# 12 Making Corporate Actors Accountable: Institution-Building in Minneapolis–St. Paul

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Much of the literature within the institutional tradition portrays the organization as a passive, reacting entity entrapped or responding to coercive or cultural forces in its environment (Scott, ch. 7, this vol.; Zucker 1987). The influence of the institutional environment can be subtle, working its way into the organization through rationalized myths, or direct, coming as an indictment on a felony charge. In either case, researchers in this tradition have eschewed the notion that organizations are purposive, rational actors which are goal directed and in control of their own fate (Jepperson, ch. 6, this vol.). This brand of environmental determinism makes the institutional perspective attractive to organizational sociologists who have tired of overly chauvinistic and rational theories of organizational behavior.

This chapter takes institutional analysis in a different direction. It focuses on collective action and institution-building at the interorganizational field level. It presents a case study that shows how field leaders can act purposively (albeit under conditions of bounded rationality) to construct and create institutions which in turn control and govern organizations' actions. Organizations, and particularly business corporations, are driven by short-term self-interest; given the proper set of incentives, however, they will pursue strategies which serve collective interests rather than self-interests. Our focus then is on how, within organizational fields, programs or rule systems come about which are neither imposed by external authorities nor absorbed from the larger culture, but rather are built or created by system participants and lead actors to pursue collective goals.

This chapter focuses in particular on corporations as participants in urban social systems. It is well known that business corporations, and especially multinationals, often are at odds with communities in which they do business or employ workers. In that respect our case study is an anomaly. It focuses on the efforts of business leaders in one metropolitan area to create or institutionalize a pattern of social control which would result in enhanced corporate public service activity at the local level. Since the established institutionalized means of

encouraging corporate charitable contributions based on peer pressure and informal networks was breaking down, new methods of social control had to be institutionalized to sustain corporate public service activity. Our case study not only describes the sequence of events which led to the institutionalization of these new control systems, but also tries to identify the factors which led to their development, focusing on the resources and interests of business leaders and changes in the control of local corporations.

## Institution-Building as a Sociological Phenomenon

What do we mean by institution-building and how do we go about studying it? According to Janowitz (1978:400), institution-building refers to "those conscious efforts to direct societal change and to search for more effective social controls which are grounded in rationality." Actors participate in the creation of these new systems voluntarily, and efforts are aware of and even guided by scientific thought. Students of institution-building focus on roles which different actors assume, the mechanisms which motivate actors to perform their roles accordingly, the myths or rationalizations that are put into place to ensure the legitimacy of the new arrangements, and the methods whereby the system reproduces itself.

In studying institution-building, researchers must be aware of several issues. First, institution-building is not restricted to the public sector. New institutional arrangements are constantly being created within the private sector. Indeed professional associations and their governance structures epitomize efforts at institution-building. Church hierarchies are institutional forms as old as the polity itself. The market is also a kind of private-sector institution whose rules are set by market participants (see Leblebici and Salancik 1982). Second, researchers studying institutions must place events into a historical context. Institutions—as a network of roles, sanctions, and ideologies—may be studied in and of themselves, but they cannot be understood completely without an understanding of the environment in which they operate and evolve. Institutions are embedded and thus built within the context of larger institutions (Jepperson, ch. 6, this vol.). Efforts to regulate the behavior of professionals, a congregation, traders, or corporations must be legitimated in terms of societal institutions, the most important of which is the law. In contrast to the mechanistic functionalist view (e.g., Parsons 1956), we envision these efforts at legitimation as being conscious and sensitive to the sanctions that larger systems can impose upon them (see DiMaggio and Powell 1983). Thus although we may strive to generalize our description of how institutions are constructed, there will always be a set of very particular historical or contextual circumstances of which researchers must be aware.

Third, researchers must be careful to keep the analytical distinction between the micro– and macro–social orders clear. With respect to institutions the macro-order is made up roles, incentive systems, and ideologies or belief systems (Hernes 1976). The micro-order is made up of preferences, capacities, and expectations of individuals. While it may be tempting to identify patterns at the macrolevel and to infer that they are the product of purposeful actors pursuing some well-reasoned strategy at the microlevel, such inferences can lead to premature and erroneous conclusions. Although the models of neoclassical economic theory would have one think otherwise, micro– and macro–social orders are often loosely coupled. It often takes a considerable amount of time for individual actions to bring about changes in the larger social system. It is equally tempting to focus on action at the microlevel—explicit efforts at negotiating new programs or rule systems—and to infer that these actions are prompted by pressures emanating from the macro–social order. Action at the microlevel is constrained by the opportunities and limitations defined at the macro-order. Yet we believe that it is dangerous to overestimate the impact of social structure or culture on action and to underestimate the interpretative and creative capacities of actors. Looking for causal explanations in the context only again ignores the fact that the micro-order is only loosely coupled to the macro-order.

Finally, students of institution-building have several analytic options open to them. First, researchers can describe the various stages of development. Here step or stage models are proffered where the sequence of events leading to some change in the institutional order is described in detail. As research examines more and more cases, the sequence is refined and a general pattern is identified. Second, researchers can try to identify (1) the underlying social processes which result in institutional change and (2) the roles that social structures play in facilitating or stymieing change. In other words, they can engage in causal analysis. For example, neo-Marxist theory has been the most successful at doing this at the local community level (e.g., Molotch and Logan 1987). Underlying contradictions in the production process create conditions for the emergence of new institutional forms. In contrast, our preferred strategy is to explain how new institutions develop out of the preferences and as strategic actions of individual actors. Third, researchers can take a normative approach to studying institutional change. They can prescribe to change agents how to build new community organizations (e.g., Alinsky 1969), revamp neighborhood schools (Janowitz 1969), stimulate local economic development (Taub 1988), or fight juvenile crime (Shaw 1940). As Janowitz (1978) points out, there is a long tradition in sociological practice which has offered activists advice on how to reorganize local institutions and engage in self-help.

## Corporations and the Urban Community

Since Warner and Low (1947) and Lynd and Lynd (1929, 1937), urban sociologists have been aware of the gradual withdrawal of corporations from

local community affairs (see also Stein 1960 and Warren 1963). For the most part these early studies described how extralocally based business conglomerates purchased local firms, centralized decision making in some distant locale, gradually withdrew from civic involvement, and played only minimal and highly instrumental roles in community decision making (e.g., Merton 1949; Schulze 1961; and Mott 1970). The local community became simply an employment site or a marketing area in a national distribution network. Corporations became involved in community affairs only if their interests were directly threatened.

Current research on corporate-community relations shows that not much has changed. In particular, it has focused on the layoffs and plant closings that have left communities at the verge of bankruptcy or on inner city neighborhoods without needed employment opportunities (Perrucci et al. 1988). Furthermore, large corporations have been blamed for polluting our cities' rivers, streams, and air. The rationale for tolerating such behavior is that big business means more jobs. Yet some critics have argued that the public dollars needed to provide the infrastructure to attract big business are not offset by the number of new jobs created (Molotch 1976). This is especially true of high-tech or continuous-processing firms. Thus wooing business to an area often results in a net loss for the locale (for a different point of view, see Peterson 1981).

One reason corporations can get away with such things is the advantageous market position of large, multinational corporations. Molotch's (1976) classic work on the "city as a growth machine" drew attention to the competition for large corporate investments that takes place among cities across the country (see also Suttles 1984; Molotch and Logan 1987). Because they are independent of any geographically defined market, multinationals have several locational options. If companies are dissatisfied with local conditions, they can move their facilities elsewhere. Unlike earlier manufacturers who needed to cluster their facilities close together, high-tech and service industries have no need to locate their research or corporate facilities in any one place. With the advent of truck and inexpensive air transportation and high-speed telecommunication systems, there is no need for manufacturers to cluster either. One community becomes just as attractive as another, and areas are forced to compete with one another. To use the language of Hirschman (1972), corporations have a ready "exit" option. If local actors utilize either the local state government or local markets to impose sanctions upon corporations, companies can threaten to leave and take their jobs and tax revenues with them.

Furthermore, Molotch and Logan (1987:251–54) argue that the transnational scale of modern corporations means that the range of a firm's operations straddles the sovereignty of many units of government. Headquarters, assembly plants, distribution centers, legal status are all located in different places. If a government attempts to increase taxes on corporate profits, corporations can engage in numerous tactics to protect themselves, for example, transfer pric-





ing. "Capital becomes difficult to trap because it dissolves, moves, redefines its internal relations, transforms itself into something else" (Molotch and Logan 1987:252). The consequence is that with all this liquidity the local government becomes less and less capable of protecting or safeguarding residents. Even if local or state governments wanted to tax or regulate corporate nuisances, they would be unable to.

To make matters more difficult, corporations (as opposed to natural persons) are immune to *social* controls. If individuals "blackmailed" their community to extract economic concessions or engaged in unfair labor practices, one could appeal to their sense of propriety and responsibility to the community or citizenship. The difference with respect to corporations is that they are amoral. An important thesis in Coleman's (1974) *Power and the Structure of Society* is that corporate actors enjoy many of the privileges of natural persons, but are immune from the social controls that constrain the behavior of natural persons. Under the law, corporate actors can own land, be taxed, sue or be sued, consummate transactions, make profits, and incur debts. In these respects corporate actors are no different than natural persons. The key difference between corporate actors and natural persons is that the former have no conscience. Communities of natural persons can bring shame on a natural person, exclude him from their cocktail parties, and even threaten him with exclusion from the moral community if he does not act in a way they think appropriate. Corporate actors do not have social selves. Social sanctions can be levied against the agents of the corporate actor, for example, the plant manager or even the CEO and directors, but the corporation is still bound—in fact, legally bound—to pursue the interests of its shareholders within the limits of the law. While the natural persons in the larger community can make life unpleasant for its agents, the corporate actor itself remains immune from these social controls. Because they are immune from the social control of natural persons in the community, corporate actors can leave a community if they are unhappy; they can also abuse the physical environment, withdraw from community affairs, or "muscle" local officials without fear of social retribution.

From what has been said it appears that communities of natural persons are destined to be held hostage by corporations. However, there are cases where business corporations have joined together and developed new governance structures which imposed normative controls upon members (see Ouchi 1984). Although participation in these efforts at self-control is voluntary, having joined, each actor is subject to the jurisdiction of these associations. The payoff is some sort of collective good, with the larger community or at least the larger business community benefiting. There are certainly free-rider problems and questions of accountability (are corporations violating the shareholders' trust?), but the important point is that new institutions have been created by corporate actors themselves to regulate and control their own behavior.

This chapter examines the efforts of one corporate community—Min-

neapolis and St. Paul—to establish a control system to encourage and sustain corporate contributions to charity. We are not the first to note the rampant institution-building taking place in the Twin Cities (see Ouchi 1984). Efforts were made in that community to ensure that companies acted in other socially responsible ways as well. However, this chapter looks only at those efforts at institution-building aimed at maintaining and increasing corporate commitment to the support of nonprofit organizations.

## The Context for Institution-Building in Minneapolis–St. Paul

In this section we discuss one business community's efforts to institutionalize practices to routinize and ensure continued corporate contributions to charity. The case we discuss is special because the initiative was taken by individuals in the business community; it was not forced or introduced by outside change agents. While the discussion focuses only on efforts to sustain levels of corporate contributions, the agenda of the organizers was broader, hoping to institutionalize socially responsible behavior throughout the business community. We draw on research by Galaskiewicz (1985a, 1985b, 1987) done on corporate-community relations in Minneapolis–St. Paul.

To fully understand the Twin Cities case it is useful to know that between 1970 and 1980 important changes occurred in the control of the largest publicly held companies headquartered in the Twin Cities. Between 1970 and 1975 there was a noticeable decrease in the percentage of Fortune firms in the Twin Cities whose CEO was born in Minnesota: the figure dropped from 47.6 percent in 1970 to 30.4 percent in 1975. In the same period three firms hired a nonfamily professional manager as CEO, replacing the founder or his progeny, and three firms were acquired by out-of-state interests. By 1980, 38.1 percent or eight of the twenty-one firms on the 1970 Fortune lists either were acquired by extra-local interests, had a family member replaced by a professional manager as CEO, or had a professional manager born in Minnesota replaced by a professional manager born elsewhere. Loss of control over local corporations to professional managers or outsiders was finally taking place in the Twin Cities. Needless to say, other cities had faced a similar problem decades earlier. If history repeated itself, local corporate actors would withdraw from community affairs and orient themselves toward national and international markets (see Schulze 1961; Mott 1970).

A gradual withdrawal of Twin Cities companies from community affairs would be catastrophic, because these companies had become such an integral part of the local community. Just at the time when local control over local firms was slipping, there appeared a host of articles in the national and business press on the social responsibility of Twin Cities companies. For example, articles appeared in *Fortune* ("Minneapolis Fends Off the Urban Crisis," January 1976), the *Wall Street Journal* ("A Midwestern City Where Fine Arts Flourish," September 15, 1977), the *Chicago Tribune* ("A Club That Means Business," June 26, 1979), the *Boston Globe* ("Where the Arts Flourish: Minneapolis," May 4, 1980), the *New York Times* ("Minnesota a Model of Corporate Aid to Cities," July 27, 1981), and the *Harvard Business Review* ("In Minnesota, Business Is Part of the Solution," July–August 1981).





The cities of Minneapolis and St. Paul and the state of Minnesota shared in the spotlight. In another *Wall Street Journal* article ("A Northern City That Works: How Minneapolis Manages It," August 5, 1980) it was reported that Chicago was no longer the city that works and that Minneapolis had taken its place. In 1980 the *Chicago Tribune* ("Our Cities: Some Bests and Worsts," April 4, 1980) did an extensive analysis of the quality of life in eleven American cities. Minneapolis was cited as having the best municipal government, the best city planning office, the best civic leadership, the best downtown mall, and the best innovation in urban living (the downtown skyway system). In 1984 *Time Magazine* printed a feature article ("Minnesota's Magic Touch," June 11, 1984) praising the partnership between government, business, labor, and educational leaders that had worked to develop new high-technology enterprises in the state of Minnesota. Clearly the cities and the state had a great deal to lose if their companies lost interest in local affairs, inasmuch as much of the success of the region depended on the involvement and active participation of its major companies.

Our research focused primarily on the charitable contributions of locally headquartered Twin Cities publicly held corporations in 1980 and 1981. At the time of our research, corporate contributions were at an all-time high. The Minnesota Council on Foundations (Berner 1983) surveyed 78 companies in Minnesota and reported that they gave $63.4 million in 1982. The Council for Financial Aid to Education and the Conference Board compile annual statistics on corporate contributions for twenty-one metropolitan areas. Based on company giving as a percentage of pretax net income, Twin Cities companies ranked first in 1977, 1979, and 1980. In 1978 and 1981 they ranked second. In 1978 the *New York Times* ("Philanthropy, the Business of the Not-So-Idle Rich," July 23, 1978) claimed that some thirty-three corporations in Minneapolis give 5 percent of their income to philanthropy, out of a nationwide total of thirty-seven that reportedly do so. Indeed among the more noteworthy 5 percent givers in 1982 were Dayton-Hudson, Munsingwear, and H. B. Fuller. Among 2 percent givers were Honeywell, General Mills, Pillsbury, International Multifoods, Peavey, and Bemis.

## Strategies for Institutionalizing Corporate Public Service Activity

Our thesis is that this high level of community involvement and the very real possibility that it would be short-lived prompted a shift from a corporate grants economy based on informal peer (or old boy) networks, peer pressure, and so-

cial sanctions to a corporate grants economy based on bureaucratically institutionalized roles and formally organized reward systems. Legitimated and prompted by a cadre of business executives who had "roots" in the area and affiliations with many of the area's Fortune firms, a number of innovative strategies were implemented between 1975 and 1981 to ensure the high levels of corporate contributions among Twin Cities firms for the decade to come.

### Institutionalizing Public Recognition

In our study we found that company giving in 1980 and 1981 was still heavily influenced by the social proximity of the chief executive officer to a cadre of twenty-eight older community leaders, many of whom were former executives of local firms and very involved in local philanthropic activities (Galaskiewicz 1985b). Based on our analysis and interviews with this cadre of philanthropic leaders, we concluded that many corporate contributions in the Twin Cities were the product of peer pressure exercised by these leaders. In fact, this is probably why corporate giving in the late 1970s and early 1980s was greater in Minneapolis–St. Paul than elsewhere in the United States. Executives who were in the social and civic networks of the philanthropic elite were more likely to be solicited and given recognition by this elite if their firms contributed more to charity. One of our more interesting findings was that companies were informally recognized by this elite as especially successful business ventures if either they had greater profits or gave more money to charity.

The problem with peer pressure, however, is that it is premised on the assumption that there is a prestigious elite motivated to solicit business executives and to applaud or scoff as firms heed or ignore their solicitations. In the Twin Cities the elite was growing old. In 1981 the average age of the twenty-eight living members of the elite was 64.6 years, and the successors to the older philanthropic elite did not appear to have the same social credentials and interests as their predecessors. In the course of the philanthropic elite interviews, we asked respondents to give us the names of the five or six individuals they believed would be instrumental in increasing corporate contributions in the next decade. Those who received two or more votes were dubbed the new corporate philanthropic elite. We found that the new elite included a slightly smaller proportion born in Minnesota, a smaller proportion of entrepreneurs and company founders, and a larger proportion of professional managers. In both the old and new elites, 10 individuals were the sons, grandsons, or sons-in-law of the founders of their companies. However, in the old elite, 9 of these 10 offspring were executives of Fortune 500 or 50 firms. In the new elite only 3 of the 10 offspring were executives of Fortune 500 or 50 firms. Thus in contrast to the old elite, members of the new elite were either professional managers of Fortune 500 firms who had no local ties or individuals with "blue blood" backgrounds but no corporate clout.





Peer pressure is also based on the assumption that those being pressured care if they are applauded or hissed. With the shift in corporate leadership there was the danger that the executives coming into management positions might be indifferent to the prodding and applause of *local* philanthropic leaders, even if the latter were from the best families. As noted earlier, in 38.1 percent of the twenty-one Fortune 500 or 50 firms listed in 1970, the founder or his progeny had stepped down as CEO, managers with local roots were replaced by managers from outside the area, or local firms were acquired by out-of-state companies by 1980. If CEOs become indifferent to those who are soliciting their company's charitable dollar, peer pressure will be ineffective in maintaining high levels of corporate contributions.

In what may be seen as an alternative to the "old boy" network, the Minneapolis Chamber of Commerce held its first annual awards luncheon for companies that reported contributing 5 percent of their pretax profits to charity in 1976. Ever since then, Chamber of Commerce members who verify that they are giving at the 2 percent or 5 percent level are recognized by the Chamber as being in the Two or Five Percent Club, invited to a civic luncheon, and given an award in front of a public audience with press and political officials present. After a lunch and remarks by distinguished speakers, new members of this club are introduced and given a memento.

The circumstances surrounding the creation of the Five Percent Club are of special interest, because representatives of the corporate philanthropic elite were directly involved. The principals included David Koch, CEO and chairman of the board of Graco Incorporated and president of the Minneapolis Chamber of Commerce from 1975 to 1976; Charles Krusell, executive director of the Minneapolis Chamber of Commerce; Wayne Thompson, senior vice president of environmental development of Dayton-Hudson Corporation; and Bower Hawthorne, vice president of public affairs of the Minneapolis Star and Tribune Company. The latter two principals are key because their respective superiors at that time were Kenneth Dayton and John Cowles, Jr., both of whom were in the philanthropic elite and very active in community affairs. The idea for the Five Percent Club came from Krusell and Thompson, whose own company, along with the Minneapolis Star and Tribune Company and Graco, was already giving at 5 percent. David Koch has said that the "the goal of the effort was to give visibility to the success stories in the community (i.e., successful companies). It was good for business for the citizens and voters to take notice of what we do. We also wanted to justify a publicly held company doing this sort of thing" (pers. com.).

Just by giving 2 percent or 5 percent of pretax net income to charity, any firm in the community could now win the applause of significant others in the business community and share the spotlight with guest speakers who were brought in for the occasion (e.g., John D. Rockefeller, Juanita Kreps, John Filer, and Walter Haas). Now every firm had the opportunity to be applauded, and thus

every firm had some motive to give. Furthermore, by printing the names of the Five Percent and Two Percent Club members and releasing the list to the metropolitan press, the Chamber of Commerce made peer giving a public event.

We would argue that the transformation of peer recognition into public recognition effectively took social control out of the locker rooms and club rooms and put it in the public domain. Elites still acknowledge the especially generous company, but now the larger community is applauding as well. There is no second-guessing what will win a firm some applause; everyone can qualify for the honor, and the recognition one wins is citywide and extends well beyond the business community.

## Institutionalizing an Ethic of Enlightened Self-Interest

In the early to mid-1980s the business press and the management literature argued that an ethic of enlightened self-interest was alive and well in American business circles. In 1984 the *Wall Street Journal* declared that enlightened self-interest now guides corporate decisions in making donations. No longer are contributions "based on the whims of top officers, on country club connections and on tradition" (Wall 1984:1). Firms give so that their long-term interests will be served. In 1981 an article in *Fortune* stated that "few corporations engage in philanthropy because others need money, as though a corporation were a well-heeled uncle who should spread his good fortune around the family. For the most part, corporations give because it serves their own interests—or *appears* to" (Smith 1981:121, emphasis added). The argument is familiar: "Society expects business to accomplish a variety of social goals, and it must accomplish these goals if it expects to profit in the long run. The firm which is most sensitive to its community needs will, as a result, have a better community in which to conduct its business . . . a better society produces a better environment for business" (Davis 1973:313). The watchword is, "What's good for society is good for our company" (Hay and Gray 1974:140).

Although the rhetoric of enlightened self-interest has emphasized the benefits that individual firms might realize in the future, skeptics in the management literature have correctly pointed out that it is still almost impossible to measure these benefits and that espousing this ethic is still irrational from an economic point of view. For example, McGuire struggled with the problem of measuring and evaluating the profit effect of enlightened self-interest. He finally had to conclude that enlightened self-interest at best represented "a crude blend of long-run profit and altruism" (1963:143). Keim (1978) concentrated on the unresolved free-rider problems. He cites Wallich and McGowan (1970) who argue that firms may rationalize enlightened self-interest on the basis that stockholders now have diverse portfolios and thus a broad interest in the benefits that a large group of firms, even an industry, might realize if companies acted in a socially responsible way. "Thus investment decision criteria for any firm should be expanded to include consideration of a social or group rate of return in addition to a private return" (Keim 1978:34). However, as Keim points out, in actuality investors hold stock in more than one but not in every corporation. Thus for them to advise managers to use a social or group rate of return for criteria in decision making is irrational: "If investors have less than completely diversified portfolios, clearly owners would always prefer a company in which they had little or no interest to bear the cost of social investments with public or non-excludable benefits" (Keim 1978:35).

In 1978 Twin Cities business executives created a local forum—a nonprofit venture called the Minnesota Project on Corporate Responsibility (MPCR)—where corporate leaders could come together to discuss issues of corporate responsibility with each other and with people outside of business. In 1982 the goals of MPCR were (1) to provide educational programs for executives of Minnesota corporations on the changing nature of corporate responsibility; (2) to conduct forums for the exchange of ideas on issues affecting various corporate stakeholders (e.g., employees, consumers, stockholders, communities, and governments); (3) to serve as a catalyst to foster greater cooperation among business, government, and community organizations; and (4) to encourage private-sector initiatives and the formation of public-private partnerships wherever appropriate.

The early stimulus for the MPCR came in 1976 at a conference for business community leaders at Itasca State Park near Bemidji, Minnesota. At this conference, George Lodge of the Harvard Business School lectured on a "new ideology"—an ideology of communitarianism—that was allegedly sweeping across the country, and on business's failure to come to grips with and interpret this ideology on its own terms. Lodge subsequently returned twice to meet with an informal group of senior executives. A second catalyst was a conference in the fall of 1977 that featured Henry Schacht of Cummins Engine. Business and community leaders from the Twin Cities met to discuss the responsibilities of business in a changing society and to foster effective initiatives and possible programs that would reflect these responsibilities. This resulted in the creation of the MPCR steering committee headed by Thomas Wyman, then CEO of Green Giant. The first meeting of the project took place in fall of 1978.

From its inception a number of prominent business leaders have been associated with MPCR, including several Fortune 500 and Fortune 50 executives. For example, John S. Pillsbury of Northwestern National Life Insurance, Judson Bemis of Bemis, Inc., and James A. Summer of General Mills attended the 1976 Itasca Seminar, and Bruce Dayton of Dayton-Hudson Corporation, Thomas Wyman of Green Giant, and Edson Spencer of Honeywell all subsequently met with Lodge on his later visits to Minneapolis.

From 1978 until 1982, MPCR's core curriculum consisted of a base course and several electives. Until 1981, executive seminars were conducted mainly at the Spring Hill Conference Center approximately fifteen miles west of down-

town Minneapolis. The base course was a two-day seminar that focused on the fundamentals of corporate responsibility using the corporate stakeholder concept as a framework for discussion. Electives were one-day seminars and were more topical. They addressed such subjects as corporate culture, public/private partnerships, and international business responsibilities. Special CEO programs were offered from time to time, and once each year chief executives gathered for a day-long session to discuss a major corporate responsibility issue.

Indeed, in our statistical analysis we found that Twin Cities companies whose executives publicly rationalized contributions as necessary for the long-term survival of their business gave more money to charity during the period from 1979 to 1981, controlling for their pretax net income and their executives' social proximity to the old philanthropic elite. Furthermore, we found that companies whose managers espoused an ethic of enlightened self-interest tended to be firms that participated in the MPCR. Upon further inquiry we also found that the more contacts a firm's executives had with the philanthropic elite, the more likely it was to participate in MPCR's programs. Thus peer pressure appears to have been important in recruiting firms to the project's programs, but it was participation in the project and not proximity to the elite which explained who espoused an ethic of enlightened self-interest and, in turn, who gave more money to charities.

### Institutionalizing Contributions within the Firm

Since World War II, companies have increasingly retained the services of contributions officers or professionals to oversee the contributions function within firms. Prior to that, contribution-budget and allocative decisions were made mostly by the chief executive officer, one of his staff, or another high corporate executive (Bertsch 1982:7).

According to the Conference Board (Troy 1982), a staff person is considered to be a professional if she or he works full time (51 percent or more of his or her time) on contributions or has a contributions or foundation title. Troy notes that

> the most basic responsibilities of the contributions officer are screening requests, executing grant approval, and handling related correspondence, payment procedures, and record keeping. As budgets grow, budget preparation and administration, development of policy and procedures, and coordination of the work of the contributions committee and foundation board are added responsibilities.
>
> As time and staffing permit, those in fully professionalized functions develop a long-range contributions plan, and designate a part of their budget for the development of projects which they investigate and initiate. They develop a process for using the expertise of other corporate personnel in planning, proposal screening, and evaluation, and institute a program for communicating the contributions story inside and outside the corporation. (Troy 1982:3)





In the course of our interviews with Twin Cities corporations, we obtained background information on full-time and part-time contributions people. In none of the companies with fewer than two hundred employees did we find people who devoted at least 50 percent of their time to contributions or had contributions or foundation titles. Therefore, the following discussion only refers to the sixty-nine participating companies that had more than two hundred employees in 1980. Of these, we obtained information from 59 firms on the percentage of time devoted to contributions by those individuals most involved with donations. Full-time (≥ 50 percent time) were found in 32.2 percent (19) of those firms. We obtained information from 67 firms on the job titles of those primarily responsible for contributions. Staff with contributions or foundation titles were found in 29.9 percent (20) of these firms. In 34.8 percent (24) of the 69 participating firms with over two hundred employees, there were 32 people who either were working full time on contributions or had contributions or foundation titles.

Summarizing the differences between the professional and nonprofessional staff, the contributions professional was more likely to be a woman, to live in the city (as opposed to a suburb), and to have previously worked for a nonprofit organization, the government, or in the direct delivery of human services. Furthermore, the contributions professional was more likely than the nonprofessional to belong to professional associations related to contributions activities and to attend conferences on these topics.

At the time of our study (1979–82), three formal organizations served the needs of corporate contributions professionals. The first was the Minnesota Council on Foundations, a nonprofit organization which was organized in 1969 and incorporated in 1975. In 1982 its goals were to enhance and strengthen private philanthropy and to promote responsible and informed giving. More than a hundred members represented private, corporate, operating, and community foundations as well as corporations with contributions programs. The Business Action Resource Council (BARC) began in 1976 as the Council on Corporate Responsibility and became part of the Minneapolis Chamber of Commerce shortly thereafter. In 1982 its goals were to encourage social responsibility in business, to act as a forum where people who are responsible for corporate contributions can share information with one another, and to inform corporate donors of community needs and encourage their cooperation in meeting these needs. Most of its members in 1982 were contributions professionals from local Twin Cities firms. In 1982, Women and Foundations/Corporate Philanthropy—Minnesota Network was an unincorporated group of men and women who were contributions professionals or trustees of private foundations. In 1982 its goals were to increase the amount of money for programs on

behalf of women and girls and to enhance the status of women as decision makers within private philanthropy.

The significance of contributions professionals and their professional associations in the Twin Cities lies in their commitment to scientific philanthropy. This means that giving should be directed where it can have the greatest impact on social welfare. We see that Twin Cities contributions professionals tended to have a social welfare or government background. In our analysis we also found a strong zero-order correlation between the professionalization of the contributions staff and the degree to which the applications and disbursement procedures are formalized and routinized.

In the course of our research we found that the relationship between the philanthropic elite and professionalism was complex, suggesting that the latter was only indirectly affected by the former. The more professional the contributions staff, the more money companies gave to charity, independent of executive proximity to the philanthropic elite and pretax earnings. However, proximity to the elite was unrelated to professionalism, once we controlled for the size of contributions. If we were to speculate, we would guess that peer pressure gave rise to greater contributions and that the greater size of the contributions budget pressured companies to professionalize their staff. Thus while support structures outside the firm (e.g., BARC at the Chamber) were supported by leaders in the grants community, the decision to professionalize contributions staff was probably made internally by managers in an effort to routinize and rationalize this corporate function.

More importantly, we found evidence that these professionals shaped one another's priorities and those of their respective firms. In a pattern similar to that described by DiMaggio and Powell (1983), Galaskiewicz and Burt (1991) found that corporate-giving officers who were more central in their discussion network tended to recognize and have similar evaluations of nonprofit organizations in the Twin Cities. Furthermore, they found that giving officers who belonged to the same professional associations tended to evaluate nonprofits similarly. Giving officers who were in structurally equivalent positions also tended to recognize and evaluate positively the same nonprofits. Thus a system was being created whereby different funders in the community, through their network contacts, could come to some consensus as to which nonprofits should be funded and which should not (see also Galaskiewicz 1985a).

Finally, we found that nonprofits tended to receive more corporate funding in toto, if a larger number of corporate-giving professionals recognized and thought well of them. This effect was independent of the nonprofits' expenditures, the value of government grants and contracts, and the elite's use and/or service to the nonprofits. Clearly then professional roles and professional networks made a difference in this grants economy, for the perceptions and opinions of those who actively managed corporate contribution programs made a difference in the allocation of dollars to nonprofits. Once certain nonprofits became faddish in contribution circles and network contacts helped crystallize opinions about those organizations, a consensus emerged and corporate dollars were forthcoming.





### From Old Boy Networks to Formalized Patterns of Social Control

How did this flurry of institution-building relate to the loss of control of local corporations and their potential withdrawal from community affairs? As stated earlier, we believe that these formally institutionalized structures were instituted to replace the more informal elite-based social institutions that had been at the heart of the corporate grants economy. With companies becoming more corporate and less dominated by natural persons with loyalties to the local area, new ways of ensuring continued corporate support of community institutions were needed if local nonprofits were to continue to enjoy the support they had received in the past.

To illustrate, the old system operated on the assumption that primary-group networks, extending out from a set of motivated and committed business leaders, would act as conduits through which expectations would be communicated and applause and recognition would be expressed. In the new system any firm, simply by giving 2 percent or 5 percent of its pretax earning and filling out a form for the Chamber of Commerce, could win the applause of significant others in the business community and even in the community as a whole. By recognizing 5 percent and 2 percent givers, the Chamber of Commerce formally proclaimed to all that corporate contributions were acceptable, proper, and expected corporate behavior and that businesses were worthy of public acclamation because they had met this standard. Essentially public relations were to replace the recognition that cronies gave to one another in the locker room and club room.

The old system also operated under the assumption that donors would come to understand the purpose of their contributions through participation in elite subcultures. In the new system all businessmen, by participating in seminars or educational programs on corporate responsibility, could broaden their perspective on the goals of their corporations and the role that contributions should play. By institutionalizing the learning process in structures like MPCR the opportunity had been made available for all to learn about enlightened self-interest. Earlier we discussed how the MPCR was a vehicle through which executives who had been narrowly preoccupied with their firms' bottom lines could have an opportunity to understand the larger role that business plays in the community, the society, and world. This opportunity was now available to every firm; the elite were no longer the only ones privy to such insights.

Looking at our data, however, we found that companies in the center of the peer network were not more likely to embrace enlightened self-interest as a way

to rationalize contributions. This surprised us, because we expected to find some old-boy network influences on how companies rationalized contributions. However, these firms were more likely to participate in the MPCR, and companies participating in the seminars were more likely to rationalize contributions as enlightened self-interest. One interpretation of these findings is that peer-group socialization into values of enlightened self-interest had already begun to break down. The weak association between proximity to the elite and values of enlightened self-interest could be evidence of this. Instead, peer-group pressures may have been rechanneled to recruit companies into the more formally organized arenas in which they then learned the orthodoxy through group discussions, presentations, and so on. Peer pressure was still important, but its indirect contributions to the socialization process were different than we had expected.

Finally, the old system operated on the assumption that corporate executives would be solicited by their peers and actively involved in making decisions on allocations within their firms. In the new system, professional boundary-spanning personnel received written requests from nonprofit-grant writers and took an active part in directing the flow of charitable dollars. With the institutionalization of professional organizations like the Business Action Resource Council, the Minnesota Council on Foundations, and Women and Foundations/Corporate Philanthropy, formally organized arenas were created to enable these professionals to learn about improving their job performance, about community priorities, and about one another's companies.

Moving to professionalized giving may just mean the creation of a new peer network made up of the new professionals. In this network control would be exercised over members just as control was exercised by the elite over local CEOs. We presented evidence of this earlier in our discussion: nonprofits which were recognized and respected by more contributions professionals tended to receive more corporate contributions. Even more important, contributions professionals who were central or structurally equivalent in discussion networks tended to recognize and value the same nonprofits in the community. In other words, not only did these networks carry a great deal of weight and directly influence the amount of money that nonprofits received from business organizations, but they also shaped the way corporate almoners came to view nonprofits in the community.

In sum, we argue that the high level of corporate involvement in the community and changes in the control of the largest corporations in Minneapolis–St. Paul can explain why new institutional forms like the Five Percent Club, the Minnesota Project on Corporate Responsibility, and contributions professionals emerged when they did. It is also our belief that these changes were orchestrated by a cadre of business leaders who had both corporate clout and long-standing ties to the community. The former enabled them to recruit local business people into their Five Percent Club and Project on Corporate Responsibility. The latter gave them the motivation to assume the responsibility of organizing these efforts. Participants in this corporate community consciously built a new set of institutions, created a new incentive structure, formulated an ideology to legitimate these roles, and helped institutionalize corporate responsibility roles within local firms.





Nonetheless, the future of these new institutional constructs is unclear. The old constructs were successful because a business elite which had personal and professional roots in the area was motivated and involved. With the passing of the philanthropic elite, the influx of out-of-town managers, and the ever present pressures to rationalize all aspects of corporate behavior in terms of the dominant ideology—the bottom line—contributions could soon degenerate into a marketing or public relations strategy. At that juncture the contributions function would move from the community affairs department and corporate foundation into the marketing or PR department or even be contracted out to consultants. Gifts would be rationalized in terms of short-term sales instead of the long-term interest of the firm. If this happens, it would be interesting to see if institutions such as the Five Percent Club, the Minnesota Project on Corporate Responsibility, and donors' associations (such as the Minnesota Council on Foundations and BARC) fall by the wayside, redefine their goals, or continue to champion the ideals of their founders. Our research has clearly shown that an old boy network based on personal ties to corporate agents can act as an institutionalized control system that makes corporate actors behave responsibly. However, it is unclear if this new institutional order, based on motivating and controlling organizational actors, can succeed equally as well.

## Conclusion

How can the Twin Cities case help advance institutional theory? First, we found that organizations pursue strategies that serve either their long-term self-interest or immediate collective interests if the proper set of incentives are in place. Organizational behavior is not only premised on strict cost-benefit calculi and individual firm rationality. In this respect, we have confirmed an important assumption of institutional theory which states that organizations will respond to social pressures emanating from the larger society and make strategic choices on those grounds.

Second, we found that systems of social control are created and enforced by interorganizational field leaders in a rational and purposive manner. If analysts find cultural elements in the corporation which reflect larger societal values, it is not necessarily the case that they entered the organization through the backdoor, undetected. Rather, cultural elements that may even run contrary to the dominant ideology of the firm can be consciously introduced into the organization by change agents. While some may still be more fascinated by the "taken-for-granteds" which worm their way into organizations, this study shows that

conscious efforts to institutionalize meanings, values, and norms both within the organization and at the interorganizational field level are effective in changing organizational behavior.

Third, the study highlights the importance of embedding institutional analysis in a historical context and the importance of social learning. Obviously the efforts at instituting new methods of social control were in response to changing patterns of control within local firms and the role that companies had come to play in supporting nonprofits in this community. However, and perhaps more importantly, change agents were aware of developments in other cities and communities which had seen their firms taken over by outside interests and influences and their interest in the local community wane.

Fourth, our results exemplified the difficulties of doing causal analysis within the institutional framework, particularly when the interface between the micro- and macro-orders is complicated. At the microlevel we noted that companies were responsive to the peer pressure and selective incentives of the corporate philanthropic elite. We noted how individual executives searched for ways to motivate greater contributions, attended meetings, and sponsored new associations. We noted how contributions professionals "networked" among themselves and how this influenced their perceptions and evaluations of nonprofits in the community. At the same time, at the macrolevel we noted the publicity which local corporations and the Twin Cities were receiving in the national press, the dependency of local nonprofits on corporate contributions, and changes in the control of local corporations. It becomes confusing when trying to offer a cogent explanation of why these systems of social control were institutionalized when and where they were. One cannot focus solely on the microlevel or solely on the macrolevel variables. Both are important, and both have an interactive effect on outcomes. As institutional theory attempts to build holistic theories of organizational behavior, it will increasingly be forced to craft models that incorporate elements of both social orders.

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