

**BUSINESS AND COMMUNITY:  
FROM UNHOLY NEIGHBORS  
TO STRATEGIC ALLIANCE  
IN THE 21ST CENTURY**

Laurence Barton\*

*Corporate community relations is an issue of increasing importance for organizations; the cultivation of goodwill with area neighbors, regulators and special interest groups is increasingly viewed as a wise investment by management. In recent years the absence of an established community relations program has proven costly for many organizations: chemical spills have led to lawsuits by neighbors; expansion plans by universities and hospitals have been met with protests and negative public relations; even major corporations such as The Walt Disney Company have found their image tarnished by a barrage of criticism from local interests. The article discusses the evolution of community relations as a managerial priority in recent years, analyzes responses to a national survey of major corporations, and features a series of recommendations aimed at helping practitioners develop a program of local goodwill that may help ameliorate concern within its host community that business is often an uncaring, insensitive neighbor.*

**T**hroughout the past decade, corporations have frequently found themselves at odds with a new enemy, and this adversary looks nothing like Japan or the competition. With relentless passion and home-spun public relations, neighborhood and civic organizations are increasingly challenging the right of business to expand manufacturing plants, pursue zoning changes, or introduce new chemicals into the atmosphere. As a result, industry is groping to find new strategies to

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prepare for the NIMBY syndrome - Not In My Backyard-in the 21st century.

"When the competition challenges us with a product announcement, we are ready," notes Clinton Arbogast, president of EnviroDynamics Inc., a West coast energy firm based in Las Vegas, Nevada. "We're ready when a foreign manufacturer introduces a new design. But when a neighborhood group stands in front of a city council and charges your

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company with dumping of toxic wastes, not hiring enough local residents or generating too much traffic, you'd better watch out. Even if you win that battle legally, you're likely to isolate one of your best sources of goodwill."

### **No Business Is Immune**

Consider the following examples:

- *Dozens of major cities, including Los Angeles, Boston and Orlando, require that developers pay development or "impact" fees to offset the environmental burden that construction places on municipal infrastructure. Although builder associations and residential developers*

*have challenged these new taxes, state courts have ruled that such taxes are a reasonable method of paying for costs associated with growth. San Francisco now charges \$210 for every residential unit built in the city to build new day care centers; Orange County charges \$185 to equip new fire stations. In Orlando, the battle to curtail growth hits the end user the highest: fees for a new home average around \$4,100.<sup>1</sup>*

- *Universities have struggled with "town-gown" relations for years, but such debates were often centered around the behavior of rowdy students. No longer. In Newton, Massachusetts, neighbors of Boston College challenged that school's ability to relocate an alumni facility next to a residential neighborhood, where residents feared that traffic combined with the serving of liquor at special events could produce multiple problems.*

*Neighbors sued in the State Land Court; they sought an injunction at the state's Alcohol Beverage Commission to prevent serving any liquor; they then organized hundreds of residents to speak out at heated meetings at city hall. An accommodation regarding the number of events and visitors who would use the building was ultimately reached, but not until after a protracted and costly battle impaired the school's public relations.*

*At Cornell University, a local politician, Donald Lifton, was elected to the school's Board of Trustees on a platform that he would vow to make the school more "sensitive" to how the school's tax-exempt policy was crippling Ithaca, New York's strapped financial condition.<sup>2</sup>*

- *For years, some residents of Orange and Osceola counties in Florida have contended that The Walt Disney Company has been a poor neighbor. Disney claims it pays more than its share for services (more than \$17 million a year in property taxes), but it has avoided paying developer impact fees, much to the anger of competing builders. Business Week asserted: "Disney hasn't paid a cent to Orange County for its shopping center, the studio tour, or its new hotels. It cites the \$100,000 it spent as 'goodwill' to fix up a nearby intersection, technically the*

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county's job. That's not enough, say some county officials, who want Disney to help pay for the growth its development spurs."<sup>3</sup>

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• Throughout 1990, comedian Bob Hope faced widespread criticism from Santa Monica, California residents for selling undeveloped and scenic land for the construction of homes and golf courses when environmental activists were hoping he would donate it or sell it to the National Park Service. Environmental activists called talk shows; they wrote letters to the editor; they tried diligently to place the issue on the public agenda. Hope contended that he had made multiple contributions to the state and country throughout his life and that his request was neither extreme nor unreasonable.

Although the entertainer had given away several prominent pieces of land, including 350 acres in Thousand Oaks, California in the mid-1970's, he faced widespread criticism for failing to meet the new demands. Hope's attorney, Payson Wolff, asserts: "Mr. Hope is as charitable a man as anyone I have ever seen...But this is all land he bought as an investment--every stitch of it. And he has the right to dispose of it the way he wishes."<sup>4</sup> In May 1993, Bob Hope agreed to sell his ranch to the National Park Service for approximately \$17 million after 3 years of negotiations.

• America's 16th wealthiest citizen, Californian Donald Bren, controls The Irvine Company, a real estate conglomerate that owns nearly one-sixth of all the land in Orange County, California. With numerous successful real estate projects to his credit, community relations eventually

hit a sore spot in late 1989: his Laguna Beach home was picketed by protesters who feared his 400-acre subdivision in a rural canyon would contribute to pollution and traffic.<sup>5</sup>

• When groups around the country have tried to construct homes for mentally handicapped adults in residential neighborhoods, they have often been greeted by picket signs, protest letters and cases of arson. Similarly opposed have been homes for the homeless, hospice centers for AIDS victims, new prisons, even foster homes.<sup>6</sup>

### Not In My Backyard

In analyzing strain between business and community and the phenomenal growth of the NIMBY movement, *The New York Times* asserted:

NIMBYs are noisy. NIMBYs are powerful. NIMBYs are everywhere. NIMBYs are people who live near enough to corporate or government projects--and are upset enough about them--to work to stop, stall or shrink them. NIMBYs organize, march, sue and petition to block the developers they think are threatening them. They twist the arms of politicians and they learn how to influence legislators. They fight fiercely and then, win or lose, they vanish.<sup>7</sup>

What does all of this foreshadow for business and community in the century ahead? Organizations, like families, are going to have to learn to live with their neighbors. That realization is interdisciplinary in nature: it crosses the boundaries of social responsibility, organizational behavior, public relations, management and ethics.

Many anti-development, anti-expansion campaigns launched by community groups may be financed by modest contributions from

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families, but the potency of the arguments offered, combined with local politics, often finds neighbors victorious. The local newspaper, for

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instance, is often far more likely to support hometown business owners and residents who are pivotal for advertising and circulation income rather than a major local manufacturer whose advertising is spent on the national media or trade journals. As a result, corporate management often finds itself on the defensive. This lack of preparedness has indeed led to corporate crises that are both costly and embarrassing. An increasing number of organizations are

The question for managers, of course, is: what can be done to prevent such fierce opposition? If no one wants a nuclear waste dump in their community, if no one wants a new hospital that might generate traffic and ambulance sirens late at night, if no one wants a new housing development in their district, where can progress be made in the next century?

Cerrell Associates, a leading consulting firm, prepared an exhaustive study for the California Waste Management Board that concluded that the Northeast and Western areas of the U.S. were most likely to find NIMBY crises, and that young, liberal, middle-aged persons who were registered Democrats were more likely to oppose new projects than

Republicans. Catholics were found less resistant to corporate plans than those of other religions.<sup>8</sup>

Tufts University professor Kent Portney claims that nationwide, cities and towns are losing these and other kinds of developments faster than they are being replaced. The conclusion, he argues, is: "We're rapidly getting to the point where we're going to be at a crisis in many of those areas."<sup>9</sup> In that sense, business needs to do a better job of communicating its need to modernize facilities and expand manufacturing capacity; in essence it needs to build community support via greater interaction in community affairs.

### **Survey Indicates Response Disparity Among Corporations**

In summer, 1991, a survey on corporate community relations was mailed to the "Vice President/ Director of Public Affairs" at 200 American industrial or manufacturing giants randomly selected from the *1991 Hoover Handbook*. The purpose of the survey was to ascertain the strategic importance of community relations to overall operational goals as well as to receive budget data that would reflect the level of commitment by corporations to this area.

An initial moderate response of 76 surveys led to a follow-up survey that generated a total of 103 responses, for a 52% rate of return. Survey respondents were promised anonymity, but respondents were promised a copy of the analysis if they included a business card; 89 of the 103 respondents were so inclined. Responses were rounded off to the next highest figure (see Appendix).

### **Survey Analysis**

**Question 1:** The largest single group of respondents represented the manufacturing sector (31%), with the service sector representing the

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next largest component (16%). A literature search of cases of corporate-community controversies indicates that a disproportionate number of cases involve chemical firms, which unfortunately yielded a modest (9%) response. Despite this, there is a broad representation of most sectors of the economy represented in the survey.

**Question 2:** The indication that most corporations consider community relations to be either very or somewhat important (54%) is noteworthy; only 12% felt the issue was not important from a strategic viewpoint.

**Question 3:** The designation of a corporate officer to coordinate community relations can be viewed as a reliable indicator of how important the issue is to overall organizational goals. A modest percent of respondents indicated that the chief executive officer holds this responsibility (8%), yet a majority of corporations have given these duties to a vice president or department head (57%). Outside consultants (e.g., public relations or marketing firms) coordinate these functions for 10% of firms, while an ad hoc approach is used fairly frequently (17%). This indicates that for many firms, community relations is of only periodic importance; because no officer may have accumulated managerial depth in working with local audiences, an ad hoc approach is used.

**Question 4:** In questioning respondents about the most important issue facing their firm in terms of local audiences, a surprisingly high (26%) number indicated that environmental, chemical and noise related issues are paramount. Yet the most interesting conclusion that can be derived from this particular question is the absence of consensus: the importance of community relations is clearly not overwhelmingly negative (problem, crisis, accident). In fact, some 21% of respondents feel that community relations is important because it provides the company an opportunity to generate goodwill in the community with area organizations or schools.



**Question 5:** The budgetary commitment to corporate community affairs can be viewed as a measure of interest in maintaining goodwill with a wide variety of local interests. A low number (6%) dedicate less than \$50,000 annually to this issue; a high percentage (48%) spend between \$50,000—\$500,000 on local relations. Almost as many (42%) spend between \$500,000—\$4 million on maintaining credible local relations, while only 4% spend over \$4 million a year.

**Question 6:** The primary channel of communicating with local audiences is the use of newsletters, news releases and other public relations products (43%), while the use of personal interaction via meetings is also high (31%). There is extremely little reliance upon the use of economic impact studies (4%) as a method of generating and maintaining positive local relations; the use of open houses is used by only a modest percentage (13%).

### **Business Fires Back**

While the survey indicates that industry appears to be interested and organizationally committed to enhancing positive local relations, the data must be counterbalanced with a disturbing trend that has emerged in recent years. For some corporations, the unholy relationship of community and industry appears to have backfired. Two researchers at the University of Denver studied over 100 cases where SLAPP suits (Strategic Lawsuits Against Public Participation) were brought. In these cases, industry often sought to stymie community opposition by imposing libel suits on those who had written letters to the editor, community newsletters or other vehicles of opposition. The Beverly Hills League of Women Voters, for instance, was sued for \$63 million for opposing a condominium project; when a blueberry farmer in West Virginia charged a local mine operator with polluting a river, miners sued him for \$200,000 in damages. One of the most notorious SLAPPs: a \$75 million lawsuit against one man who has waged a

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battle against a resort project planned by Perini Land and Development Corporation of Framingham, Massachusetts.<sup>10</sup>

In response to the tremendous proliferation in the number of SLAPPs, Ralph Nader announced in July, 1991 that his consumer coalition would offer free legal representation to any individual or community group that finds itself being so intimidated by business. Nader told *The Wall Street Journal*: "SLAPP suits are becoming an organized and promoted strategy. They're gaining momentum. But once firms realize that they're in for a countersuit, they'll think twice."<sup>11</sup>

### Seeking Consensus As A Business Strategy

Vehicles for consensus-building with the community include local scholarships for needy students, support for civic and fraternal organizations, encouraging employees to volunteer in local charities, opening up facilities for tours and educational symposia, and donating income from recycling to local environmental causes. Newsletters to area residents are an excellent forum for communicating these outreach activities, currently used by such companies as Levi Strauss, IBM, and Target Department Stores.

Creating a strategic alliance with community organizations makes business sense; it is also socially responsible. In bracing for the new century and the many challenges business will face with new environmental restrictions, the opportune time to prepare is now. In that vein, some suggested strategies for action include:

- *Meeting with leaders of neighborhood associations prior to public meetings with all residents.* This helps gauge the questions and problems that will surface when the press later attends public sessions.

- *Mailing a periodic newsletter to abutters that keeps them abreast of the organization's mission.* Include question and answer columns and invite neighbors to selected open houses and special events.
- *Meeting with the local zoning director and community planning director to ascertain what changes in local building laws may be contemplated.* Managers also need to inform local officials of their building plans early enough so that potential opposition can be addressed.
- *Joining the local Chamber of Commerce or Board of Trade, as well as other local groups including the Rotary, League of Women Voters or other organization.* The organization should designate a manager to serve as liaison; read the newsletters of these groups and budget a yearly contribution to support their programs.
- *Hiring a clipping service that scans all area newspapers and business magazines.* These services, listed in the Yellow Pages, will send you copies of each article that mentions your organization or topic you may be interested in; many times this serves as an early warning system of potential controversies in the community.
- *Issuing occasional news releases to the local press that updates the community on the organization.* Especially important are promotions or new hires of community residents, special awards or distinctions you provide residents, and certainly any new product or service that might benefit local interests. Meet with the editor of the local newspaper and build a rapport with him or her.
- *Urging the organization to become active locally. Maintaining positive relations with residents can only help when and if a crisis later occurs.* Your group may wish to offer a speakers bureau so that managers are available to address local charitable groups; hire summer interns from area high schools and colleges; and/or ask for volunteers to serve on a Community Advisory Board that meets quarterly and shares concerns with company officials.

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- *Ensuring that a series of publications on your organization is available on request to any residents who ask for them.* Many companies and institutions now publish a periodical Economic Impact Report that tells the citizenry in simple numbers and words how many residents are employed; the value of expenditures that the organization spends on salaries, benefits and goods and services in the community; the amount of state and local taxes added to the public coffers, and other important data. When such statistics are totalled, they often represent a sizable sum that would impress local officials and others.
- *Planning your PACs.* Some companies have established Political Action Committees (PACs) which earmark funds specifically to advance candidates who understand an organization's interests. PACs have been the subject of both wide support and critical protests from a myriad of interests. Before an organization begins to earmark funds to support local candidates, legal counsel should refer to all appropriate laws, and the ramifications of such actions need to be seriously weighed.
- *Developing a master plan.* If your company is considering major expansion of its facilities, a master plan may be requested by local officials and neighborhood leaders. Such plans are often developed in consort by architects, transportation and traffic planners, attorneys, arborists and others. They are an attempt to give local interests a picture of what a corporate headquarters or office complex may look like in increments of two, five and ten years from now. Sometimes they help avoid multiple crises for a company because managers have taken the time to tell the public up front what it is contemplating for the future.

### Decisions For A New Century

In conclusion, there are really two sides to the NIMBY syndrome. The first rationale for a community relations plan is political — if there

is an explosion at a local plant, or neighbors decide to bring placards and stage a protest at your front door over rumors that you are going to lay off 1,500 workers, you will want a reservoir of goodwill already established with community members. The second rationale is that an ongoing program of community relations can tangibly demonstrate that a company or institution cares about its host community. Independently these issues alone justify such an investment.

Municipal planners are bracing for cities in the 21st century that will be even more overcrowded than today; low-income housing in many cities has already been displaced in favor of industrial parks and mixed-use developments. Job-training programs have been devastated by budget cuts; school administrators fear that unemployment among young blacks, now approaching 60%, could skyrocket to 80% or more without an infusion of private capital from local business.

The aging infrastructure of roads, water systems and airports reminds us of massive financial burdens that government is increasingly unwilling to shoulder. Should business assume that responsibility? What if it is opposed by community groups at every turn? At what point does business in the 21st century decide that the costs associated with remaining in a city outweigh the costs associated with moving elsewhere, including overseas? What happens to employment and tax bases then?

In preparing a strategic alliance with the community, corporate managers need to consider that one day the organization may be at odds with its neighbors. In pro-actively laying the foundation for goodwill through some of the measures identified above, it is less likely that the debate between corporation and community will be as raucous. Even more compelling is the insight of author Joyce Carol Oates, writing recently in *Fortune* about the necessity that business and homeowner find accommodation: "Community gives us identity, and without community we are not fully human."

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## APPENDIX

### Corporate Community Relations Survey

<b>1. What is the nature of your business?</b>	<b>%</b>
Heavy manufacturing	23
Light manufacturing	8
Transportation (e.g., automobile, railroad, airline)	6
Chemical	9
Financial/securities/brokerage	3
Agricultural producer	7
Service	16
Media or entertainment	9
Computer/technology	8
Other	11
<b>Total</b>	<b>100</b>

2. In reviewing organizational strategic issues within your organization, how important is the issue of corporate community relations (neighbor relations, interaction with local officials, state regulatory issues, local environmental, school or zoning issues)?	%
Very important	31
Somewhat important	23
Occasionally important	34
Not important	12
<b>Total</b>	<b>100</b>

3. Which corporate officer at your firm has responsibility for monitoring and/or interacting with neighbors and area officials?	%
Chief executive officer	8
Vice president	23
Department head	34
Supervisor	6
Committee of employees	2
External consultant	10
Not formally designated/ad hoc	17
<b>Total</b>	<b>100</b>

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4. Which issue involving corporate community relations has been of <i>greatest</i> importance to your organization over the past two years?	%
Environmental, chemical, noise	26
Zoning, parking and traffic plant expansion	18
Taxation abatement issues	8
Economic needs of community	7
Cooperation with community organizations, schools, etc.	21
Emergency preparedness, evacuation (earthquake, flood, etc.)	4
Strike, other job action	3
Negative press report	4
Regulatory investigation/report	4
Other	5
<b>Total</b>	<b>100</b>



5. What is the approximate annual budget allocated by your organization <i>solely</i> to corporate community relations (include publications, mailings, personnel salaries and benefits, donations to charitable and community groups, local community relations advertising, sponsorship of teams and clubs, costs for consultants and related external parties).	%
Under \$10,000	1
10,000-50,000	5
50,000-100,000	11
100,000-200,000	18
200,000-500,000	19
500,000-\$1 million	11
\$1 million-\$2 million	20
\$2 million-\$4 million	11
\$4 million-\$6 million	1
Over \$6 million	3
<b>Total</b>	<b>100</b>

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6. What is the <i>primary</i> communication channel used to enhance dialogue with audiences within your community?	%
Regularly scheduled meetings with a neighborhood association	8
Regularly scheduled meetings with local officials	11
Occasional meetings with neighborhood association	5
Occasional meetings with local officials	7
News releases, public relations products to area residents	18
Regularly scheduled newsletters to residents, businesses, officials	21
Occasionally scheduled newsletters to residents, businesses, officials	4
Annual economic impact study	4
Periodic economic impact study	0
Regularly scheduled open house of facility	13
Occasionally scheduled open house of facility	1
Other	8
<b>Total</b>	<b>100</b>

NOTES

1. Simon, Stephanie, "Nader Suits Up To Strike Back Against SLAPPS," *The Wall Street Journal* (July 9, 1991), Section B, p. 1.
2. Stevenson, Richard W., "Debate Grows on Development Fees," *The New York Times* (February 16, 1989), Section D, p. 1.
3. DeGeorge, Gail, "A Sweet Deal for Disney Is Souring Its Neighbors," *Business Week* (August 8, 1988), pp. 48-49.
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5. Hurt, Harry, "Donald Trump, Move Over," *Newsweek* (February 5, 1990), pp. 42-43.
6. Hornblower, Margot, "Not In My Backyard, You Don't," *Time* (June 27, 1988), p. 44.
7. Glaberson, William, "Coping in the Age of NIMBY," *The New York Times* (June 19, 1988), Section 3, p. 1.
8. Ibid.
9. Ibid.
10. Pell, Eve, "The High Cost of Speaking Out," *California Magazine* (November, 1988), p. 88.
11. Simon, Stephanie, "Nader Suits Up To Strike Back Against SLAPPS," *The Wall Street Journal* (July 9, 1991), Section B, p. 1.