

Business Coalitions as a Force for Regionalism

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In Kansas City, Missouri, on August 20–21, 1998, hundreds of regional business leaders met with public officials, civic activists, and academics for the first Greater Kansas City “Going Global” conference, designed for “partners and players in the region’s international future.” The region referred to spanned the borders of Missouri and Kansas. The conference unveiled for discussion regional economic development plans, a neighborhood improvement and transportation initiative, and “The World Comes to Kansas City,” a briefing about tourism and trade promotion efforts. Participants heard success stories about regional cooperation and international strategies from the Research Triangle in North Carolina, the Trade Development Alliance of Greater Seattle, and the European Union. The event concluded with a family-oriented “ethnic enrichment” festival for the general public.

Ranging from broad global issues to the most local of concerns, regional consciousness-raising events like this are increasingly common throughout the United States and in other countries. They are a response to a widespread perception that strong communities in the global economy must have a regional focus—that neighboring cities and towns must join forces to present a unified image to the rest of the world. They can promote the region, secure its economic future,

and muster the will to tackle local problems important to mobile global businesses, foreign visitors, and citizens who do not want to fall behind in a more global economy.

In addition to promoting a regional identity, such events build support for a regional political agenda—one that is led by new coalitions. These coalitions, often business oriented and almost universally containing business executives in key roles, constitute new governance frameworks that cross political jurisdictions. There are many of these coalitions in every metropolitan area. They have diverse agendas but overlapping leadership and membership, and they often come together as coalitions of coalitions to support specific initiatives.

Convening the Kansas City event was a new entity, the International Alliance, which itself was a coalition of coalitions. Members included major business associations (the Greater Kansas City Chamber of Commerce), quasi-public entities (the Mid-America Regional Council, an organization of local government officials from cities and towns in Missouri and Kansas), ethnic business associations (the African Chamber of Commerce), traditional voluntary groups (the International Relations Council), niche-oriented trade groups (the International Visitors Council), colleges and universities, and federal agencies (the U.S. Department of Commerce and the Small Business Administration). Financial support came from large companies that reflected a range of local-to-global positions and interests: Commerce Bank, which had a local market; Sprint, a locally headquartered company serving national and international markets; and Hoechst Marion Roussel, a global pharmaceutical giant with a German owner.

International trade has been an important part of the American economy since the country's founding. BankBoston, perhaps the oldest chartered bank in the United States, grew as it financed New England's wool trade with Argentina for the region's textile business. What is different about the global economy of the last decade is reflected in the Kansas City example: the extent to which private economic associations are playing a leadership role in crossing, blurring, or breaking down political jurisdictions to create new metropolitan regional identities that market themselves to the world and maintain direct international relations—in essence, creating city-states with their own foreign policies.

In 1993 I undertook a series of projects to understand the impact of today's economic globalization—travel, trade, information technology, and communications media that link the world—on businesses,

workplaces, and communities in the United States at the cusp of the new millennium. Research in 1993 and 1994 for my book *World Class: Thriving Locally in the Global Economy* included surveys of 2,600 business heads in five American regions, extensive interviews with community leaders and activists, and site visits, supported by an overview of developments in other regions in the United States and elsewhere.¹ In the fall of 1995, I visited twenty-six American cities, often to speak to a regional coalition or business association about my findings, and these trips provided me with reports, documents, and discussions about the plans of those metropolitan regions, large and small. In 1997 and 1998, a team of M.B.A. students working on my Harvard Business School project on “Business Leadership in the Social Sector” conducted telephone interviews with over fifty officials, journalists, and leaders in ten cities about the activities of businesses and business associations in urban investment, public education reform, and welfare-to-work programs.²

This work clarified the role that new or reinvented business coalitions play in addressing the problems of metropolitan regions. Nearly absent twenty-five years ago or discredited as a civic force with the public’s interest in mind, these coalitions now are driving a renewed appreciation for metropolitan approaches to issues such as economic competitiveness, human resource development, infrastructure investment, and protection of unique environmental or civic assets.

However, these groups have not yet addressed fiscal disparities among towns, jurisdictional boundaries, or other distributional and political issues within metropolitan regions—nor is it apparent that they wish to—and they have only begun to focus on recalcitrant problems associated with inner cities, public education, affordable housing, or racial and economic segregation. Such matters tend to enter the agenda of business coalitions when they can be framed as economic development problems—for example, affordable housing or transportation for low-wage workers from cities to suburbs as ways of addressing labor shortages in regions with low unemployment.

Furthermore, it is difficult to prove what difference business coalitions make, except by anecdote. The problems of metropolitan regions are complex, and there are many variables that can make a difference. Still, the turnaround in Cleveland during the manufacturing recession of the 1980s, even before midwestern manufacturing enjoyed a resurgence in the 1990s, can be contrasted with the slower progress (some would say stagnation) of Detroit. Cleveland’s success

can be attributed directly to public-private partnerships led by a strong business coalition with an integrated focus and clear strategy.³ Yet Cleveland still lags behind Boston on a number of key economic and social indicators, despite a much weaker and more fragmented set of business coalitions in Greater Boston.⁴

The role and contributions of business coalitions vary with regional circumstance; they are more important during times of industrial transformation or when other institutions, such as higher education, are weaker.⁵ Some are permanent civic associations with public transparency and a continuing flow of issues on their agenda; others are ad hoc or time-limited groups that form for a particular purpose or event and then disband.

There has been little detailed research on the range or role of these groups across cities, and some will be surprised to see them included as a topic in a book on regionalism. Therefore, it is important to clarify what this chapter does not cover. It does *not* discuss the activities of individual businesses, such as the impact of Disney in Orlando or General Motors in Detroit; instead it focuses on *associations of businesses* claiming to act in the public interest. It does *not* explore public-private partnerships in their entirety; rather, it focuses on the growing role played by business coalitions in shaping a *regional agenda*, as well as some of the limits of that role. And as an overview of the rise of one force for regional identity, it does *not* offer solutions to every metropolitan problem. To regional planning professionals, the business coalitions examined here may occasionally seem irrelevant to some of their issues, such as land use or urban sprawl, except when those issues have an economic development angle. Some critics, suspicious of business motivations, may write off as boosterism any accounts of public interest activities undertaken by chambers of commerce (a view that reflects the historical antagonism between business elites and public interest advocates in some American communities). But the growing prominence of business-backed coalitions, and their increasing collaboration with public officials, makes it important to begin to examine their goals and activities. This chapter is such a beginning.

Regionalism in a Global Economy

The “new regionalism” recognizes that political jurisdictions do not match operative economies and social systems. Economic develop-

ment groups find that traditional geographic boundaries do not reflect the economic and social interests that span cities, counties, states, and nations or that concentrate within them. Indeed, the National League of Cities has called the United States the world's first common market of separate economic regions. Although metropolitan planning commissions have long existed in some parts of the nation (Minneapolis–St. Paul's efforts to cooperate have been noteworthy), and the private sector has always played a major role in local civic and political life, a more global economy has engendered a multiplicity of policy bodies and governance mechanisms at many levels, beyond and within the nation-state. Often nongovernmental in the traditional sense, such entities carry on functions once associated with government. Instead of being the twilight of sovereignty, an argument made by globalists such as retired Citicorp chairman Walter Wriston, this is the dawn of multiple overlapping sovereignties.

Nation-spanning superregional groups include government-initiated trade blocs, such as NAFTA or Mercosur in South America, and also groups such as APEC (Asia Pacific Economic Cooperation), which began as a voluntary association and was later embraced as a forum by government leaders. Subregions within countries also are developing bodies for policy and trade promotion. At the New England Council, a business coalition that links six states, it was an oft-cited mantra that "if America had been settled from West to East, New England would be a single state"—and therefore, the interests of the whole region should be joined, and businesses should view all twelve senators as their representatives in Washington. Sometimes national borders are crossed to create a regional identity apart from national affiliations, such as the vision of "Cascadia" as a region including Oregon, Washington State, and British Columbia. Raymond Barre, a former premier of France who returned to his home city of Lyon as its mayor, has led the development of regional plans to link adjacent portions of France, Germany, Switzerland, and Catalonia, Spain, with Lyon as the regional center. Regional economic planning can have political consequences. Scottish Enterprise is perhaps unique among regional development authorities in the United Kingdom in that this business booster enhanced a regional identity that preceded the formation (or reconstitution) of a political body, the Scottish Parliament.

The growth of regional consciousness at the metropolitan level—a center city and its surrounding territory—is said to constitute the

rebirth, in new form, of something like medieval city-states.⁶ Metropolitan regions in Europe and North America are creating public-private partnerships to pursue cross-jurisdictional agendas; like Kansas City's, some cross state lines. (Another example is the Greater Philadelphia growth plan, which encompasses southern New Jersey.) Eurocities, formed in 1986, is an association of fifty-eight European regional centers that facilitates its member cities' international linkages and represents their interests at European Union deliberations in Brussels. In the United States, the National League of Cities has long advocated regional cooperation.

Such groups struggle for new language to describe their purpose. A growth plan widely circulated in Houston by business associations reconceptualized Greater Houston as a "federation of neighborhoods," each maintaining its distinct character but joining together for the common infrastructure and educational needs of the whole region—an argument now used by proponents of annexation of suburbs by the central city. Although coalitions of business and government leaders are often the forces behind these plans, it is striking to see other organizations take the lead: in southeastern Massachusetts a group of twenty-two churches developed a regional improvement plan for two neighboring cities suffering from deterioration.

Because transportation is an obvious aspect of regionally shared infrastructure, intercity metropolitan authorities have long been common for both ground transportation and airports. But the global economy has increased the number of items on the regional agenda. In recent years competition among cities to attract and retain businesses has highlighted other common concerns. Business location decisions are based not on single cities and towns, but on the facilities and amenities of several. There is growing recognition of the resources that businesses draw from the central city, even if they are not in it. Site planners, particularly those from other countries, seek one-stop shopping services that inform them about many places within a region at the same time; competition between adjacent towns is confusing and often dysfunctional, but proposals that link several jurisdictions are effective. Thus business coalitions focused on marketing the region are often among the most prominent—and sometimes the first effective—regional forces. The greater the marketing efforts and international outreach, the more likely that these coalitions will represent the whole region, linking many businesses, public sector officials, chambers of commerce, and trade promotion groups.

Leadership in Shadow Governments

It is clear that more groups, at more system levels, with overlapping boundaries and membership are working on regional strategies. But one striking aspect of the new regionalism is that these efforts are often business led or dominated by business thinking. It is taken for granted in many places that the problems of metropolitan regions will not be solved without business involvement, and many informal or unofficial public leadership roles have been handed to the private sector, reflecting an assumed primacy of the economy over the polity.

In many American cities, private coalitions act as shadow governments, making public policy by their investment decisions, such as hiring consultants to report on the state of the public schools (as happened in Denver). Such coalitions sometimes include public officials as members but often transcend them in long-term importance. In Spartanburg, South Carolina, a succession of anonymous mayors has been forgotten, but the long-serving Chamber of Commerce president, Richard Tukey, was immortalized in the call letters of the local public television station, WRET. These private groups sometimes have greater organizational continuity than political regimes: their leaders can occupy their positions longer than elected officials; they can mobilize substantial resources and talent faster than the public sector; their meetings can occur behind closed doors; and they can be regional from the start, their activities unconfined by city limits.

Some groups have long histories that predate World War II, such as the Citizens League (Cleveland) or the Bay Area Council (northern California). The Greater Baltimore Committee was created in 1955; the Minnesota Business Partnership, in 1977.⁷ Some government-mandated groups seed other regional initiatives, for example, the private industry councils under the Job Training Partnership Act of 1981. Some regional groups are linked to national associations, such as the National Alliance of Business or the Business Roundtable. CEO-to-CEO groups meet to link the largest employers in a region; sometimes they are convened by a powerful chief executive with a particular stake in the region, such as former Knight Ridder CEO Alvah Chapman in Miami. And chambers of commerce, once merely pamphleteers and civic boosters trying to help small companies drum up business, have been setting longer-range regional agendas, often in collaboration with other, more specialized associations. The power of these groups has grown in the last half century, waxing and waning

with the rise and fall of particular industries in particular cities. The most powerful are not merely discussion forums but also mobilize resources in support of visible projects, and they are encouraged in their role by elected officials.

After World War II, corporate money gradually supplanted family money as the chief underwriter of social and cultural activities in many American cities. This accelerated in the 1950s, once courts permitted corporate philanthropy for reasons other than direct shareholder interest.⁸ Corporate chieftains became more important public figures than a city's heirs to family fortunes or, sometimes, than its elected officials. The dominance of business as an urban institution was reflected in the shifting patterns of urban architecture—from churches and cathedrals as a city's most important landmark buildings to city halls and public buildings to corporate headquarters buildings and office towers for the business elite.

Starting in the late 1950s, the transformation of South Carolina's upstate region from hillbilly country to a global manufacturing center exemplified the changing role of private sector leadership. When Roger Milliken moved the headquarters of his textile company from New York to Spartanburg in 1954, he started systematically encouraging German and Swiss companies that supplied the textile industry to set up facilities in the region to be close to their customers. Richard Tukey, executive director of the Greater Spartanburg Chamber of Commerce from 1951 until his death in 1979, got on board quickly to support this effort. Milliken's individual actions, stimulated by business self-interest, started a chain reaction of regional improvements: upgrading education and training in cooperation with the state and community colleges, creating or renewing community amenities, developing a new regional airport, and marketing the region to European and eventually all international companies. The last culminated in a joint regional effort—supported by most major business and community leaders across the region—to land BMW's first-ever factory outside Germany. "Foreign industry has created regionalism more than the Greenville Chamber or the Spartanburg Chamber," a leader said, because international companies in the area, such as Michelin, spread their activities and used suppliers across many counties. Now twelve chambers of commerce in the seven-county region are moving toward common messages and publications. However, regional cooperation has not yet touched some of the inner-city problems still facing Spartanburg and Greenville, even in the midst of stunning economic prosperity.⁹

Business coalitions proliferated in the 1980s, largely to address economic development issues. Three examples demonstrate the range of organizational forms and activities. Interviews with community leaders in their cities indicate that these entities are considered effective by a range of nonbusiness interests, even if they are not endorsed in every respect.

Miami's Beacon Council

Created in 1986 to help make Greater Miami a leading center for international business, culture, education, health care, and recreation, the Beacon Council is an award-winning, nonprofit, business-supported economic development agency. Financed by a large number of member companies, it can get government contracts and foundation grants. It offers databases and business assistance services, recruits companies to locate in the area, and organizes marketing events (including nearly forty international trade missions in 1994 alone) and strategic alliances with economic development organizations in over a dozen countries. The Beacon Council received federal funds to assist in the cleanup after Hurricane Andrew and thus was able to offer \$11 million in bridge loans to over 500 companies. It also has developed communitywide working teams in collaboration with the Greater Miami Chamber of Commerce. For example, Black Team Miami obtained commitments from eighteen of Dade County's major employers to procure goods from minority businesses; Latin Team Miami assisted in the development of videos and brochures in Spanish to market the area internationally. The Beacon Council has been considered a stabilizing force in a fragmented, politicized, multi-ethnic region with few large established institutions, many tiny political jurisdictions, and public officials who have only narrow support from interest groups rather than widespread public support.¹⁰

Greater Denver Corporation

Denver provides another example of business-led regional change. In 1988 Denver's petroleum-dependent economy was in deep economic depression. Twenty large corporations donated \$1 million each to the Greater Denver Corporation, whose mission was to diversify the economy, attract new high-technology jobs, and encourage new business start-ups. One of the founders was the CEO of Denver's

main public utilities company—an industry that had a direct stake in the prosperity of its community. Among the offshoots was a partnership to integrate business, government, and cultural organizations to create a district for scientific and cultural facilities. Later the Greater Denver Chamber of Commerce raised \$350,000 for a consulting firm to study the management of public schools. Business coalitions were major forces behind the push for the new regional airport outside Denver and for Coors Field, a new baseball stadium in a rundown part of Denver.¹¹

Cleveland Tomorrow

Severe urban decline propelled the formation of a remarkably effective business coalition in Cleveland. Often referred to as the Turnaround City, Cleveland has enjoyed much success and progress since its recovery and revitalization that began in the 1980s. Once a thriving manufacturing center, Cleveland suffered the downturn of the Midwest Rust Belt throughout the 1960s and 1970s. The city became increasingly economically depressed and defaulted on its loans in 1978. Cleveland was in crisis, and business leaders were disappointed by aspects of city administration and concerned about the negative national and international image of Cleveland, which had an adverse effect on corporations' business activities and recruiting efforts. At the turn of the 1980s, Cleveland Tomorrow was incorporated as a not-for-profit, CEO-only organization to address these issues. Newly elected mayor George Voinovich joined with Cleveland Tomorrow to focus on economic development and the revitalization of downtown. Projects launched or supported by members included Gateway Stadium, the Rock and Roll Hall of Fame, Jacobs' Field, transforming a rundown industrial area into a lively entertainment center, rebuilding neighborhood housing, and creating investment entities to fund new businesses.¹²

With over fifty-five CEOs as members, Cleveland Tomorrow is at the pinnacle of business coalitions in Greater Cleveland. However, the city and region are characterized by a wide array of groups cooperating to improve the area. The Greater Cleveland Growth Association, formerly the Chamber of Commerce, involves large numbers of small companies in civic projects. Leadership Cleveland, a network of leaders from many institutions, focuses on community service. The Business Volunteerism Council matches corporate resources with commu-

nity needs. But Cleveland's education system is still in disarray and was taken over by the state in 1995. By 1998 a Corporate Partnership Program founded by the Cleveland Initiative for Education had matched 90 out of 117 public schools with a corporate partner or deployed its business skills to improve school management; for example, Continental Airlines provided leadership training for teachers and school administrators.

These activities in Miami, Denver, Cleveland, and other cities are all the more remarkable because of events that have weakened the leadership infrastructure of many communities.

Trends Undermining Leadership

In the 1950s and 1960s, populist politicians and leftist critics decried power elites that dominated community decisions in their own interests.¹³ By the 1980s, communities became alarmed about the loss of these groups, as locally headquartered companies were caught in the takeover boom and had their centers of leadership displaced to suburban and exurban campuses in new "edge cities," to other regions, and sometimes to locations outside the United States. Banks, utilities, retailers, and professional service firms were often the only businesses left downtown, while nearby manufacturing plants and corporate offices were closed or relocated in suburbia. Industry consolidations, mergers and acquisitions, and globalization of markets and supply chains continued to reduce the number of locally owned firms or turned them into satellites of rootless global companies. Meanwhile, central cities were suffering from lost resources, deteriorating schools and neighborhoods, a growing welfare burden, and loss of leadership.

Some cities have faced a civic leadership crisis as shifting business conditions caused a loss of corporate headquarters. Traditionally, a hometown bias brought extra benefits to cities housing the headquarters of large, prominent companies. Even today, locally headquartered companies contribute more to their communities, standing out even among the largest employers. Allison Hughes, as part of my research group, analyzed the community involvement of 180 companies in Boston, Cleveland, and Miami. The twenty largest employers in each city were categorized by headquarters location—local, nonlocal but domestic, or foreign—and compared. Locally headquartered companies did the most for the community on every measure; they had the

largest corporate contributions to the United Way (averaging about \$75,000 more annually than non-locally-headquartered companies), the largest average contributions by individual employees to the United Way, and the most active involvement by their leaders in prominent local civic and cultural organizations.¹⁴

Companies often have a larger stake in the quality of their headquarters city (or the central city of their headquarters region) than elsewhere, above and beyond the numbers employed there (which can be small compared to places housing production facilities), because of the flow of executives and customers through it. In larger companies international recruitment of talent in a global labor market means that the headquarters city must meet international standards, with maximum amenities and minimum problems. Companies often place showcase operations or pilot ventures in the headquarters region for convenient visits by top management, customers, or suppliers.

A Gillette executive explained why his global company makes such large contributions to local cultural and social service organizations in Boston, even though Boston is only a miniscule part of the market or employment base for Gillette (which has two-thirds of its sales outside the United States): “Management people are sophisticated. It is important that we can move people worldwide in and out of our headquarters, that they can educate their kids well, find good housing and cultural attractions here. It is important that we don’t have slums or crime. For this reason, we are a major contributor to the Boston social structure, way beyond the proportion of our business here.”¹⁵ But when headquarters shrink in importance, advantages for the community decline. Texaco Latin America headquarters in the Miami suburb of Coral Gables were downsized in 1993, when more control was given to field centers in Rio de Janeiro and Bogota. Once a major contributor to Miami-area cultural and civic groups, Texaco reduced its involvement in regional causes considerably, to the consternation of local groups. The big donations went to Brazil, home to 1,600 employees. “From now on,” the regional president said, “we will make contributions in South Florida that are more in line for a company with less than 200 employees in the community.”¹⁶

The large businesses that remained in urban areas—downtown banks, utilities, newspapers, retail stores, and professional firms—continued to be acquired by outside companies. Regional general managers for companies headquartered elsewhere lost power as companies reorganized around product or customer type, not geography.

For example, the state president for the phone company was once the powerful overseer of all activities in his or her state; now he or she is a figurehead, while the real power is held by a systemwide line of business managers. Local budgetary authority and flexibility are reduced when resource allocation decisions are made elsewhere.

In Boston this industrial transformation was manifested in reduced contributions to charities such as the United Way and in a growing inability to find chief executives who could make significant commitments to civic causes. Today, a handful of the “usual suspects” serve on every board; for example, Chad Gifford, CEO of Bank-Boston, was associated with nearly every major regional activity, although he was often represented by former External Affairs vice president Ira Jackson. But there is a wide gap in interests between Boston’s downtown banks and utilities, whose markets are local or regional, and high-tech companies in the suburbs and beyond that are “born global.” Newer technology companies are cosmopolitans that must be industry innovators and pacesetters; they compare themselves to companies everywhere in the world and plan expansions out of the region and into international markets. They often complain about the local political and civic environment but are not really dependent on it. When Robert Palmer moved to Massachusetts to become CEO of Digital Equipment Corporation, once the world’s second-largest computer company, he expressed a desire to get involved in the region and signed up for committees; then he became unavailable for service as internal business problems overwhelmed the company, which has since disappeared into Compaq.

Yet global competitiveness, sometimes viewed as undermining local community loyalties, can actually cut two ways. Certainly, large businesses supplying global customers have weaker ties to specific regions and can often locate facilities anywhere, especially as communities compete to attract them. But businesses also need much more from the places in which they operate in order to remain competitive: higher skills for their work force, a good education for their executives’ children, and access to research facilities. And banks, utilities, real estate developers, midsize companies, and professionals (lawyers and money managers) remain dependent on local markets and local goodwill. So some businesses, at least, have an interest in strengthening the regional economy and infrastructure, and those tend to be overrepresented in the leadership of business coalitions. In addition, the increasing prevalence of coalitions reduces the dependence of a

region on any one business; thus today's business leadership in the community is more likely to be a group effort.

Public Primacy of Business

What is remarkable today is not simply that such business coalitions exist or that they embrace regional development causes. The noteworthy issue is that business leadership is held in such high public esteem that some public functions are ceded to it, as though business is "above politics."

This role of business coalitions in the new regionalism derives from changing attitudes toward business and government. Public systems, including school systems, are considered dysfunctional and in need of "reinvention." Business culture—which needed its own heavy dose of reinvention in the 1980s—is now considered innovative and entrepreneurial. Business is seen as setting the standards, and, in the view of such public officials as Mayor Stephen Goldsmith of Indianapolis, only business understands the measures and accountability that can ensure positive outcomes from improvement programs. Mayor Goldsmith has made the business community his ally in fighting for privatization of municipal services, school vouchers, and welfare-to-work programs.

Business language increasingly pervades public discourse. Observers of civil society have noted a decline in political participation. Perhaps, in a real as well as metaphoric sense, the role of the American public is shifting from "citizen" to "customer." National and state "reinventing government" initiatives describe the public as "customers" for government services, and consolidated services are referred to as "one-stop shopping." According to reports, many residents of Disney's new town of Celebration, Florida, seem more comfortable as customers of a developer than as voters in a self-governing polity. Business tools, techniques, methods, and language are being applied to any issue, well beyond their proven limits. Among the most popular business tools transported to the public sector are private sector incentives and measures. A business group in New York City has created a fund for performance pay for superintendents and principals for improving test scores; however, use of monetary incentives for students in Cleveland did not work, and the widely touted Boston Compact did not have the desired result.

The belief in the virtues of the private sector over the public sector is a Reagan-era legacy. Indeed, many business coalitions that started in the Reagan era took on urban issues that had long been considered government concerns. In 1984 Cardinal Bernard Law and the *Boston Globe's* owner and publisher, William Taylor, started Boston's Challenge to Leadership, which brought together business, nonprofit, and government leaders to create a shared agenda on crime, teenage pregnancy, and education, as well as economic development. The hope was that both public and private sectors would do their share to implement the agenda. Fourteen years later, in 1998, Challenge to Leadership orchestrated a transition, disbanding to form the Metropolitan Affairs Coalition to serve as a Greater Boston economic forum for long-range metropolitan planning.

It is now assumed by many Democrats as well as Republicans that "government can't do it alone" and that the private sector must get involved. The division of labor among urban institutions is being reorganized. Sometimes private sector involvement is financially motivated, as strapped government entities or civic groups need to raise additional funds for worthwhile community endeavors. Money is clearly one way that businesses and their associations shape the civic agenda: public funds for large projects are more likely to be appropriated when private money has already been raised (and used to campaign for public appropriations), as in the case of baseball and football stadiums. But money is not the only, or even always the primary, contribution.

Increasingly, public officials of both parties turn to business leaders for ideas and management talent, not just for financing campaigns, and they expect to work with business coalitions through public-private partnerships. The defining moment for Cleveland occurred when Republican George Voinovich (later governor of Ohio) succeeded antibusiness populist Dennis Kucinich as mayor of Cleveland. Voinovich's cooperation with the CEOs of Cleveland Tomorrow set a standard for business coalition influence that his successor, Democrat Michael White, upheld as a matter of course. Many regional efforts today enjoy joint sponsorship by the central-city mayor or other politicians and one or more key business associations. In Greater Miami the "One Community, One Goal" project to lure high-growth industries to Dade County was cochaired by the head of the chamber of commerce and the mayor. In January 1997 Chicago mayor Richard Daley and Cook County President John Strozier formed the City/County Wel-

fare Reform Task Force, which included executives from large corporations, foundations, public schools, colleges, and local welfare service providers. The intent was to build on work by the Chicago Workforce Board, the Chicago Civic Committee, and the decidedly private Commercial Club.

Private sector involvement is now mandated for some public issues. In Florida, for example, schools must have school improvement teams consisting of teachers, administrators, parents, and community leaders (which essentially means business leaders). There are an estimated 200,000 business–public school “partnerships” in the United States, according to the Business Roundtable, most of which are in the realm of traditional charity and individual volunteerism. But increasingly, business coalitions are setting the agenda for public school reform in many cities: as elected school boards are replaced by ones under mayoral control, business leaders are appointed as board members and chair search committees for school superintendents.

Public-private partnerships, with business coalitions in the ascendant, reflect the complicated nature of many issues—it is true that no one institution can change a complex system by itself. But what is striking is that business leaders, through their associations, are the ones assumed to confer legitimacy on regional projects. National surveys and focus groups indicate that for many people the public sector is associated with politics, and politics is the enemy of change. These same people feel that business efficiency and emphasis on results are the only hope for change. Some community officials join members of the public in considering business a “neutral convener” that is above politics—a phrase heard from a senior Democratic official. Another common belief is that CEO “star power” can bring people together, make sense of good intentions, and ensure that action plans are effective.

It seems that business, and not a duly-elected government, now confers legitimacy on civic agendas. Groups and actions are not credible without business support. In Philadelphia the involvement of Greater Philadelphia First, a thirty-five-corporation coalition, helped convince David Hornbeck to become superintendent. Consider this comment by Terry Peterson, counselor to U.S. Secretary of Education Richard Riley, in a November 1997 interview: “The mayor or governor can bring people together once, but business is seen as a neutral convener that can continue the process without politics intruding.” Business, he argued, can build excitement for a vision and convene inter-

est groups to act on it. Is not that leadership role precisely the one that elected officials were once expected to play?

Business may be a convenor, and even a contributor, but the idea that it is “neutral” is worth pausing to ponder. It is true that the agenda brought forth by civic business associations is increasingly broader, more proactive, and less reactive. The business-led Boston Municipal Research Bureau moved beyond its founding role as fiscal watchdog to examine the future and lead discussions about a regional vision. The Massachusetts Software Council added to its member-focused marketing and training roles a set of projects to get public schools wired for the Internet and to increase their technological sophistication. Joint Venture: Silicon Valley, a business coalition in a region known for apolitical entrepreneurial companies serving global markets, made public education its number one priority because of a shortage of well-trained workers in a tight labor market. Because many of the competitiveness problems facing businesses today involve work-force skills, there is a convergence, perhaps temporary, of business and regional social agendas.

As long as the regional agenda focuses on economic competitiveness, the dominant role of business coalitions makes sense. Businesses have a clear stake and expertise in these issues and a willingness to contribute their own resources, and there is a long tradition of business associations promoting their areas through chambers of commerce and other organizations. Indeed, it is not clear that government should use taxpayers’ money for business boosterism, even in the interest of job creation. The state of Florida has privatized its economic development department, establishing Enterprise Florida (run by the former head of Miami’s Beacon Council) as a private-public partnership.

However, the current wave of social problems facing metropolitan areas, such as faltering public education, are not as clearly suited to business tools and techniques as is economic development—although they clearly benefit from the attention business leaders lavish on them and from business lobbying local and state governments for improvements. Although public education is now considered a core economic development issue by coalitions such as the Greater Philadelphia Chamber of Commerce, such groups are often dealing with the consequences of other business coalitions’ previous tax-cutting efforts. In Massachusetts high-technology companies in software and telecommunications are involved through coalitions in projects to wire the

schools, putting Boston public schools well ahead of those in other parts of the country. But in the 1980s, the same high-technology community was instrumental in weakening the tax base that supported public education.¹⁷

It is instructive to look at other periods in which the public sector has turned to business for solutions. In 1913 Frank Spaulding, the superintendent of the Newton, Massachusetts, public schools, spoke at a National Education Association convention about the successful introduction of scientific methods drawn from business for efficient management, bolstered by the expertise of businesspeople on school boards. During the Depression, business leaders were directly involved in broad efforts to reshape public budgets. Another wave of applied business techniques occurred during the 1960s and 1970s, as public schools adopted program planning and budgeting systems from businesses and defense contractors; by 1970 three-fourths of the states either had mandated or were considering requiring school districts to report in a program budget format. During the early 1970s, some aspects of school management were privatized via performance contracting. But failure to make permanent improvements or even achieve stated goals created a backlash against each of these sets of experiments.¹⁸

Weighing the Pros and Cons of Business Leadership

To assess the role, contributions, sustainability, and impact of regional business coalitions, it is first important to understand the motivations behind corporate involvement in regional activities. Corporate community service was once a matter of signing up top executives for boards and boosterism, as a kind of club to which their peers belonged. Corporate philanthropy, which took hold in the 1950s, began largely as an automatic form of noblesse oblige to any group in the company's neighborhood; it was diffuse and reactive. Companies often gave small amounts of time or money to large numbers of groups, and executives dutifully showed up for the right civic luncheons and charity balls. Causes came looking for money more than companies went searching for causes.

Today's globalization of business, dispersion of headquarters to more distant locations, and entry of foreign companies and outside managers, combined with business belt-tightening, make the old way

harder to sustain. Community service is now another set of weapons in the strategic arsenal, more intimately connected with the business mission, more highly integrated with a variety of business functions, and often not even local in scope. Cosmopolitan companies with national and international customers look for national or international causes to sponsor. Reebok, located outside of Boston, is known for receiving international human rights awards but not for making contributions in its headquarters area.

Corporate community service has many functions: development of political connections and good will, marketing of products and services through their association with a good cause, and market building through increased community prosperity. It also serves as an employee benefit to attract, motivate, and retain people who like the company's association with good causes. In short, it is increasingly strategic. Businesses seek focus and impact; they want their names associated with important results. This means that the agenda for business coalitions must be action oriented and show results, often in the short term, or businesses will lose interest. One coalition head remarked, "To keep members motivated, we need action." This biases the agenda toward big new projects, such as real estate development. Surveys by *Fortune* magazine in the early 1990s showed waning business support for school partnerships because results were so difficult to achieve. Business concern for the quality of public education has waxed again in the late 1990s but could suffer the same fate.

After interviewing business and civic leaders in Chicago, Rebecca Davis, from my research team, observed that "there is a limit to the contribution the business community can make; this is not a bottomless well of support. The dollars and time businesses dedicate to community activities are spread across many functions: cultural and social events, social service activities, and programs that strengthen the internal employee community. Some business leaders feel the pressure of the 'voluntary tax' of participation. Some leaders suggest that community-based organizations and public officials should pick their battles, thinking more strategically about the funding and support they want to request from the business sector."¹⁹

Thus the success of regional projects often depends on the extent to which they can be framed in ways that address the self-interest of business. This can skew the agenda toward economic development projects that bring specific financial benefits to specific businesses, such as convention centers, or toward marketing efforts that promote

the region. Also, softer “human capital” issues need to be characterized as matters of direct, short-term business interest. For example, the Success by Six program in Philadelphia, a United Way initiative for early childhood education, initially did not receive business support. Subsequently, new child-care programs were framed in terms of their positive effect on employee productivity, and this encouraged businesses to become advocates for programs such as full-day kindergarten in public schools.

Given the self-interest issue, getting many businesses to work together on a shared agenda in the public interest is a tricky undertaking. The degree of cooperation in Cleveland is considered unusual. A community leader told Jennifer Min, from my research team, that “corporate involvement in community issues is ‘faceless’ in Cleveland,” a collective strategy not intended for the aggrandizement of particular companies. Nearly twenty years of effort, starting from extreme crisis and producing tangible bricks-and-mortar developments that increased civic pride, have cemented a strong partnership and commitment among member corporations as well as between corporations and the city.²⁰

But today, even in Cleveland, some of the appeals for business involvement are anticoalition, such as “strategic philanthropy” and “cause-related marketing” in which businesses put their brand name on an initiative. Rivalries among businesses can mean that when one gets involved, others stay out. In one large city, two leading banks vie to be the most community-minded. For one of them it is a long-standing commitment to the health of the region; for the other, a relatively new entrant from outside the region that bought up local banks, it is a marketing ploy. To present unified support for important initiatives, the public affairs head of the first bank bends over backwards to include his counterpart from the other on boards of major projects and makes sure that they appear in public together, but relationships are often tense.

Coalitions make most sense when “public goods” are created that many businesses share, that are too costly for any one to fund alone or require the resources of many institutions, and that have longer-term time horizons and benefits. It is thus not surprising that coalitions focused on tax reductions, improved public services, economic development, or shared infrastructure (for example, airports) tend to be the most prevalent and effective. These efforts bring new shared benefits but do not ask anyone to give up anything. They also focus on concrete, tangible projects with clear and measurable results.

Because businesses have divergent interests, it can be difficult to agree on a few priorities. And because business coalitions are voluntary associations, there is generally no mechanism for sorting it out; the board can vote, but a vote that alienates too many members risks the pocket veto of lost members and withdrawal of support. A bank president in Boston tried to rally the business community around an effort to bring the Olympics to Boston, but among the businesses that declined to support this was the leading investor in sports promotions, a company that sponsored the World Cup because it was more valuable than Olympic affiliation for its global markets. Priority setting also can be complex in communities with a great deal of civic activity because of the proliferation of organizations—for example, community development corporations, investment funds, school reform coalitions—each seeking support for its own agenda.

The most pressing improvements needed in many American metropolitan areas do not necessarily lend themselves to the big development projects—convention centers, stadiums, mass transit, airports, or neighborhood revitalization—that once were characteristic of urban renewal. Human capital issues are at the forefront, including public education and welfare-to-work programs. Business coalitions that have been effective at regional marketing and economic development have not yet addressed disparities between center cities and suburbs, attracted much development to the inner city, or fixed public education. Changing a large institution like the public schools is not only a more difficult task than a bricks-and-mortar real estate development project; it is also an urban core problem rather than one with clear regional impact for companies located outside the boundaries of the central city.

Achieving Objectives

There are a number of important lessons to be drawn from the experiences of those business coalitions that have achieved their objectives and are regarded by public officials and community leaders as having made a positive contribution to a region.

Agenda Setting is First and Foremost

Many leaders in my research group's 1997–98 interviews cited the power of dialogue between key people as more important than money

in getting things done in their community. In many regions the initial challenge is one of focus: sorting out priorities and achievable goals from the large number of problems that face every region. The most effective coalitions serve as convenor and catalyst, not as an operating entity. They get leaders in key roles in key institutions who have something to offer with respect to a problem to talk together, agree on priorities, communicate a vision to the broader community, and stimulate action, which is then carried out by public sector entities, individual corporations, or nonprofit organizations with a traditional focus on that issue or newly formed to act on it.

This does not mean that business coalitions or other civic associations spring spontaneously from market forces; they may play their wider, agenda-setting role because a concerned individual or small group has articulated an issue persuasively enough to bring other leaders to the table. For every Roger Milliken in Spartanburg, Alvah Chapman in Miami, or Chad Gifford in Boston, there are public officials and heads of community organizations making proposals to capture the attention of such prominent business leaders, who then put the matter before a somewhat larger group—an existing organization, a set of fellow CEOs, or the press—and turn an issue into an opportunity for dialogue. The dialogue then creates the agenda. To use the example that opened this chapter, the mayor of Kansas City may have had the bully pulpit, but it was the Kansas City International Alliance that ran the conference.

Crisis Enlists People, Success Retains Them

Some effective business coalitions and their activities, such as Cleveland Tomorrow or the Spartanburg chamber's international initiatives, were undertaken during periods of distress, when industrial transformation weakened the economy, deteriorating infrastructure threatened the companies that remained, or other economic, political, and social challenges affected quality of life. Early successes and quick wins through tangible projects with immediate and visible benefits deepened the commitment of leaders to further efforts, earned credibility with critics and skeptics among community activists, helped reelect friendly local officials, and proved that collaborative efforts could bring results. Success breeds success. Miami's Beacon Council grew in influence because of its effectiveness in the Hurricane Andrew cleanup.

Involve Not-for-Profit and Community-Based Organizations

Business coalitions take on formal organizational status by incorporating as nonprofit organizations, and that helps provide a governance structure for shared decisionmaking and rotation of leaders. In a sense, becoming a public interest nonprofit organization helps institutionalize the coalition qua coalition so that it is not excessively dominated by the interests of just one major business. But beyond this narrow connection with the not-for-profit sector, business-led coalitions also are entwined with other major civic and nonprofit groups; the heads of such organizations (often large employers themselves) sit on the board and at the decisionmaking table. Coalitions also benefit from the key role of nonprofits as intermediaries that encourage exchange of information, relay information, assimilate resources, and serve as brokers for all involved parties.

Nonprofits sometimes become the operating entity for the projects stemming from the business coalition's agenda. In Boston a coalition of coalitions created a vision for Year 2000 projects that would prepare the region for the next century. Mayor Thomas Menino appointed a Boston 2000 Commission of regional business and nonprofit leaders, and the nonprofit Fund for Boston Neighborhoods, which was linked to the mayor's office, served as the initial vehicle for contributions and foundation grants. Boston 2000 then incorporated as a nonprofit organization. The focus and commitment of the nonprofit or community-based organization and its staff—who become dedicated to the effort full time—often sustain efforts that would otherwise depend on corporate CEOs twisting each other's arms for voluntary contributions of scarce time.

Great Staff Work Counts

The leadership skills of the staff to whom volunteers from the business community delegate responsibility make a critical difference.²¹ The most effective actions come from issue-focused organizations with strong professional personnel, who build credibility through their leadership and actions. Greater Philadelphia First, for example, was cited by leaders in the region for the professionalism of its staff, which identified needs, motivated businesses to get involved, and matched resources with needs.

Business Resources Should Fit Community Needs

Effective coalitions find an appropriate balance between collective and individual effort and understand what specific businesses have to offer. They do not expect the same model to work for everyone. Thus they create broad umbrellas under which a variety of projects can be accomplished in different ways by different businesses. The highest-impact community service projects undertaken by individual companies tend to involve the core competence of a business, entail market building or technology development, and bring specific business benefits as well as community solutions.²² It is not surprising that the presence of many high-technology companies in the region enabled the Boston public schools, with the support of business coalitions and industry councils, to create a five-year technology plan with \$76 million in public and private money behind it. By October 1998, two years into the school technology plan, each of the city's big schools was wired for high-speed Internet access, and 60 percent of the system's 4,800 teachers had basic training for computers in their classroom.

Avoiding Pitfalls

Even the most effective business coalitions cannot do everything. Leaders must beware of potential problems surrounding the role of business coalitions.

Overreliance on Single Powerful Organizations

Centralization of power gets certain things done, but it can weaken the development of other leadership ready for changing times, and it can create a vacuum if the main business coalition deteriorates. Elite CEO-only groups that are still at the center of many cities' regional business coalitions are harder to sustain as companies change hands and CEOs come and go. CEO-only activities and meetings behind closed doors no longer fit the public role played by business leadership groups. Boston's Coordinating Committee (informally known as "the Vault" after a preferred meeting place) dwindled into irrelevance in the 1990s, while new, more diverse and open groups became players in regional leadership circles. In Cleveland some com-

munity leaders worried about overdependence on Cleveland Tomorrow. In other cities there were worries that the very strength of a business leadership group in getting things done prevented the region from cultivating other leaders or encouraging people to go into public service. If it is possible for a business executive to have informal public power, why should he or she run for office?

Sustaining Commitment

Community organizations worry about the sustainability of corporate contributions. According to some regional leaders, once the excitement of an agenda or an announcement goes away, the problem is to ensure that the project gets rolled out. In the era of strategic community service, companies often get their major benefits up front, from the public relations value of the press conference or the tax deductibility of a financial contribution. Coalition leadership then has the problem of getting volunteers to take responsibility. Without a broad base of leadership, turnover can be a problem. Bernard Reznicek moved from Oklahoma to head Boston Edison in 1990, initiating several business coalitions for economic development of particular interest to utilities, but he left the company and Boston in 1994. The groups atrophied until the efforts were revived a few years later by the next CEO.

Lack of Accountability

In 1997 at a meeting of the World Economic Forum in Davos, Switzerland, business and government leaders listened to glowing reports of business contributions to their communities until a critic burst the bubble of goodwill by arguing that this was a very bad thing for democracy. Such unelected groups, he argued, subvert the public process, turn the public sector into a tool of business, and lack accountability to anything other than the self-interest of member corporations. This was a harsh criticism in light of the needs communities have for business resources, expertise, and involvement. After all, business coalitions represent a new form of social capital and interest in civil society that could reverse the decline of participation in public life. But unless the wider public has a voice, powerful groups representing economic interests alone could distort the public agenda in their interests—which can be benign and even highly beneficial in

some circumstances but potentially harmful to some public constituencies in others.

The fears stem from two sources. One is the legacy of the Reagan years, when well-organized business groups in some parts of the United States were so adamantly antitaxation that it was assumed that their power would undermine public investments in public services. Community leaders should be wary of single-issue groups, instead favoring broader coalitions interested in dialogue rather than pushing a single point of view. The second source of fears is that business coalitions might be quiet cartels, operating behind closed doors to carve up desirable civic territory and elect captive politicians. But groups that try to operate that way are increasingly discredited. In Boston a watchdog reporter leaked information from behind the scenes at a CEO-only coalition and ridiculed it in print, placing the final nail in the coffin of a group that had become irrelevant just because it was closed and exclusive. To get things done, business-led coalitions must increasingly reach out to the leadership of many other community groups and show that they are inclusive and transparent, or their agendas will lose credibility.

Business coalitions have a clear and positive role to play in public-private partnerships, and they serve as a force for regional consciousness and action. But we should not embrace the private side of these partnerships to the neglect of the public side. Strong public sector leadership is essential to marshal resources beyond the feasible contributions from individual corporations (who must serve their shareholders), protect the public interest, extend the dialogue to a wider array of institutions, and use the bully pulpit of campaigns and elected office to argue for a shared vision and agenda. The initial case studies from *Business Leadership in the Social Sector* show that the most effective business contributions are made in places where public leadership—from civic activists as well as elected officials—is strong, visionary, respected across interest groups, and change oriented.

The most effective business coalitions collaborate with elected officials and convene public forums at which many community voices can be heard. As a force for regional problem solving, they help elected officials from many jurisdictions work together, and they reach across organizational lines to include leaders from many parts of the community. Did Kansas City's "Going Global" conference in August 1998 solve any problems? Of course not. It was just another conference and another party. But it helped create an occasion in

which business leaders and average citizens could talk together about international exports and local neighborhood improvements in the same breath. It served as one more reinforcement of regional identity and the need for dialogue and collaboration.

Notes

1. Rosabeth Moss Kanter, *World Class: Thriving Locally in the Global Economy* (Simon and Schuster, 1995).

2. Rosabeth Moss Kanter, "Business Leadership in the Social Sector," in *Proceedings of National Forum*, Harvard Business School, April 1998. Interviews were conducted by Michelle Renbaum, Rebecca Davis, Sukyana Lahiri, Catherine Lovejoy, Stephanie Lowell, Jennifer Min, Randi Reich, Joshua Solomon, and Sarah Vickers-Willis.

3. James E. Austin, "Business Leadership Lessons from the Cleveland Turnaround," *California Management Review*, vol. 41 (Fall 1998), pp. 1–21.

4. Boston was first in education and health care in a benchmarking study and was far ahead in venture capital and new business startups. See Cleveland Citizens League, *Rating the Region* (1994).

5. Rosabeth Moss Kanter, *World Class*.

6. Neil Peirce, Curtis W. Johnson, and John Stuart Hall, *Citistates: How Urban America Can Prosper in a Competitive World* (Washington, D.C.: Seven Locks Press, 1993).

7. Frey Foundation, *Taking Care of Civic Business: How Formal CEO-Level Business Leadership Groups Have Influenced Civic Progress in Key American Cities* (March 1993), as cited in James E. Austin and Stephanie Woerner, "Social Purpose Business Leadership Coalitions," paper presented at Business Leadership in the Social Sector Forum, in *Proceedings of National Forum*, Harvard Business School, April 1998.

8. Jerome L. Himmelstein, *Looking Good and Doing Good: Corporate Philanthropy and Corporate Power* (Indiana University Press, 1997).

9. Kanter, *World Class*, chap. 9.

10. *Ibid.*, chap. 10.

11. From interviews by Sukyana Lahiri for Kanter, Business Leadership Forum.

12. Austin, "Business Leadership Lessons from the Cleveland Turnaround," paper presented at Business Leadership in the Social Sector Forum, in *Proceedings of National Forum*, Harvard Business School, April 1998.

13. John Logan and Harvey Molotch, *Urban Fortunes: The Political Economy of Place* (University of California Press, 1987).

14. Allison K. Hughes, *Corporate Impact on the Community: A Study of Charitable Contribution Patterns for Corporations with Local, Non-Local Domestic and Foreign Headquarters in Three U.S. Cities*, honors thesis, Harvard University, Department of Economics, 1994.

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17. Elizabeth Useem, *Low Tech Education in a High Tech World* (Free Press, 1986).
18. Craig E. Richards, Rima Shore, and Max B. Sawicky, *Risky Business: Private Management of Public Schools* (Washington, D.C.: Economic Policy Institute, 1996); David Tyack and Larry Cuban, *Tinkering towards Utopia: A Century of Public School Reform* (Harvard University Press, 1995).
19. Kanter, "Business Leadership."
20. Ibid.
21. Austin and Woerner, "Social Purpose Business Leadership Coalitions."
22. Kanter, "Business Leadership."