

***Public Good, Private Gain***  
***A Study of***  
***Canadian “Exemplary” Companies and***  
***Their Relations with Government***

***Overview of Findings***  
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private sectors in Canada*

## EXECUTIVE SUMMARY

### Background

The Institute On Governance undertook for Petro-Canada to examine a particular aspect of public-sector/private-sector relations in Canada – namely to inquire into:

- why it is that senior public officials tend to regard certain private companies with particular respect and admiration; and
- how companies that are respected and admired by public officials view their relationships with the public sector and with civil society.

As a convenient shorthand for our work, we labeled as “exemplary” companies that public officials tend to respect and admire much more than others. For the purposes of this work, however, the term “exemplary” should be viewed in a narrow context. *Our point of departure is the views of a fairly diverse (though not necessarily representative) set of public officials and other informed observers of government-business relations in Canada.* This study reports on and analyzes their perceptions; it *does not* pretend to arrive at general prescriptive statements about how companies should behave, or what constitutes a “good” company. Rather, our modest inquiry points the way toward identifying aspects of corporate behavior that federal officials regard as “setting an example” in areas where there is important and potentially contentious overlap between private and public interests.

As our point of departure is the views of public officials, and our subject, broadly, is “corporate reputation” in the eyes of those officials, it might be thought that the focus of this study was “effective government relations.” Indeed, some readers may choose to extract from this report tactical lessons about dealing with government. However, we believe that the findings of this study point to more interesting and broader conclusions about the possibility for convergence between private gain and public good.

We carried out the study in two phases. The issue addressed in Phase 1 was:

What does it take to be regarded as an exemplary company in the eyes of politicians and senior officials?

The issue addressed in Phase 2 was:

How do “exemplary” companies themselves explain their success in building their reputation generally, and in particular with public officials? What appear to have been the key features of exemplary companies’ behavior, particularly concerning the ways they handle their relationship with the public sector? Furthermore, are there concrete examples of benefits derived from having exemplary status in the eyes of public officials?

For the purposes of interpreting our findings, it should be understood that there is both a commercial dimension and a public dimension to corporate “exemplariness”.

- The commercial dimension resembles notions of corporate “excellence” described in standard management texts, and has to do with performance in areas such as manufacturing, product development, marketing, customer service, personnel management, etc.
- The public dimension has two elements. The first has to do with involvement in matters of public policy and, more generally, relations with government. The second has to do with community relations, voluntarism and corporate giving – an area that is often referred to under the heading of “corporate social responsibility.”

This study focuses on the public dimension of “exemplariness”, with particular emphasis on the aspect having to do with public policy and government relations. References in the study to “exemplary firms” should be read with this in mind.

It is also worth noting that our interest in a particular dimension of “exemplariness” produced a pattern in the kinds of firms identified to us as “exemplary”. The common thread was a high level of interaction with government because of factors such as regulation and/or dependency on government subsidies and contracts. This is, of course, not surprising. When companies find themselves forced through law or circumstance into a close relationship with government, a natural response is to develop competency for operating in the public domain. In any case, we felt that this common characteristic of the firms we studied made our findings of particular relevance to Petro-Canada’s situation.

### **Findings**

Based on interviews with more than 40 individuals, including present and former senior public officials at the federal and provincial levels, academic experts in the area of public sector-private sector relations, and senior executives at companies identified as “exemplary”, we concluded that:

1. From the perspective of public officials the exemplary company has five characteristics (shown roughly in declining order of importance):
  - it is a valuable source of information/advice;
  - it is a role model;
  - it takes a "broad view";
  - it is an economic booster;
  - it is philanthropic.
2. "Exemplary" status implies a win/win situation for private firms and the public sector:
  - companies get a more relaxed, constructive dialogue with the public sector;
  - public officials get information/insights unavailable inside government.
3. Exemplary companies are proactive about managing their reputation with the public sector.

4. In dealing with external stakeholders, of which the public sector is one of the most important, exemplary companies seek opportunities for collaboration and alignment.
5. Exemplary companies devote significant time and effort to building internal capacity to understand and relate to the public sector and other external stakeholders.
6. Exemplary companies have a corporate culture that values relationships with the public sector (and other external stakeholders).
7. Exemplary companies do not appear to view their community-oriented and philanthropic activities as an important factor contributing to their exemplary status. (They do however attribute importance to such activities and to the corporate values that they imply. Exemplary companies seem to believe that corporate social responsibility is both “the right thing to do” and good for the bottom line. )
8. Exemplary companies are able to cite examples of important business benefits of being considered exemplary in the eyes of public officials.

More generally, our discussions with executives at exemplary companies convinced us that exemplary behavior is not something that these companies “switch on” when operating in the public realm, and “switch off” when in the commercial world. Exemplariness appears driven by deeper values governing all aspects of corporate activity, and stemming from a powerful tendency to want to do what is right for the company over the long term. Constructive involvement in the public policy world is valued precisely because it is believed to contribute to the long-term success of the enterprise. As one executive observed, “We want our interests to be identical with the public interest. If they aren’t, then all the short-term results of your lobbying won’t be sustainable.”

## **A. FOREWORD**

The Institute On Governance undertook for Petro-Canada a study of a particular aspect of public-sector/private-sector relations in Canada – namely an inquiry into:

- why it is that senior public officials tend to regard certain Canadian corporations with particular respect and admiration; and
- how companies that are respected and admired by public officials view their relationships with the public sector and with civil society.

As a convenient shorthand, we labeled as “exemplary” companies that public officials tend to respect and admire much more than others. For the purposes of this work, however, the term “exemplary” should be viewed in a narrow context. *Our point of departure was the views of a fairly diverse (though not necessarily representative) set of public officials and other informed observers of government-business relations in Canada.* This study reports on and analyzes their perceptions; it *does not* pretend to arrive at general prescriptive statements about how companies should behave, or what constitutes a “good” company. Rather, our modest inquiry points the way toward identifying aspects of corporate behavior that federal officials regard as “setting an example” in areas where there is important and potentially contentious overlap between private and public interests.

As our point of departure is the views of public officials, and our subject, broadly, is “corporate reputation” in the eyes of those officials, it might be thought that the focus of this study was “effective government relations.” Indeed, some readers may choose to extract from this report tactical lessons about dealing with government. However, we believe that the findings of this study signal more interesting and broader conclusions about the possibility for convergence between public good and private gain.

## **B. CONTEXT**

We carried out the study in two phases:

*First*, we examined the perceptions of the Canadian public sector – particularly the federal government – of exemplary companies. We interviewed present and former senior federal and provincial public officials in departments and regions of interest to Petro-Canada, as well as academic observers of public sector/private sector relations. The issue addressed in Phase 1 was:

- What does it take to be regarded as an exemplary company in the eyes of politicians and senior officials?

We established early in the interview process that the notion of the “exemplary” (i.e. highly respected and admired company) resonates strongly with public officials. All interviewees were able with little hesitation to name one or a few companies that they believed to fit this description.

There was also a quite high degree of convergence in terms of the particular companies placed by officials in this category.

*Second*, we looked at a sample<sup>1</sup> of exemplary companies. We interviewed present and former senior executives of nine “exemplary” companies. The issue addressed in Phase 2 was:

- How do “exemplary” companies themselves explain their success in building their reputation generally, and in particular with public officials? What appear to have been the key features of exemplary companies’ behavior, particularly concerning the ways they handle their relationship with the public sector? Furthermore, are there concrete examples of benefits derived from having exemplary status in the eyes of public officials?

For the purposes of interpreting our findings, it should be understood that there is both a commercial dimension and a public dimension to corporate “exemplariness”.

- The commercial dimension resembles notions of corporate “excellence” described in standard management texts, and has to do with performance in areas such as manufacturing, product development, marketing, customer service, personnel management, etc.
- The public dimension has two elements. The first has to do with involvement in matters of public policy and, more generally, relations with government. The second has to do with community relations, voluntarism and corporate giving – an area that is often referred to under the heading of “corporate social responsibility.”

This study focuses on the public dimension of “exemplariness”, with particular emphasis on the aspect having to do with public policy and government relations. References in the study to “exemplary firms” should be read with this in mind.

It is also worth noting that our interest in a particular dimension of “exemplariness” produced a pattern in the kinds of firms identified to us as “exemplary”. They were for the most part involved either in natural resource extraction/processing, telecommunications, banking or defense/aerospace. The common thread was a high level of interaction with government because of factors such as regulation and/or dependency on government subsidies and contracts. This is, of course, not surprising. When companies find themselves forced through law or circumstance into a close relationship with government, a natural response is to develop competency for operating in the public domain. In any case, we felt that this common characteristic of the firms we studied made our findings of particular relevance to Petro-Canada’s situation.

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<sup>1</sup> Seven of the nine companies we contacted were named as “exemplary” during our first phase of interviews with federal officials. Two were cited in the most recent Globe and Mail Report on Business Magazine “Survey of Canada’s Most Respected Companies” (and were identified in particular as being respected for “corporate social responsibility”) and/or in the report *Canadian Corporations and Social Responsibility* published in 1998 by the North-South Institute.

## **C. CONCLUSIONS FROM PHASE 1 – PUBLIC OFFICIALS’ PERSPECTIVE ON EXEMPLARY COMPANIES**

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*From the perspective of public officials the exemplary company has five characteristics:*

- *it is a source of information/advice*
- *it is a role model*
- *it takes a “broad view”*
- *it is an economic booster*
- *it is philanthropic*

*“Exemplary” status implies a win/win situation for private firms and the public sector.*

- *companies get a more relaxed, constructive dialogue with the public sector*
  - *public officials get information/insights unavailable inside government*
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### **C (I) -- CRITERIA FOR EXEMPLARINESS**

Our interviews led us to conclude that, in the eyes of public officials, exemplary companies have some or all of the following five characteristics, shown in approximate order of importance:

#### ***1. They are a wise and dependable source of information and/or advice.***

Public officials recognize that they often have only limited awareness and understanding of developments “on the ground” in the private sector. Good policy-making requires access to information beyond what is available within the government. Officials therefore put high value on firms that can provide them with a “window on the world” into current industry developments, industry outlook, and more generally, “what is on the mind” of key actors in the private sector. Particularly respected from this point of view are firms that are perceived to be “ahead of the curve” in their product development, research, workplace practices, etc. Officials like dealing with firms who are generous in terms of providing information and analysis to government, who do so in a relaxed and informal manner, and without overt expectation of “getting something in return.” Similarly, public officials value firms that are willing to serve as a “constructive critic” of government policies and programs. “We like them to provide a ‘reality check’ on what we are doing,” one official told us.

#### ***2. They are a role model.***

These are firms which, through their actions and practices, serve as benchmarks for things that are important to the government. Public officials find it helpful to be able to point to firms that are recognized as examples of success in areas prominent on the policy agenda, such as workplace innovation, product innovation, workplace equity, support for minority or disadvantaged groups, export-oriented manufacturing, etc. The existence of such firms strengthens and enriches officials’ dialogue with the private sector. As one highly-placed official said to us, “It is useful for

us to have clear examples of good corporate living.” (E.g., it enables them to say, “If you want to be good at developing your employees, just look at what Royal Bank is doing,” or, “If you want to be good at export-oriented manufacturing, just look at Bombardier,” etc.) Firms that fall into this category were variously described by officials we interviewed as “showing leadership,” “motivating and energizing their peer group” and “behaving at the leading edge of policy development.”

***3. They show a consistent willingness and ability to look beyond short-term, “bottom line” considerations in order to take a long-term “broader view”.***

Officials respect firms that consistently show capacity and willingness to base their actions – both in relation to government and to their business operations -- on considerations that go beyond factors tied tightly to short-term factors. They respect companies that are perceived as being active and constructive participants in the public policy process (as opposed to, as one official put it, companies that just “rattle on” about their own interests). Officials also respect companies who show a willingness to move beyond “public sector bashing” and show an ability to understand and value the role and contribution of the public sector to economic and social development in Canada. As one interviewee put it, officials value companies that “give the government credit when it does something good.”

***4. They are perceived to be an economic booster.***

Firms are valued for contributing – in a way that is perceived to go well beyond their own bottom line -- to the Canadian economy or to Canada’s industrial performance and international reputation. For example, Spar Aerospace was cited for giving Canada an international profile in the aerospace sector; similarly, Northern Telecom was cited for giving Canada profile as a source of innovation and excellence in telecommunications. Pratt & Whitney Canada was cited for its contribution in supporting excellence among members of its supplier network in Canada. Chrysler Canada was cited for locating a high percentage of its production facilities in Canada. The notion is that there is generalized participation in the success of these types of firms.

***5. They are known for community involvement and philanthropy.***

Corporate giving to community and charitable causes and encouragement of employee voluntarism in community work was cited as one of the criteria for exemplariness, though this was clearly the least important of the five criteria. Officials' views about the impact of corporate philanthropy on corporate reputation is “Oh yes, that helps too.” The underlying message was that this type of activity, on its own, is normally not sufficient to secure a positive reputation in the eyes of public officials; on the other hand, it can be a building block of a solid reputation if accompanied by the other factors noted here.

***Background Factors.*** A further three issues – less distinct than the five criteria noted above but constantly present as background factors – emerged from our interviews. They are:

- **“attitude”**

Some firms have a reputation within government as being “nice to deal with”. Senior officials will make time for dialogue with these companies, will return their telephone calls, etc. In dealings with these companies there is an anticipation of collaboration and reasonableness rather than conflict.

- **sectoral/regional appeal**

Notions of exemplariness are often linked closely to an official’s sectoral/regional area of interest; for example, an official in Environment Canada focused on firms noted for environmental efficiency and pollution control; an official in Human Resources Development Canada focused on firms who had partnered with the government in youth employment; a former Alberta government official focused on western Canadian companies.

- **ability to communicate**

Officials observed that firms they view as exemplary appear to have a knack for knowing what to say, when to say it, how to say it and to whom.

## **C (II) – EXEMPLARY STATUS A POTENTIAL “WIN/WIN” FOR GOVERNMENT AND INDUSTRY**

Public officials observe that benefits accrue both to private firms as a result of being considered exemplary, and to public officials and public agencies as a result of their relationships with exemplary firms. Officials believe that companies often enjoy some or all of the following benefits as a result being considered “exemplary”:

- easier access to government and a more relaxed dialogue with public officials;
- greater willingness on the part of public officials to listen seriously to the company’s views and concerns and to take action on issues of interest to the firm;
- advance insights into early stages of government thinking on policies, regulations, etc.;
- invitations to provide input into policy making that go beyond formal consultative processes;
- a better understanding of the public sector, the constraints and motivations of public officials, and the public policy process;
- boost to public stature and reputation.

On the other hand, officials believe that the government derives the following benefits from its relationships with “exemplary” companies:

- a window on the world; access to trusted sources of information and insights not available within the public sector;
- a “reality check” for new policy proposals or programs;
- a relaxed, enriched and more constructive dialogue with the private sector;
- a better understanding of the needs and preferences of key actors in the private sector.

## **D. CONCLUSIONS FROM PHASE 2 – EXEMPLARY COMPANIES’ PERSPECTIVE ON GAINING AND BENEFITING FROM EXEMPLARY STATUS**

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*Exemplary companies are proactive about managing their reputation with the public sector.*

*In dealing with external stakeholders, of which the public sector is one of the most important, exemplary companies seek opportunities for collaboration and alignment.*

*Exemplary companies devote significant time and effort to building internal capacity to understand and relate to the public sector and other external stakeholders.*

*Exemplary companies have a corporate culture that values its relationship with the public sector (and other external stakeholders).*

*Exemplary companies do not appear to view their community oriented and philanthropic activities as an important factor contributing to their exemplary status. . (They do however attribute importance to such activities and to the corporate values that they imply. Exemplary companies seem to believe that corporate social responsibility is both “the right thing to do” and good for the bottom line. )*

*Exemplary companies’ attitudes about government relations and the public realm follow from a deeper set of values governing their approach to commercial as well as public matters.*

*Exemplary companies are able to cite concrete examples of business benefits of being considered exemplary in the eyes of public officials.*

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### **D. (I) PROACTIVE REPUTATION MANAGEMENT**

#### **Virtue Not Its Own Reward**

Exemplary companies have learned that simply “doing good things” is often *not a sufficient condition* for building a positive reputation with public officials. As an Alcan executive observed, referring to the government’s cancellation of a major hydro-electric power project, “it was obvious we had failed to communicate adequately with the concerned stakeholders.”

In many cases, public officials and other stakeholders need help from the company in order to appreciate the value of what the company does; the value does not normally “speak for itself.” Syncrude understood this when it launched a campaign to counter misconceptions and build understanding in the public sector and other key stakeholder groups of the industrial and economic potential of the oil sands. Alcan understood it when it reinforced its government and corporate relations capacity in response to the government’s cancellation of the hydro project.

On the other hand, exemplary companies have also learned lessons on how *not* to convey messages. Royal Bank and Bell Canada are convinced that advertising is not a useful way to build support for the company's public policy objectives – there is a high risk of backfire in a public-policy oriented advertising campaign.

### **Long-term Approach**

Establishing and maintaining relationships and lines of communication around which a reputation is built requires continuous and deliberate effort. Exemplary companies understand that communication and interaction with officials should be viewed as important in their own right, rather than activities to be undertaken only when there is a problem to be resolved, or when the company “needs something” from the government. Exemplary companies therefore invest over the long-term in building “relationship capital” with the public sector which can be drawn upon when situations require it. Exemplary companies understand the importance of communicating with the government constantly and credibly over the long term in order to build trust.

## **D. (II) ALIGNMENT AND COLLABORATION**

### **Common Cause**

Exemplary companies understand the importance of framing their objectives in ways that allow them to make “common cause” with other stakeholders’ agendas (including the public sector’s). Where other companies might see a basis for conflict in a difference of views between it and the government (or other important external stakeholders), the exemplary company will look for points of convergence and opportunities for alignment between its objectives and the government’s, and then seek to build upon them. Bell Canada took this approach over the course of its lengthy campaign to persuade the federal government and federal regulators to alter the regulatory regime for telecommunications. It deliberately sought to develop a position that could be credibly presented to the government as being aligned with the government’s own policy objectives.

Syncrude took a similar approach when it sought, successfully, to get the federal government to reform tax policies affecting oil sands development. It undertook a long-term dialogue with the government, the objective of which was to educate and inform public officials about the realities, needs and potential of the oil sands. A company official described Syncrude’s attitude as one of “asking for counsel and input on how we can do a better job of lining up” with the government’s objectives. “We went through the Red Book [the Liberal government’s policy platform] and identified things that the government cared about, and looked for ways to demonstrate that we could help them achieve those things,” said D’Arcy Levesque, Syncrude’s Manager of Government and Public Affairs.

### **Policy Partnership**

Exemplary companies see themselves not as passive “consumers” of government policy, but as partners with the government in policy development. “Our company needs good public policy to survive. We can only get that by working constructively with the government,” observed Gerry Finn, Vice President of Corporate Government Relations at NOVA Corp. NOVA cites the

example how, through intensive dialogue with the Alberta government, it helped shape the policy governing the export of ethane out of the province

Bell Canada's attitude was similar during its campaign to change regulatory policy. It saw itself as working closely *with* government departments and the regulatory authorities over a period of years to help them understand the dynamics of the industry and how the changes Bell was seeking would contribute to the government's objectives.

### **Strength in Numbers**

Exemplary companies understand that on any given matter, public officials must interact with multiple stakeholders, and that the company itself may be only one variable in a long and complicated public-policy equation. The implication is that the greater the degree to which the company can align itself with other stakeholders, the more it facilitates the government's task of striking a reasonable balance between competing interests. MacMillan Bloedel learned this as it developed a new British Columbia logging plan – a plan that marked a radical departure from the established practice of “clear cutting” -- that won praise not only from the provincial government but also from formerly hostile environmental groups. A MacMillan Bloedel vice president said that

Once you realize that [cooperation with other stakeholders is as possible as confrontation], you can suddenly drop your weapons. You can say, the environmental groups have some really good ideas over here, first nations have other ideas here and the government actually knows what it is talking about on these issues.<sup>2</sup>

Exemplary companies understand that being able to present to government a position held by a coalition of stakeholders carries more legitimacy and weight than presenting a position held by the company alone. Management at Pratt & Whitney Canada commented on the risk, when “going it alone”, of being perceived by the government as “whining and complaining.” Thus companies sometimes find it useful to work through industry associations; Noranda, for example, does so whenever possible. Bell Canada collaborated with industry competitors to form the Stentor alliance in order to push for changes in the regulatory regime. On the other hand, issues may arise where there will be insufficient commonality of interest among members of an industry association. In these cases, exemplary companies invest time and energy in building coalitions that go beyond the industry association, as Pratt & Whitney Canada did in building support for what eventually became the federal government's Technology Partnerships Canada program and as Syncrude did in the case of the Oil Sands Task Force that led to changes in oil sands tax and royalty regimes. Eric Newell, Syncrude's Chairman and Chief Executive Officer, observed that an important factor contributing to obtaining the changes Syncrude sought was that “it wasn't us who were doing the asking.”

A further risk of “going it alone” is that a company risks having its plans derailed when the government feels a need to respond to other stakeholders. One corporate executive described

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<sup>2</sup> Although MacMillan Bloedel was not included as an exemplary company in our study, its recent experience with changing its logging policy is pertinent. The quotation is taken from the *Globe and Mail*, June 13, 1998.

how a provincial government changed its mind and overturned approval received by his company for a major investment project after the local community raised a protest. He concluded:

No matter how good your project, no matter many government approvals you may have, if you don't build up understanding and support in the stakeholder groups, governments can rip up agreements overnight.

### **Broad-based Consultation**

Exemplary companies often pursue alignment with stakeholder groups by entering into intensive consultative processes. Companies such as Syncrude, Noranda and Alcan have undertaken multi-year consultations with community groups before seeking approval for new mining and smelting operations. "Before we invest \$2 billion in a new smelter, we want to be sure that the community supports it," said an Alcan official. Bell Canada has stepped up the amount of consultative activity that it conducts in advance of seeking regulatory approval for rate increases, and also as a vehicle for building or protecting market share in targeted communities.

## **D. (III) BUILDING INTERNAL CAPACITY TO UNDERSTAND AND RELATE TO THE PUBLIC SECTOR**

### **Government Relations Everyone's Business**

Exemplary firms tend to see responsibility for relations with the public sector not as being confined to a "government relations department" but rather as being dispersed throughout the corporation. A government or corporate relations department retains a critically important role in this context – it provides leadership on government relations matters and ensures that all levels of management understand the broad range of public-policy and related questions affecting the company's dialogue with the public sector. "It can help the CEO from becoming blinkered in his thinking," said a Bell Canada executive. On the other hand, maintaining strong and constructive relationships with key government contacts is considered to be "everybody's business." NOVA Corp., for example, has a Vice President for "Corporate Government Relations", but has also created an informal "public sector relations network" made up of executives from across the company that meets regularly to identify government relations priorities and take on responsibility for handling certain government relations matters. It has also identified a larger group of people who can expect to be called upon to attend events (social and otherwise) where key public sector contacts are likely to be present. Similarly, Bell Canada targeted people across the corporation and assigned them government liaison responsibilities during its campaign for regulatory reform.

A belief in widespread responsibility for government relations has implications for personnel policy. NOVA Corp., Placer Dome Inc. and Bell Canada, for example, base hiring and performance evaluation decisions in part upon an assessment of the candidate's capacity to handle communications with government officials and other stakeholders. In terms of picking people to occupy leadership positions in government relations, exemplary companies such as Royal Bank, Bell Canada and Syncrude have recruited people from the public sector who have considerable depth of policy experience. "You can't just walk into this kind of job with no public sector background," said Bryan Davies, a Royal Bank Senior Vice President.

### **Window on the World**

Exemplary firms invest in ensuring that staff and management remain in touch with outside perspectives on the company and on issues affecting the company. Alcan, for example, has designed a polling instrument it calls an “image index” which regularly collects data on 17 aspects of external perceptions of the company. Bell Canada, too, has developed its own index to measure stakeholder attitudes (as well as customer loyalty). Syncrude regularly receives data from a major national polling firm. NOVA periodically invites senior government officials and other outsiders to make presentations to staff and management on current public policy issues.

## **D. (IV) CORPORATE CULTURE**

### **Valuing the Public Realm**

A common feature of the exemplary companies we studied was that they all appear to have a corporate culture that puts high value on being respected by outsiders for the level and quality of their involvement in public policy. The culture manifests itself in many ways, for example:

- at Placer Dome and Noranda, respected operational executives were appointed to leadership positions in the “soft” area of “sustainable development”, signaling to staff that the issue was high on top management’s agenda;
- several companies, as noted, include assessment of capacity for interaction with outside stakeholders as a criterion for hiring and for performance assessment;
- corporate leaders openly acknowledge and praise, within the company, contributions by staff to public purpose activities;
- companies facilitate participation by employees in publicly oriented activities; at a Royal Bank branch, for example, employees were allowed to report late to work so that they could volunteer for a school breakfast program;
- the chief executive plays a highly visible role in handling public policy issues of immediate concern (e.g. Bell Canada in the case of telecommunications regulatory reform, Syncrude in the case of oil sands regulatory reform);
- top executives give their time to public purpose organizations such as the Conference Board, the Business Council on National Issues, the Public Policy Forum, cultural organizations, industry associations, government advisory groups, etc.;
- some corporate leaders take a highly visible interest in public policy issues through speech-making and appearances (Eric Newell and Ted Newall are frequently cited in this connection).

### **Leading from the Top**

A feature uniting the companies we studied was that the culture was constantly reinforced by signals from the chief executive about the importance to the company of good public policy and of robust involvement by the company in public-purpose activities. Chief executives find different ways of doing this, depending on their preferences and personalities. Some do it through high-profile external activities; others are equally effective at sending signals through their handling of internal issues (e.g. the first through fourth bullets, above).

#### **D. (v) CORPORATE COMMUNITY INVOLVEMENT/CORPORATE GIVING**

Exemplary companies appear for the most part *not* to view their community and philanthropic activity as connected with their strategy for engaging the government on public policy issues. Nevertheless, they believe it to be important, both for the values that it exemplifies, and for the bottom line.

##### **Acting Locally, Thinking Corporately**

In some cases, companies speak about community involvement and philanthropy in purely altruistic terms. More typically, firms paint a mixed picture, describing philanthropic work as driven both by a desire to “do the right thing” and by a strategy to use corporate giving to advance business objectives.

For many companies, the business case for corporate giving is that it helps build trust, support and credibility at a *local* rather than national level, i.e. in the immediate geographic area or community around company sites. This is especially important for natural resource extraction and processing firms, who must constantly manage local residents’ concerns about harm to the environment and quality of life caused by their operations. As well, natural resource enterprises operating in remote areas often face the additional challenge of building and maintaining relations with aboriginal communities. Community and philanthropic activity is seen as one way of doing this. Royal Bank, George Weston Ltd. and Bell Canada spoke of their strong commitment to community voluntarism by employees. They recognize and encourage it by, among other things, making it possible for people at all levels (including senior executives) to take time off from work in order to honor community commitments.

Companies such as Bell Canada, Syncrude and Alcan appear to have become quite disciplined about having a business case for their community-level philanthropy.<sup>3</sup> For example, labor market conditions in the remote areas where Syncrude and Alcan operate create a compelling case for supporting educational and health-related programs and facilities for local residents (who in many cases are aboriginal people). Philanthropy can also be a way of raising local awareness of public issues that are important to a company. Alcan, for example, sees its support for a recycling exhibition at a science center as a way to raise local awareness of the environmental value of aluminum as a highly recyclable metal. Bell Canada has developed a standard procedure for evaluating philanthropic requests that includes an assessment of the business case for making a

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<sup>3</sup> Among other things, the business case criterion serves as a relatively objective way to select from among the many requests for philanthropic support that these companies receive.

requested donation. George Weston Ltd. has a bias in some of its philanthropy toward issues related to the food industry.

### **Pride**

Executives believe that having a reputation for community involvement and philanthropy makes employees feel good about working for the company. This in turn is assumed to be a factor in making employees more productive, and in creating a corporate environment suitable to attracting and retaining high-quality staff. As Mr. Newell of Syncrude remarked, “Our audience is our own people. We want them to be proud of the company.”

## **D. (VI) A DEEPER SET OF VALUES**

### **It Just Makes Sense**

It became clear from our discussions with executives that “exemplary behavior” and “exemplary status” are not seen by them as separable from a more general sense of “the right way to do business.” Exemplary behavior or attitudes are not something that these companies “switch on” when they are operating in the public realm, and then “switch off” when they return to the commercial world. They are, rather, driven by a deeper set of values that govern all aspects of corporate activity, and stem from a powerful tendency to look at what is right for the company over the long term. A healthy relationship with the public sector, and constructive involvement in the public policy world are viewed as worth pursuing because they are believed to contribute to the long-term success of the enterprise. As Mr. Finn of NOVA observed, “We want our interests to be identical with the public interest. If they aren’t, then all the short-term results of your lobbying won’t be sustainable.”

## **D. (VII) BENEFITS OF EXEMPLARY STATUS**

The companies we studied were readily able to identify what they felt to be important business benefits flowing from their exemplary status.

### **Favorable Decisions**

Companies frequently cited crucial favorable decisions taken by public authorities as being to a significant degree an outcome of exemplary corporate behavior. Alcan, Syncrude and Noranda mentioned approval for construction of major mining and smelting facilities. Syncrude, NOVA, Pratt & Whitney Canada and Bell Canada Enterprises cited government decisions regarding major support programs or regulations of vital importance to the company’s business objectives. (Syncrude cited decisions regarding reform of the tax and royalty regime for the oil sands; NOVA cited Alberta provincial policy on ethane exports; Pratt & Whitney Canada cited the launching of the federal government’s Technology Partnerships Canada program; Bell Canada cited deregulation of the telecommunications industry.)

### **Relationship Benefits**

Frequent turnover of staff in key federal departments (e.g. Industry Canada) is cited by companies as an important problem in maintaining a long-term and consistent relationship with government

officials. Exemplary companies believe that the reputational “capital” that they accumulate in federal agencies helps to tide them over transition periods. “When the successor comes in, he already knows about your company,” said Joseph Danni, Vice President of Corporate Relations at Placer Dome Inc.

Having a solid relationship based on a reputation for “exemplariness” is also viewed as a kind of insurance against unforeseen catastrophic events. Mr. Danni observed that resource extraction and processing companies are, by the nature of their business, “vulnerable to occasional mis-steps. The advantage of having relationship capital is that you hope that people will see an accident [that has serious environmental consequences] as an aberration and not as part of a pattern.”

### **Investor Confidence**

Several of the executives we interviewed expressed the belief that having exemplary status in the eyes of government adds value to the company from the perspective of investors. “When you’re operating in a regulated industry, investors like to have confidence that you will be able to manage the relationship with your regulator,” one executive said.<sup>4</sup>

### **Market Share**

Several interviewees expressed the view that being seen as exemplary (in the community involvement/philanthropic sense, rather than the government relations/public policy sense that was the principal focus of this study) has an impact on customer loyalty and market share.

### **Impact on Employees**

As is the case for companies that have a reputation for philanthropy and community involvement (see above), companies with a broader reputation for exemplariness are seen as generating feelings of pride and satisfaction among the staff and management. This is believed to be a factor in making staff more productive, and in creating a corporate environment suitable to attracting and retaining high-quality staff at all levels.

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<sup>4</sup> There is a growing body of academic literature on links between corporate reputation and quantitative measures such as share price and net income. A review of this literature was beyond the scope of this study.

The Institute On Governance (IOG) is a non-profit organization founded in 1990 to promote effective governance. From our perspective, governance comprises the traditions, institutions and processes that determine how power is exercised, how citizens are given a voice, and how decisions are made on issues of public concern.

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