purpose, and the percentage shown gives no indication of the dollar amounts contributed, or the relative importance of each recipient category.

The data in Table III-30 reveal a substantial difference in the percentage of pre-tax profits contributed to philanthropic endeavours by respondent firms in the various size classes. Almost 40% of the firms with gross revenues of \$50 million or less, for example, reported contributions greater than 1.0% of pre-tax profits, while only about 20% of the companies in the largest size class reported contributions of this level. The larger companies in total probably contribute more in absolute dollar amounts, but their giving norms relative to profit appear to be less than the smaller respondent companies.

It is clear from Table III-31 that health and welfare services and education are the most frequent recipients of contributions by firms in every size class. It is also clear that the range of philanthropic activity is greater in the larger firms, which show higher percentage responses in each of the recipient categories.

Non-financial support of community activities was positively correlated with firm size (with the exception of the \$51-\$100 million category), as can be seen in Table III-32.

TABLE III-32

Type of Non-Financial Community Support Provided by the Firm and its Employees, by Size of Firm*

<u>Annual Gross Revenues</u>	<u>Time off for Employees</u>	<u>Time off for Political Activity</u>	<u>Employees Paid for Time Off</u>	<u>Physical Resources Provided by Company</u>
\$50 million or less	86.5%	53.8%	61.3%	50.0%
\$51-\$100 million	84.0%	48.9%	67.4%	48.9%
\$101-\$500 million	91.6%	64.5%	78.0%	77.8%
More than \$500 million	95.2%	90.0%	75.6%	85.7%

* Each cell indicates percentage of firms in each revenue category providing specific type of non-financial support.

Charitable Contributions, by Type of Industry

Table III-33 shows the percentage of responding firms in each S.I.C. classification which contributed to the six designated recipient categories. While it is hard to draw industry by

Table. III-33

Purpose of Charitable Donations, by Type of Industry
Percentage of firms in Each S.I.C. Category Contributing to
Specific Purpose

<u>S.I.C. Category</u>	<u>Education</u>	<u>Recreation</u>	<u>Culture/Art</u>	<u>Health/Welfare</u>	<u>Community Planning/Development</u>	<u>Other</u>
Non-renewable Resources	87.1% (27)	80.6% (25)	77.4% (24)	80.6% (25)	61.3% (19)	3.2% (1)
Primary Manufacturing	70.8% (17)	66.7% (16)	79.2% (19)	87.5% (21)	41.7% (10)	4.2% (1)
Secondary Manufacturing	72.3% (47)	52.3% (34)	64.6% (42)	87.7% (57)	40.0% (26)	3.1% (2)
Service	77.8% (14)	33.3% (6)	44.4% (8)	83.3% (15)	33.3% (26)	5.6% (2)
Transportation/ Communication	84.0% (21)	72.0% (18)	76.0% (19)	80.0% (20)	56.0% (14)	4.0% (1)
Financial	80.6% (50)	62.9% (39)	77.4% (48)	87.1% (54)	54.8% (34)	3.2% (2)
Food/ Agriculture	93.8% (15)	50.0% (8)	75.0% (12)	68.8% (11)	25.0% (4)	0% (0)
Others	64.7% (11)	70.6% (12)	64.7% (11)	76.5% (13)	52.9% (9)	5.9% (1)

industry comparisons of the levels of participation in any one particular area of contribution, health and welfare services (e.g., the United Way Appeal) appeared to be the most frequent recipients from firms in five of the eight S.I.C. classifications. It is not surprising perhaps that in areas such as community planning, the highest level of response came from firms in the non-renewable resources sector (e.g., mining and oil companies), whose involvement in remote communities and "company towns" is often integral to the accomplishment of their primary or core economic activities.

The generally high incidence of contributions to education is, we believe, a reflection of its current importance to society, and the large number of funding campaigns managed by both established and new educational institutions. Education, particularly in the professional and business disciplines, is also perceived by business and industrial enterprises as being closely related to the primary or core activities of the firm, and essential to the preservation of the "market system". These factors may explain, in part at least, the high survey response levels with respect to education.

Non-Financial Response to Community Relations, by Profitability

It is apparent from the data shown in Table III-34, that the relative level of profitability for the respondent sample has little influence on the extent to which non-financial support is provided to the community by the firm and its employees. The percentage of firms above and below the mean 5-year average profitability level was virtually the same for each of the four dimensions of non-financial community relations studied.

TABLE III-34

Type of Non-Financial Community Support Provided by the Firm and its Employees, by Profitability*

<u>Relative Profitability</u>	<u>Time off for Community Affairs</u>	<u>Employees Time Off for Political Activities</u>	<u>Employees Paid for Time Off</u>	<u>Physical Resources Provided to Community</u>
Less than mean	75.5%	57.5%	57.4%	54.6%
Equal to or greater than the mean	72.9%	52.7%	57.9%	58.4%

* Each figure shows the percentage of responding firms at each profitability level providing specific type of non-financial support.

SUMMARY OF PROGRAM RESPONSE
TO COMMUNITY RELATIONS

The above results indicate some positive relationship between both financial and non-financial community support activities and size of firm as measured by annual gross revenues, although the size of financial contributions relative to pre-tax profits appears to be greater among smaller firms. As in the case of internal human resource activities, firms in the service sector seemed to be less active in community relations programs than those in other types of industries. Non-renewable resource firms were very active in the area of contributions towards educational, recreational and "community planning", a characteristic which we believe reflects their importance in the social infrastructure of the communities where their primary or core activities are located. There was no distinct association, among the respondent firms, between relative level of profitability and the degree of scope of community relations studied.

PROGRAM RESPONSE TO THE
PHYSICAL ENVIRONMENT

Only one question was asked in the survey (question #18) to provide a general indication of corporate social involvement in physical environment issues. It read:

"In which of the following areas of the physical environment has your company committed resources beyond that which is required by law or regulation?"

By underlining the last part of this question, of course, the questionnaire emphasized that the answers given by the respondent companies should reflect a level of commitment to environmental concerns beyond straight legal compliance.

Response to the Physical Environment,
by Size of Company

The survey results by size of company in response to question #18 are shown in Table III-35.

TABLE III-35

Percentage of Firms Which Have Committed
Resources beyond Legal Requirements,
by Annual Gross Revenues

<u>Annual Gross Revenues</u>	<u>Pollution Abatement</u>	<u>Waste Recycling</u>	<u>Energy Conservation</u>	<u>Environmental Restoration</u>
\$50 million or less	50.7%(37)	23.6%(17)	45.2%(33)	35.6%(26)
\$51-\$100 million	40.0%(16)	30.0%(12)	35.0%(14)	50.0%(20)
\$101-\$500 million	57.7%(45)	44.9%(35)	62.8%(49)	62.8%(49)
More than \$500 million	78.0%(32)	68.3%(28)	75.6%(31)	82.9%(34)

Once again, a direct relationship between size of firm and program response was evident. Larger firms reported a greater tendency than did smaller companies to commit resources beyond legal minimums to environmental issues. The only exceptions to this pattern occurred in pollution abatement and energy conservation, where respondent firms with \$50 million or less in annual gross revenues demonstrated a higher incidence of response than did firms in the immediately greater size category.

Response to the Physical
Environment, by Type of Industry

As might be expected, the data in Table III-36 show that there were wide variations in response to the physical environment among reporting firms classified by type of industry. However, the high percentage of respondents indicating commitments above legal requirements in one or more environmental protection area is worth noting.

TABLE III-36

Percentage of Firms Which Have Committed
Resources beyond Legal Requirements,
by S.I.C. Category

<u>S,I,C. Category</u>	<u>Pollution Abatement</u>	<u>Waste Recycling</u>	<u>Energy Conservation</u>	<u>Environmental Restoration</u>
Non-renewable resources	69.2%(18)	50.0%(13)	53.8%(14)	73.1%(19)
Primary manufacturing	79.2%(19)	62.5%(15)	66.7%(16)	66.7%(16)
Secondary manufacturing	50.0%(27)	43.4%(23)	63.0%(34)	51.9%(28)
Service	46.2%(6)	30.8%(4)	46.2%(6)	38.5%(5)
Transportation and Communication	79.2%(19)	29.2%(7)	70.8%(17)	58.3%(14)
Financial	35.2%(19)	25.9%(14)	38.9%(21)	53.7%(29)
Food and Agriculture	65.0%(13)	40.0%(8)	55.0%(11)	40.0%(8)
Others	50.0%(8)	43.8%(7)	43.8%(7)	62.5%(10)

A ranking of S.I.C. categories by the area of highest involvement suggested that:

the highest participation by the non-renewable resource sector was in environmental restoration;
the highest participation by the primary manufacturing sector was in pollution abatement;
the highest participation by the secondary manufacturing sector was in energy conservation;
the highest participation by the service sector was in pollution abatement and energy conservation;
the highest participation by the transportation and communication sector was in pollution abatement;
the highest participation by the financial sector was in environmental restoration;
the highest participation by the food and agricultural sector was in environmental restoration.

Except for the financial and food and agriculture sectors, the area of highest involvement appears to be logically related to a given sector's primary or core economic activities. Thus non-renewable resource industries (e.g. mining) reported being most frequently involved in environmental restoration. Similarly, primary manufacturing had its highest involvement in pollution abatement, and secondary manufacturing in energy conservation. Financial and service sectors, whose core functions have few secondary consequences on the physical environment, were, as might be expected, the least involved in each of the areas of physical environment actively studied.

Thus it is concluded that corporate social response relating to the physical environment:

- (1) appears to be logically related to the core activity of the firm, and
- (2) is, for a significant percentage of firms within any S.I.C. category, above that required by law or regulation.

Response to the Physical Environment,
by Profitability

Unlike the areas of human resource programs and community relations, the survey results shown in Table III-37 suggest a direct relationship between the relative level of profitability of the firm and its commitment to activities relating to the physical environment. The more profitable firms in the respondent group reported a greater tendency to allocate resources beyond legal compliance than did the less profitable firms.

TABLE III-37

Percentage of Firms Which Have
Committed Resources beyond Legal
Requirements, by Profitability

<u>Relative Profitability</u>	<u>Pollution Abatement</u>	<u>Waste Recycling</u>	<u>Energy Conservation</u>	<u>Environmental Restoration</u>
Less than mean	45.9%(69)	29.5%(43)	44.7%(66)	39.8%(64)
Equal to or greater than the mean	57.0%(53)	36.8%(42)	51.4%(54)	55.2%(55)

SUMMARY OF RESPONSE TO THE
PHYSICAL ENVIRONMENT

As in previous areas of corporate social involvement, a direct relationship exists between size of firm and level of activity or involvement in concerns relating to the physical environment. There seems to be a direct and logical relationship between the core economic functions of the firm (or industry) and the specific environmental protection activity emphasized. Analysis also indicated that more profitable companies tend to be more actively involved in program response. Finally, and perhaps most significantly, all sectors studied reported a substantial incidence of resource commitment to protection of the physical environment beyond that required by law or regulation.

ADDENDUM TO CHAPTER III

ADDITIONAL MATERIAL GATHERED FROM THE SURVEY

Chapter III provides a statistical analysis of much of the data contained in the 284 usable responses to the survey questionnaire shown in Appendix II. It does not include treatment of the answers given to certain "open ended" questions in the survey (particularly question 21 which asks for a definition of "corporate social responsibility" and question 35 which asks for "additional comments") or of the 53 letters received from individuals who chose not to complete the questionnaire. This short addendum presents some highlights from these sources, as they add in several instances a richness and depth to the statistical data.

Definitions of "Corporate Social Responsibility"

Question 21 asks if the firm has developed its own formal definition of corporate social responsibility and, if the answer is positive, for an elaboration of the definition. Sixty-six respondents (23.2% of the total) supplied such a definition. Not surprisingly, the statements given varied greatly in content. Some were quite general and vague. The following quotations represent a cross-section of replies:

To be a responsible corporate citizen of the communities in which we operate, we should contribute through the giving of time, talent and substance to organizations dedicated to the well-being of the community and encourage all personnel to do likewise. (Financial)

[Our] core activity is to generate and deliver our product within publicly acceptable safety and environmental standards; [Our] current central mission is to reduce waste usage through persuasive conservation programs aimed at the consumer. (Secondary Manufacturing)

[We] have educational, research and monetary support programs for our customers, employees and community. We monitor all groups and encourage comments on our performance. (Food and Agriculture)

We express our social responsibility through our main activities. (Service)

One of our stated corporate objectives reads: "take a leading role in contributing to social and economic progress at the national and community level." (Secondary Manufacturing)

We encourage participation of members of our Board in most community fund raising projects. (Service)

Our objectives require that we be good corporate citizens - by paying competitive wages and salaries, good fringe benefits and by manufacturing nutritious, high-quality products. (Food and Agriculture)

As a corporate citizen of Canada, it is the policy of the Company to support projects and organizations which contribute to the social well being of the country, particularly in those communities in which it operates. One of the major means of accomplishing these objectives is through contributions of time and money to worthy causes in keeping with the Company's normal standards and status in the community. This is generally measured in terms of the relative size and importance of the Company's operations in a given area as an employer or supplier. (Secondary Manufacturing)

To operate an efficient, profitable business, providing value to the customer and the best possible compensation to employees, complying within the letter and spirit of the law. (Service)

To be good corporate citizens we encourage our managers and staff to participate in all community affairs - social, charitable and political. (Food and Agriculture)

[We have] adopted detailed policy statement of U.S. parent company. (Secondary Manufacturing)

We recognize the needs of our employees for good working conditions and fair remuneration and benefits, as well as the need to contribute financially to worthy local community causes. (Transportation and Communication)

There are no definitions. The Board deals with specifics on a continuing basis. (Service)

Several respondents reported that their companies had not developed formal definitions of corporate social responsibility but went on to note working or informal definitions:

While there is no 'formal' definition, the Company demonstrates its 'social performance' through charitable contributions, employee participation in organizations of social benefit, etc. (Service)

A formal definition has not been articulated although we recognize and accept the fact that we have certain service obligations to support stated national, political, social and economic goals. This is included in our corporate mission statement. (Transportation and Communication)

The U.S. parent has a definition, dealing with such matters as ethical business behaviour, fair and equal employment, anti-trust, political contributions, etc. This is our guideline. (Secondary Manufacturing)

We recognize the need to meet the demands of society beyond financial returns. (Finance)

Policy statements have been developed in certain areas such as environment, but an overall statement is still at the formative stages. (Transportation and Communication)

Many of the themes included in the above definitions were also apparent in the letters received.

On several occasions, in both the questionnaire and letters, respondents consciously linked their perception of corporate social responsibility to the profit performance of their firm:

If a company is struggling - regardless of size - then I am afraid 'survival' is the key issue and is all pervasive. Being a good corporate citizen is, of course, important in a social sense - but not very helpful if you are going down the drain. (Secondary Manufacturing)

The prime objective and responsibility of business is to provide a healthy and viable working environment for as many citizens as is practical. That is, the health and growth of business is paramount, and profit is the key element. Social responsibility must be pursued vigorously, but not to the point that the business' existence is threatened - 'better half a loaf than no bread'. (Service)

Corporate social responsibility is viewed with importance to the business activities of our company. It is unfortunate that 'earning a profit', a basic objective of business, is not classed as a social responsibility! (Food and Agriculture)

In a few instances, respondents either expressed frustration with the problem of defining corporate social responsibility:

I must say that I found the whole concept of corporate social responsibility an extremely difficult one to come to grips with and I would be interested in receiving a copy of the survey results (Non-renewable Resources);

or defined it in rather narrow terms:

In my view, businessmen have no mandate to carry a social responsibility except to the employees and customers of their company. Carrying social responsibilities beyond these groups to the public at large is not a right truly conferred on a businessman. Obviously, carrying social responsibilities to the public at large has a financial cost. It is not the businessman's money that is being spent; it is his company's. Is it the shareholders' money or the customers'? Should the shareholder accept lower dividends to support the businessman's desire to be known to have a social conscience? Should the customer accept higher prices to support the businessman's social conscience? Would not the shareholder and the customer prefer to make their own contributions directly? How can anyone identify whose money is really being spent?

This is the dilemma faced by businessmen in the area of corporate social responsibility. It is also part of the reason why businessmen tend not to trumpet their actions in the area of financial contributions, and indeed to tread warily in the whole area of corporate social responsibility. (Secondary Manufacturing)

At the other extreme, a number of respondents enclosed supporting materials with their questionnaire or letter which included statements of corporate objectives encompassing a concept of social performance. The following excerpt provides an example:

In general, [we wish] to grow as a responsible, aggressive, diversified company by:

- (a) employing the most highly qualified personnel available,
- (b) providing maximum opportunities for employees and shareholders alike,
- (c) contributing to growth of Canada and the betterment of Canadian life.

And in particular:

1. To achieve a minimum annual sales volume growth of....
2. To achieve over the next five years an average annual improvement of....
3. To keep constantly in mind the fact that a... company has obligations that may go beyond the considerations guiding business generally; that it bears a public trust; that "profit motives", though absolutely essential for growth and editorial independence, must be blended with a sense of responsibility to society.
4. To see that every person exposed to the Company's materials and services is assured of fair, balanced, responsible information and unquestionable integrity, so that the public not only purchases the Company's products and services but also respects them.
5. To focus the Company's operations on the concept of "community" whether it be local, national, occupational, demographical, etc., rather than on the concept of mass.
6. To ensure that the Company innovates and leads in every field in which it operates, developing and injecting new ideas, new interpretations and new knowledge into the communities it serves, etc.
(Transportation and Communication)

There were other comments, as well, ranging in focus from technical reasons for not answering the questionnaire fully or at all, to frustrations of being harassed by government forms and questionnaires of all types, to strong commentaries about the state of society and the economy and about the responsibilities of other sectors, including government, labour and the press.

While detailed analysis of the above information would not be appropriate, it does provide further evidence to suggest that the concept of corporate social involvement outlined in Chapter II is in fact acknowledged by many Canadian businessmen. Certainly there is no universal or "hard" definition of corporate social responsibility present, but there is recognition, in varying degrees, that the corporation has responsibilities towards those individuals and groups most influenced by the core economic activities of the firm.

CHAPTER IV

MANAGING CORPORATE SOCIAL PERFORMANCE

NINE CASE STUDIES

This chapter presents a summary and analysis of the nine corporate case studies presented in Appendices B through J. We preface this section of the report with the caveat that probably many Canadian corporations have not as yet explicitly recognized the extent of their impact on society and thus have made no conscious attempt to analyze or deal with social performance issues. Indeed, some responses to the survey described in Chapter III specifically rejected any suggestion that the business enterprise is charged with obligations to society beyond those prescribed by law, custom and the demands of the marketplace. Thus, the case studies commissioned for study are not necessarily typical of business generally, but rather of those firms which have accepted the validity of the corporate social charter concept, and have responded in some way to its implications.

Among the corporations represented by case studies, a wide range of activity is described. In some cases there is evidence of specific responses to pressure from employees, consumers, the media and others with an interest in the firm's operations. Other companies have reached the stage of general awareness and commitment to social performance issues, but have not yet undertaken a great deal of specific program or implementation activity. In other corporations changes in organizational structure, titles and roles of corporate officers, and a variety of special programs reflect a widespread and significant attempt to include secondary social impacts within the management process. Several case studies reflect specific areas of concern: for example, problems of planning and implementation in decentralized multi-unit organizations, the special problem of "Canadianization" for foreign-controlled companies operating in Canada, and specialized programs directed towards particular issues within the scope of secondary social involvement.

The case studies reflect wide variations in perception of social performance issues, responses, and management style, and therefore provide collectively an interesting composite and a model for further evolution in Canada. While it cannot be claimed that the nine large firms represented reflect business in general, or even most firms in their respective industries, they are certainly typical of several organizations which are aware of social involvement and are now beginning to consider and manage social performance more systematically.

We believe that before long the several strategies described in the studies will be adopted in varying degrees by an increasing range and number of Canadian corporations.

The original versions of the case studies were written by representatives of the companies themselves. Since there were numerous differences in organization, terminology, length, and writing style, the studies were then edited and to some extent re-written by a member of the Institute's task force. The edited versions which appear as appendices to the report have been reviewed and approved by the companies involved.

In the interests of consistency, the analysis following is organized along the same lines as the case studies, beginning with a review of the various attitudes toward social involvement expressed by the respondent firms, followed by outlines of specific program and organizational responses, and concluding with a summary of problems related to the issue.

PERCEPTIONS OF "CORPORATE SOCIAL RESPONSIBILITY"

Although there appear to be as many definitions of the concept as there were case studies, several common themes emerged from the variously stated "philosophies" of corporate social responsibility.

Foremost among these is the perception that the corporation's social performance is but one of many factors in an extremely complex business environment through which the corporate manager is called upon to steer an increasingly difficult course. Throughout the original material, repeated allusions were made to the changing nature of society, the increasingly pervasive influence of government, the rapidity of technological change, and the contrariness of public and media opinion. None of these references were introduced as excuses for a real or imagined failure to behave in a socially responsible fashion, but rather to illustrate corporate perplexity and frustration at dealing with issues which resist traditional lines of management reasoning.

At the same time, there seems to be general and entirely predictable agreement that a major, and indeed fundamental corporate social responsibility is to operate profitably. Without profits the corporation cannot survive, much less play a social role. As the Labatt study indicates, "competitive position and financial performance are the inescapable arbiters of any company's immediate and long-term health". This view is echoed by Imasco which argues forcefully that only by maintaining profitability can a company "fulfill its purpose in the marketplace, and meet its obligations to shareholders, employees, pensioners, suppliers and ... consumers".

A similar view is expressed by Great-West Life whose case study expresses the belief that its social responsibility is best met by maintaining high standards of performance in its core activities - the provision of life insurance and financial service. Since the benefits of life insurance are intrinsically useful to society, the company reasons, it meets a basic responsibility by continuing to exist and operate effectively.

Despite this understandable emphasis on sound economic and financial performance, most of the respondents would likely agree with Xerox that business should not profit "at the expense of the communities in which it operates, or its customers, its employees or the environment". On this point there seems to be virtual unanimity that in pursuing its legitimate business activities, the corporation should conscientiously avoid practices which are in any way harmful to the society in which it operates. From this, it is only a short step to the conviction expressed by Labatt that failure "to involve [the company] in the community's issues and problems ... would be to invalidate [its] long-run relevance to the community it serves. This, in turn, would virtually assure long-run stagnation". In other words, it is in the corporation's self interest not only to ensure that it does no harm to society, but that it also makes a distinct and positive contribution above and beyond its primary or core economic functions.

Despite the emphasis on direct, positive action evidenced in this and other case studies (most notably The Royal Bank and Xeros), there is little indication that altruism is the underlying rationale. Virtually every company explicitly notes that its social performance is predicated on enlightened self-interest. Labatt, Hudson's Bay, CNR, and Xerox indicate that their approach to social responsibility is essentially "pragmatic". In other words, they believe that continued business success is dependent in part on their success in responding to the social performance expectations of their various constituencies.

Imasco sees improved levels of corporate social performance as an alternative to the growing presence and involvement of government. Its case study contends that if the company "tries to conduct its affairs in the public interest and attempts to anticipate, identify and meet its social responsibilities, whether in its core or secondary activities, governments should resist the growing tendency to intervene".

Although all the case study companies demonstrate a keen awareness of corporate social responsibility, few have yet attempted to articulate a formal "definition" for themselves. In keeping with the pragmatic attitude taken by the majority of respondents, social responsibility in the main is seen as a

"moving target". Thus, beyond expanding awareness and establishing commitment to the concept, they see little point in struggling with formal definitions at the present time.

Abitibi sums up this general attitude with the wry observation that "given this continuing evolution [of the concept] it is not surprising that Abitibi's definition of social responsibility has remained committed to minds, rather than paper".

Another factor which may explain both the absence of clear-cut definitions and the ad hoc approach taken by a number of large firms is that while the term "corporate social responsibility" is itself relatively new, many of the issues it embraces have been recognized for many years. Hudson's Bay, Imasco, The Royal Bank and Abitibi all emphasize a long-standing commitment to activities which are now associated with corporate social responsibility. Hudson's Bay notes that its concern for its retail customers significantly antedates the modern consumer movement while The Royal Bank indicates that for several decades "management commitment to keeping the organization socially responsive has been pervasive".

Coincidentally, the most complete description of their respective social responsibilities is given by the two multinational enterprises represented by case studies: Xerox and Inco. In addition to the areas most commonly cited by respondents (equitable treatment for employees, customers, and suppliers, community involvement, etc.), both firms specifically note their sensitivity to the national interests of the various countries in which they operate. As a Canadian-based multinational, Inco reports that it "recognizes and responds to local needs and goals", and, as the Canadian subsidiary of a foreign-owned firm, Xerox emphasizes "the implementation of programs consistent with Canada's unique national interests".

The completeness of the Inco and Xerox conceptions of corporate responsibility is partially explained by the proliferation of codes of conduct, guidelines, and other prescriptive remedies devised in recent years by many governmental and quasi-governmental bodies to cope with multinational corporations (MNCs). Close scrutiny of their activities, combined with relatively specific direction on what constitutes acceptable behaviour, has tended to sensitize the multinationals to many of the issues implicit in the concept of social responsibility. In Canada, the MNCs have taken their cue first from the so-called "Winters Guidelines"⁽¹⁾ issued by the federal Department of Trade and Commerce in 1966, and more recently from Guidelines for International Business Conduct issued by the Department of Industry, Trade and Commerce in July 1975. Both documents outline in some detail government standards for socially responsible corporate behaviour.

In view of the widespread suspicion of foreign-owned corporations in Canada and abroad, it is not surprising that firms like Inco and Xerox are especially responsive to the expectations of national governments. In their case, social performance is often judged on far stricter criteria than those used for local, purely national firms. Manufacturing and investment policy, applications of technology, research and development activities, and employment of nationals, are all key items on the multinational firm's social responsibility checklist.

SPECIFIC PROGRAM RESPONSES

Just as the MNCs' view of corporate responsibility has been molded to a significant degree by their interactions with national governments, so have the approaches to social involvement reported by the other respondent firms been shaped by their respective milieux. This conclusion is based primarily on the specific program responses adopted by the various firms and reported in their case studies. One study, Abitibi's, pointedly observes that "a company's perception of its responsibilities is dictated by the nature of the society in which it operates".

In Abitibi's case, as with Inco, the nature of that milieu is "nature". Both companies, engaged as they are in resource-based industries, are highly conscious of the effect of their activities on the landscape, on the quality of air and water, and the natural environment as a whole. In both cases, a positive response has been made to public concern over these issues, and in some situations the firms appear to have taken action well before public pressure to do so was brought to bear.

Both companies have committed substantial resources to air and water pollution abatement systems in their various mills and manufacturing plants and, in addition, both firms seem conscious of what may be termed "aesthetic" considerations. Inco has implemented a program to replant and landscape properties formerly covered by mine tailings and debris thrown up in the day-to-day operation of its business. Similarly, Abitibi employs a wide variety of sophisticated conservation techniques to ensure that forest tracts are constantly regenerated. To a great extent, of course, Abitibi's enlightened posture on conservation is dictated by simple self-interest. Forest lands are a key "capital" resource and thus the company admits that "preservation of the forest resource is fundamental to the continued existence of the firm".

Abitibi and Inco were not the only respondents to focus on the environment. Labatt, Hudson's Bay, Xerox, and CNR all indicated strong commitment to reducing the environmental impact of their operations. Specific responses ranged from internal

energy conservation programs to the development of more advanced trapping techniques. Despite their emphasis on environmental programs, however, none of these latter companies are as preoccupied with conservation and pollution abatement as the two resource companies.

In keeping with their particular market orientation, both Imasco and Hudson's Bay have evolved social responsibility programs which respond in large measure to issues that are unique to their respective core business activities. Both companies derive a major portion of their revenues from retail operations, both are well-diversified, and both have adopted a decentralized approach to management.

Despite these shared attributes, the two companies have taken fairly divergent courses. Both firms admittedly include in their lexicon of social responsibility a concern for employee interests and longstanding patronage of the arts, education and charitable organizations. Both have opted for an extremely informal, decentralized and ad hoc approach to the management of social performance issues. It is at this point, however, that the similarities end.

Hudson's Bay has responded to the demands of the consumer movement and has instituted, on a regional and store-by-store basis, a variety of programs aimed at improving consumer relations. In some locations, the company has responded to the issue with the appointment of consumer relations specialists to act as the company's interface with local consumer groups. In others, seminars and brochures have been developed to educate both the shoppers themselves and company employees.

By contrast, Imasco, despite its retail activities, seems more concerned with responding to concerns raised over tobacco, its single most important product. On the surface it might appear that both organizations are operating in response to consumer demands but, in fact, this is not so. In Imasco's case, the principal source of pressure is not the consumer, who is typically unconcerned by claims that smoking is a major cause of fire and disease, but non-smokers, professional groups, and government agencies. In this case, the challenge facing Imasco is not how to respond to critics, who in effect want to put the tobacco companies out of business, but how to balance the demands of those who choose to smoke against the objectives of those in society who seek products perceived as being less hazardous. This clearly represents a complex proposition and, given current trends, early resolution of the problem seems unlikely.

For those companies whose core activities do not appear to have any undesirable side effects on society the process of identifying suitable fields for social action is a difficult one. Many such firms, particularly those engaged in service industries such as insurance and banking, have concluded that support of community activities through corporate philanthropy and other means is one appropriate way to demonstrate their commitment to social responsibility. Superficially this would appear to be eminently sound reasoning, and yet there is strong evidence that corporate donation programs, no matter how impressive the sums may be, are increasingly taken for granted. More and more, as Great-West Life points out, donations are "recognized as a normal part of doing business". For donations to be meaningful, the study seems to conclude, they must be directed towards particularly innovative community projects such as the establishment of a widows' consultation centre which the company formed in conjunction with YWCA.

In addition, Great-West Life has made a conscious and creditable attempt to ensure that in its program of involvement in community activities particular attention is paid to such special projects as the "Dilemmas of Modern Man" symposium sponsored by the firm to commemorate the City of Winnipeg's Centennial. Although Great-West Life consciously seeks out such opportunities, the company has formulated strict criteria for its involvement, the primary ones being that projects be a logical extension of the firm's business activities, and involve areas of concern in which the company has some knowledge and expertise.

The other financial organization represented in the case studies, The Royal Bank of Canada, has taken an equally innovative approach to corporate donations. In addition to routine support for a variety of established causes, the bank actively encourages and promotes personal involvement in community causes through a program which pays the salaries of student volunteers who spend their summers working for social welfare agencies across Canada. Through this program, The Royal Bank not only makes a substantial contribution to the community but also provides worthwhile summer employment to many young Canadians.

Although The Royal Bank and Great-West Life both manage their involvement in community corporate donations programs with singular verve, neither company would view such programs as the principal manifestation of its social performance. Instead both companies set great store in the conscious efforts they have made to put their particular business talents to work in a socially responsive manner.

For Great-West Life, this has, for example, translated into an investment policy which attempts to match the company's resources with changing social trends. In the United States, for example, industry recognized a need for greater investment in deteriorating urban areas and responded with an investment program in which Great-West Life participated, involving higher risks and lower rates of return than the company might expect from some other investment channel. Similarly, Great-West Life has deliberately structured its investment program in such a way as to promote regional development rather than concentrating its portfolio in a single area of the country. Investment funds have also been directed to enterprises which are attempting to fill a social need, such as geriatric clinics and day-care centres. In all these cases it is worth noting that Great-West Life's investment initiatives flow from the conviction that society is best served when the interests of its policyholders are best served.

Just as Grest-West Life has mobilized part of its investment portfolio in the cause of enterprises which typically encounter difficulty in obtaining financing, so has The Royal Bank made its services available to clients who are normally not considered good banking risks. Through its "storefront" banking operations, The Royal Bank has made banking services, guidance and counselling on money management available to some low-income urban communities. The economic performance of these community banking operations has been judged satisfactory by the bank and, as its case study indicates, "this program provides a good case in point of the bank's belief that its social performance can be best enhanced by the application of its specific business skills and services to social problems".

As indicated earlier, some types of enterprise encounter difficulties in defining appropriate arenas for social action. Such companies are typically engaged in industries which are not affected by classic social responsibility issues and, as a result, the concept tends to be something of a puzzle to management. Nowhere is the dilemma more evident than in Canadian National Railways, whose status as a Crown Corporation has severely restricted the company's freedom to define its social mandate. Until recently, even charitable donations were "officially" forbidden since CN policy held them to be a "disbursement of public monies".

Nor was corporate philanthropy the only area affected by CN's status. As its case study reports, "sections of the public and its political representatives have frequently taken the view that railways in general, and a government-owned railway in particular must act as instruments of economic development and

social change by providing certain transportation services regardless of their commercial validity". Thus, in some minds at least, CN's responsibility was entirely social and was to be determined not by company management, but by government.

Although this situation now appears to be changing, there is no question that CN's perception of corporate social responsibility, and its approach to managing the concept, will continue to be significantly influenced by its status as a Crown Corporation. Within its perceived sphere of influence, however, CN clearly attempts to operate in a socially responsible manner.

The two cases which reflect the broadest perception of the corporation's social responsibility, and which demonstrate particularly well-balanced approaches to the issue are those prepared by Xerox and Labatt. Both companies appear to have adopted a "philosophy" of corporate responsibility which enjoys the approval and support of the management group as a whole, and both firms have clearly identified the key issues they feel obligated to act upon. These include employee relations, environmental protection, corporate philanthropy and community involvement.

In addition, Labatt and Xerox are the only two companies which appear to have consciously attempted to weave social concerns into their long-term, strategic planning cycle. Xerox indicates that social responsibility is already a factor in its annually updated seven-year strategic plan, and Labatt reports that it is contemplating the introduction of a five-year social responsibility plan.

It is also in these two case studies that there is most evidence of what has been described as "institutionalization". In other words, there has been a conscious and careful attempt to ensure that social performance is built into the whole organization, its policies and day-to-day practices, rather than restricted to the Chief Executive Officer, a small circle of senior managers, or a specific department of public affairs.

This is particularly evident in the Labatt study where, in addition to a special Board Committee and a Corporate Affairs Department, accountability for the company's social performance has been extended to a number of line and staff functions across its businesses. For example, the personnel area has a major responsibility in the development of "socially responsible" programs designed for employees, the Engineering Department has a responsibility for environmental controls programs, and divisional line management play a role in the determination of donations policy and the nature of the firm's community involvement. Some of these attributes are, of course, evident

in other case studies, but it is the Labatt study which presents the most coherent, planned, and consistent approach to the issue.

Although neither Labatt nor Xerox has put special emphasis on any one area of social performance, both firms have initiated programs which respond in a meaningful way to a wide variety of social concerns. What is impressive in both cases is not the list of social responsibility programs itself, but the generalized commitment to good corporate citizenship evidenced by both companies' emphasis on institutionalizing social concern at all levels of the business. Assuming that the concept of corporate social responsibility is at all meaningful, it is this process which appears to hold the best promise.

If the concept is to have any long-term validity it seems that it must be reflected in corporate policy, day-to-day business practices, and the job descriptions of every employee.

SPECIFIC ORGANIZATIONAL RESPONSES

Because of the difficulties involved in assessing the underlying significance of organizational matters, it is difficult to draw any meaningful conclusions from the various arrangements described in the case studies. Typically, the respondent companies fall into one of two categories. On the one hand, there is that group of firms which has responded to the issue by establishing some kind of formal mechanism responsible for identifying, defining and monitoring relevant social trends, and developing action programs where appropriate. Included in this category are Xerox, Labatt, and The Royal Bank. All three firms have created corporate public affairs functions which play an advisory role in the companies' management of social responsibility issues. A fourth company, Inco, recently announced the appointment of a Vice-President Public Affairs. Since the appointment was made subsequent to submission of the study, Inco's case does not speculate on its ramifications.

At the opposite end of the spectrum is that group of companies which has consciously opted for an informal, unstructured and basically ad hoc approach to the issue, at least for the present time. This category includes Hudson's Bay, Imasco, Great-West Life and CN. Within this group of companies management preoccupation with social responsibility seems to be restricted to the senior executive group, with specific responsibilities assigned to line management.

At Imasco, for example, divisional chief executive officers are the company's social issue "managers". At Hudson's Bay, organizational responses have taken place on a store-by-store basis.

Generally speaking, it appears that those companies which have formed organized public affairs units also have the most sophisticated perception of the concept and the most "progressive" records of social performance. This conclusion, however, may not be justified since it appears likely that where they existed the public affairs function would have assumed responsibility for preparing the case studies. Obviously, a public affairs "professional" would be better able to articulate his company's position than someone for whom social performance is only one of several preoccupations.

It is also worth pointing out that in many cases, public affairs departments were not established to handle social responsibility issues as such but to help the organization respond more competently to a whole range of "stakeholder issues" including the company's relationships with employees, media, and with government. However, the creation of a public affairs department often provided a focal point for many concerns (typically, those most frequently associated with social performance), and as a result, the function assumed responsibility on a step-by-step basis for the monitoring of the area as a whole. This is, of course, contrary to the frequent assumption that the public affairs function evolved in specific response to the issue of corporate social responsibility.

On the basis of the available material, it seems likely that once a particular social issue has been recognized by the organization (at whatever level), responsibility is assigned on the basis of its specific impact and potential exposure to the firm. Thus, in the case of Imasco, responsibility for the management of social performance is assigned to divisional CEO's, while at the opposite end of the spectrum, individual Hudson's Bay store and region managers are accountable for most social concerns.

A second assumption which is not borne out by the case studies is the common belief that the individual corporation's social performance is a reflection of the convictions of its Chief Executive Officer. Although the case studies do not explicitly contradict this notion, they give, with one or two exceptions, no indication that it has any real validity. This is not to say that senior management, including the Board of Directors, has no influence on the organization's perception of the issue. Indeed, the case studies clearly indicate that

senior executives play a central role in the management of social performance matters. What they do not indicate is that social action is taken at the initiative of the Chief Executive Officer in accordance with his personal philosophy. We can assume with little fear of contradiction that the Chief Executive Officer does of course influence both the range and nature of his firm's social performance programs, just as he undoubtedly influences the way in which most company issues are managed.

CURRENT PROBLEMS AND FUTURE DEVELOPMENTS

Few of the responding companies dwelt at length on their difficulties with the concept of corporate social responsibility, or with their perceptions of its future evolution, but most would probably agree with Labatt that the single most perplexing problem is the difficulty of assessing social performance. As the Labatt study puts it, "work needs to be done on a system of rating a corporation's social efforts similar to those used for rating financial performance". Similar references to the measurement problem were made by Imasco, The Royal Bank and Abitibi, the last being particularly sensitive to the matter as a result of its involvement in a "social audit" recently conducted by the United Church of Canada. As Abitibi ruefully points out, "it is extremely difficult to assemble data on social performance in a systematic way".

Gathering data, however, is only part of the problem. Once collected, it must be organized and structured in such a way as to permit analysis and assessment. And how is it possible to analyse or assess any data without commonly accepted standards, criteria, or consensus on what constitutes socially responsible behaviour? Clearly, the problems of measurement and analysis are central and it is likely that they will remain so for some time to come.

Many Canadian firms might well sympathize with the more fundamental concern expressed by Imasco, the difficulty in even identifying those social responsibility issues, germane to its business orientation, to which the company ought to respond. For many firms, particularly those whose core activities do not have any obvious or visibly negative impact on society, the identification of appropriate arenas for social action is not easy. This may explain the limited perceptions of corporate responsibility shared by many Canadian firms. Such companies might well conclude, with some justification, that since their business activities have no harmful side effects or undesirable consequences, their responsibility to society is discharged with the successful pursuit of their core activities.

Great-West Life, for example, recognizing that its core and secondary activities tend to merge into one service, believes it can meet its social obligations in large measure by "simply conducting its business affairs in a superior manner". Canadian National Railways, the only Crown Corporation represented by a case study, finds itself in a similar situation. Like Great-West Life, CN feels that its corporate responsibilities are defined by the nature of the firm itself. As a "government-owned enterprise, CN feels it must take its cue on social responsibility from the state and, while CN management feels obligated to provide input to the public policy-making process, it consciously avoids any attempt to initiate social change. As CN perceives it, its role is to provide "good public service when a social decision to this effect has been made by government".

As the Xerox case study attests, Crown Corporations are not the only companies whose perceptions of social responsibility are shaped by government policy. Like many other foreign-owned multinational firms, Xerox is particularly sensitive to the "national interest", making a conscious attempt to operate in accordance with government expectations across a broad spectrum of economic and social activities. Changes in government attitudes and different perceptions of national and regional goals within the various jurisdictions and branches of government sometimes make it difficult for companies like Xerox to understand how their overall performance is rated. The Department of Labour, for example, may put heavy emphasis on the creation of new jobs while the Department of Science and Technology encourages the introduction of more sophisticated and productive manufacturing technologies. Since such objectives are, as in this example, frequently inconsistent, many companies find it difficult to establish their social priorities. Adding to the problem is the very real possibility of changes in existing legislation and regulations.

These difficulties - the problems of measurement and assessment, the absence of commonly accepted standards, the changing influence of government - may explain one of the more obvious characteristics of the case studies. There is evidence to suggest that even the most "unsophisticated" respondent has evolved strategies for dealing with corporate social responsibility and, in most cases, these strategies appear appropriate to the circumstances of the firm. In almost every case though, it is clear that little progress has yet been made in long-range planning for the firm's social performance. This is not to say that the social implications of specific decisions are going unnoticed. We know, for example, that several large companies now consider in varying degrees the secondary impacts of certain major investment decisions beyond that required by legislation. In addition, some corporations are beginning to consider how social performance might be integrated into their

planning processes. But we feel safe in concluding that Canadian corporations, like their counterparts in several other western nations, are still a long way from giving as much attention to planning for social performance as they do to more traditional planning for financial performance. Given the uncertainty and constraints, as well as the still evolving nature of the concept itself, we find this not surprising.

Some companies, like Imasco and Hudson's Bay, take the attitude that long-range planning and "institutionalization" are simply inappropriate. Since public expectations are constantly changing, they reason, an ad hoc, "play-it-as-it-lays" kind of approach to social responsibility is the most meaningful alternative available.

In some companies, the absence of clearly stated goals and objectives is probably due to unfamiliarity with the concept, while in others, a formal planning system may be emerging in response to ongoing assessments of existing policies and practices. Labatt, for example, notes that it is considering establishing a three-to-five-year "social responsibility plan" while Abitibi states its commitment to an ongoing "social audit" process. Both companies along with Xerox and The Royal Bank, have clearly been preoccupied with the question of social responsibility for several years and it seems likely that the introduction of social responsibility planning systems is simply a matter of time.

Whatever the case may be, the failure thus far to apply long-range planning techniques to social responsibility by no means implies that the concept has little future. To a greater or lesser extent, all nine case studies reflect a basic commitment to the idea that a corporation has an obligation to society beyond its traditional economic responsibilities. The nature of that obligation continues to be vaguely defined and undoubtedly will continue to be perceived in many different ways. Indeed, it may well be that this is an entirely desirable situation since the amorphous quality of the concept tends to encourage imagination, innovation and diversity of response.

Reference: 1. Canada, Department of Trade and Commerce. Some Guiding Principles of Good Corporate Behaviour in Canada. Ottawa 1966.

CHAPTER V

A VIEW TOWARDS THE FUTURE

The current state of affairs is not entirely satisfactory. There are demands for increasing corporate involvement in society, and these demands come not only from dissident minorities and pressure groups, but also from serious and concerned executives, employees, stockholders and public officials. The fact of corporate influence and power in society is simply too conspicuous to be overlooked....

In this final chapter, we summarize some of the major themes and conclusions drawn from the study and suggest directions for corporate policy development, public discussion, the role of government and further research. We deliberately stress a future orientation as we believe the issues raised by the "new view" of the corporation in its social environment are just beginning to come into focus in Canada. Many now acknowledge that the business firm is involved, and therefore must accept some measure of responsibility, in a matrix of relationships extending beyond its specific economic functions. The manner in which this responsibility is identified and managed is of common concern, not only to corporate managers, employees and shareholders, but also to government officials and the public at large.

In recent years in Canada, we have seen a buildup of demands on large corporations to adapt their behaviour towards the publics they serve and the communities they influence. These pressures will undoubtedly continue, for the corporation, as the quotation at the outset of the chapter suggests, is simply too conspicuous and important a part of society to be overlooked. But the presence of these expectations and the responses they may suggest present a dilemma to the corporate manager. For the corporation is primarily an economic institution, a generator of real goods and services, and society has a major stake in ensuring that this core function is performed as efficiently and effectively as possible. The dilemma, then, can be viewed in two ways - either as a need for the firm to respond adequately to legitimate demands for social involvement without compromising its economic role - "by doing too much" or "too many of the wrong things" - or as a need to avoid undermining the corporate institution's basic social legitimacy because of unawareness and lack of response to recognized social needs.

Striking a balance between economic and social performance is difficult, and resolution of the dilemma will take the form of

evolving behaviour and norms in a changing environment. In theory, the tradeoffs implied can be dealt with quite readily by defining a scope of management responsibility for the corporation's impacts on society and by identifying standards which the firm can use as benchmarks in managing its social relationships. Operationalizing this framework, on the other hand, is a very complex task. The type of goals to pursue, the specific boundaries of responsibility to observe, the range of alternative responses and the managerial techniques and adjustment mechanisms involved, all must be developed and tested through experimentation and evaluation. And these activities must take place in individual firms and in the context of different problem situations, local communities and underlying economic conditions. No one set of guidelines and practices will prove applicable in all circumstances.

If the approach followed in this study offers an insight into what can be agreed upon as effective corporate social performance, and we believe that it does, there are at least three remaining questions to ask: first, how far advanced towards utilizing this approach are Canadian corporations today? Second, what types of tasks still need to be undertaken? and finally, which institutions or sectors should take the lead?

The results of our research on the current state of corporate social policy and practice hold considerable promise. In overview, we found in our survey that most managers responding recognized a need for corporate social involvement. We also found evidence to suggest that many corporations have progressed to a more advanced stage of planning and analysis and, in a fewer number of cases, to the implementation of specific social involvement programs. The larger the firm, generally, the further along it appeared to be in the stages of corporate social involvement. Above-average profitability was also an influence, although not quite to the extent that we had originally expected. The extent of corporate social involvement varied significantly among different industries but not, as we had originally speculated, between Canadian-owned and foreign-owned firms. Degree of specific program response to social involvement issues, at least in the areas of internal human resources, community relations and the physical environment, also appeared to be related directly to the size of the firm, principal industry activity, and in a few isolated instances, to level of profitability.

This is not to suggest however that concern for corporate social involvement has been institutionalized to date within many Canadian firms. In fact, quite the opposite appears to be true, with little real integration of overall social policies evident yet in corporate planning systems and decision processes. There are exceptions among a few larger firms, but even they are now

in an early stage of institutionalization.

While we cannot claim that this assessment is accurate for all of Canadian business, we believe the results to be valid for a significant portion of private enterprise. Furthermore, the positive relationship between size of the firm and the stage and scope of corporate social response quite naturally lead to the realization that more could be learned about the state of corporate policy and practice by examining in greater depth a few larger Canadian companies. The case studies of nine large Canadian corporations, therefore, proved to be extremely valuable and necessary sources of information. While some caveats have to be noted about the representativeness of these firms of all large firms in Canada and about the way in which the case studies were prepared, we observed, in all company examples, a high degree of awareness of corporate social impact, as well as a perception of responsibility to manage this "secondary involvement". Generally, this commitment reflected an enlightened self-interest on the part of the firm's management and was coupled with a primary commitment to operate profitably. Not surprisingly, the case studies indicated, as did the survey, that the stage and scope of an individual firm's response varied among the subject companies and were related very directly to industry type and market environment and to some extent to locus of ownership. Again we found little institutionalization of planning for corporate social performance except in a few instances where it was just beginning. In the majority of cases though, specific organization steps had already been taken, typically by the creation of department or vice-presidential positions, in order to monitor the environment of the firm and to manage specific responses more systematically. Most case study companies also expected further evolution, formalization and institutionalization of social involvement and performance in the years immediately ahead.

In both the survey and the corporate case studies, we found no common definition or concept of "corporate social responsibility" to be widely held among Canadian managers. In a minority of cases, survey respondents in fact rejected the notion that the firm had responsibilities beyond its traditional economic functions. Many firms had working definitions with common themes (such as commitment to employees, customers, suppliers and the communities they serve) but there was little evidence to suggest that these definitions were "hard" in an operational sense. Again this was not surprising, given the relatively recent emergence of the phrase.

In summary, then, we find an evolutionary process underway in Canada, particularly among large corporations. This evolution embraces a number of critical factors including the recognition of social impacts caused by the basic economic

activities of the firm, the assumption by management of at least some responsibility to deal with these impacts and the development of approaches and tools which make this management task more realizable.

In our view, this evolutionary process has considerable potential and should be recognized as legitimate and deliberately encouraged - by corporate executives, public officials and others inside and outside the corporation. The underlying rationale to the executive is obvious to us, for it is in the best interests of business to do so. To those outside of management ranks, we suggest that there are persuasive economic arguments for retaining large corporations as important institutions in our society, and in order to pursue economic competence effectively, without an undue burden of regulation, corporations will not only have to be, but also be perceived to be, responsive to their secondary influences on society. The evidence suggests that a process of response is already underway.

In other words, we see more than just a "society pressure/begrudging response" model of change in the current corporation/society relationship. We also detect the presence of what might be called a "model of internal change", where corporations are recognizing expectations for social performance, and also adopting strategies and structural arrangements to accommodate them. Whether this adaptation takes place quickly enough from the public and thus from the political perspective is not yet clear. We do suggest, however, that an appropriate climate of legitimacy and encouragement will, if anything, increase the pace at which corporations move - from awareness to planning to implementation, as well as towards the disclosure of social performance.

We are therefore optimistic that the public interest can be served by further natural evolution and can also specify some of the factors which will be important in fostering this process. At present, there are several needs and gaps which must be addressed, in order to come fully to grips with acceptable levels of corporate social performance including:

- assembly of a more adequate data base describing the consequential impacts of individual corporations' core economic activities;

- development of better analytical techniques to monitor and assess environmental effects;

- adaptation of corporate planning systems and organizational structures to allow present and potential impacts to be taken into corporate decision-making;

refinement of approaches which will provide employees with appropriate incentives and recognition for "socially responsible" behaviour;

codification of frameworks within which disclosure of corporate social performance can reasonably take place;

and perhaps most important of all,

further definition of the concept and framework for corporate social performance; and

significant refinement to the external standards against which corporate performance can be understood and measured.

We conclude that the major burden of addressing these needs rests with corporate managements themselves and, particularly in the near future, with those who have the resources to commit and have already made the most progress. To them, we recommend that they not only "do more" but also share their approaches and experience and, where possible, the results of their analysis with other firms and with the general public. In short, we favour coalition activity and the educative effects it can have. In the process, there are obvious roles for individual large corporations and for professional and business associations, as well as for credible third parties.

Turning to the role of government, there are several recommendations which we believe are important. First, there is a need on the part of specific departments and regulatory agencies to understand more fully the current state of corporate practice - how individual corporations are now recognizing social involvement and how managements are choosing to manage the same - and about the limitations presently evident in it. Obviously, this need will be expedited if the business community voluntarily discloses more of its experience to date. Second, government can itself foster the process of evolution by communicating more clearly to corporate managements its perception of where the public interest lies in corporate social performance. It can, in a sense, be more than an observer by becoming a constructive and communicating participant in the process itself. Third, there is a major role that government can play in legitimizing corporate endeavours in the area of social involvement - by acknowledging progress that has been made and by encouraging coalition activity among Canadian corporations working on data base, methodologies and techniques.

We have already noted that corporate response to social performance issues is experimental and uneven among firms in a given industry, as well as between industries; also that the methodologies required to determine with certainty the impact of a corporation on its environment are at preliminary stages. We therefore argue at this time against premature action by government, either through the imposition of additional mandatory procedures and formal reporting requirements, or by specification of social involvement activities and goals for performance themselves. (It is significant to note that after several months of public hearings and substantial volumes of both written and oral testimony, the U.S. Securities and Exchange Commission has decided not to expand its formal reporting requirements to include additional social involvement variables at this point.) Instead, we see public sector resources more effectively used by being devoted to the ranking of objectives and programs and the development of social measurement techniques which ultimately can yield relevant external standards for corporate use. Assuming that corporations do continue to develop the approaches required, both to identify social involvement and assess the profit implications of improving performance, a further problem will inevitably be encountered. For the corporation, in our view, must then seek guidance from the public policy process about social priorities and the respective weights for social benefit it uses to allocate resources efficiently. Stating it simply, if a firm finds that five units of pollution per hour is equal to six man-years of employment in profit impact, it has to know which end of the tradeoff to emphasize most.

Just how these priorities and standards might be developed is beyond our present mandate. We can suggest that further refinement of "social indicators" may hold an important clue, particularly in providing benchmarks for those large corporations with national operations and a presence in many communities. We do not foresee an early solution through this technique for those firms which may be large, but whose operations are localized. Instead, we can expect continued uncertainty about what levels of performance are appropriate in the communities of which they are part.

Given this assessment, perhaps the most appropriate concluding statement (and not a surprising one, given the tradition of research) is that more work has to be done. There is an obvious need for further research on corporate social performance in Canada. Present academic interest is increasing here, as it has in other countries, but it is presently disjointed and heavily skewed towards social auditing techniques. While we do not wish to discourage this focus, we strongly recommend that relatively more effort be directed elsewhere: first, towards social involvement issue

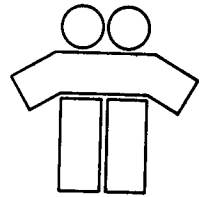
research; second, towards the relating of corporate social performance to more traditional variables such as size, organizational structure and level of profitability; and third, towards the refinement of external standards.

Finally, we stress that environmental impact and social performance are attributes of all types of large organizations - clearly business corporations, but also governments and labour unions, universities and schools, religious institutions and more. We hope, then, that our focus on business firms will be thought of as illustrative, embracing an important part of the whole. The concepts and analyses outlined in this report are more universal and might in time be applied elsewhere.

Reference: 1. Lee E. Preston and James E. Post. Private Management and Public Policy. Englewood Cliffs, N.J.; Prentice-Hall 1975, p. 151.

APPENDIX A
SURVEY QUESTIONNAIRE

The Niagara Institute



A Centre for Humanistic Studies and Organizational Leadership

May 20, 1976

Dear

I would like to inform you of and ask your support for an initiative the Niagara Institute is undertaking for the Royal Commission on Corporate Concentration. As you undoubtedly know, the Commission's mandate from the federal government includes a study of the economic and social impacts of large firms in Canada. Given the Institute's public affairs experience, we were asked to manage a special project on corporate social responsibility.


Since January, the Institute has assembled a task force of some 20 individuals including 14 representatives from Canadian corporations and we are currently working towards a July report deadline. A major contribution of the project will be the development of 12 case studies of Canadian companies describing the ways they perceive of and manage their social involvement activities. We also need to include - and this is vital - an extensive survey of additional firms and have prepared the enclosed questionnaire to meet this requirement.

We would be grateful, therefore, if you would take the time to complete the questionnaire and return it to me, as soon as possible and hopefully not later than June 11, as detailed analysis is scheduled for the following week. You may wish to delegate this responsibility - if so, we would appreciate its completion by one of the senior officers of the firm. I assure you that all information will be treated with complete anonymity.

The Commission hearings have provided a public forum to date, both for corporate representation and for critics of the private sector. Our study will address an important part of the enquiry and provide the Commission with a factual survey of corporate practice against which to weigh the testimony and submissions of others. In addition, we are undertaking the project so as to provide Canadian corporate practitioners with a basic literature, presently lacking.

Should you have any questions or wish to receive a copy of the survey results, please contact me at the Institute. Your assistance is needed and greatly appreciated.

Sincerely,


R. Terrence Mactaggart,
Executive Director.

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CANADIAN CORPORATE SOCIAL RESPONSIBILITY SURVEY

Spring 1976

Purpose of the Survey

Traditionally, research about corporations and corporate concentration has centred on economic dimensions and effects. This is entirely understandable, because economic activity is the distinctive purpose of corporate organizations. This emphasis has been reflected in the work of the Bryce Commission and similar bodies in other countries.

This survey, however, focuses on a different question; namely, what are the other than strictly economic impacts of large corporate organizations and how do firms deal with them? This issue embodies other more specific questions, including:

How is the corporation's impact on society recognized both from within and outside the firm?

How is the impact of the corporation's social involvement understood and analyzed?

What corporate response, if any is being made?

We acknowledge that the term "corporate social responsibility" although widely used, carries no specific meaning. The purpose of this survey is to see how this concept, called by whatever name, is being defined through the behaviour of individual corporations in Canada. We are aiming for a survey of current practice, including underlying concepts and methods of analyses, not at a comprehensive declaration of principles. Indeed, we doubt that a statement of general principles would be sufficiently concrete to be of any great value for our work as or for corporate managers.

Toward a Practical Concept of "Corporate Social Responsibility" - Core Activities and Their Consequences

Every corporation is established to carry out specific economic functions and, in fact, grows, declines or goes out of business in response to demand for these functions, the firm's effectiveness in performing them and their acceptability in the light of public policy and needs. In any corporation, specific activities are undertaken which flow from the firm's primary economic functions and together they shape the relationship of the corporation to its social environment. These activities can be thought of as "core" or central to the firm's purpose and mode of operation. In turn, these core activities give rise to a wide range of corporation/environment interactions, including, for example, the marketing of products and services, procurement of supplies and equipment and employment of personnel. Specific requirements of public policy can also be thought of as being part of the firm's

core activities. Licensing and tax requirements apply to all corporations and specific regulations concerning safety, health and product quality (to mention only a few) are clearly central to the survival of the enterprise.

The involvement of business firms and in particular larger corporations in society is not, however, limited to final market sales, payment of costs and wages, and meeting specific legal and regulatory requirements. On the contrary, most of these core activities give rise to secondary or consequential impacts which may, in fact, be of equal or greater social importance. Advertising and product development may affect life styles and broad consumption patterns; employment opportunities or their absence may affect social mobility, income levels and living standards; product quality and environmental effects may have impacts on individuals and geographic areas far removed from direct contact with the corporation and its operations.

In short, one can think of a corporation's relationship with its social environment as a function of its core activities and the secondary impacts that flow from them. The scope of involvement will change over time and will vary, of course, from corporation to corporation.

It is within the concept of a corporation's core activities, and its resulting secondary or consequential involvements, that this survey has been developed.

In conducting this study, we take the position that relationships between a corporation and the society of which it is a part are not primarily to be viewed as moral problems. Instead, we are attempting to analyze an evolving set of corporation/society relationships that have changed in the past and will continue to do so in response to changing ideologies and circumstances.

Guidance in Completing the Questionnaire

We recognize that this is a lengthy survey (35 questions) but nevertheless we seek your co-operation in completing it as fully as possible. For most questions, a simple check mark will suffice. In some instances, several check marks may provide a more accurate answer. Occasionally, we have asked for quantitative information as well. If you find that you need more space to answer a question fully, please provide additional information on separate pages.

We believe that with your co-operation, a benchmark study can be produced which will be of significant value to Canadian corporate executives who are attempting to understand and manage the complex but increasingly important subjects of corporate social responsibility and public affairs.

CORPORATE SOCIAL RESPONSIBILITY SURVEY

COMPANY DATA

1. S.I.C. Classification: _____

2. Gross revenues last fiscal year:
 - (2.1) under \$1-million
 - (2.2) \$ 1-million - 10 million
 - (2.3) \$ 11-million - 50 million
 - (2.4) \$ 51-million - 100 million
 - (2.5) \$101-million - 500 million
 - (2.6) over \$500-million.

3. Total number of employees in Canada:
 - (3.1) under 500
 - (3.2) 501 - 1,000
 - (3.3) 1001 - 5,000
 - (3.4) 5001 - 10,000
 - (3.5) over 10,000

4. Production and/or distribution facilities located in:
 - (4.1) all 10 provinces
 - (4.2) the following provinces _____

5. Sales offices located in:
 - (5.1) all 10 provinces
 - (5.2) the following provinces _____

6. Balance sheet value of fixed assets - last fiscal year:
 - (6.1) under 10 million
 - (6.2) 11 - 50 million
 - (6.3) 51 - 100 million
 - (6.4) 101 - 500 million
 - (6.5) over 500 million.

7. Approximate level of profitability after tax over last five fiscal years, as a percentage of sales:

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1975	1974	1973	1972	1971	5 yr. avg.

8. Type of ownership:

- (8.1) Crown corporation
(8.2) Canadian controlled corporation - publicly held
(8.3) Canadian controlled corporation - privately held
(8.4) Subsidiary of Canadian corporation
(8.5) Subsidiary of foreign corporation
(8.6) Percent of equity owned by Canadians _____ %

9. Major products or services supplied by your firm are: _____

10. Which of the following would best describe the organizational structure and decision-making processes in your company:

- (10.1) Holding company, with centralized decision-making?
(10.2) Operating company with centralized decision-making?
(10.3) Operating company with decentralized decision-making?
(10.4) Other _____

ACTIVITY AREAS OF CORPORATE SOCIAL RESPONSIBILITY

In which of the following areas and to what extent or degree is your company involved? Please try to indicate, by an appropriate unit of measurement, the amount of resources committed, (e.g. dollars, manpower, time).

Internal Human Resources

11. Training and educational programs designed to:

- (11.1) Increase employee job skills and/or promotion potential; amount _____

- (11.2) Improve personal (i.e. non job-related) development (e.g. hobbies, education); amount _____
- (11.3) Management interchange programs with governments and/or universities; amount _____
- (11.4) Other (Please specify) _____

12. Special needs programs directed to:

- (12.1) Promotion of women in your work force
- (12.2) Employment and training of handicapped persons e.g. blind
- (12.3) Employment of minority or special ethnic groups (e.g. native population)
- (12.4) Part-time employment of youth and/or students
- (12.5) Other _____

13. Special assistance programs for employees such as:

- (13.1) Physical or mental health problems
- (13.2) Day care facilities, or other special arrangements for working mothers
- (13.3) Personal financial planning or assistance
- (13.4) Flexible working hours
- (13.5) Other _____

14. Employment programs beyond legal or contractual requirements, such as:

- (14.1) Indexed pension plans
- (14.2) Supplementary health or income protection plans
- (14.3) Other _____

Community Relations

15. Approximate percentage of pre-tax profits budgeted for financial contributions _____ %.

16. Purposes of contributions:

- (16.1) Education
- (16.2) Recreation
- (16.3) Culture/arts
- (16.4) Health/Welfare services
- (16.5) Community Planning/Development
- (16.6) Other _____

17. Non-financial or charitable community support by company and employees:

- (17.1) Employees allowed time off from work to participate in community affairs Yes No
- (17.2) Employees allowed time off from work to participate in political activities Yes No
- (17.3) If yes, employees continue to be compensated for time off Yes No
- (17.4) Physical resources provided by company for community activities (e.g. meeting rooms, audio-visual materials, transportation facilities). Please specify

Physical Environment

18. In which of the following areas of the physical environment has your company committed resources beyond that which is required by law or regulation?

- (18.1) Air/Water/Noise pollution abatement
- (18.2) Recycling of process wastes
- (18.3) Conservation of Energy
- (18.4) Environmental restoration and/or beautification
- (18.5) Other _____

ORGANIZATION AND MANAGEMENT OF THE
CORPORATE SOCIAL RESPONSIBILITY FUNCTION

The following questions relate to the level of awareness, planning and response in your company to the general area of corporate social responsibility. These questions are also meant to show how your company is organized to manage the social responsibility function.

19. Recognition and attention to the issue of corporate social responsibility is:
- (19.1) Confined to a few individuals in the firm
 - (19.2) Centered at the Board of Directors
 - (19.3) Centered at the senior operating management level
 - (19.4) Centered at lower management levels
 - (19.5) Centered within the union or production worker level
 - (19.6) Centered in one particular department (e.g. Public Relations, Public Affairs)
 - (19.7) Pervasive throughout all levels in the firm.

20. The subject of corporate social responsibility has been discussed in:
- (20.1) No)
 - (20.2) Very few)
 - (20.3) Some) management and/or employee meetings
 - (20.4) Many) during the past year.

21. The firm has developed its own formal definition of corporate social responsibility (or social performance) Yes No.
If yes, please give definition

22. If the firm has a definition of corporate social responsibility, has the definition:

- (22.1) been embodied in the corporation's stated objectives? Yes No.
- (22.2) been communicated to others inside the firm? Yes No.
- (22.3) been communicated to outside groups (e.g. shareholders, the general public, special interest groups)? Yes No.

23. Specific secondary or consequential effects resulting from the company's core activities (e.g. pollution, improved community living standards, increased urban congestion, more recreation facilities) have been identified

Yes No. If yes, please give examples

24. How/by whom were these secondary effects identified?

(23.1) Persons within the firm

(23.2) Externally (e.g. by the firm's suppliers, customers, government agencies, media). Please indicate source of identification

25. What type of information relating specifically to the firm's social responsibility is being gathered and analyzed within the firm, and from what sources?

26. Is this information being:

(26.1) Disseminated throughout the firm? Yes No.

(26.2) Reported to outside groups, (e.g. shareholders, general public, special interest groups)?

Yes No.

27. A formal plan:

- (27.1) has been prepared)
(27.2) is being prepared) relating to the company's
(27.3) is being considered) social responsibility

28. If a plan has been prepared, does it:

- (28.1) assign primary responsibility for the corporate social responsibility function to some specific individual or department? Yes No.
(28.2) Is this a change in tasks/responsibilities from your former structure? Yes No.
(28.3) require new or different criteria for performance by managers? Yes No.
(28.4) assign primary responsibility for performance to divisional managers? Yes No.
(28.5) require new or different information to be gathered which the firm would not usually require? Yes No.

29. What commitments/approvals/endorsements have been/are being made by the company to the issue of corporate social responsibility?

- (29.1) Endorsement by Board of Directors
(29.2) Commitments by senior management to implement a social responsibility plan
(29.3) Development of specific policies and programs relating to the plan
(29.4) Other. (Please specify) _____

30. If your company has developed specific plans and responses in the area of corporate social responsibility, which best describes the primary purpose of such plans and responses:

- (30.1) Reaction to environmental pressures and changes
(30.2) Attempt to manage environmental pressures and changes on a continuing basis
(30.3) Attempt to anticipate such pressures before they become corporate issues.

APPENDIX B

ABITIBI PAPER COMPANY LIMITED

CASE STUDY

1. INTRODUCTION

Abitibi Paper Company Ltd. was incorporated in 1914 under its original name, Abitibi Power & Paper Company Limited. The name was changed to its present form in 1965. The firm is headquartered in Toronto.

Abitibi is a major producer of newsprint and other wood fibre products. In addition, it is engaged in the production of a number of related products and operates a fine paper merchant organization which distributes both its own products and those of other manufacturers. In total, the company employs approximately 13,000 people in Canada and the United States.

Woodcutting operations are conducted on some 720,000 acres of company-owned land in Canada and the United States. Through long-term leases, Abitibi also had cutting rights on a further 12,290,000 acres of Canadian timberlands.

For management purposes, Abitibi's activities are divided into three operating groups: Newsprint - responsible for production of newsprint, groundwood specialty papers, market pulp and lumber; Fine Papers - responsible for production, wholesale distribution and conversion into envelopes and stationery of fine and printing papers; and Building Products and Packaging - responsible for production of building boards, exterior siding, decorative hardboard, prefinished plywood panels and mouldings, and corrugated containers.

Abitibi Paper Company Ltd. and its subsidiary companies now include The Price Company Limited and its subsidiaries by virtue of Abitibi's purchase of 53.8% of the common shares of the Price Company.

Abitibi and Price together form one of the largest diversified forest product enterprises in Canada. They own 32 mills and plants in Canada of which Price owns nine and Abitibi owns the remainder as well as seven in the United States. The combined Canadian newsprint capacity of the two companies represents approximately 20% of the Canadian total.

In addition, Abitibi owns a 40% interest in Mattabi Mines Limited which owns an important zinc-copper-lead-silver mine in Northern Ontario while Price has mining income from a zinc-copper-lead mine in Newfoundland.

2. PHILOSOPHY OF CORPORATE RESPONSIBILITY

It is perhaps a truism that a company's perception of its responsibilities is dictated by the nature of the society in which it operates. A society preoccupied with overcoming a depression or winning a war, for example, tends to place less emphasis on corporate social responsibility than one which enjoys the affluence of modern-day Canada.

In this context, Abitibi believes it has behaved in a socially responsible manner throughout its history. During the company's lifetime, however, contemporary perceptions of corporate responsibility have evolved significantly. Where once the corporation's contribution to society was seen largely in economic terms, in the creation of jobs, for example, the modern corporation faces many social demands and is encouraged to report on its social performance with the same degree of precision as it reports its financial performance. Given this continuing evolution, it is not surprising that Abitibi's definition of social responsibility has remained committed to minds, rather than paper.

Despite the absence of a formal, written statement of philosophy, successive generations of Abitibi management have brought to their positions a well-defined if not always articulated sense of social responsibility. Typically, Abitibi's perception has been dictated by the nature of its business activities. Indeed, the nature of the forest products industry is such that it brings to the forefront responsibilities which must be met if those companies engaged in it are to remain viable. These responsibilities involve three primary areas - conservation, pollution abatement, and employment.

3. SPECIFIC PROGRAM RESPONSES

Environmental Programs

For a company like Abitibi, engaged as it is in an industry which has profound effects on the natural environment, conservation and pollution abatement are matters of critical importance. In both these areas the company has committed a substantial share of its corporate resources to ensure that the negative side effects of its operations are reduced to an absolute minimum.

For example, because of its large private holdings and cutting rights on public land, and because preservation of the forest resource is fundamental to the continued existence of the firm, Abitibi is firmly committed to the best principles of forest management.

Abitibi is currently harvesting less than is being regrown. To assure that this condition continues, Abitibi, in concert with the industry and government, is constantly researching new ways to grow better, faster-growing trees. Modified harvesting techniques, genetic research and regeneration are among these techniques and experiments.

Harvesting is, in itself, a conservation method. Clear cutting, selective cutting or modified cutting are all techniques used by the company to best utilize existing forest resources while allowing the best possible chance of abundant natural regrowth. At the same time, many forms of wildlife fare better in a cut-over area than in dense virgin forest. Abitibi harvests no more than one per cent of its freehold and licenced areas annually in accordance with government regulations. At the same time, Abitibi replants several million trees each year. Although new stock is paid for by the government, the company pays taxes for all wood harvested and, to some extent, these taxes are used to underwrite government regeneration projects.

Similarly, government forest fire and pest control programs are primarily financed by the industry's special forest operation taxes.

To ensure that the best possible use is made of its resources, Abitibi has experimented with many innovative techniques in forest management. One program the company has implemented involves cutting in small "clearcut" patterns and leaving seed source trees to regenerate the harvested areas naturally. Another current area of research activity involves experiments with high yield forestry to increase productivity.

Just as conservation is an intrinsic consideration in the forest products industry, pollution abatement has become a key consideration in the question of social responsibility. For many years Abitibi has been engaged in a continuing program to improve the environment around its mills, particularly with respect to water resources. During the past 15 years the company has spent more than \$28 million on pollution abatement and began its program long before environmental quality became an urgent public concern. Currently Abitibi is keeping to timetables agreed upon with regulatory authorities to bring its operations into compliance with established goals.

In addition to cleanup programs, Abitibi makes extensive use of recycling techniques. Every Abitibi paper mill now

recycles its own mill-generated paper trims and discards. Post-consumer waste paper is also recycled by the company at its Thorold mill and post-consumer waste kraft stock is recycled at a wrapper mill in Iroquois Falls.

As in the area of conservation, Abitibi has invested heavily in research to find more effective pollution control techniques.

One of the end products of this research program is now in the trial stage at the company's Beaupré, Quebec, newsprint mill.

This method involves a different pulp process, refiner groundwood pulping, which requires no chemical treatment. Rather than separating the wood fibres chemically, they are separated mechanically with the help of heat. The resulting pulp, known as thermal-mechanical pulp, may allow newsprint to be made without chemical additives.

Another pollution control method Abitibi researchers are investigating involves converting waste into different and harmless forms. The waste from the chemical pulping process, known as spent liquor, contains wood sugars or carbohydrates. If these are allowed into a water course, natural breakdown results in significant reductions in the water's oxygen content.

By injecting harmless micro-organisms and oxygen into concentrated chemical liquor under controlled heat atmosphere, wood sugars may be consumed. Research indicates that under certain conditions, the organisms will then eat themselves. When the process is complete the sludge may be useful as fertilizer or even as a simple food supplement.

Abitibi researchers have suitably called this process a "biological furnace" since natural elements are used to "burn" waste.

Personnel-Related Programs

Abitibi's employees are among the highest-paid industrial employees in Canada and are currently paid approximately 15% higher than their counterparts in the United States. The level of additional benefits is as high or higher than other industrial groups and at the hourly level is equivalent to approximately 33% of wages.

The company provides financial assistance equivalent to 75% of tuition cost of courses undertaken on the employee's initiative and 100% of those undertaken on the company's initiative. Safety and health on and off the job are subjects of heavy involvement by management at all levels.

Abitibi has implemented non-discriminatory employment policies, and utilizes management by objectives, performance review and counselling and assessment centres to identify and encourage employees to develop to their full potential.

In addition, the company has encouraged employees' children by way of awards and loans through the Abitibi Council on Education to continue their education. The funds are administered in each plant community by the local Council.

While no consideration is given to an applicant's race, creed and colour, Abitibi has tried to provide employment opportunities for Canada's native peoples with success in some areas and failures in others.

This problem is particularly prevalent in Ontario.

Donations

Abitibi's assistance in response to charitable appeals takes the form of executive assistance and loan personnel, facilitating employee involvement and contributions, as well as direct financial assistance in those communities in which it has facilities. Employees are encouraged to become involved in charitable organizations in which they have an interest. In addition to United Appeals the company has been a consistent financial supporter of educational and medical institutions in the past and will continue in the future. Assistance is also provided to cultural and artistic organizations but at a lesser level than that afforded the above.

Community Involvement

Abitibi is actively involved in the communities in which it operates. Its involvement is naturally greater in those communities in which it is the major economic base. In such communities the company has eliminated company housing and through low interest rates and low prices has encouraged employees to own their own homes. The establishment and construction of community, recreational, medical, educational and cultural facilities in such communities required extensive company support. This has been given provided there was clear evidence that the community itself was fully committed to such projects.

In larger centres, such as Thunder Bay, Abitibi may not be quite so visible but, nevertheless, provides considerable support to the area.

For example, the company established a forestry research facility at the Lakehead in 1954. With a growing forestry school now situated at Lakehead University, management decided to give the university use of this 16,000-acre forest area and its facilities on a lease basis for 10 years renewable for a further 10 years. Rent per year was set at \$1.00.

Participation in Determination of Public Policy

The company is a member of the Canadian Pulp & Paper Association, Canadian Manufacturers' Association, the Canadian Chamber of Commerce at the national, provincial and local levels. In addition, it has membership in a host of other professional or functional organizations. Its employees and executives are committed to the extent of heavy involvement in committee work and the executive level of those organizations which impact on public policy.

Public Education

Abitibi spends considerable time, money and energy educating the public about the socio-economic value of the industry. The company's public and secondary school program, reported to be the best of its kind in Canada, includes teachers and students kits, films, public speakers and slide presentations. The information booklets contained in these kits have the sanction and acceptance of the education departments of Manitoba, Ontario and Quebec.

Displays are made available for use in public places: schools, trade shows and science fairs. Day-long tours of some of our forest operations are conducted for schools and the general public during the summer months.

Abitibi supports with technical guidance and staff participation the following organizations:

- the Ontario Science Centre
- the University of Toronto Faculty of Forestry
- the London Free Press School Education Programs

Abitibi also supports financially and with other forms of assistance the Ontario Forestry Association and the Ontario Forest Industries Association and their educational programs.

4. CURRENT PROBLEMS AND FUTURE DEVELOPMENTS

A major Abitibi objective in terms of corporate responsibility is to understand fully the ramifications of the company's policy within and outside the firm. As the company discovered during a study conducted in 1975 by the Social Audit Committee of the United Church of Canada, it is extremely difficult to assemble data on the firm's social performance in a systematic way. Because of this difficulty, the United Church 'social audit' turned out to be in error on a number of points.

Despite the difficulties, however, Abitibi is committed to the auditing process. As the company gains experience in collecting data and understanding the issues, there is a high degree of optimism that a complete picture of its social performance will emerge.

APPENDIX C

CANADIAN NATIONAL RAILWAYS

CASE STUDY

1. INTRODUCTION

Canadian National Railways is a diversified transportation company wholly owned by the Government of Canada. The main business of the company is the transportation of bulk freight by rail, but CN activities also include the operation of rail passenger services, a nation-wide telecommunications system, trucking and bus lines, a chain of hotels, a marine dockyard and a rail commuter system serving the Toronto-Hamilton area. CN is also engaged in real estate development and redevelopment projects across Canada and in the provision of a wide range of national and international consulting services.

CN is a highly "visible" business enterprise. Its rail facilities carry the distinctive CN logo and colour scheme in ten Canadian provinces, the two Canadian territories and 12 states of the United States. Its presence is further emphasized by the CN logo on shipping, on thousands of motor vehicles and on buildings such as the CN Tower in Toronto. Its passenger operations bring millions of Canadians in frequent, often daily, contact with the company.

CN is the largest industrial enterprise in Canada in terms of the total value of its assets (\$4.9 billion in 1975) and number of employees (82,256 average in 1975). Gross annual revenues of about \$2.0 billion in 1975 place it among the top five companies in Canada in this category.

Operating as a business enterprise in today's environment, CN is subject to the same basic influences which are leading most business corporations to develop and state policy in regard to corporate social responsibility and to implement, change or expand programs to discharge this responsibility. CN is responding to the influences by re-thinking and changing some policies and by action in a number of areas.

2. PHILOSOPHY OF CORPORATE SOCIAL RESPONSIBILITY

CN's social role has never been clearly defined and management's approach through the years has been pragmatic. During its formation, between 1916 and 1920, the company was given a mandate to operate along commercial lines and without consideration of political factors. This implied freedom for management to exercise choice in the discharge of any social responsibility it perceived the company to have.

In practice, however, that freedom has been severely limited. Sections of the public, and its political representatives, have frequently taken the view that railways in general, and a "government-owned" railway in particular, must act as instruments of economic development and social change by providing certain transportation services regardless of their commercial validity. Early CN management avoided public debate and confrontation on this issue. The practice was to provide uneconomic, or "public", services when they were demanded and to try to recover losses through general government subsidies and by "cross-subsidization" from profitable services.

In recent years there has been a change in management thinking and policy in this area. The issue of the corporation's responsibility to act as an instrument of social change and development is being faced publicly, and in discussions with politicians and government officials. As expressed in recent speeches by the President and senior officers, CN's position is that it has a responsibility to advise on and to help implement national policy in certain areas, but it has no mandate to make policy.

In addition, the company acknowledges a responsibility to provide good "public" service when a "social decision" to this effect has been made by government. However, it feels these services can be most efficiently and economically provided when the Company receives full and direct financial compensation for its cost; preferably under a business contract with an appropriate government department or agency.

While moving away from accepting direct corporate responsibility in the area of social change and development, CN has been moving towards more responsibility in the area of donations and contributions to organizations engaged in charitable, educational, research, and other socially useful activities. Until quite recently official company policy was that CN's responsibilities in this area were limited by its position as a Crown Corporation. Corporate donations were held to represent "disbursement of public monies" and were to be made only to "organizations which provide services of direct benefit and value" to the company.

(In practice there has tended to be a rather broad interpretation of the phrase "services of direct benefit and value". CN actually contributes about \$250,000 on an annual basis to a variety of charitable and service organizations and worthy causes.)

The official corporate policy in this area is now changing. Statements by the President shortly after his appointment in 1974 were to the effect that managers were expected to apply the yardstick of commercial profitability to their operations but should not view this as incompatible with CN's responsibility to be a good corporate citizen by supporting worthy community activities. The Board of Directors recently moved to further broaden the base of CN's corporate giving. Donations and contributions are no longer restricted to organizations providing direct benefit to the Company and the methods of authorizing and monitoring such contributions have been streamlined.

Current Awareness

Awareness of the issue of corporate social responsibility and of the need to adapt policies and programs to current demands and attitudes can probably be described as "pervasive" only at the senior management level of CN and in the functions of corporate planning, public relations and marketing. It can, however, be described as "present" throughout middle management and at the supervisory level of operations.

At the senior management level, awareness is reflected in public statements about company responsibility for social change and in new policies on corporate giving.

The corporate planning and marketing functions are expressing awareness by taking the social role of CN into consideration in long-range corporate planning and strategic market planning. The corporate planning branch of Research and Development has produced a document, "The Social Goals of CN", for consideration by top management.

Public Relations is conducting research on public and employee attitudes towards the corporation and is putting emphasis on the development of "public affairs" policies and programs.

A corporate statement of guiding principles is lacking but will probably emerge in due course.

3. SPECIFIC PROGRAM RESPONSES

Employee-Related Programs

CN's personnel policies reflect a positive response to contemporary demands and attitudes. About \$25 million is expended annually on training and educational programs

designed to increase job skills and/or promotional potential and to improve satisfaction on the job. Some \$60,000 a year is expended on an Educational Financing Assistance Plan which pays 50% of the tuition of employees seeking personal (non-job related) development. CN has long had a rehabilitation and retraining plan for injured or sick employees and in recent years has developed an alcohol and drug abuse program incorporating many modern treatment concepts. CN is an "equal opportunity" employer and representatives of most "minority groups" are found in fair proportion among company employees. The company has a policy of encouraging employees to participate in community affairs. CNR grants leave-of-absence, with certain reservations, to employees or officers wishing to run for public office in the federal, provincial or municipal fields.

Environmental Programs

CN is increasingly conscious of its public responsibility vis-à-vis air and water pollution. Action has been taken or is under study at major railway installations to control this problem.

Early in 1967, the President appointed a Senior Steering Committee made up of the Vice-President, Research and Development, as Chairman, the Vice-President, Transportation and Maintenance, and the Chief Medical Officer, to study this matter on a system-wide basis. In addition, a Working Party consisting of qualified engineering personnel from the various railway departments concerned has been established at system headquarters and each railway region has appointed engineering personnel to act as liaison between the headquarters group and railway operations across the country.

Since the organization of these groups, several important measures have been taken, including:

- (a) The establishment of educational programs in all regions of CN to impress upon personnel the necessity of control of pollution from railway facilities.
- (b) Examination of major railway facilities to determine where existing methods of pollution control could be improved.
- (c) An ongoing series of investigations into noise pollution and methods of control.

Donations

CN's changing policies on corporate donations have already been discussed. In addition to making such donations, CN assists organizations conducting community-sponsored United Appeals (Red Feather, Community Chest, etc.) and other major charitable appeals. Assistance takes the form of encouraging employee donations, facilitating canvasses of employees, arranging payroll deductions, making company facilities available for certain activities and making available the services of officers and employees to work as campaign chairmen, division heads, team captains, etc.

Community Involvement

CN's "presence" in small and large centres across Canada has resulted in keen awareness by the company that many corporate decisions - such as the closing of a rail facility, or major additions to existing facilities - have to be made against a background of community needs. In recent years this awareness has been expressed particularly through responsible development of railway real estate in cities and communities across Canada. In all real estate development projects expressed company policy is to cooperate with all other interested parties in seeking land use options that are in the best interests of the community as well as being profitable for the company.

Participation in Determination of Public Policy

For many years CN has put its experience and expertise at the disposal of government agencies involved in the formulation of transportation policy and related matters.

In the past few years CN has contributed significantly to studies of the rail passenger system in Canada and to the development of policies and programs designed to improve it. Similarly CN has made significant contribution to studies of the grain transportation system which have been or are being carried on by two government-appointed commissions, by the Canadian Transport Commission and other bodies. With some reservations in regard to increasing demands placed on company resources by requests for large amounts of statistical and other data, CN policy is to continue to welcome, and even to seek out, opportunities to contribute to social improvement in this area.

Railway Safety

There has been accelerated activity in the field of accident prevention and safety in recent years. Computerized programs indicating trends in accidents and identifying specific locations and other factors have been developed. Improvement targets have been set and reviewed at regular intervals. A supervisory training program with strong emphasis on accident prevention has been developed and classes are held across the CN rail system. These programs and other action have produced a significant improvement in the accident rate. This is reflected in a decline in train accidents per million gross ton miles from 10.07 in 1974 to 7.06 in 1975, a drop of 29.9%.

4. SPECIFIC ORGANIZATIONAL RESPONSES

Structurally CN has been administered as an integrated, multi-service business corporation divided into five geographical regions with corporate policy-making and planning performed at headquarters in Montreal. This structure has probably not encouraged the development of consistent policies and programs in the area of corporate social responsibility.

A reorganization involving the establishment of five relatively independent "divisions" to administer the main revenue-producing activities of CN in accordance with the "profit centre concept" is now in progress.

The main reasons for the reorganization are administrative and financial. But to some degree the reorganization also represents a response to changes in the social environment and in management thinking about the corporate social responsibility of CN. Among the reasons stated for the reorganization was that it would enable more effective co-operation with the government and other institutions in the provision of socially needed transportation services. Reorganization could be a stimulus to the development of clear concepts, within and without of the social role of the corporation today. Reorganization could also stimulate action to discharge sound responsibility in ways appropriate to today.

5. FUTURE PROBLEMS AND FUTURE DEVELOPMENTS

Corporate social responsibility has been a concern of CN since its inception. Historically the company's approach has been conditioned by the assumption - held within and without the

company - that a Crown Corporation has special corporate responsibility in some areas (such as regional economic development) and may be free of responsibility in regard to others (such as donations to charitable organizations). The thrust of management thinking today is that, in the contemporary social and political environment, CN's approach to the issue of corporate social responsibility has to be the same as that of any major business enterprise which wishes to be a good corporate citizen. Policy is being re-examined and some action taken in accordance with that approach.

APPENDIX D

THE GREAT-WEST LIFE ASSURANCE COMPANY

CASE STUDY

1. INTRODUCTION

Great-West Life was incorporated on August 28, 1891, by a Special Act of the Parliament of Canada and commenced business on August 18, 1892, on which date the first policy was issued.

Operations are conducted through 101 marketing and 34 service offices in 10 Canadian provinces and in 33 states and the District of Columbia in the United States. The Company is represented by over 1,000 full-time sales representatives and by an extensive brokerage facility in the United States. It offers a complete portfolio of life, health and annuity products sold on both an individual and group basis.

The company is headquartered in Winnipeg, Manitoba. In 1973, a United States Marketing Headquarters was established in Denver, Colorado, and in 1976, a Canadian Marketing Headquarters was established in Winnipeg. In addition to its sales representatives, the company employs 2,500 people, 1,400 at its Head Office in Winnipeg and 1,100 in its branches.

The conduct of its business in Canada is governed by the Canadian and British Insurance Companies Act and its overall operations are under the supervision of the Department of Insurance, Ottawa. Its business in the United States is, in addition, subject to the laws governing insurance companies in the various states in which it operates.

2. PHILOSOPHY OF CORPORATE RESPONSIBILITY

The company's affairs are governed by a Statement of Guiding Principles which sets forth its corporate purpose and philosophy, growth and financial objectives, and operating principles. This statement reflects a broad consensus developed within the company by its employees and field representatives. It was formally approved by the Board of Directors on January 21, 1972, and subsequently communicated to policy-holders and shareholders of the company in the Annual Report of the same year.

In essence, the Statement of Guiding Principles reflects the company's awareness and acceptance of its corporate responsibilities.

In addition, the Statement articulates the company's belief that its social responsibilities may be met in large measure by simply conducting its business affairs in a superior manner. This view follows from two important characteristics of the insurance industry.

First, as a service industry, its operations do not negatively impact the community. The company's business does not pollute the air, produce undesirable waste products, impose heavy energy requirements, consume non-renewable resources, or in other ways adversely affect the environment.

Second, the insurance industry has always been closely regulated and thus, for many years, relations with government have been a normal part of its business operations. With government acting as a regulator to ensure solvency and with companies competing keenly in the marketplace, a "system" has evolved which serves the public interest extremely well, and which is generally free of major problems.

3. SPECIFIC PROGRAM RESPONSES

Reflecting its Statement of Guiding Principles, the company set out its position on corporate social responsibility in a more formal way in 1973. In summary, it recognized that the company, as an institution of society, should participate in the definition of the needs of society and, once they have been demonstrated, respond to them in the conduct of its affairs.

In large measure, the company fulfils this role in the normal course of its business. Thus, in its ongoing affairs, it is identifying consumer needs, developing a broad range of insurance and other financial services to meet them, marketing those services with skilled and professional counsel and advice, providing its policyholders with service which is fair and adjudications which are just, investing funds in response to the demands of both the marketplace and social change and conducting itself in accordance with the highest ethical standards.

All corporate activities relate to and flow from one fundamental principle, namely, that the best interests of the company's policyholders receive first priority and all other considerations evolve from that.

Based on that fundamental principle, the company has identified certain areas of activity where initiatives related or ancillary to its business functions should be undertaken to reflect its concern for the sectors which it serves and for the community as a whole. These are described below.

Participation in Determination of Public Policy

The company believes it has a responsibility to participate in the definition of the needs of society. This includes a conscious effort to influence those bodies which largely interpret and determine such needs as reflected in public policy, namely, governments at all levels.

Through the principal industry associations in Canada (Canadian Life Insurance Association and the Canadian Health Insurance Association), the President has had the opportunity of participating in a number of meetings with provincial and federal government leaders. In addition, the President and other senior officers have had occasion to review matters of public policy with elected representatives, from time to time, at not only the federal and provincial levels but at the municipal level as well. This does not take the form of a highly organized and structured program but rather communications occur as circumstances so permit.

Furthermore, the company recognizes that political action is taken through the party system and it encourages personnel at all levels to participate in the political process through the party of their choice. Its policy in this respect applies not only to those seeking elective office but to those involved in political activity in other ways as well.

Industry Associations

The programs of industry associations clearly have an effect on the company, particularly with respect to government and public relations, and it is important that the company have some influence in their determination.

Thus company personnel are actively involved in the major industry associations in Canada, and to a lesser extent, in the United States. This is an area of ongoing involvement with the commitment of resources largely dependent upon the needs of the industry associations involved.

Awareness of Community Needs in Corporate Decisions

While this might appear to be obvious and a consideration in all of the company's activities it is identified with particular reference to investment policy. To the extent that the company is responsive in matching its resources creatively to society's changing trends, both society and the company's policyholders, shareholders and employees will be served to the greatest advantage.

A number of examples may serve to illustrate the company's approach in this area.

First: The industry in the United States recognized a need for greater investment in deteriorating urban centres. The response was to organize and conduct a program of investments in such areas undertaken by individual companies, which included Great-West Life, at higher risk and lower rates of return than they would otherwise accept.

Second: The company recognized the need for further diversification of investments to achieve greater balance among regions. It aggressively sought out such opportunities and made the appropriate investments consistent with safety of principal and satisfactory return.

Third: The company has associated itself with entrepreneurs who identified a social need, first with respect to geriatric care and, currently, with respect to facilities for pre-school children of working mothers. In its experience such services can be provided by the private sector more effectively, efficiently and economically than by government.

Fourth: The company has been actively promoting the development of a downtown site to provide, among other things, a new Head Office. The group studying and developing the proposal has, at every stage, taken into account the legitimate needs and aspirations of the community and that principle will continue to be a dominant one in the development, should it proceed.

Personnel Policies

The extent to which the company is recognized as a good employer will be an important measure of its responsiveness to current social needs and desires.

Initiatives in career development programs, special needs programs for women and handicapped persons, flexible

working hours and the policy of support for political activity, referred to earlier, are examples of initiatives which respond to the contemporary scene in the area of personnel relations.

Community Involvement

This relates to both personnel policies and corporate donations and represents an important and efficient means of contributing to the effectiveness of both.

The company's clear and consistent policy is to encourage the participation of employees and representatives in community affairs and this is particularly evident in Winnipeg. There, its size, relative to that of the community, is such that the aggressive pursuit of this policy exerts an important and constructive influence on community activities. It is committed to the belief that the role and contribution of the individual remains an essential ingredient for a healthy society. Again, as an example only for purposes of illustration, the most prestigious award now available to members of the field force is the Jack Hopwood Memorial Award, in memory of an outstanding life underwriter and community worker. It is awarded annually, together with \$1,000, to the charity of the recipient's choice, to that person who best exemplifies professionalism and success in the selling of the company's products and services with a selfless involvement in community activities. In addition, senior company personnel are expected, as part of their responsibility, to assume active roles in the community and their performance appraisal takes this into account.

Donations

For the most part, corporate donations are expected and thus take on the semblance of a normal business activity. On the other hand, opportunities arise from time to time where corporate donations may be applied to new and innovative projects of particular interest to the community and thus represent special initiatives in the area of corporate responsibility. The establishment of a Widows' Consultation Centre in conjunction with the YWCA in Winnipeg is an example. So is the development of a medical research program undertaken by the company's own medical officers, which already has brought a high degree of interest from the medical profession in both Canada and the United States.

Special Projects

Over and above what the company may do through its donations program, special projects may be undertaken from time to time in response to significant community needs. The basic criteria for sponsorship of such special projects are as follows (the first three are considered to be fundamental with the balance optional, but preferred):

1. They should be a logical extension of the firm's normal business operations.
2. They should involve an area of activity or concern about which the Company has some knowledge, can exercise reasoned judgement and, ideally, provide expertise.
3. There should be an established need for private support.
4. They should provide for significant involvement by company staff and/or representatives.
5. They should provide an opportunity to undertake initiatives toward solving current problems.
6. They should provide an opportunity for a leadership role by the company.
7. They should provide for clear identification of the company role in the program.

The company's most ambitious undertaking of this nature to date was a three-and-one-half-day Symposium, "The Dilemmas of Modern Man", held in October 1974 to mark the City of Winnipeg's Centennial. This project in large measure met the company's seven criteria for such undertakings. Another was the action taken, in a number of different ways, to provide the leadership necessary to keep the Winnipeg Jets professional hockey team in Winnipeg. Such special projects serve to illustrate how the management of the Company seeks out means by which its influence can be applied to constructive and useful community purposes.

4. SPECIFIC ORGANIZATIONAL RESPONSES

The Company's position on corporate social responsibilities is reviewed annually to update it where appropriate and to develop new initiatives to further the implementation of it.

Concern for corporate social responsibility clearly has the attention of the senior officers more so than others in the organization. At the same time, however, there is involvement of a broad cross-section of company personnel simply because the company's concept of the term is so closely allied to its concept of how it should conduct its business. Four examples may serve to illustrate the point.

First: The company's Statement of Guiding Principles has been more than just communicated to all company personnel. It was formulated in the first instance through the participation of a large number of company personnel at all levels.

Second: A major element of the company's program relates to employment practices. Since managers, at all levels, are responsible for the application of personnel policies in their respective areas, this element has clearly become well known to them.

Third: Certain initiatives taken by the company have had both high visibility and a high degree of participation by company personnel: for example, the symposium "The Dilemmas of Modern Man".

Fourth: Action has been taken in recent years to communicate the involvement of the company in a number of different areas. A report along these lines is produced each year as a supplement to the more formal Annual Report. It is designed to illustrate that the company is performing a highly useful role not only as an economic unit but as a social unit as well.

In the case of this particular company, and for reasons already discussed, it is difficult to distinguish between the effect of core activities and secondary or consequential effects. There tends to be a blurring of one to the other by virtue of the very nature of the company and its business.

Because the responsibility for identifying and responding to issues of corporate social responsibility tends to be pervasive throughout, there is no formally organized corporate social responsibility function. Rather, as has been noted, it is essentially a decentralized ongoing part of normal activities.

APPENDIX E

HUDSON'S BAY COMPANY

CASE STUDY

1. INTRODUCTION

The company was incorporated in 1670 by Royal Charter as "The Governor and Company of Adventurers of England Trading into Hudson's Bay". Three hundred years later, by Supplemental Royal Charter, it was continued as a Canadian corporation. During its first two hundred years the company was exclusively engaged in fur-trading, while in the late 19th century, the sale of land became its most important business. Since the early 20th century, however, "The Bay" has been predominantly engaged in retailing. Today its activities are in three areas--merchandising, natural resources and real estate.

In the merchandising field, the Hudson's Bay Company (HBC) operates more than 250 retail stores across the country. It is strongly represented in ten of Canada's important cities and is the leading retailer throughout the Canadian north. The company maintains its traditional interests in fur with auction houses in Montreal, New York and London. The firm's wholesale department distributes giftware, tobacco and confectionery from a network of branches across the country.

In the natural resources sector, HBC holds equity positions in two important Canadian petroleum companies. These are Hudson's Bay Oil and Gas Company Limited (21.2%), and Siebens Oil & Gas Ltd. (35%).

In the real estate field the company owns all or part of a number of shopping centres in Canada and a 64% interest in Markborough Properties Limited. In its various activities the company employs over 20,000 people.

2. PHILOSOPHY OF CORPORATE SOCIAL RESPONSIBILITY

Although the concept of "corporate social responsibility" is a fairly recent development, a number of issues and problems commonly associated with the term have long been recognized by HBC. Recently, the company has grouped these matters under the broad general description of "corporate social responsibility".

HBC's approach to the matter of corporate responsibility has been essentially pragmatic. Rather than attempting to formulate a universal policy, the company has addressed specific issues on an ongoing, ad hoc basis.

As a result, management accountability for the matter of "corporate responsibility" is decentralized and issue-oriented. The role of HBC's relatively small corporate

staff group in this area is largely confined to policy-making while the implementation of "corporate social responsibility" programs is handled at the operational level.

Despite this decentralized approach, HBC has taken formal positions on a number of corporate responsibility issues. Collectively, HBC's positions and activities in response to these issues serve as the company's philosophy on corporate responsibility.

Employment programs, for example, clearly recognize the rights of minority groups. Personnel policies explicitly prohibit discrimination in employment on racial or religious grounds. In the ar orth, where the company has located many stores in predominantly native communities, HBC has actively recruited native personnel for many years.

Currently, HBC employs some 700 native people, in several Northern communities.

Since the majority of its customers are women, as are 60% of its employees, the Company has a keen interest and has taken a leadership position in the development and training of female executives. For many years, HBC has actively promoted the principle of "equal pay for equal work".

In addition to these generalized issues, HBC's philosophy and ordering of priorities in the area of corporate responsibility has been shaped by the nature of its business and its historic traditions.

HBC is not only one of the oldest corporations in the world, but it has also had a profound and far-reaching influence on the development of western and northern Canada. Fortuitously, most of the company's written records have been preserved and recently arrangements were made to turn over these documents to the Manitoba Provincial Archives. HBC believes it has a responsibility to preserve its traditions and contribute to a better understanding of Canada's history.

Throughout its history, HBC has been associated with the trapping of fur-bearing animals, a practice which inevitably involves cruelty to animals. Recognizing this fact, the company has provided leadership and funds for the development of more humane trapping techniques.

Finally, HBC is a significant patron of Canadian cultural, charitable and community programs. The Company believes that it has an obligation to contribute "employee talent and

company funds to improve the communities within which it operates". Company executives are encouraged to accept responsibilities in community organizations and it is an objective of the company "to be twice as generous as the average Canadian corporation". In 1975, HBC's donations to worthy Canadian causes exceeded \$600,000.

3. SPECIFIC PROGRAM RESPONSES

Consumerism

The single major issue of most concern, and most immediacy, to the company has been consumerism. Only a decade ago, "consumerism" was a new and virtually unknown term, and the consumer movement was in its infancy.

By contrast, consumerism is today firmly established as a highly visible and vocal force in North American society. The consumer of the 1970's is not only better educated and more sophisticated and discerning, but is also developing the expertise required to effect changes in the marketplace wherever shortcomings are perceived.

The initial focus of the consumer movement was primarily directed toward protests against various marketing practices of basic goods and services, especially food. The first consumer boycotts began in the United States in 1966, and were aimed at supermarkets. The Canadian consumer movement gained momentum during the hearings of the Joint Senate-Commons Committee on Food Prices, whose investigations led to the establishment of the Federal Department of Consumer and Corporate Affairs in 1967.

At the time of its inception the Department was one of the few such in existence in the world. The Canadian provinces followed the federal lead in the late 1960's with the result that today all of the provincial governments have either departments of consumer affairs or consumer protection bureaus. Both the federal and provincial governments have introduced in recent years protective legislation involving many areas of direct concern to consumers.

In keeping with the company's traditionally decentralized approach to management, HBC has responded to consumer-related issues with programs developed on a local, store-by-store basis. Each of the seven regional organizations into which HBC's merchandising arm is divided for administrative purposes is expected to respond to the issue in a manner appropriate to local conditions. In addition, action has

been taken on a centralized basis to keep all company buyers advised of new and proposed government regulations concerning such matters as hazardous products, labelling, etc.

At the regional level, consumer-related programs have generally involved the hiring of a staff person to deal exclusively with consumer information and act as the company's interface with organized consumer groups in the community.

Although this approach has not always been entirely successful, the company has persisted in its attempts to respond in a meaningful way to consumer needs.

4. SPECIFIC ORGANIZATIONAL RESPONSES

Since the company has elected to respond selectively on an ad hoc basis to corporate responsibility issues, it is difficult to generalize on the matter of organizational response. However, the response of a single regional element, the Bay store in Edmonton, may serve to typify HBC's approach to the consumer issue.

Early in 1975, the Edmonton Region altered the position of Manager of Customer Services to that of Manager, Consumer and Customer Services. The change created a department manager who was responsible for monitoring developments in the consumer field, interpreting and communicating these developments to executives and staff, developing strategic responses for the store to consumer concerns, and providing a clearing house for consumer complaints, problems and comments.

One result of this strategic response to consumer concerns has been the recognition of the need to simplify the buying decision for the consumer, and the ensuing creation of "How to Buy" booklets. These booklets are intended to provide the consumer with enough basic information to understand his needs and the way in which various products will meet them. More than 30 of these booklets will ultimately be available.

Another important feature of Edmonton's consumer program is staff training which is currently proceeding on several different levels. Recently a seminar was held for department managers and senior executives, along with two representatives from the Alberta Department of Consumer and Corporate Affairs. The purpose of the seminar was to review recent legislation and its effects on department stores.

Introductory training for new staff now includes a section on consumerism. The emphasis in this training is placed on truth in selling. Newly hired staff are encouraged to ask questions of the supervisor and experienced selling staff in the department in order to better answer a customer's questions. There is an important section on consumerism in the ongoing program for training the retraining supervisors. The store has recently reviewed standards both for advertising and point of sale signs in relation to the requirements of both provincial and federal legislation.

The intention of the consumerism program of the Edmonton Region is to present a totally consumer-oriented attitude throughout the entire region through the department staff, department managers and senior executives and through promotional policies, visual presentation policies and customer service policies.

5. CURRENT PROBLEMS AND FUTURE DEVELOPMENTS

HBC, despite significant response to a number of social responsibility issues which are particularly germane to its business, does not consider itself to have taken a leadership position. Most of the issues and problems which today are described under the umbrella of corporate social responsibility have been recognized by HBC for many years. Particularly with respect to consumerism, the company has taken action as required on an ongoing basis.

Although the company professes no expertise in the area of corporate responsibility, recent interest in this subject has not gone unnoticed. Existing policies and practices are being re-assessed and, while it is premature to indicate whether the company will attempt to define its social responsibilities more specifically, there can be little question that the company will continue to respond to perceived social needs.

APPENDIX F

IMASCO LIMITED

CASE STUDY

1. INTRODUCTION

Imasco Limited is a multidivisional company manufacturing consumer products and supplying consumer services in Canada and the United States. The firm's principal products are tobacco and food. Services include retail outlets and automatic vending operations.

The company's visibility at the consumer level is reflected in the names of some of the operating companies and their products: Imperial Tobacco, through brand names such as "Players", "du Maurier", and "Matinee"; Imasco Foods, through the brand names "Grissol", "Viau", "Tic Tac", and "Unico"; and Imasco Associated Products through "United Cigar Stores", "Top Drug Marts", and "Arlington-Collegiate Sports".

The operating environments of these three divisions vary widely. The tobacco division, Imasco's largest, operates in an essentially negative environment due to the controversial debate over health and smoking.

Imasco's food companies, Grissol and Unico, have their own special environments. Unico operates in what has traditionally been an ethnic market (Italo-Canadian) and is only now expanding into non-ethnic markets. Grissol operates in a regional, francophone environment (Quebec) and markets across Canada and internationally.

The retail division is extremely difficult to characterize, since each outlet operates in what is a virtually unique sub-environment. In this area of the business competition is keen, entrepreneurship is vital, and control is extremely complex.

Imasco itself is a small headquarters group which operates primarily in a financial environment. It provides services to the operating divisions, allocates resources, and exercises financial control over the organization as a whole. Imasco is staffed by specialists in law, secretarial functions and public relations. These services are also available to member companies in the group. The Imasco Pension Fund Society is also headquartered at Imasco. A senior officer and director, responsible for the Fund's investments, also counsels the Board of Imasco on its own corporate investments.

2. PHILOSOPHY OF CORPORATE SOCIAL RESPONSIBILITY

The company has always been aware of the need to be a "good corporate citizen". This awareness expressed itself

in fundamental terms as a duty to be profitable and economically sound. This is the only way a company can fulfill its purpose in the market place, meet its obligations to shareholders, employees, pensioners, suppliers, and, in Imasco's case, to millions of Canadians who are consumers of its products. An unprofitable company is a liability to the community. Profitability ensures the continuity of capital formation with all its attendant benefits. A profitable company provides employment, good working conditions, and fair wages. It pays taxes, gives a fair return to its shareholders, and contributes to the community at large.

Having achieved its financial targets, the company can then turn its efforts to helping the less fortunate in society, and improving the overall quality of life. This has been traditionally accomplished at Imasco through charitable donations, and by providing the help and skills of its people in fields of social endeavour not directly related to its business interests.

In the current climate of economic uncertainty, the basic business function is more important than ever and the planned and systematic approach to related responsibilities becomes more complex and difficult. The company is committed to growth at a rate no less than that of the economy as a whole.

Imasco believes this attitude is not inconsistent with responsiveness to public and consumer demands. In its view, business, governments and the public at large form the solid base of our economic and social structure and Imasco believes that an understanding of the role of each and a willingness to cooperate among all three will contribute to progress and the common good. Imasco believes that if it tries to conduct its affairs in the public interest and attempts to anticipate, identify and meet its social responsibilities, whether in its core or secondary activities, governments should resist the growing tendency to intervene.

Although the degree of commitment to this principle varies from division to division, Imasco's senior management is firmly committed to it. In 1975 Paul Paré, Imasco's President and Chief Executive Officer, said:

The management group here, identifying the framework in which we are free to operate, is committed to the view that the private sector must have freedom to exercise its own initiatives so that it can answer to the expectations of all the publics it tries to serve.... Among those

are social responsibilities, which are relatively new and which we take as seriously as we take the need to make a profit.

Despite Imasco's commitment, the firm recognizes that any meaningful program of social responsibility must be developed gradually lest continued intervention erode operating management's sense of responsibility for growth and profitability.

Imasco's ultimate objective is to have even the smallest unit devote as much consideration to its own areas of social responsibility as Imasco now attempts to do at the corporate level.

At the present time, attention to corporate social responsibility is given in decision-making processes in large part by the conscious input of the Chief Executive Officer, the members of the Executive Committee (which includes the three division heads and the head of the Finance Division), and the head of public relations, who is present at Executive meetings and Board meetings. On specific issues arising between full meetings of the Board, the advice and counsel of outside directors is solicited and their views are expressed, of course, at Board meetings.

It must be acknowledged that, because definitions of corporate responsibility are still unclear, the approach to some possible areas of involvement is cautious. No formal "social audit" has been undertaken at Imasco, largely due to uncertainty about the nature and scope of such an "audit".

3. SPECIFIC PROGRAM RESPONSES

Perhaps the best examples of a specific Imasco response to corporate responsibility concern cigarette smoking. Two concerns are involved: the relationship of cigarette smoking to health and fire.

Fire Prevention

The charge that cigarettes cause fires began to gain momentum in the early 1950's. Many fires for which the specific cause was unknown were blamed on cigarettes. Recommendations were made for self-extinguishing products and other restraints which were unrealistic. Imperial Tobacco research concluded that the real culprit was not the cigarette per se but the careless smoker.

In co-operation with the nation's fire authorities, Imasco developed a fire prevention campaign utilizing print, outdoor media and cigarette packaging. The evaluation of this program by fire authorities has been positive.

Health

In response to the charge that smoking causes lung cancer, the cigarette industry followed Imperial's lead in establishing a research fund to find clinical, scientific evidence, proving or disproving the claim. Imperial took the position that if something in cigarette smoke could be proven to be a cause of the disease, that element could be removed. Despite the scope and intensity of scientific research, conclusive results have not been forthcoming.

Meanwhile, public and government pressures have continued to mount and the industry, while continuing to support any research evaluated by independent authorities as meaningful, has accepted that product modification might have a role to play in reducing the alleged hazards. Through voluntary restraints on marketing practices, product modifications, and a range of other options proposed by health authorities, the industry has attempted to serve the 6 million Canadians who choose to smoke, and at the same time meet the objectives of health authorities for products perceived to be less hazardous.

Community Involvement

The degree and quality of Imasco's contribution to the communities in which it operates varies from division to division. Specific programs have evolved in response to the specific situations each division has faced.

For example, Unico has sponsored television shows in the Toronto-Hamilton area which nurture the cultural values of the largest Italian community in Canada. Similarly in sports, welfare and recreational activities, Unico has supported initiatives undertaken by the Italo-Canadian community. Unico has also supported and approved requests made to Imasco's corporate donations committee for support of a senior citizens home in Toronto and a Canadian federation of regional Italian associations and societies.

Similarly, in Quebec Grissol has provided leadership in the funding campaign for the Canadian Heart Association, Quebec Division. A recent offer of Grissol was to provide its parking facilities during the period of the Olympic

Games (when their plants were shut down for summer vacation) for the special vehicles bringing thousands of handicapped citizens to Olympic events. Since the Grissol-Viau parking lots are only a few blocks from the main Olympic site, this solved a difficult problem for organizations helping the handicapped.

Donations

Imasco's corporate donations budget is administered by the Corporate Donations Committee which includes representatives from all divisions. Contributions approximating \$400,000 annually are allocated according to the best judgement of the Donations Committee on the basis of regional management advice and outside information. There are no commercial overtones to allocations. Contributions are frequently made to organizations whose public stance and publicity are antagonistic to the company's broad commercial activities, for example, the Canadian Cancer Society and the Canadian Heart Foundation.

4. SPECIFIC ORGANIZATIONAL RESPONSES

Imasco does not have a public affairs function as such. Most "public affairs" functions are the responsibility of the Chief Executive Officer in concert with the corporate public relations department. The Tobacco Division has its own public affairs division which includes Public and Community Relations, Employee Communications, and a Special Projects Department which handles the Imperial Tobacco Environmental Awards Program, among other projects. Imperial's public affairs function does monitor social developments in Quebec since the division's head office and a major segment of its manufacturing facilities are located in that province. This has enabled Imperial to anticipate Bill 22 and related "francisation" regulations.

The Canadian part of the Food Division includes a public relations function in the Grissol (Quebec) section. At Unico Foods in Toronto the function is carried out by the Chief Executive Officer. The services of the public relations department of Imasco are available and used on an ad hoc basis by the Food Division.

The Retail Division has no public relations or public affairs function. In most cases it is the responsibility of the Chief Executive Officer of each company with an overall responsibility carried by the Chief Executive of the division as a whole. The Public Relations Department at Imasco's head office provides service to the Retail Division on request.

5. CURRENT PROBLEMS AND FUTURE DEVELOPMENTS

Imasco's main problem with social responsibility is the identification of those activities, outside its core activities, which are appropriate to the corporation. Imasco has taken action in terms of leadership, seed money and skills in areas such as rehabilitation of drug addicts, educational sound recordings for blind university students, and the development of a social services data bank to rationalize response to welfare needs.

However, Imasco is not sure that "institutionalizing" an approach to these aspects of social responsibility is an appropriate strategy. It feels that the ad hoc approach traditionally taken by the firm may well be the most workable and meaningful tack to take.

APPENDIX G

INCO LIMITED

CASE STUDY

1. INTRODUCTION

Mining, one of Canada's most important industries, is the principal activity of Inco Limited, the world's leading producer and marketer of nickel. The company's exploration, development and production activities are concentrated in the Sudbury district of Ontario and the Thompson area of Manitoba.

A Canadian company, Inco also has mining interests in Indonesia and Guatemala. An important producer of copper and platinum group metals, Inco operates major refineries at Port Colborne, Sudbury and Thompson in Canada and at Clydach and Acton in the United Kingdom. Two rolling mills are located in Huntington, West Virginia, and Hereford, England.

In 1974, Inco acquired ESB Incorporated, a major battery producer with operations in the United States, Canada, Mexico and many other countries. Another recent acquisition was Daniel Doncaster & Sons Limited in England, a producer of forged and machined products.

Other principal subsidiary companies have general offices located in New York, London, Jakarta and Guatemala City.

Inco Limited employed 37,755 people in the primary metals, metals forming and related fields as of December 31, 1975. Of this total, 23,971 were located in Canada, 8,214 in the United Kingdom, 4,004 in the United States and 1,566 in other areas. In addition, ESB's worldwide operations employed 15,760 people as of December 31, 1975. At the end of 1975, some 64 per cent of the company's 84,369 shareholders were Canadian residents.

2. PHILOSOPHY OF CORPORATE RESPONSIBILITY

Even though Inco's operations are physically situated in many nations, they are part of a unified organization, joined together in common purpose. Each has a corporate objective closely tied to the well-being of its employees, the communities in which it operates and the host governments of the countries involved.

In its relationship with its several constituencies, Inco endeavours to maintain a high standard of business ethics.

With its shareholders, Inco seeks to achieve a long-term record of stable growth in earnings and a return on

assets sufficient to attract and retain the required investment capital. Inco is committed to advance the shareholders' interest and optimize their return by maintaining an appropriate balance between dividend payout and reinvestment of earnings for growth.

Inco is committed to provide an employment climate that will attract, develop and retain capable personnel at all levels.

The quality and effectiveness of Inco's employees are vital to the achievement of its goals. To this end Inco seeks to maintain a work environment which provides individuals with the opportunity to achieve their personal career goals while contributing to the corporation's objectives. In keeping with the company's philosophy, Inco:

Provides pay and benefits which are competitive in the employment markets from which employees are drawn, which reward performance fairly and are internally equitable.

Provides opportunities for individual growth and career satisfaction, and assists employees to realize their potential by providing appropriate training, development and educational opportunities, and internal promotion possibilities.

Observes and respects local law and custom wherever it operates and practises non-discrimination on the basis of race, colour, creed, sex, age, or national origin.

Deals in good faith with its employees, to promote constructive employee relations, maintain effective work practices, and minimize work interruptions.

Provides work facilities and conditions appropriate to the health, safety and general well-being of its employees.

In dealing with its customers, Inco profitably serves existing and new markets with competitively priced products which satisfy customer requirements. The company also provides product quality and service which enhance its customer relationships.

As a responsible corporate citizen in communities and countries in which it does business, Inco recognizes and responds to local needs and goals. As a constructive force in the communities and countries where it operates, Inco establishes and maintains programs for informing the public, governments and relevant groups of its corporate aims and activities, with a view to obtaining to the fullest extent possible their understanding, respect and co-operation.

Inco selects reputable suppliers of goods, services and credit, and seeks relationships with them which are mutually fair and satisfactory.

3. SPECIFIC PROGRAM RESPONSES

Environmental Programs

Inco has been and continues to be a leader in the field of pollution control. The Company's program to minimize the environmental impact of its operations is extensive and extends well beyond the traditional concerns over air and water.

For example, Inco has developed an innovative program to regenerate land formerly covered by mine tailings and spoil. The program, which involves the planting of grass and grain in such areas, is the end result of some 30 years of research.

Inco has also implemented pollution abatement systems in most of its major locations. In Copper Cliff, for example, the installation of underground water clarification tanks at the company's North mine has enabled the company to recycle more than 100 million gallons of water.

Effluent from the Copper Cliff sewage treatment plant is also recycled and used in the company's mills, and to improve air quality, a \$25 million chimney has been installed to reduce ground-level concentrations of unrecovered smelter gases.

In 1976, Inco plans to spend \$20 million on pollution abatement programs at its facilities in Sudbury, Port Colborne and Thompson.

Donations

Inco takes its social responsibilities seriously in the many communities in which it operates. Helping these communities to flourish and prosper is regarded as an important responsibility by the company and its employees, who are encouraged to take an active part in the mainstream of community life and who participate in many different community organizations.

Through a comprehensive donations program, whose annual budget is in excess of \$2 million, Inco participates in a wide range of economic, health, cultural and educational programs.

For example, several leading universities in Canada, the United States and the United Kingdom benefit from Inco's capital grants. Special grants are also awarded to help finance such diverse programs as the Canadian Mineral Industry Education Foundation, Canadian-U.S. Relations, and the Center for Precambrian Studies. In addition, scholarships, global in their scope, aid hundreds of students at universities ranging from the Haileybury School of Mines to Harvard University's Center for Earth and Planetary Physics.

Assisting in the development of Canadian culture is also of prime importance. Among the diverse organizations aided by the company are the Shaw Festival at Niagara-on-the-Lake, the Jakarta Symphony Orchestra, the Lincoln Center, the National Ballet of Canada, the St. Paul's Cathedral Appeal, the Huntington Art Galleries and the Northern Lights Film Festival in Sudbury.

In addition, the company makes donations to literally hundreds of social and community welfare programs. Inco supports the Opportunities Industrialization Center, Action, Inc. in Huntington, the U.K.'s Welsh Rugby Union Charitable Trust, the Big Brother Association, Senior Citizens Clubs, the "Y" and the John Howard Society.

Inco has concentrated its efforts on a number of health programs including the Red Cross, the Association for the Mentally Retarded, Salvation Army and the Cancer Society, as well as support to the United Way in communities where it exists.

Since Inco's activities are global, the company gives special assistance to organizations which promote better international understanding and cooperation. Inco Limited supports the Canadian Universities Service Overseas, the Olympic Trust of Canada, the Council on Foreign Relations Inc., and the Royal Institute of International Affairs.

Toronto's Metro Zoo Fund is one of many organizations who have received assistance from Inco's donations program, under its aid to civic activities section. Other groups the program has helped include the National and Provincial Parks Association, the Manitoba Forestry Association and the West Virginia Research League.

Inco directs its donations program through its executive offices in Toronto and New York, as well as its two Canadian divisions in Ontario and Manitoba. In Europe, the company's contributions are handled in the United Kingdom by its London and Hereford offices. Other donation programs are in operation in Indonesia and Guatemala.

In response to an emergency in the latter country, Inco did its part in helping to alleviate the widespread suffering from the earthquake which struck this Central American nation early in 1976.

The company endeavours to serve the communities where it operates faithfully and well. Inco's executives and employees are important moving forces in these communities. The company exemplifies the modern corporation by its high regard for its role as a community citizen.

Inco, along with other Canadian mining companies, directly and indirectly generates considerable ripples into the economic mainstream of the nation. Inco's activities, therefore, create jobs inside and outside the industry, support transportation and communications networks, provide markets for a wide variety of Canadian-produced goods and services, increase the flow of tax dollars to governments and earn trade dollars to contribute to the country's balance of payments.

APPENDIX H

JOHN LABATT LIMITED

CASE STUDY

1. INTRODUCTION

John Labatt Limited (JLL) is a diversified Canadian management holding company headquartered in London, Ontario. The company began operations as a regional brewery in that city in 1828. Today it is organized into three distinct groups - brewing, consumer foods and agri-industrial products. Currently JLL employs more than 11,000 people in Canada and some 1,500 people outside the country. The company has over 14,000 shareholders of whom more than 95% are Canadian residents.

In the year ending April 30, 1976, JLL had sales of \$835 million, split almost evenly between brewing and non-brewing divisions. Net income after tax was \$24.3 million.

JLL's internal management philosophy emphasizes decentralization of decision-making authority to the operating level while reserving at the corporate level consideration of those matters which significantly affect the company's operations or long-term growth.

The President and certain other senior officers of JLL make up the "Corporate Group" responsible for the day-to-day administration of the company. This group, plus the three Group Presidents (who are also Senior Vice-Presidents of JLL), in turn make up the "Management Committee" responsible for matters affecting the company as a whole, the development of corporate policy and the periodic review of divisional operating plans and results.

JLL's Board of Directors is particularly important in the affairs of the company, helping to determine the pattern of future growth, shaping corporate policies and providing valuable advice and counsel to management. Although the Board is essentially a consultative mechanism, it plays a significant role in the management of the firm, particularly in the area of corporate social responsibility.

Through its "Public Responsibility Committee" the Board reviews company policies and practices concerning the physical, social and political environments, specifically those concerning labour, equal employment opportunity, consumer protection, corporate public relations, charitable donations and government relations. The Public Responsibility Committee also reviews the impact of proposed legislation which may have social implications for the company.

JLL's special concern for the public interest and preoccupation with the question of corporate responsibility are the results of a combination of historical factors and circumstances. These include:

- the success and growth of the firm, particularly in the past 30 years;
- the consumer orientation of most JLL businesses;
- the close regulation of JLL's largest and oldest division by agencies which are uniquely sensitive to the public interest;
- and the firm's "visibility" to the public by virtue of its size and the nature of its businesses.

In addition to these factors, it is worth noting that the pressures of the marketplace have themselves helped shape JLL's perceptions of its corporate responsibilities. Many of Labatt's major competitors, for capital as well as markets, have tended to operate in a highly responsible and progressive manner and this "competitive" situation has played a role in the development of the company's responsibility posture.

Largely as a result of these factors, JLL management is keenly aware of the range of the firm's social obligations, and also recognizes a number of specific responsibilities.

In terms of analysis and planning on the subject of corporate social responsibility, the company would consider itself in a developmental mode.

2. PHILOSOPHY OF CORPORATE SOCIAL RESPONSIBILITY

JLL's philosophy of social responsibility springs from the simple conviction that the firm will be doing business for a very long time. The organization will, it hopes, be a member of the Canadian social and political community, for better or worse, so long as that community exists. Thus, the company feels that for it not to involve itself and its management in the community's issues and problems, to the fullest extent good business practice allows, would be to invalidate JLL's long-run relevance to the community it serves. This, in turn, would virtually assure long-run stagnation.

In the future, corporations will be evaluated on a wider set of criteria than they were in the past. JLL's

recognition of that fact is a major factor in the firm's social responsibility philosophy.

Management's day-to-day job in this area is continually to re-assess the phrase "to the fullest extent good business practice allows". Clearly, in a tight competitive situation, social concerns must take second place to economic ones, since competitive position and financial performance are the inescapable arbiters of any company's immediate and long-term health.

3. SPECIFIC PROGRAM RESPONSES

Most of JLL's "responses" to corporate responsibility issues have been initiated at the corporate rather than the group or divisional level. However, as in most decentralized organizational systems, operating units have taken a leadership position in some areas, particularly as they relate to their specific environments.

In planning and organizing specific corporate responsibility programs, JLL has grouped its activities into four main areas:

- employee-related programs;
- environmental programs;
- donations;
- community involvement.

Employee-Related Programs

In addition to the typical salary and benefit programs offered by most companies, JLL has implemented a number of programs designed to meet the special needs of various elements within the overall employee group. For example, special attention is given to the retired employee on an individual basis and, where appropriate, special assistance is provided.

Health is also a major preoccupation. Currently, a comprehensive physical fitness program, staffed by full-time instructors, is being gradually extended to all employees. The company has also implemented a major occupational health program which includes a well-integrated alcoholism treatment program.

In the area of education, JLL encourages the continuation of formal education through a variety of support programs and also offers scholarships and bursaries to the children of employees. During the summer months, the children of employees have access to a special Canadian travel program funded by the firm.

Environmental Programs

JLL's policy on environmental matters has been formally stated as follows:

Within the level set by good business practice, it is the policy of the Company... to reduce to acceptable levels, and, when practicable, to eliminate all forms of pollution. Close cooperation with all levels of government, with industry, and with the general public is essential to ensure that legal limits of pollution are being upheld, and that future development of environmental control policies, methods and equipment can be anticipated.

Responsibility for the implementation of this policy extends down to the divisional level and is shared by JLL's engineering vice-president. Expenditures on pollution control are formally reviewed by the corporate office each year and typically account for 3-5% of all capital spending.

More recently, at the suggestion of the President, an internal Energy Conservation Program has been initiated to explore methods of reducing energy use within the firm's operations.

Donations

JLL's policy is to return "not less than a stated percentage of pretax earnings to the community." Currently, JLL's corporate donations budget is equivalent to 1.6% of the firm's pretax income. Allocation of these funds is coordinated at the corporate level although divisional input is significant.

Most of JLL's support is directed to the following areas: health and welfare; education; culture; civic programs; and national athletics. Of these, health and welfare account for the largest single amount, some \$277,000 in fiscal 1975.

Education is also a major beneficiary. Since 1966 JLL has contributed \$1.5 million to post-secondary educational institutions and is currently directing its contributions toward academic projects, rather than to capital or building programs.

Donations to cultural organizations are growing in size and importance, partially in response to a reduction in public spending in this area. A key principle in JLL's contributions philosophy is to direct support to institutions which are capable of eventually becoming self-sustaining.

Community Involvement

JLL's involvement in the community is perhaps the most important of its program responses since it is the responsibility of all management. The role of senior corporate management is to establish a tone and policy which encourages involvement.

All employees are encouraged to involve themselves in community affairs. Involvement in political parties is also welcomed. As a general rule, time off for community activities is treated sympathetically by the company.

Members of senior management are not only encouraged but expected to be active in community affairs if for no other reason than to keep informed.

Two things need to be said about "community involvement" in terms of company time and money. First, it is corporate management's responsibility and concern at all times to keep such involvement separate from company or product promotion. Some programs have been cancelled simply because this line had been blurred by operating management. Second, and more important for the long run, the best way the company can play a meaningful role in the life of the various communities in which it does business is to be alert. There is no check list or blueprint for this "program".

4. SPECIFIC ORGANIZATIONAL RESPONSES

At JLL, the "management" of corporate social responsibility is perceived to include three primary functions:

- (a) to ensure that sufficient staff resources are dedicated to the "public affairs" function and the information-gathering process required to keep the organization in communication with non-commercial segments of society;
- (b) to ensure that "public affairs" input is an intrinsic part of the organization's decision-making processes;
- (c) and, to encourage dialogue on public affairs between the corporate office and the operating units.

These broad responsibilities are shared by two groups; the Public Responsibility Committee of JLL's Board of Directors and the Corporate Affairs Department.

This latter function has four basic responsibilities:

- (a) communications with shareholders and the investment community at large;
- (b) administration of corporate public relations programs;
- (c) assistance to corporate and divisional management in monitoring and interpreting public sector matters affecting the organization;
- (d) administration of the corporate donations program, and coordination of divisional donations programs.

In terms of corporate responsibility the role of Corporate Affairs is essentially an advisory one. The function attempts to provide management with relevant data on "the public interest", and on the way in which JLL's operations and practices reflect this interest.

It is not the responsibility of Corporate Affairs to ensure that JLL does, in fact, operate in the public interest. This responsibility clearly lies with operating management.

The Public Responsibility Committee of JLL's Board, formed in 1974, is another centre of public affairs activity. Composed of seven of the company's 16 Board members, including the Board Vice-Chairman and five outside directors, it meets formally at least once per quarter to review and advise on public affairs matters.

In the past year the following items have been included in the Committee's agenda:

- (a) review of charitable donations activities and policies, including recommendations to management for more research and new direction;
- (b) review of the terms of reference of the Royal Commission on Corporate Concentration and its implications to the company, including recommendations to management on courses that might be taken;
- (c) study of Health Director's Annual Report with special attention to and endorsement of hearing conservation, alcoholism, and fitness programs.
- (d) review of Canadian political donations legislation and advice to management as it proceeds to formalize some facets of its activity in this area;

- (e) review of JLL's relationship with the Anti-Inflation Board;
- (f) review of government relations activities of the Corporate Office;
- (g) review and support of management's current employee business economics education program;
- (h) consideration of JLL's approach to developing a more explicit public affairs plan;
- (i) advising management in its consideration of research on public attitudes toward business.

Although the Board Committee's role is to review and advise, it has proposed a number of initiatives in social responsibility. It is the varying exposures and experiences that individual board members have had - on other Boards, in other managements, in other areas of the country - that make this Committee essential to management today.

5. CURRENT PROBLEMS AND FUTURE DEVELOPMENTS

While JLL should rank reasonably high among Canadian organizations in terms of sensitivity and responsiveness to social responsibility, the company's formalization of this as an explicitly-documented consideration into its planning process is developmental. Although JLL plans its public affairs activities year by year and over longer spans, the company does not have a 3-5-year "social responsibility plan" as such. At this point it is coming to believe that it should develop such a plan.

The major obstacle to enhancing JLL's social performance is really a general one, shared by the entire business community: that is augmenting the measurement criteria by which the corporate entity is judged. JLL's first responsibility is, of course, to its investors. To mesh service to investors more effectively with social service, work needs to be done on a system of rating a corporation's social efforts in a way similar to those used for rating achievements that investors understand. The incentives that a corporation responds to on a daily basis generally do not work toward highly socially responsible behaviour.

It would be most interesting to follow the progress of the two or three investment funds in the United States that are attempting to grade investments in terms of the companies'

social responsibility records as well as the usual criteria. Some such major initiatives simply must come from the investment community. The alternative is for government to overlay these considerations, a development which JLL would oppose on principle since it argues that would surely signal the beginning of the end of free capital markets.

APPENDIX I

THE ROYAL BANK OF CANADA

CASE STUDY

1. INTRODUCTION

The Royal Bank of Canada is a major international bank providing a full range of banking services in Canada and abroad. The firm is Canada's largest bank in terms of total assets and deposits and ranks fifth among North American banks in terms of total deposits.

At July 31, 1976, the Bank had total assets of \$27.8 billion, including loans of \$17.3 billion. Deposits were \$25.3 billion. Total staff, world-wide, now numbers over 32,000; almost 90% are based in Canada.

The Bank has more than 1,400 branches in more than 700 communities throughout Canada. The Bank's international involvement includes the operation of 88 foreign branches of the Bank itself and a further 89 branches of subsidiary and affiliated banks located in 38 different countries. Agencies and representative offices are maintained in 12 major financial centres in various parts of the world. Correspondent relations are maintained with upwards of 4,000 banks world-wide.

The Royal Bank is owned by 32,330 shareholders, 84% of whom have Canadian addresses. Many thousands more are represented through shares held by pension funds and other institutional investors. The Bank's shares are traded on stock exchanges in Montreal, Toronto, Winnipeg, Calgary and Vancouver, as well as in London, England.

Historically, the Bank traces its origins to a co-partnership of eight local businessmen established in Halifax, Nova Scotia, in 1864. It was incorporated under federal charter as the Merchants Bank of Halifax in 1869.

2. PHILOSOPHY OF CORPORATE SOCIAL RESPONSIBILITY

Although the term "corporate social responsibility" is comparatively recent, the Bank has been conscious of the social dimensions of its performance for several decades. During most of this time, it operated without a formal department to develop and monitor its social involvement activities.

The firm's position on the issue crystallized during the late 1960s when senior management held meetings on a regular basis to discuss the changing role of business in society. The Public Affairs Department emerged as the Bank's first formal structure devoting full time to channelling ongoing social performance programs.

A principal objective of the Public Affairs Department is to develop and demonstrate business alternatives consistent with the corporation's social responsibility objectives. Ideally such "alternatives" should, in the Bank's view, lead to increased organizational flexibility, enabling the Bank to adapt more readily to change, and ultimately contribute to increased penetration within its particular markets. Basically, these "alternatives" involve new or modified banking practices which aim to counteract undesirable social effects which may arise as by-products of primary banking activity. At the same time, the Department aims to bring about greater productivity in the staff by their active participation.

An additional, and perhaps obvious, consideration in the proposals developed by the Public Affairs Department is that they be consistent with the firm's strategic goals. In total, the Bank has identified 60 "corporate objectives", many of which reflect desirable levels of financial performance.

In 1974, after serious consideration by senior management, the Royal Bank decided to record formally those corporate objectives which had in fact governed its operations for some time. These formal objectives, which have been adopted in the Bank to define the direction of its corporate activities, are presented here publicly for the first time.

The Royal Bank's broad purpose has been defined in the following way:

Our overall purpose is to ensure survival as a progressive free enterprise, and continuity through short- and long-term profitability so that we may fulfill our responsibilities in society:

- to provide potential and existing clients, throughout the world, with the broadest possible range and highest quality of banking and financial services;
- to provide employees with opportunities for personal development and achievement, and equitable compensation;
- to provide investors with an attractive and continuing return on their capital;
- to act as a responsible corporate citizen, whose activities benefit the community, nation and society.

Seven more "objectives" are spelled out in greater detail under the headings of Financial; Marketing; Management; Human Resources; Innovation; Responsibility to Society; Character

and Reputation. In the interest of brevity (and some consideration of the commercial value of strategic knowledge) we do not propose to detail here all of the above-noted objectives. Nevertheless, one main statement reads:

Our objective is to conduct our business in such a manner as to contribute to the achievement of society's goals, and to act as a responsible corporate citizen.

More specifically, the Bank must:

- fulfill society's needs for financial and banking services in a manner that meets society's expectations;
- anticipate and accept accountability for the direct and indirect economic and social consequences of our business decisions;
- build relationships of mutual trust and respect with all sectors of society that have a legitimate claim on our interests - our clients, our shareholders, special interest groups, governments, other members of the business community, and society at large - so that we can understand their view of society's needs, explain ours and actively participate in the resolution of the major issues facing society;
- support forces which contribute to a healthy society. We will undertake projects which are most relevant to the needs of society without necessarily considering their direct benefit to us. We will emphasize projects for which we have special competence;
- continue to encourage our employees to participate actively in their communities.

To be sure, such statements of corporate objectives and policy merely indicate intent, against which actual performance must be measured. Nevertheless, these statements do define the yardstick by which the Bank has elected to measure its performance, and they give direction to the efforts of management and staff.

3. SPECIFIC PROGRAM RESPONSES

The Bank has responded to a number of concerns with programs which address the problem in a manner consistent with the basic nature of the organization. Simply put, this means that the firm has attempted to apply its particular business expertise to the solution of what are essentially social, rather

than business problems.

For example, recognizing that money management is a major problem for many people in low-income, poverty areas, the Bank has established community branch offices in Montreal, Toronto, and Winnipeg. Additional branches will soon be opened in Ottawa and Vancouver. These special branches are storefront operations in low-income areas. They offer financial services on a businesslike basis to people on welfare as well as the working poor, who until now perceived banks as middle-class institutions and therefore, did not deal with them. Through this approach, the Bank hopes to help bridge the gap between the culture of poverty and the mainstream of Canadian life. The Bank freely admits it is acting out of motives of enlightened self-interest to expand its market.

These community branches are developed and operated through consultation with and participation by people living in the neighbourhood in which they are located. These community residents have in the past chosen the branches' specific location, participated in planning their layout, and decided on the services to be offered as well as the hours of business. They now have a stake in them and express their needs in meetings with the staff.

Somewhat different in concept is the Bank's extensive and successful summer employment program which provides financial support (approximately \$1.5 million) to community organizations and social agencies in the form of salary payments to university students wishing to involve themselves in work dealing with pressing social problems. These projects have to be outside the agencies' budget and, at the same time, be innovative - that is representing something they have always wanted to do but could not afford to. This program is in addition to the very extensive student intern program which the Royal Bank has been operating for many years, and which employs thousands of students each summer.

There are, of course, many other programs in place. For example, the firm has embarked upon an affirmative action program to develop female employees for more responsible professional and managerial positions. Extensive in-house training courses are offered and in addition, outside education programs are paid for by the Bank. Substantial progress has been made in this area over the past eight years. Although the proportion of staff which are women has increased during this period, the number of women who occupy career-type jobs has quadrupled.

It has been a long tradition of the Royal Bank of Canada to have an affirmative action program to develop all staff. Approximately \$15,000,000 a year is allocated for internal training programs and seminars, as well as external training programs, seminars, educational courses, etc. This includes the Bank's Muir Scholarship Program which pays for the education of employees seeking undergraduate or graduate degrees while they are retained on full salary.

4. SPECIFIC ORGANIZATIONAL RESPONSES

The single most significant action taken by the firm in an organizational sense to respond to its perception of corporate social performance has been the formation of the Public Affairs Department.

The Department's primary objective is to assess, on an ongoing basis, the social impact of banking activities, to develop banking alternatives where required and to test them out in a business-like way. Those alternatives which prove to be successful and practical are then implemented by other divisions of the Bank as normal business practices.

The Department is quite separate and distinct from the public relations function and the traditional communications associated with it. In order to avoid confusion, the name of the Department was recently changed to the "SOCIAL POLICY ACTION GROUP".

A complete set of the Department's objectives is as follows:

- Deal with contemporary situations in a constructive manner before permanent organizations are formed to force corporations to do this.
- Establish working relationships with relevant organizations and community groups.
- Establish formal policies to deal constructively with social issues.
- Undertake issues research and analysis as required.
- Identify secondary and tertiary effects of the company's business activities with the aim of ensuring that they fit in with the societal goals of the communities in which it operates.

From this list of objectives it is clear that the Bank's public affairs function is not simply a person, department or set of projects. It is a dynamic approach to business which attempts to treat the corporation as an integral part of the total social system. This approach consists of:

- a feedback mechanism which interprets the social system for management and vice versa

- a set of programs aimed at either the avoidance of undesirable side-effects from core banking activities, or the achievement of socially desirable goals.

The Royal Bank has also established a Social Policy Committee at the Board level, made up of five directors who are to oversee and give directions to the social responsibility thrust of the Bank. It meets on a quarterly basis or more frequently if required and retains close ties with the Social Policy Action Group.

5. CURRENT PROBLEMS AND FUTURE DEVELOPMENTS

The Bank's initial success with low-income community branches has proved that this innovation is an excellent vehicle for the improvement of social performance. While the first experimental branch was initiated at the Head Office, the responsibility for its operations are now decentralized. The Bank has since extended the concept on a decentralized, regional basis.

Current thinking suggests that decisions on the application of community banking must be made at the lowest level possible to ensure that the specific needs of the particular community are addressed. Thus, implementation of the community banking concept has been delegated to the firm's district and region offices.

The Bank has other plans for the future which would build on its experiences with the community branches and the new household money management program. These involve experimenting with mortgage loans and small business loans to consumers who do not qualify within the conventional guidelines but who are, nevertheless, credible risks. In addition, the Bank is applying to other branch offices the principles of community and staff involvement learned from the community branch program in an attempt to improve overall responsiveness. The Bank is also in the process of evolving social indicators for evaluating social policy aspects of banking practices as well as social trends and emerging social problems.

The one major problem foreseen by the Bank at this time is the development of well-defined and effective tools to monitor and evaluate the success of social programs.

APPENDIX J

XEROX OF CANADA LIMITED

CASE STUDY

1. INTRODUCTION

Xerox of Canada Limited is a wholly owned subsidiary of Xerox Corporation, Stamford, Connecticut. It was incorporated in the Province of Ontario in 1953. Currently, the company's annual sales and rental revenues exceed \$200 million. There are 3,100 employees operating out of 50 locations, including two plants and a research centre near Toronto.

The company markets, through sales and rental, a range of general and specialized photocopiers and related supplies (toner, developer, paper), electronic typing systems, computer terminals and facsimile devices. One photocopier (Xerox 3100) is manufactured in Canada; 95% of supply products are manufactured in Canada; and rental equipment is also refurbished and reconditioned in Canada.

Xerox of Canada's parent company, Xerox Corporation, owns in whole or in part other subsidiary companies throughout the world. Xerox Corporation is also sole owner of Xerox Research Centre of Canada Limited which operates the Canadian research laboratory at Mississauga, Ontario. A division of Xerox of Canada also markets a full line of elementary school textbooks. Almost half of these texts are Canadian-written, the remainder being prepared or adapted from U.S. sources. The education division also markets a series of adult education courses.

The company has long recognized its responsibility for roles in society beyond the merely economic. Particular attention is addressed to:

the Department of Industry, Trade and Commerce "Guiding Principles of International Business Conduct";

language policies in Quebec and related employment and business practices;

impact on the physical environment of company products, operations and facilities;

support to community activities financially, through contribution of resources, and encouragement of voluntary employee activity.

2. PHILOSOPHY OF CORPORATE SOCIAL RESPONSIBILITY

The company's approach to "social responsibility" has been pragmatic. It has tried to match company operations and behaviour to national and social expectations, and to develop programs where deficiencies or potential deficiencies have been detected.

Xerox believes that business has a right to a fair profit, but not at the expense of the communities in which it operates, or its customers, its employees, or the environment. Xerox believes that the individuals who are its employees and customers, indeed the company itself, must play a conscientious role in the community. Xerox products must perform as promised. Advertising must be truthful and in good taste. Working conditions must be fair and equitable.

In Canada, Xerox has put special emphasis on the implementation of programs consistent with Canada's unique national interests, as reflected in such documents as the Guiding Principles of International Business Conduct.

3. SPECIFIC PROGRAM RESPONSES

Manufacturing and Technology

Xerox has grown rapidly since the introduction of the Xerox 914 in 1960. Its Canadian subsidiary started out as a sales and service arm of the U.S. company, importing a product which was new for a market which was untried. Capital demands arising from development costs had been very high. The Company decided to lease rather than sell its products. This proved to be a successful and profitable strategy but one which extended the cash flow cycle. Risk was high. The company continued operating as an importer.

In 1967, the company decided it should commence a program to introduce Canadian content to its product line. A small plant was opened in Oakville, Ontario, producing toner and developer. A major marketer of high-quality bond papers, the company worked with a major Canadian supplier to upgrade its equipment and processes so that Canadian-sourced paper could meet Xerox requirements. Today, 95% of Xerox of Canada's paper requirements are met by its Canadian suppliers.

In 1972 the company decided to reduce its dependence on imports still further. Following comprehensive studies, it was decided to:

commence the manufacture of photocopiers in Canada;

commence major reconditioning, remanufacture and conditioning of photocopiers in Canada;

develop a Canadian vendor base to feed both Canadian and U.S. Xerox plants, generating an export flow to offset continuing imports;

and, open a Canadian research laboratory.

These plans were discussed with provincial and federal industry and commerce departments prior to the opening of the plant and research centre in 1974.

Government is a major user of photocopiers. Preference for Canadian manufacture is an important purchasing criterion and was, admittedly, a factor in proceeding with the above actions. The company continues to proceed towards an increasing level of Canadian content and activity. It regards commitment to Canadian expectations, as outlined in the IT&C Guiding Principles of International Business Conduct, as an important part of its long-range planning process. The company has prepared a detailed analysis of the IT&C guidelines, has inventoried its performance, and has staked out its plans to improve performance wherever necessary.

Language Policies

When the Quebec Official Language Act (Bill 22) was introduced in 1974, Xerox of Canada had already been pursuing a plan to develop a more significant Francophone presence in Quebec. An immediate analysis of performance against the then-new Bill 22 requirements revealed that most Quebec managers and employees were Francophone, and that, with a few specialized exceptions, customers were being dealt with in accordance with their own language preferences.

Although francisation is now a matter of compliance with law and regulations, early recognition of the pressures to meet the language needs of the majority of citizens and employees in Quebec meant that Xerox was already in compliance with a substantial proportion of the new Bill 22 requirements. Steps were immediately taken to develop a program to effect compliance within a reasonable time for those factors which were lacking; to communicate policy and plans to employees; and to ensure that translated material was of high quality and acceptable to customers, employees, and the authorities.

Donations

At Xerox of Canada, an annual budget has been established to support Canadian needs in the fields of education, health, ecology, and community services. Specific approaches include:

a Fellowship and Scholarship Program - This 10-year, \$500,000 program was established in 1967. It provides graduate and doctoral fellowships to students in 22 universities and 18 community colleges. Almost 400 Canadian students have been assisted to date.

a Conservation Program - The Nature Conservancy of Canada is a non-profit trust established to acquire ecologically significant lands so that they will be available to the public in unspoiled form in perpetuity. In 1973 Xerox pledged a \$250,000 contribution, \$25,000 a year, towards the support of the Conservancy which has already undertaken purchases of sites in Ontario, Alberta, and British Columbia.

the United Way - Xerox supports the United Way in communities across the country through cash donations, loaned personnel and employee canvasses.

Culture - Xerox makes regular grants in the fields of music, drama and art.

AIDE - Through the company's AIDE program, cash grants or leave of absence are available for community activities in which Xerox employees or members of their families play an active role.

Community Involvement

The company believes in supporting community affairs in the fields of health and welfare, culture, education, and support of national institutions. In addition to conventional financial support through corporate contributions, the company encourages its employees to participate in community affairs through its AIDE program.

4. SPECIFIC ORGANIZATIONAL RESPONSES

In the early 1970's a growing awareness of the increasing importance and complexity of the broad social environment led to the establishment of a separate department, called Corporate Affairs. Its function is to identify and define issues affecting the corporation and to develop and monitor policies, practices and action programs to deal with them.

Corporate social responsibility, in every context, is a major concern in framing the annual update of the Company's long-range (7-year) plan. Areas of present and potential future concern are identified and strategies proposed to deal with them. "Milepost" objectives are established and monitored for action programs. Where appropriate, programs and progress are communicated internally and externally.

5. CURRENT PROBLEMS AND FUTURE DEVELOPMENTS

Employees are interested in and appear to be motivated by positive action on the part of the company in response to

or in anticipation of major issues. However, in some instances there is a feeling that "they" are looking after implementation and support. The company in some instances has probably failed to sell the various aspects of social responsibility as being part of the day-to-day job.

A second problem is that various government departments seem to perceive national goals and objectives differently. Significant positive action with respect to improved quality and quantity of Canadian content is, therefore, viewed by government departments and spokesmen as ranging between good and barely adequate.

Notwithstanding these problems of definition and perception, the company feels that it is in the midst of a meaningful, tangible program to improve the Canadian content of its products through production, technology and the generation of indirect exports, and that it is demonstrating leadership and a willingness to be supportive of new ventures through financial support and employee encouragement.

APPENDIX K

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