ROLE PERCEPTIONS OF CORPORATIONS IN THE 1980s

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As noted by Preston environmental and/or public policy studies begin on the environmental side of the analytical framework, and account for the longest research tradition as well as the largest volume of output.[1] Yet, studies that begin thus and include corporate response and interaction are relatively less numerous. We might note that studies which systematically explore the perceptions of individuals as consumers, students, or members of the public at large are far fewer. This article reviews two empirical studies undertaken in 1974 and 1978 with a view to examining the general question as to whether corporate response to the socio-economic demands is adequately structured. The significance of this question can be noted against the background of the changing role of business firms in the United States.

CHANGING ROLE OF FIRMS

Interest in environmental and/or public policy studies stem essentially from the expanding role of the large business organizations in the United States and elsewhere. As articulated in the business literature of the past two decades, the expanding role of the firm is generally thought of as *a fait accompli.* There are two factors which indicate that the expanding role is widely recognized. One is the extent to which the treatment of this topic has been incorporated into the graduate and undergraduate level courses in management subjects. The other is the extent to which the American corporations have taken the initiative to explain to consumers, students, and members of the public at large *their* perception of corporate roles.

One of the conceptual endeavours that places the changing role of business firms in proper perspective is the exposition by Steiner and Miner, herein referred to the Steiner-Miner paradigm.[2] This paradigm consists of three distinct, but interrelated parts: one is related to the problem of measuring those forces in the external environment (exogenous factors), which critically influence the decision-making processes of the firm. The second part is related to the issue of the corporate reporting of its social performance. The third is the imperative that managers respond positively to the new socio-political demands.

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This third aspect is the focus of this article. One may ask: Do firms or managers respond positively to the new demands? At a theoretical level and from a historical perspective, it can be argued that they do. Some well known writers have demonstrated that "social responsibility" entered the matrix of management decision-making as early as the 1930s when the executives of America's large corporations asserted that they were obliged to make their firm's decisions in such a way as to balance equitably the claims on the firm made by stockholders, employees, customers, and other publics. In spite of this assertion, there is ample evidence to suggest the public trust and confidence about business organisations has been on the decline. The Opinion Research Corporation (ORC) has been taking regular polls on corporate reputations for over twenty years. Their longitudinal data show a decline in favorability in the public's ratings of all industries and all firms. Specific companies generally fared better in the ORC polls than their respective industries, but the fall-off in favorability was still universal.

There is one consolation in all of this. As Lipset and Schneider have theorized, this image problem is not unique to business organisation since labour and government organisations have also fallen out of favour with the general public.[3] As they put it, most of these institutions win or lose esteem in tandem with each other. To improve their image, American firms have been following two approaches. One is to express their views, primarily through print media, on a host of environmental or exogenous factors ranging from governmental regulations to how mass media, especially television, treats news items about firms or particular industries.[4] The second approach is educational. Forms vary from sponsored studies to supported seminars/workshops aimed at the various publics. Presence of an industry spokesman or a representative of the corporation is not uncommon. One broad subject that is included in all of these efforts is the "free enterprise" system. The survey evidence cited and examined in this paper will indicate that there may well be some fundamental deficiencies in the corporate educational efforts as part of their total response. The typical educational effort includes a basic explanation of how the free enterprise system operates in contrast to a planned economic system, how corporations create jobs and products, and how constricted the business organisations are by the regulation of government. In essence, the free enterprise system is not working as well as it would because of the severe limitations imposed upon it by the web of regulations.

SURVEY EVIDENCE

Johnson et al developed seven role models for business firms.[5] They conducted a survey among college students from three universities and analysed the data by the Guilford pair-comparison method. This technique allows for the development of scale values both for a descrip-

tive perception and for a normative perception enabling one to express a perceived role as it is and as it should be. Table I summarizes the Johnson et al data.

One inference that can be drawn from the data is that the student respondents would prefer the role to become a social institutional one in the future. This is taken to mean a preference in the expansion of the corporate role more in the direction of a social institution than at present. As already noted, the Opinion Research Corporation data indicate a decline in favorability in the public's ratings of all industries and all firms, even though some specific companies fared better than their respective industries. While specific companies were named in the ORC polls, and although Swartz has argued that inquiries about corporations should be extensional (meaning questions to be phrased in terms of specific firms) Prasad and Hartman developed a slightly generalized approach.[6] Its rationale was as follows: If respondents were asked which of the two firms Q and R were more responsive to non-economic forces in its business environment, and if Q were cited in the press unfavorably, that that would bias their response in favor of R. However, if respondents were asked which of the two firms Q' and R' which resemble Q and R in their characteristics/operations the responses would contain less bias.

Table I: Scale Values of Perceived Desired

	A			B			C		
	Legal Role			Market Contract			Exploitation		
	Is Now	Should Be	Diff.	Is Now	Should Be	Diff.	Is Now	Should Be	Diff.
Non-Business Majors	.31	1.43	+1.12	.000	1.73	+1.73	.05	.09	+.04
Business Majors	.53	.93	+ .40	.47	.93	+ .46	.00	.00	.00
Seniors: Ohio Univ.	.67	.96	+ .29	.65	.61	— .04	.29	.00	—.29
Seniors: U.W.—Madison	.26	1.53	+1.27	.19	1.58	+1.39	.00	.00	.00
Seniors: San Diego	.35	1.11	+ .76	.03	1.09	+1.06	.30	.00	—.30

Accordingly, twelve firms (A, B, C, . . . L listed in the Appendix) were described in terms of size, scope of operations, products etc. as being closely similar to real specific companies that respondents (students in business courses) would have heard of. None of the firms cited had unfavorable stories about them reported in the press in about a year preceding the survey. Two of the many questions that were asked of the 264 student respondents concerned the role assignments at present (1978) and in the future (1980s). It should be noted that in this survey the respondents were asked to assign one or more of the roles to each of the twelve technology-specific firms. The roles were: profit maximization, technology benefit diffusion, exchange, and social-institutional. These four roles were described to the respondents in terms of the firm as an economic organisation, a technological organisation, a legal entity, and a societal institution. The two research questions that were explored in the survey can be phrased thus: How do male and female respondents assign the *present* roles to A, B, . . . L, and How do male and female respondents assign the *future* roles to A, B, . . . L?

Figure I shows how the present role assignments were made by male and female respondents. When proportions were tested by chi square, no significant differences were found between the perceptions and role assignments of male respondents compared with those of female re-

Changes in Business Role by Student Groups

D			E			F			G		
Technostructure			Interpenetrating System			Dominant Corporation			Social Instl.		
Is Now	Should Be	Diff.	Is Now	Should Be	Diff.	Is Now	Should Be	Diff.	Is Now	Should Be	Diff.
.03	.64	+.61	.39	1.67	+1.28	.99	.00	−.99	.38	1.58	+1.20
.45	.83	+.36	.49	.88	+ .39	.50	.32	−.18	.29	1.36	+1.07
.00	.58	+.58	.37	.96	+ .59	.61	.15	−.46	.19	1.14	+ .95
.11	.93	+.82	.67	1.45	+ .78	.81	.63	−.18	.33	1.61	+1.28
.00	.77	+.77	.31	1.12	+ .81	.66	.30	−.36	.02	1.61	+1.59

Figure I: Present Roles assigned by Male and Female Respondents according to firm/Technology, A. . .L (A. . .L listed in Appendix)

Male Respondents	A	B	C	D	E	F	G	H	I	J	K	L
Role 2	⊕	⊕	⊕	○	⊕	⊕	⊕	⊕	⊕	○	○	○
Role 3	⊕	○	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕
Role 5	⊕	⊕	○	⊕	○	○	○	○	○	○	⊕	⊕
Role 7	⊕	○	○	○	⊕	⊕	⊕	⊕	⊕	⊕	○	○
Female Respondents												
Role 2	⊕	⊕	⊕	○	⊕	⊕	⊕	⊕	⊕	⊕	○	○
Role 3	○	○	⊕	⊕	⊕	○	⊕	⊕	⊕	⊕	⊕	○
Role 5	⊕	⊕	○	⊕	○	⊕	○	○	○	○	○	⊕
Role 7	○	○	○	○	⊕	⊕	⊕	⊕	○	⊕	○	○

Note: Role 2: Exchange role
3: Profit maximization role
5: Technology Benefit role
7: Social Institutional role

spondents. Nonetheless, there are several indications that are germane to how corporate roles are perceived. While all firms but B are assigned this role by male respondents, female respondents did not assign this role to B as well as three other firms, A, F, and L. The similarity in regard to B may well have been based on the fact that B, a telecommunications firm, was perceived either as a telephone or an electric company. In either case, it would be a firm in the "regulated utilities" industry, and hence one would expect such a firm playing a profit maximization role. However, there is no easy explanation as to why the female resondents did not assign the profit maximization role to A, F, and L.

There is also a concensus between male and female respondents relative to their assignment of the technology role to A, B, D, and L. One can posit that this agreement about technological contributions flowing from these firms are in terms of the actual benefits to the general public: Increased farm output from firm A, inexpensive communications from B, multitude of time/labour saving devices from D, and direct as well as indirect benefits accruing from advances in L, an aerospace firm. It is equally interesting to speculate why other firms and industries are not seen by either the male or the female respondents in the same vein

regarding the technology role. It can also be seen that both male and female respondents tend to see the social institutional roles that firms E, F, G, H, and J are perceived to be active in.

Impressions on how the respondents assigned the *future* or expected roles can be obtained from examining Figure II.

Figure II: Future Roles assigned by Male and Female Respondents according to firm/Technology, A. . .L (A. . .L listed in Appendix)

Male Respondents	A	B	C	D	E	F	G	H	I	J	K	L
Role 2	⊕	○	⊕	○	⊕	○	○	⊕	⊕	⊕	⊕	○
Role 3	⊕	○	⊕	○	○	○	⊕	○	○	⊕	⊕	⊕
Role 5	⊕	⊕	○	⊕	⊕	⊕	○	○	⊕	○	⊕	⊕
Role 7	⊕	○	○	○	⊕	○	⊕	⊕	⊕	⊕	○	○
Female Respondents												
Role 2	○	○	○	○	⊕	⊕	⊕	○	⊕	○	○	○
Role 3	○	○	○	○	○	○	○	⊕	○	○	○	○
Role 5	⊕	⊕	○	⊕	○	○	○	○	○	○	⊕	⊕
Role 7	⊕	○	○	○	⊕	⊕	⊕	⊕	○	⊕	○	○

Note: Role 2: Exchange role
3: Profit maximization role
5: Technology Benefit role
7: Social Institutional role

Relative to the profit maximisation role there is a discernible difference in the responses of the male and female students. Male respondents deleted five firms (excluding firm B to which they did not assign the present profit maximisation role) in assigning future profit role. These firms are D, E, F, H, and I. There is no apparent explanation for this choice, but one can speculate that as consumers the male students prefer that these firms orchestrate the profit role less in the future than at present. Female respondents, on the other hand, assigned the future profit role only to H. This preference defies even the above logic. However, what is noteworthy here is that both male and female respondents are expressing that in the 1980s the profit role ought not to be articulated as a major role of the corporations; female respondents seem more emphatic than male respondents. If this is the correct interpretation, it will not please the corporations.

Regarding the social institutional role, there is concensus between male and female respondents insofar as A, E, G, H, and J are concerned. One general interpretation which can be made of this convergence of perception is that in the 1980s business firms in those technologies are seen as having the potential to play the social institutional role.

CONCLUSIONS

That managers respond positively to the new sociopolitical demands made by the various publics or stakeholders is considered by Steiner and Miner as one of the key interrelated dimensions of the changing role of business organisations.[7] As described, the response is communicated by the firms in various forms of advocacy advertising and direct educational efforts. The concern of this article has been with the latter, particularly as it is focused on college students, but did not deal with the effectiveness of these efforts. That these efforts will have real effects on improving the corporate image is yet to be determined. Lipset and Schneider have argued that such educational campaigns will not have much effect in improving the image of the business organisations since they win or lose esteem in tandem with other organisations, including labour and governmental organisations.[8] This study reinforces that general doubt in a limited way, pointing to the gap that exists between what the corporations perceive their role to be and how the audience (particularly college audiences in these two instances) perceive the corporate roles both in descriptive and in normative terms.

One tentative conclusion that may be drawn on the basis of the two surveys cited is that business organisations can improve the effectiveness of their educational campaigns aimed at college audiences if they were to focus more on the social-institutional and technological roles than on the profit maximisation role, or the role of profits in the American economic system. This is not to assert, however, that there should be a de-emphasis of the profit maximisation criterion in the managerial decision-making process.

APPENDIX I

Firm Symbol	Description	Similar to
A	Farm Equipment Manufacture	International Harvestor
B	Telecommunications Company	GTE
C	Lumber/Wood Products	Georgia-Specific Co.
D	Electrical Equipment Mfr.	Westinghouse
E	Producer of Home-Repair Tools	Stanley Works
F	Health-Care Products	Bristol-Myers
G	Apparel Manufacturer	Blue Bell
H	Cosmetics	Revlon

I	Processed Foods	General Foods
J	Beverage	Coca-Cola
K	Basic Steel	Bethlehem
L	Aircraft	Boeing

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2. George Steiner and John Miner. *Management Policy and Strategy*. New York. Macmillan. 1977. p. 56-69.
3. Seymour Lipset and William Schneider, "How's Business? What the Public Thinks", *Public Opinion*. July/August, 1978, p. 41-47.
4. Two illustrative examples are: Warner and Swasey Company of Cleveland which makes machine tools, construction machinery, and textile equipment has articulated the role of profits in the American economic system through print media for the past thirty years or so. At times it has even commented on American foreign policy decisions including foreign aid. Mobil Oil Corp. is regarded by many as the most articulate of the oil giants in the world. How Mobil rebuts news comments on television can be seen in its two full-page message printed in the *Wall Street Journal*, November 7, 1979, p. 20-21.
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