



Institute On Governance

*Policy Brief No. 2*  
*– April 1999*

**Policy Brief**

*Public Good, Private Gain:*  
*Senior Bureaucrats*  
*and*  
*“Exemplary” Companies*  
*in Canada*

*by Mark Schacter*

## **Background**

Why do senior Canadian public officials regard certain private companies with particular respect and admiration? How do companies that are respected and admired by public officials view their relationships with the public sector and with civil society?

The Institute On Governance (IOG) sought to answer these questions through 44 interviews in mid-1998 with present and former senior officials at the federal and provincial levels, private sector executives and academic observers of public sector/private sector relations in Canada. The work was funded by Petro-Canada Inc. A copy of the full report is available from the IOG.<sup>1</sup>

We labeled as “exemplary” companies for which the senior public officials expressed an especially high degree of respect and admiration. We describe and analyze public officials’ perceptions, indicating aspects of corporate behavior that officials regard as “setting an example” in areas where there is overlap between private and public interests.

The first phase of our work addressed the question: *What does it take to be regarded as an exemplary company in the eyes of senior officials?*

The issue addressed in Phase 2 was: *How do “exemplary” companies themselves explain their success in building their reputation with public officials? What appear to have been key features of exemplary companies’ behavior, particularly concerning their relationship with the public sector? How do the companies themselves view the benefits of having exemplary status in the eyes of public officials?*

Our study assumed a distinction between two dimensions of “exemplariness”. The *commercial dimension* resembles notions of corporate

“excellence” described in standard management texts, and concerns performance in areas such as manufacturing, product development, marketing, customer service, etc. The *public dimension* has to do with involvement in matters of public policy and, more generally, relations with government. It also concerns community relations, voluntarism and corporate giving – areas often referred to under the heading of “corporate social responsibility.”

We focused on the *public dimension* of exemplariness, with particular emphasis on public policy and government relations. This 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 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.

---

---

**Public officials identified five characteristics of the exemplary company:**

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

### **1. Wise and dependable source of information and/or advice**

Good policy-making requires information beyond what is available within the government. Officials value firms that provide a window into industry developments and more generally into “what is on the mind” of key actors in the private sector. Officials like dealing with firms that provide information and analysis to government in a relaxed manner, 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

---

<sup>1</sup> “Public Good, Private Gain. A Study of Canadian ‘Exemplary’ Companies and Their Relations with Government,” by Mark Schacter and Tim Plumptre. To obtain a copy please contact the IOG by fax at (613) 562 0097 or visit our website at [www.igvn.ca](http://www.igvn.ca)

programs. "We like them to provide a 'reality check' on what we are doing," one official told us.

## **2. Role model**

These are firms which serve as benchmarks for things that are important to the government. Public officials like to be able to point to firms that are 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 official said, "It is useful for us to have clear examples of good corporate living." Firms that fall into this category were variously described by officials as "showing leadership," "motivating and energizing their peer group" and "behaving at the leading edge of policy development."

## **3. Willingness and capacity to look beyond short-term, "bottom line" considerations in order to take a long-term "broader view"**

Officials respect firms that consistently seem to base their actions – both in relation to government and to their business operations -- on considerations that go beyond 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 admire companies that move beyond "public sector bashing" and are willing, as one interviewee put it, to "give the government credit when it does something good."

## **4. Economic booster in the broadest sense**

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 aerospace; 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 in its supplier network in Canada. The notion is that

there is broadly-based participation in the success of such firms.

## **5. Community involvement and philanthropy**

Corporate giving to community and charitable causes and encouragement of employee voluntarism in community work were cited criteria for exemplariness, though this was clearly the least important of the five criteria. However, this type of activity is normally not sufficient on its own to secure a positive reputation in the eyes of public officials.

***"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***

Public officials believe that companies often enjoy the following benefits as a result being considered "exemplary":

- easier access to government and a more relaxed dialogue with officials;
- greater willingness by public officials to listen to the company's views and to act on issues of interest to the firm;
- advance insights into government thinking on policies, regulations, etc.;
- invitations to provide input into policy making that go beyond formal consultation;
- a better understanding of the public sector 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 a broader range of information and insights;

- 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.

---

**The second half of the study focused on the perceptions of firms identified by senior public officials as having “exemplary” characteristics.**

**Our interviews with firms led us to conclude that:**

*Exemplary companies proactively manage 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 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 appear to believe that community-oriented and philanthropic activities contribute to commercial success.*

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

*Exemplary companies are able to cite concrete examples of the business benefits of exemplary status.*

### **1. Proactive reputation management**

Exemplary companies have learned that simply “doing good things” is often *not* sufficient for

building a positive reputation with public officials. Public officials and other stakeholders need help from the company to appreciate the value of what it does; the value does not normally speak for itself. Exemplary companies understand the importance of communicating with the government constantly and credibly over the long term – rather than only during isolated periods when the company “needs something” -- in order to build trust. They invest over the long-term in “relationship capital” with the public sector and other stakeholders which can be drawn upon when situations require it.

### **2. Collaboration and alignment**

Exemplary companies understand the importance of framing their objectives in ways that allow “common cause” with other stakeholders’ agendas (including the public sector’s). Rather than focusing on points of conflict, the exemplary company will look first for points of convergence and opportunities for alignment among its own objectives, the government’s, and those of other stakeholders. The greater the degree to which the company can align itself with other stakeholders, the more it facilitates the government’s difficult task of striking a reasonable balance between competing interests. Exemplary companies see themselves as partners in policy development rather than passive consumers of public policy. “[We need] good public policy to survive. We can only get that by working constructively with the government,” said one executive.

### **3. Building capacity for relating to the public sector**

Exemplary firms tend to view responsibility for relations with the public sector as being dispersed throughout the corporation, rather than confined to a “government relations department”; government relations is seen as everybody’s business. This has implications for human resources policy. Some of the companies we studied based hiring and performance evaluation decisions in part upon assessment of the candidate’s capacity to handle relations with government officials and other stakeholders.

### **4. Corporate culture**

Exemplary companies 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 through, among other things, choices for senior appointments, criteria for performance appraisals and open recognition of public-spirited activity by staff. The culture is constantly reinforced by signals from the chief executive about the importance to the company of good public policy.

### **5. Business case for community-oriented activity and philanthropy**

For many companies, the business case for corporate giving and community activity is that they build support at a *local* rather than national level, i.e. in the immediate community around company sites. This is especially important for resource extraction and processing firms, who must manage residents' concerns about harm to the environment. Some exemplary companies saw community support activities as having a direct link to business success. In the case of resource extraction companies operating in remote areas, local labor market conditions often create a compelling case for supporting educational and health-related programs and facilities for residents.

### **6. Deeper set of values**

Exemplary companies view their strong reputation among public officials as following from a deeper set of values governing all aspects of corporate activity, and from a powerful tendency to look at what is right for the company over the long term. Exemplary behavior or attitudes are not something that these companies "switch on" when they are operating in the public realm, and "switch off" when they return to the commercial world. A healthy relationship with the public sector, and constructive involvement in public policy are viewed as worth pursuing because they are assumed to contribute to long-term success. An 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."

### **7. Benefits of exemplary status**

The companies we studied were readily able to identify what they regarded as important business benefits flowing from their exemplary status, including:

- *favorable decisions* on matters such as approval for construction of major facilities, and regulatory reform in areas of vital importance to business objectives;
- "*reputation capital*" which allows the company to maintain positive relations with the government even when there are staff changes in public sector organizations; "When the successor comes in, he already knows about your company," one executive said; as well, reputation capital is viewed as a form of "insurance" against unforeseen catastrophic events; said one executive at a natural resource extraction firm, "you hope that people will see an accident [that has environmental consequences] as an aberration and not as part of a pattern."
- *investor confidence* -- several executives felt that exemplary status in the eyes of government adds value to the company in the eyes 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;
- *market share* -- some interviewees felt that exemplary status has a positive impact on customer loyalty and market share;
- *impact on employees* -- executives said that a reputation for exemplariness generates feelings of pride and satisfaction among staff and management; this is believed to create a corporate environment that attracts and retains high-quality staff.

*For further information contact Mark Schacter at the Institute On Governance.  
tel.: (613) 562 0092 ext. 237  
e-mail: mschacter@igvn.ca*

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.

Our current activities fall within four broad themes: citizen participation, Aboriginal governance, building policy capacity, and accountability and performance measurement.

In pursuing these themes, we work in Canada and internationally. We provide advice to public organizations on governance matters. We bring people together in a variety of settings, events and professional development activities to promote learning and dialogue on governance issues. We undertake policy-relevant research, and publish results in the form of policy briefs and research papers.

You will find additional information on our themes and current activities on our website, at [www.igvn.ca](http://www.igvn.ca).

The following policy briefs are also available:

**Policy Brief No. 1:**

**Cabinet Decision-Making in Canada: Lessons and Practices**  
by Mark Schacter

**Policy Brief No. 3:**

**Means... Ends... Indicators: Performance Measurement in the Public Sector**  
by Mark Schacter