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**BUSINESS LEADERSHIP
COALITIONS**
*Building Communities
Together*

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BUSINESS LEADERSHIP COALITIONS

Building Communities Together¹

Business leaders play an important leadership role as community-builders. In most major cities they have joined together to create Business Leadership Coalitions (BLCs) to exercise their collective capacity to build stronger communities, for example, Cleveland Tomorrow, New York City Partnership, Central Atlanta Progress, Minnesota Business Partnership, Detroit Renaissance, Boston's Vault, or the Pittsburgh region's long-standing Allegheny Conference on Community Development. These BLCs are often the principal vehicle for business leaders to collaborate with the public and nonprofit sectors to address major problems and needs facing the community. It is important to understand the value BLCs bring to community-building, the motivations of leaders to engage with BLCs, their effectiveness determinants, and what the private-public partnering paradigm will be like in the 21st century.

THE BLC DIFFERENCE

The revitalization of cities and the strengthening of communities require actions in the economic, physical, social, and political spheres. BLCs' efforts throughout the nation have contributed significantly on many fronts, as exemplified below in what is but a small fraction of the initiatives in which they played a critical role:

- ***Economic development.*** Cleveland created a \$30 million venture capital fund to foster new business growth to replace their dying rust belt industries. New York launched a \$60 million investment fund to finance and develop companies in the city's boroughs and created a summer employment program that generated cumulatively 50,000 jobs for youths.
- ***Infrastructure.*** Pittsburgh developed two new sports stadiums and expansion of the convention center. Atlanta, Boston, and Detroit led major efforts to revitalize their downtowns with large office and commercial developments. Cleveland did sports and entertainment complexes.
- ***Housing.*** New York's Housing Partnership developed 14,000 affordable housing units in five boroughs and fostered community-based and minority home builders. Cleveland created a \$50 million fund for low and moderate income housing in the neighborhoods as well as downtown warehouse conversions into upscale apartments to attract professionals back to the center city.
- ***Safety.*** Atlanta connected the communication and deployment systems of public police forces and private security guards to enhance crime prevention in the downtown area. Twin Cities corporations led an initiative to coordinate the efforts of

¹ The author expresses his appreciation to Arthur McCaffrey, Prakash Puram, Stephanie Woerner, Linda Carrigan, and R.H. Lubit for their outstanding research assistance.

law enforcement agencies and community groups in crime reduction that resulted in a dramatic decrease in the homicide rate.

- **Education.** Boston provided a major scholarship program, Minneapolis a job readiness program, New York a principal preparation program, and Cleveland a reform planning effort.
- **Environment.** Pittsburgh and Cleveland engaged in major and early efforts to reduce the pollution that had poisoned their air and waterways.
- **Governance.** The Allegheny Conference on Community Development (ACCD) spearheaded a reform of the county governance system that had impeded effective collective action.
- **Planning.** The ACCD, Cleveland Tomorrow, and Central Atlanta Progress have actively engaged in formulating development strategies for their regions.

THE BLC VALUE PROPOSITION

What do BLCs bring to the community-building table?

Show me the money! Businesses have a distinctive capacity to mobilize money. They are social venture capitalists. As one leader of Detroit Renaissance stated, “We look at where there needs to be some money, we get the money, we start the project, and then we spin it off.” BLCs’ members generally constitute the cities’ major corporations and therefore have direct capital access. Often the BLC companies will put forth the up-front capital that then elicits additional funding from other private or public sources. As early capital providers they reduce other investors’ risk aversion. For example, Cleveland Tomorrow companies put up \$10 million to spark the creation of the \$30 million Primus Venture Capital fund to foster new businesses of offset the region’s declining heavy industry base. Primus subsequently expanded into a \$300 million fund and attracted other VCs to the area. These BLC companies also provided \$20 million as advance payments for box seats in Jacobs Stadium to help attract the additional financing to complete the Gateway Sports Complex in downtown Cleveland. BLCs have often used their entrepreneurial finance acumen to create new types of investment fund vehicles to channel resources into new business ventures, downtown real estate development, housing, and sports complexes. The New York City Investment Fund created in 1996 raised \$79 million from over 50 companies, each donating or investing on a no return basis about \$1 million. The Fund’s initial investments in 20 New York companies attracted an additional \$300 million from other sources and promise to generate over 3,000 new jobs.

But there’s much more than the bucks. Money is critical for urban revitalization, but BLCs bring other critical inputs, particularly their entrepreneurial and organizing capacity. Sometimes the BLCs generate the ideas for a particular project, but often the more important contribution is the planning and organizing of the undertaking. This is what businesses do all the time, so it plays to their institutional strengths. Reinforcing this is the BLC’s credibility and convening power. One Board member of Central Atlanta Progress stated, “We act as a convenor and we also use the power of information.” BLCs often have relatively greater capacity to gather and analyze information relevant to

problems and solutions. The CEOs in the BLC have preferred access to the rest of the business community and generally also to the major public officials (depending on the political winds) and social leaders. The BLC's promotion and endorsement of an initiative elicits serious attention. This BLC network represents a pool of additional institutional, economic, and human resources. Frequently, the BLCs' key input is management knowledge and systems. In Cleveland in 1979 the business community, at the request of newly-elected mayor George Voinovitch, mobilized over a hundred executives to modernize the city's administration, resulting in annual savings of over \$40 million.

Politicians may come and go, but business will continue to be there. The BLCs also strengthen the community-building process by bringing continuity of presence. A spokesperson for Central Atlanta Progress commented, "Much of the progress would not have happened were it not for the involvement of the business community through an organization like ours, because politicians come and go. Unless you have a business community in an organization that can represent it over time, and to have what they call the big mules of business out there behind you, many of these things would not have occurred. Fortunately we have a very civic-minded business community. This organization is a way for the business community to represent themselves in a more consistent, competent, and continuing fashion over the course of many years to assure that there is this partnership between the public and private sectors."

Collaboration is synergistic. The collective capacities assembled in BLCs are greater than the sum of the individual participating businesses. This collaboration synergy was seen by David Koch, former CEO of Graco and chair of the Minnesota Business Partnership, as emerging because there are some things that a single organization cannot do by itself and that coalitions of business leaders are valuable for "the interaction, the ideas, the can-do spirit that develops." A Central Atlanta Progress board member observed, "Major representatives from big institutions give CAP a lot of strength. It's not that they are necessarily strong enough and big enough and powerful enough in their own right to get something extraordinary done, but the fact that they are all around the table making decisions and signing off on projects makes things happen." Robert Kiley, CEO of the New York City Partnership, pointed out that the solution of major problems facing the cities require collective engagement by the business leaders: "Unless they get into it not just with their money but with their smarts and their leverage as powerful people, these problems don't get dealt with very well."

THE MOTIVATORS FOR ENGAGEMENT

Multiple motivators can bring business leaders to form BLCs and engage in collective service to their communities, including the basic social contract, crises, culture, and the business and personal benefits.

Shareholders & stakeholders make good traveling companions. BLC leaders have come to see the community as a primary stakeholder and community building as in the interest of their shareholders. Larry Perlman, CEO of Ceridan Corp. and member of

the Minnesota Business Partnership's Executive Committee, put it this way: "A corporation in this world today carries with it a responsibility broader than just running the business every day. That business in any of these communities will not endure in a society that's not functional, so in a sense it's the most effective form of long-range strategic planning you can engage in." Perlman testified in Washington, D.C. that the best corporate strategists marry conscience and profitability in a union that builds stronger community and a better work force. David Koch also of MBP added, "Companies have to take an interest in the community. You can't be in a fortress and not be involved. You can't survive, you can't prosper in an area where there's chaos, crime, poverty, and where the education system is lousy." The President of Honeywell Foundation in Minneapolis, Patricia Hoven, put it succinctly: "The communities have to work or businesses can't function." Del de Windt, former CEO of Eaton Corporation and founding member of Cleveland Tomorrow, commented, "I preached in my company that business leaders had an obligation to get involved in their community. A healthy, happy community will be far more beneficial to our business than one where there's all sorts of unhappiness and conflict."

Crises can trigger collaboration. Several of the BLCs had their roots in crises that catalyzed the business community into collective action. Boston and New York's fiscal crises and Cleveland's actual bankruptcy mobilized business leaders. The anti-business positions of Boston's and Cleveland's mayors at that same time also coalesced the business leadership into political activism as they successfully supported opposition candidates disposed to collaborate rather than to confront business. Detroit Renaissance was formed in the aftermath of the inner-city riots in the late 1960s.

Cultural norms can cultivate service. Some cities appear to have a long history of civic activism by business leaders that has embedded community service into the local business culture. Minneapolis exemplifies this. The early business pioneers that immigrated from the east coast and founded companies such as General Mills, Pillsbury, and the Great Northern Railroad all helped develop the community's cultural, social, and educational institutions. Corporate philanthropy was strong, as exemplified by the Dayton-Hudson Corporation leading in the founding of the 5% Club, a BLC of companies pledging 5% of their pretax profits to philanthropy. In 1997 the Twin Cities (Minneapolis and St. Paul) United Way campaign raised \$77 million vs. \$54 million in Los Angeles with a five times larger population.

James Campbell, President of Norwest Bank Minnesota, characterized it this way: "There's something magical here, a feeling of responsibility, of giving back to the community and making everyone's life better. It is an ingrained expectation. Also there is an Olympic kind of spirit since we are the private sector. Every year we raise the bar since we want our city to win the race in every aspect. Even the non-Minnesotan executive who comes to this city to lead a global corporation feels the incredible involvement of business leaders here have. There is an inescapable expectation that every CEO must be involved in making this a better city, a better community, the best in the nation." Judy Corson, co-founder of Custom Research, Inc. (a Malcolm Baldrige award recipient), observed, "A lot more gets done here fast because the learning gets

passed down from generation to generation without any mutation. Business leaders are ready to help each other.” Business engagement in the community is not simply a matter of cultural determinism, but service norms can be powerful forces shaping leaders’ behavior.

And there are company and personal benefits to be harvested. The community-building activities of business leaders accrue benefits to their companies and to the individual participants. In the intensified global competition for talent, the quality of the community can be a deciding factor. Morton Mandel, former CEO of Premier Industrial Corporation and a founder of Cleveland Tomorrow, explained that the BLC’s activism was “fueled by our growing concern about the image Cleveland had nationally and internationally, and the impact of that image on how people might feel about joining our companies or relocating to Cleveland.” Marilyn Carlson Nelson, CEO of the \$20 billion Carlson Companies, observed, “The quality of life here in the Twin Cities and in Minnesota is the differentiator for us. It is what attracts the best and the brightest and keeps them here – even in the month of February! In this environment we have all needed to create an extra edge for our community and ourselves. We cannot continue to be a national leader in problem resolution, in creative thinking, in product development if we do not keep an eye on our quality of life.” At General Mills, like other Minnesotan-headquartered companies, community service was an integral part of the corporate culture where, according to former CEO of the General Mills Foundation James Shannon, the eleventh commandment was “Thou shalt serve.” He explained that when a new VP comes into General Mills he or she gets some instruction: “You can use your time as you choose, but we want a report from you that you are actively engaged in the community. The community has been good to us, and we want to be good to the community.”

On a personal level, business leaders gain from community engagement. General Mills CEO Steve Sanger pointed to three benefits: “One, you find that you can really contribute; two, you meet other people in the community that you enjoy interacting with, learning about, and getting to know; three, I’ve found that the time spent on problems away from the direct business problems is helpful in giving you a broader perspective that helps you become a better leader within your organization. I tell people here all the time, we support your volunteering not just because we know you’ll help the community, but because we believe that volunteering helps you be a better leader.”

BLCs IN ACTION: THE EFFECTIVENESS DETERMINANTS

Multiple factors determine the effectiveness of BLCs, including leadership, strategic focus, organization, and context.

BLCs can have their ups & downs. BLCs, like any social enterprise, can rise or fall depending on how well it is led and managed in its specific context. There is nothing automatic about effectiveness; it is created. Some BLCs, such as Cleveland Tomorrow, have demonstrated a steady development, growing accomplishments, rising recognition,

and an expanding agenda.² Others, such as Detroit Renaissance and New York City Partnership, have started strong, faltered for various reasons, and then worked to regain momentum and effectiveness. Others, such as the Boston Coordinating Committee, were unable to recover and slipped out of existence.

It's all about leadership. The BLCs have generally been started by a small number of prominent business leaders with courage and dedication stepping forward to mobilize colleagues into action. David Rockefeller, the founding chairman of the New York City Partnership, stated, "I think the most important thing is at least a few individuals who are respected in the community are willing to spend time themselves and are willing to persuade others or comparable stature to join them. It won't work unless a strong nucleus of really senior people is willing to give time." A staff member of Detroit Renaissance observed, "Our current chairman is Bob Eaton from Chrysler and he's been just phenomenal. He has reinvigorated the auto's interest in the City of Detroit. He comes to every meeting and if he can come, then the other autos can come." General Mills Chairman and CEO Steve Sanger echoes the importance of leadership-by-example: "When you see other people you respect and work with giving their time to volunteer efforts, you get the attitude, 'if it's good enough for them, it's good enough for me.'"

Leadership by persuasion and by example can mobilize peers to join an effort, but maintaining their engagement takes more. Robert Gillespie, Chairman and CEO of Keycorp, and Chairman of Cleveland Tomorrow presented a basic challenge of trying to lead leaders: "One problem when you put together a leadership coalition of people who run *Fortune 500* companies and people who have been elected to important political offices is their tendency to think they all know the right answer. Getting high profile-people to join up without necessarily being in charge is something of a trick." New York City Partnership CEO Robert Kiley states the task succinctly: "How to engage the psychic energy of people with large egos and tremendous records." James Colville, the President of the United Way of Minneapolis, commented on his approach to engaging business leaders: "The real value added is that people who give time and money are more connected than people who just give money. The thing that makes our UW effective is my ability to draw the best minds in town together and think about something. I customize their engagement to what they like to do, whatever their talents and interests happen to be." Business leaders are results-oriented. Sanger reflected, "If I feel I'm really adding value, I'm a lot more inclined to devote the time than if I feel I'm taking up space at a board meeting, eating a sandwich, and going home." ACCD Chairman Richard Simmons commented on his approach in board meetings: "If you want busy and important people to be involved, you can't just have them come in and listen. You've got to allot less time for presentations and more time for discussion, because then it gives people a sense of ownership."

When BLC leadership, either board or staff, falters, the organization can stall, which is reportedly what happened to the New York City Partnership (NYCP). Although

² For more details, see James E. Austin, "Business Leadership Lessons from the Cleveland Turnaround," *California Management Review*, Vol. 41, No.1, 1998.

it started strongly and launched the successful summer jobs program for disadvantaged youth and New York City Housing Partnership, it was bedeviled in the late 1980s to the mid 1990s by weak or the wrong type of staff leadership and also by the withdrawal of some companies that moved out of New York City. CEO attendance fell off or subordinates were sent as substitutes. Commitment erosion set in. As one staffer put it: "The institution almost went out of existence." Resuscitation of NYCP only began with new executive leadership from Robert Kiley in 1995 and the creation of an invigorating new initiative, the New York City Investment Fund led by financier Henry Kravis and managed by Katherine Wylde, who previously led the Housing Partnership. Richard Parsons, President of Time Warner, assumed the NYCP chairmanship, providing new leadership from the board side.

Achieving strategic focus is critical. BLCs in different cities have adopted different action agendas, reflecting their particular situations. Some concentrate on policies, some on projects, and others on process, or a mix of the three. Although a common strategy is not essential to effectiveness, strategic focus is.

- Cleveland Tomorrow's first executive director, William Seelbach, emphasized the importance of focus: "We said that we were not going to be successful if we tried to do a hundred things. Initially, we had four or five programs that we focused on, to the exclusion of all others." These centered on new business development and job generation to replace the declining heavy industries. Cleveland Tomorrow's successes attracted a multitude of requests from other organizations for new initiatives. One BLC member remarked, "If you allowed it, Cleveland Tomorrow would be tackling every issue that came up in the community. And pretty soon, it's accomplishing nothing." This BLC retained focus by adhering to three criteria: the criticality of the problem, Cleveland Tomorrow's distinctive ability to address it, and the likelihood of success.
- Honeywell chairman and CEO Michael Bonsignore echoed the power of focus: "The Minnesota Business Partnership (MBP) is successful because it has kept its agenda fairly narrow. When we have something to say, people sit up and listen."
- Central Atlanta Project's Chairman Duane Ackerman, Chairman and CEO of BellSouth, emphasized the need "to have the team keep our shoulder to the wheel and provide a steadfast, unwavering focus on public safety, housing, and economic development" in downtown Atlanta. Another CAP board member added, "Organizations exist to do something. The ones where the reason sustains itself are going to do better than those that are just looking for things to do. And CAP doesn't have to look for things to do."

These BLCs have also been able to retain focus because other BLC and community organizations exist that concentrate on other important issues. For example, in the Twin Cities the United Way is the primary other BLC vehicle business leaders use for social service needs, allowing the MBP to focus more on policy issues affecting economic climate and labor force development. Similarly, The Greater Cleveland Roundtable fosters greater racial and ethnic harmony and collaboration. The Atlanta Chamber of Commerce deals with a larger number of companies and issues beyond CAP's downtown focus. The same business leaders often participate in multiple BLCs in

their community. Although this dividing up of the civic and business agenda enables specialization, overlaps can cause frictions. For example, some Atlanta business leaders have questioned the necessity of paying dues to both CAP and the Chamber. One CAP board member stated, “My fear is that the downtown area would be buried among other agenda items and other priorities if CAP were incorporated into the Chamber. You can’t do that. The city will die. I like the single focus.” In New York City the tension between the old Chamber (chartered in 1770 by King George III) and the new New York City Partnership was resolved by merging them in 1996. This resulted in an agenda encompassing traditional business lobbying functions and the civic social purpose activities. In Minnesota the MBP siphoned away the larger company CEOs from the 118 year old Chamber of Commerce, which had the positive effect of allowing CEOs of smaller companies to find a BLC leadership role in the Chamber.

If a BLC loses focus it can lose its way. Such happened to Detroit Renaissance. This BLC, founded in 1970, began with an emphasis on infrastructure projects aimed at revitalizing downtown Detroit. In the late 1980s, recounted a staff member, “We really couldn’t proceed with bricks and mortar projects because we weren’t getting cooperation at the city level. So the CEOs decided to try improving the quality of life, to enhance what was happening in the city. We started essentially becoming an events organization, bringing in events like the Detroit Grand Prix, and jazz and ethnic festivals. In 1990 the board took a good long look at what was happening, and what we were doing was using CEO experience and talent to produce events. And that wasn’t the best use of their time. Or frankly, their money. The questions arose, ‘Is this what we should be doing? Do we even need to be here anymore?’” This led the BLC leadership to spin off the events and undergo a major restructuring of the BLC and a refocusing of strategy on economic development. A change in mayors also created a more receptive environment for collaboration on urban redevelopment projects. Detroit Renaissance hired a new president who “is a very focussed, very strong leader who doesn’t let us stray at all. We always come back to ‘Is this what we should be doing? Is there another organization that would be better at it?’ There’s a deep personal commitment to get the job done. But there’s also a deep commitment to not lose focus, because we saw how quickly what could happen when we lose focus.” Detroit Renaissance now appears to have found its way again after refocusing its mission toward economic and physical development of the cities.

Because of the enormity of cities’ needs and BLCs’ potential to contribute across a wide range of these needs, there is a constant risk of BLCs losing focus and diluting efforts. For example, Richard Cavanaugh, CEO of the Conference Board and NYCP board member, paraphrasing a progress report on the partnership in the early 1980s by the McKinsey consulting group, cited problems of “too many projects, unclear priorities, and need for business focus.” In Pittsburgh, the Allegheny Conference on Community Development Chairman Richard Simmons recalled in 1998 that in the 1980s ACCD’s efforts were “disjointed, weren’t focused—we did anything anybody asked us to do.” Stronger BLCs are learning organizations. They gain knowledge from their and others’ experiences and adjust their strategies and organizations to improve their effectiveness. In 1990 Vincent Sarni assumed the chairmanship of ACCD and in 1991 streamlined the

agenda to four regional issues: education and workforce development, regional development, civic organization, and public governance, which have guided the BLC ever since. A subsequent ACCD chairman, Thomas O'Brien, commented that the adherence to the agenda came from learning "to do those things that you think you can handle—influence the outcomes to make the place better." It is instructive to note that when the Cleveland Tomorrow leaders were forming their BLC in the early 1980s they visited ACCD (formed in 1943) to learn from their experience, and in the 1990s ACCD went to Cleveland to learn from this newer BLC's progress. Atlanta's CAP traveled to Miami and Detroit to learn how they dealt with their homelessness problem and to Manhattan to study their community court system. Said one CAP staff member, "Like any good planner, when we see a good idea we steal it."

Organization can make the difference. The stronger BLCs have permanent organizations with high quality, deeply committed professional staff. Del de Windt, founding chairman of Cleveland Tomorrow, explained that their purpose in establishing a permanent organization was to ensure the on-going engagement of the business leaders. The alternative of mounting ad hoc projects ran the risk of evaporating interest and recurring start up costs. Cleveland Tomorrow has succeeded in institutionalizing participation as multiple generations of CEOs from the member companies have continued to serve on the BLC board. The effectiveness of the CEOs is significantly affected by the quality of the staff support they receive. The CEOs' time is the scarcest resource in the equation and so leveraging that time through efficient and productive management of information, meetings, and assignments is essential. Central Atlanta Progress supplements its permanent staff with loaned executives, who bring extensive business experience and valuable connections.

One of the issues present in BLCs, like all social enterprises, is the relationship between the professional staff and the volunteer board. Some BLCs appear to be more staff-driven and others more CEO-driven. ACCD Chairman Richard Simmons, who is also CEO of Allegheny Teledyne, states that ACCD is CEO-driven: "The staff presents policy alternatives to the board, the board makes the policy decisions and then has them executed by the staff. David Brownlee, counsel to ACCD, sees the following merit in this approach: "The board members bring a discipline from their everyday jobs in the business world. This produces a rigor, and planning, and a statement of objectives and evaluations strategies. They force the staff to think systematically about exactly what we do and where we were going." Cleveland Tomorrow's Executive Director Joe Roman stated, "We don't let anybody get involved in anything on a staff basis until there is a CEO who says, 'I'll take this on for three months.'" Atlanta's CAP, in contrast, has had several very strong executive directors under whose leadership the staff's role became much more dominant. Detroit also characterized itself as "primarily staff-driven" with 80% of the projects coming from and led by the staff. However, this characterization was qualified by the fact that the most of the information for the work plan came originally from staff interviews of each of the board members regarding their ideas of the role and needed actions of the BLC. It appears that the optimum is a partnering relationship between the board and staff in which good communication and high mutual confidence prevails.

Kathryn Wylde, who headed the New York City Housing Partnership and is the current President and CEO of the New York City Investment Fund, explained that its approach is to engage the interests and expertise of board members directly in the process of project development. This results in “a human bridge where there’s real direct interface between board leadership and the institutional support structure, as well as the individual leaders on the board, with the work of the organization.”

An exception to permanent organization and staff approach was the Boston Coordinating Committee, known popularly as the “Vault” because its original meeting place in the old Boston Safe Deposit & Trust Co. basement cavern with a steel vault. Formed in 1958 by primarily 10 bank and insurance CEOs, The Vault expanded to about 40 CEOs at its peak and had an executive secretary but no formal organizational status or permanent staff. The BLC was fundamentally run by whichever business leader assumed the chairmanship. He would bring in one of his vice presidents to be the staff director. The BLC’s resources and expertise helped the city of Boston avert near bankruptcy in 1959. The newly formed Vault successfully supported the mayoral candidacy of John Collins whose upset victory ended an era of strained relations between the business community and City Hall. This launched a period of active collaboration and regular meetings between the BLC and City Hall and led to a period of major rebuilding of downtown Boston. The Vault functioned “as a kind of behind-the-scenes Cabinet.”³ The BLC’s next mayoral candidate in 1967 was defeated by Kevin White, and according to John Gould, executive vice president of Shawmut Bank and former executive secretary of the Vault, the BLC went “underground.” In spite of its reduced influence at City Hall, the Vault continued to be proactive on several fronts and once again helped bail Boston out of fiscal crisis in 1976. Instead of pronouncements from on high, the Vault had to engage in more collaboration and consensus building.⁴ In the 1980s the Vault became more visible, a big shift from its “semisecret, elitist, twice-a-month meetings around the downtown mahogany table.”⁵

But the ensuing years found the power and initiative shifting more to City Hall. The BLC was playing a role more at the invitation of the mayors than vice-versa. CEO and philanthropist John Cullinane remarked, “Whereas 30 years ago a bunch of leading business types might meet in the Vault and call the mayor up and ask him to attend, now it’s the other way round...The guys in the expensive suits no longer call the shots.”⁶ The consolidations in the financial services industry in the 1990s reduced the traditional Vault membership and the newer high tech firms located outside of Boston did not have the same sense of connection or collaboration as the Boston-based businesses. Without a permanent organization and staff, the Vault had limited capacity for institutionalizing service in the Vault. Its years of secrecy also reduced its visibility and possibly therefore its perceived prestige and influence. Furthermore, other BLC type organizations had arisen, some created by the Vault. Members of the Vault were finding themselves

³ *Boston Globe*, 6/20/96.

⁴ *Boston Business Journal*, 10/20/86

⁵ *Ibid.*

⁶ *Boston Globe*, 6/20/99

participating in many of these other organizations, thereby raising issues about the Vault's lack of purpose and relevancy. In April 1997, John Hancock Mutual Life Insurance Company CEO Stephen Brown, then Chairman of the Vault, citing lagging attendance, clanged shut the doors of the Vault.⁷ This BLC died, but collective business leadership survives. Successors to the Vault appear to have emerged, primarily the Boston Private Industry Council, which together with the Greater Boston Chamber of Commerce and the Boston Municipal Research Bureau represent a coalition of regional corporations with a strategic focus on improving education and employment. A particular BLC may not survive, but others will arise to fill the collective leadership vacuum.

BLCs use various involvement and implementation models. Most characterize themselves as catalysts that foster new organizations and then spin them off. CAP sees itself as "a catalyst to make things happen in the central business district." It does not implement projects, but rather identifies key issues, mobilizes resources, and convenes the appropriate players to carry out the needed actions. Cleveland Tomorrow's former chairman and Chairman CEO of LTV Steel, David Hoag, stated, "We support, we convene, we initiate. But we are not the out-front group. We start a group and fund it for a period of time, and when they are moderately successful, they fly on their own." In contrast, two of New York City Partnership's most successful initiatives, the New York City Housing Partnership and the New York City Investment Fund, were retained and run as affiliated organizations. In both instances, the business executives were actively engaged in interacting with the community participants and utilizing their business competencies. Katherine Wylde, who headed first the Housing Partnership and now the Investment Fund commented, "What we are trying to do is to create a mindset that says it's okay to come to a community meeting with your business hat on. It is in fact useful for creating the next generation of neighborhood institutions and relationships."

Some BLCs have standing committees related to each of their strategic agenda areas. Others use task forces or ad hoc committees to take on specific assignments. These mechanisms have the virtue of being task-focused and of fixed duration, which often appeal to the action and results-oriented CEOs. It is also important to note that many CEOs are additionally involved in nonBLC community service activities. Bill George, CEO of Medtronic and MBP board member, remarked, "Business leaders in this community work together in a lot of organizations, and there's a tremendous amount of interlocks. There are many vehicles." The BLC, in effect, is part of a business leader's portfolio of community engagements. The BLC often reinforces initiatives begun by an individual company, with other corporations in the BLC network joining in.

Context matters. The operation and effectiveness of a BLC is significantly shaped by contextual economic, social, political, and demographic factors.

- **Economic.** The rust belt cities of Detroit, Cleveland, and Pittsburgh all lost hundreds of thousands of jobs between 1960 and 1990. The destruction of their traditional economic base was much more severe than cities such as

⁷ *Boston Globe*, 2/9/99

Atlanta and New York with more diversified economies. The nature and magnitude of the economic needs to be addressed by the BLCs vary significantly and influence BLC strategy, priorities, and resources.

- Social. Minneapolis's relative racial and ethnic homogeneity (95% White) stands in stark contrast to racial divides that exist in other major cities such as Atlanta, Cleveland, and Detroit with nonwhite majorities. This poses more complicated social dynamics and collaboration barriers.
- Political. The presence of mayors that are anti-business or that have stronger alliances with other sectors creates significant challenges to BLCs, causing shifts in strategies and tactics and influencing how proactive, reactive, or inactive the BLC will be. For example, Mayor Dennis Kucinich in Cleveland or Mayor Curley in Boston were openly antagonistic toward the business community, which spurred them to actively and successfully recruit and support opposition candidates, who once elected enabled very proactive collaboration between the sectors. The deteriorating relationship between Detroit Renaissance and Mayor Coleman Young over the years led the BLC to divert its energies from collaborative development projects to less complex and more unilateral event sponsorships. Only with the entrance of the current mayor Dennis Archer with his collaborative orientation did the BLC begin to build again a stronger partnership.
- City Size. The size of a city can create quite different collaboration conditions, as is evident from "The Big Apple Difference." Whereas in Minneapolis or Cleveland most of the business leaders know one another and often interact socially, in New York this is frequently not the case. The sheer magnitude and complexity of the City also means that many more business and civic organizations exist, with accompanying complications of turf and coordination.

THE PRIVATE-PUBLIC PARTNERING PARADIGM: MAKING COLLABORATION WORK

There are new realities and expectations fueling this new set of relationships. These dynamics raise basic questions for BLCs about who should participate in the process and how. Certain principles appear central to achieving effective cross-sector collaboration.

The cross-sector collaboration imperative. There is a growing recognition that the increasing complexity of socioeconomic problems facing our cities exceeds the capabilities of any single sector to solve it. What might have been seen before as clearly the government's domain, for example, public education or public safety, is being recognized as also requiring inputs from both the business and nonprofit sectors. Honeywell CEO Michael Bonsignore observed, "Unless you have the business community deep in the middle of it, it will never be realized to the degree that it could be, I am extremely confident in PPPs because they tend to be very complementary. And

without them you lose momentum that you would otherwise have.” ACCD’s Washington and Danforth, stated, “You can have a really powerful business sector, but you can only go so far without political support. You need to have a two-way street.” Robert Gillespie, head of KeyCorp and Chairman of Cleveland Tomorrow, reinforced this judgement, “We think that public-private partnership is the answer. I don’t know of any of my peers who think any of this could have been done by the business community alone. If you don’t have that kind of partnership, you shouldn’t bother trying, because it simply can’t be done.”

Each of the sectors is facing heightened expectations from society. Businesses are increasingly being seen as sharing the responsibility for resolving broader community problems as part of their privilege of operating a business. Government, faced with eroding confidence, is under pressure to perform public functions more effectively, efficiently, and transparently. And the nonprofit social sector organizations are facing increasing demands to produce demonstrable results and make more efficient use of the philanthropic capital invested in them. Going it alone is on the list of endangered strategies.

How big the tent? Scrutinizing the issue of who is to participate in the collaborative undertakings and how reveals important shifts in the nature of PPPs. It was common in decades past for BLCs to exercise power secretly with their government counterparts. CEOs striking deals with mayors and governors in smoke-filled rooms behind the guarded doors of private clubs has been disintegrating as the normative decision-making model. As Thomas O’Brien, former Executive Director of Pittsburgh’s ACCD stated, “It’s not like the old days when banker Mellon and Mayor Lawrence would get together and just do it. You need to draw a much larger consensus to get things done. Now in the 90s it’s a different set of circumstances.” ACCD Chairman and Allegheny Teledyne CEO Richard Simmons recounted that in the 90s a number of the CEOs decided that “this ‘club’ was too exclusive, not diverse enough. It had no African-Americans, no women, no lawyers, no accountants, no foundations, or community representation.” The result was an expansion of membership to 35 with a goal of 60, resulting in “a whole cross-section of the community being represented, so that the Conference is now more populist and diverse.” O’Brien added, “The real challenge is to broaden the participation to those sectors that are creating and driving a lot of the growth, and at the same time not to dilute the power or the effectiveness of the Conference.”

Atlanta also focused on expanding its sphere of influence by, as CAP Chairman, Duane Ackerman, Chairman and CEO of BellSouth, put it, “building a bigger tent.” Long time CAP Vice President Paul Kelman explained, “If you want to attract diversity to the organization, then you may have to compromise on some of your organizing precepts. And if you do not have some degree of diversity, you will be roundly criticized and perhaps deservedly.” The consolidation of businesses has also meant that some members are the top executives of their companies in the area, but not the CEO. Kelman also noted, “Having three university presidents on our board really violates the notion that one has to be a business person to be on board or even to be a member. But the reality is that universities and foundations are big businesses.” Charlie Battle, the current

CAP President, remarked, “We have a much broader membership now. We are not just downtown organizations and we have everybody from huge corporations to nonprofits that are members. I don’t know why—it just sort of happened. You have to put together those kinds of partnerships to make things happen.”

In contrast to these broadening tents, when Detroit Renaissance reorganized in 1991 it shrunk its tent. It removed political, civic, and media leaders to become a purely business BLC with 48 CEOs, with the Executive Committee drawn from the big auto, banking, and utility corporations that constitute 2/3 of the membership. Cleveland Tomorrow has also kept tight hold on its original CEO-only focus, choosing to preserve the internal membership homogeneity but interacting actively with other organizations. Many of its members also serving on the boards of other community organizations.

Partnering principles and processes for the New Age Alliances. In addition to the imperative of having meaningful participation that was just illustrated, there are other principles that should guide the multisector alliances emerging under the new social contract. Three dimensions are particularly critical: building relationships, creating value, and achieving accountability.

- **Ensuring participation.** Although a broadening of membership in the BLCs appears to be a clear trend, perhaps even more important is the sense of participation that other members of the community have when interacting with the business leadership. For example, in 1987 Detroit Renaissance proposed a needed strategic plan to tackle comprehensively the city’s social and economic problems. Mayor Young took umbrage at the BLC’s unilateral presentation of the plan, as it made his administration appear to be lagging in leadership. Consequently he never supported the effort.

The importance of participation dynamics is also well illustrated by another business leadership initiative, The Atlanta Project (TAP), which was started in 1991 with the active support of former President Jimmy Carter and the Carter Center. This effort aimed to create partnerships between leading corporations, universities, and specific neighborhoods in metropolitan Atlanta. TAP was quite distinct from the existing BLC CAP, although some of the corporations participated in each and the executive director of CAP left to head up TAP. President Carter’s active promotion of TAP generated enthusiastic corporate support, much publicity, and high expectations. By 1996, however, progress had failed to match hopes and only 10 of the 30 initial corporate sponsors continued with their community initiatives. Doug Greenwell, Executive Director of TAP during the 1996-1999 phase explained that the good intentions and projects of the corporate initiators exceeded the absorptive capacity of the neighborhoods: “We believe that for there to be any significant social change in the neighborhood, that the people that live there have to decide what that is going to be, and they have to be the ones who participate in making those changes.” Consequently, phase II of TAP shifted its strategy dramatically toward “building

community capacity.” In effect, money, corporate skills, good intentions, and positive “can-do attitude” will not work if extended unilaterally without the active engagement of the community to ensure buy in and implementability. The corporations that did continue on in TAP II, such as UPS, Ford, Delta, IBM, Sprint, Georgia Power, Turner Broadcasting, and Sun trust Bank, developed deeper partnerships focused on problems identified as high priority by the neighborhoods. As Greenwell put it, “TAP made everybody smarter.” A CAP member provided his perspective: “Nothing works without a wonderful joined-at-the-hip public/private partnership. All the money available to man is useless if you don’t have the elected official support to make it work. You have got to be able to deal with these issues together.”

- **Building bridges.** The new partnership bridges between business and government and nonprofits do not just happen. They are built. As David Rockefeller put it, “I think that one has to make an effort to get to know the leaders in government, and make them feel that you’re not there as supplicants, but that you’re there as citizens who are trying to work with them in jointly doing something to improve the city and the state.” But Rockefeller also pointed out the two-way effort required with the advice that nonprofit and government leaders need to have a positive attitude towards business, be cooperative not denigrating, recognize the role of business is very important.” A bridge-building mindset and skills are particularly critical for the executive directors of the BLCs. The recently recruited executive directors of Detroit Renaissance and the Minnesota Business Partnership were formerly leaders in their states’ legislatures and seen as highly skilled in relationship-building. Relationships are often fragile and can turn sour, as noted by the *Detroit News* commentary: “The public/private partnership that served the city well in the beginning of Coleman Young’s tenure as mayor frayed, then broke. The sad result of politicians and business leaders going their own way is evident in the condition of the city.”⁸ The recent upswing in the Detroit PPP is cited as due to the new executive director and the new mayor reaching out to work together, although disagreements still surface. Honeywell’s Mike Bonsignore cites the MBP’s Duane Benson as “a particularly credible executive director especially since he has a background being a former state legislator. But for his leadership, the coalition could not be where it is today. Even more vital to the success of the community is the private-public partnership that provides the support structure to Duane Benson to accomplish goals.” Dan Sweat, the executive director of CAP from the early 70s to the late 80s was cited by a CAP member as, “Steeped in the political wherewithal to get things done. Sweat brought to CAP a vigor, a force, and not a little impatience. He is regarded as one of the most influential men in the city.”

At the heart of strong relationships are respect and trust. A former executive director of Cleveland Tomorrow, remarked, “My chairman had said consistently, ‘You must work with,’ so I consciously changed my style. I worked with government officials and learned that there was plenty to respect in those people.” A CAP

⁸ 6/9/95

member explained the difficulty, “The biggest challenge is establishing an effective working relationship among all of the parties, principally business and government and the community activists. The community activists basically don’t trust the business people, and the business people, in a sense, don’t trust them. They don’t trust our motives, and we’re not sure we trust their methods.” Honeywell’s Bonsignore asserted, “I think there is an enormous chasm of misunderstanding about business and its place in the community. And I think it’s up to the business leaders to make sure that that misunderstanding gets corrected wherever possible.” ACCD’s O’Brien, based on his frequent interactions with the mayor of Pittsburgh, counseled, “Even if you had a disagreement with the political philosophy, you would still have said, ‘we all live here and we all want to make this a better place,’ and throw those things aside and work at it. You’ve got to put away your political hat. The reason that we’ve been successful is that we’ve got our hand into all the discussions with a basis of trust—trust between the private and public sector, that’s the whole key to this. If the groups coming together really feel deeply that others are trying to get their big agenda passed, then these PPPs can work.”

Trust must be earned by actions. When populist-leaning Ray Flynn was elected mayor of Boston in the mid-1980s many members of the Vault were fearful because some of Flynn’s people, as then Vault president John Larkin said, “would just as soon have declared war on business in the city.”⁹ But the BLC held a public inauguration of its new \$5 million scholarship fund for Boston public school students with Flynn in attendance, and he declared that with enthusiasm that this “builds bridges of opportunity between downtown and neighborhoods.” The Vault and mayor Flynn went on to have a productive and positive relationship.” In Cleveland, in 1989 African-American, Democrat Michael White won a surprise victory for the mayorship without the business community’s support. One of his early actions was to back a tax levy for the downtown sports complex backed by Cleveland Tomorrow. This politically risky stance demonstrated his seriousness about collaboration. ACCD’s Chairman Richard Simmons states, “To have a public-private partnership, both components have to work—and work proactively.”

Genuine participation in collective decision-making demonstrates respect, and respect fosters trust. But Richard Stafford, ACCD’s executive director, pointed to a trade-off: “The more inclusion you get, the more power to influence you have; but the more inclusion you get, the less ability you have to come to a conclusion.” Reaching consensus will often test the patience of business leaders used to quick decision-making processes. One should recognize that entering into a PPP is analogous to doing business in a foreign country. The culture, the language, the form of interaction are different, and the most successful international business people are those who study, understand, and are respectful of the different cultural norms and expectations. Furthermore, they become knowledgeable of the other’s language in order to communicate effectively. This effort should not be seen simply as burdensome. The resultant broadening in one’s interaction, leadership,

⁹ *BBJ*, 10/20/86

communication, negotiating skills, and substantive knowledge will make you a better manager back in the business.

- **Creating Value.** The power of collaboration comes from leveraging the partners' core competencies and combining them in the most mutually reinforcing ways. Business needs to contribute what it does best. Michael Bonsignore of Honeywell said, "By getting the business community to step in alongside of them, not to take responsibility away from them, but to bring management methods, communication, prioritization, structure, and discipline to allow them to function more effectively, it ends up a huge win-win." Both ACCD and Cleveland Tomorrow also added value by carrying out or sponsoring higher quality analysis of priority problems, often in partnership with local research centers. Both BLCs were active in planning regional development strategies formulated with broad community participation.

An example of a PPP undertaking illustrates the value creation through collaboration. Honeywell led a coalition to cut the homicide rate in Minneapolis from 40 to 7. The *New York Times* even labeled the city "Murderopolis" because its per capita homicide rate exceeded New York's. The governor had even sent the State's reserve guard into Minneapolis and asked Honeywell's CEO Bonsignore to help with a consultant. Bonsignore instead used his convening power to mobilize a coalition of other businesses, judges, law enforcement officials, community leaders, nonprofit groups. The objective was simple: have a safer summer in 1997 than 1996 and they focused on immediate problems of guns, gangs, and drugs, with a community prevention approach and then also began tackling the structural problems of jobs, housing, and neighborhood revitalization. The coalition brought groups together that did not know each other, such as different law enforcement units and organizations. The corporations helped achieve greater coordination of efforts through providing management methodology regarding interdepartmental communication, prioritization, and performance measurement to a highly decentralized and fragmented set of public sector institutions. The coalition's effort (labeled HEALS for Hope, Education, Law & Safety) brought the homicide rate down to 7 and attracted the U.S. Attorney General and Secretary of Labor to the Twin Cities to understand how complex problems can be tackled through cross-sector collaboration. Honeywell Foundation's Pat Hoven explained, "It's not about money or Honeywell getting credit. It is about leveraging the unbelievable perceived leadership ability to bring multiple groups together and to be a bridge between the public and private sectors. Even if we wanted to extricate ourselves, the Governor, the Police Chief, or the Mayor would not allow that to happen. We are seen as an objective party, as are other business leaders in the coalition. Moreover, the second objective of creating jobs and revitalizing neighborhoods will never happen without private sector CEOs being involved." Bonsignore stated the engagement rationale simply: "Having the dubious distinction of the city with the highest murder rate per capita in the nation is not acceptable to me or any other CEO in the Twin Cities."

As the foregoing examples indicate, PPPs can enable society to create superior solutions to many complex problems than could ever be achieved by the individual

sectors separately. The value that is created accrues to each of the collaborators individually and to society collectively. It makes business sense to collaborate.

- Achieving accountability. In the more effective collaborations, partners will increasingly have high mutual performance expectations and hold each other accountable for results. This principle holds for the collaboration inside a BLC and for its participation in PPPs. If results are not forthcoming, value is not being created. It is very difficult to retain the interest and investment of CEOs' time and resources if perceptible value is not being returned on the investment. The demise of Boston's Vault is traceable to such imprecise accountability and diminishing returns. The Vault's perceived elitist and secretive style meant that it was not answerable to a larger constituency. Other BLCs emerged with broader membership and visibility, greater influence, and more relevant agendas, thereby rendering the Vault obsolete. In other cities problems have arisen when limited staff capacity in City Hall has impeded the mayor's ability to follow through on commitments made to the BLC. Capability imbalances put partnering performance and promises at risk.

Of all the BLCs ACCD has perhaps moved most aggressively in creating an accountability mechanism. In 1993 ACCD commissioned a "White Paper" on economic revitalization by Robert Mehrabian, President of Carnegie Mellon University. This paper triggered a subsequent Regional Economic Revitalization Initiative (RERI), which in turn formed in 1994 the Working Together Consortium. This WTC's role is to provide accountability, reporting, and renewal of the RERI action agenda. It is a community committee with a representative cross-section of stakeholders from business, education, labor, public and community agencies, and philanthropies. ACCD works closely with WTC and some leaders sit on both boards. In addition to reporting on the community's progress on carrying out its development agenda, WTC also fosters the creation of other PPPs to implement the agenda.

Keeping the torch lit. A basic challenge that BLCs and communities face is how ensure the engagement of the next generation of collaborators. This difficult task has been further complicated by the globalization of businesses, which not only has CEOs on the road more but also multiplies the number of communities companies are interacting with. The headquarters' community does not have the same preferential call on corporate resources that it had in the past. Mergers and consolidations lead to larger and different companies, which often disrupts long-standing relationships between business leaders and their counterparts in the other sectors. BLC staff report increasing scarcity of CEO time. Thus, just as there are growing pressures and expectations for higher business engagement with the community, there are also conflicting constraints on such involvement.

CEO Marilyn Carlson Nelson remarked, "There are trends in business that are undermining our sense of place, and threaten to undo the good so many have done. We have always believed that our future has depended on an even-handed approach to shareholders, customers, employees, suppliers, and the community. Enlightened Shareholder value-like enlightened self interest-will move corporations back to a more

responsible, responsive role in the lives of our people and our communities. Our corporations, however global, must not be stateless-homeless. If that happens, our corporate cultures will be soulless and we will fail.”

Some of the cities have created civic leadership development organizations that select upcoming leaders from the business, government, and social sectors and then engage them in a period of learning and interaction, for example, Leadership Cleveland, Leadership Atlanta, and New York’s David Rockefeller Fellows Program. The purposes are to increase their understanding of significant problems facing the communities, to create a network of relationships across the sectors, and to deepen their commitment to community stewardship. Margot Copeland, executive director of Leadership Cleveland, asserts, “The story of Cleveland’s turnaround is how we cultivate the ground for leaders from different points of view to sit down and talk together, listen to each other, share information, and then agree on a common purpose.” Some corporations lend executives to the BLC or to government or nonprofit organizations to provide expertise but also to enrich their professional development.

The growing recognition among corporations of the value to the company of employee community service volunteer programs and of rising executives serving as nonprofit board members, suggests a fertile environment for developing civic leadership. And even at the MBA level, interest among students in community engagement and social enterprise has never been higher. The opportunity for current business leaders is to send the signals within their companies and to this incoming leadership generation that community engagement is an essential part of the business professional’s skill set and integral to the ethic of true business leadership. We may be witnessing the emergence of a new social contract between business and the rest of society and it is rooted in collaboration for the common good, which also produces specific benefits for the collaborators.