

## Putting good will to the test: Nonprofits find mergers can be a messy business at times

By SCOTT RUSSELL

When nonprofit organizations face mounting service demands and tight budgets, an oft-offered solution from funders and academics is: “think merger.”

Mergers might well be the answer to improving efficiency and comprehensive services, yet the American Red Cross Twin Cities Area Chapter offers a cautionary tale.

The moral of this story isn't: “Don't merge.” The moral is, mergers are harder and take longer than people think.

Jan McDaniel, chief executive officer for Twin Cities Red Cross, is blunt in assessing the 2006 merger of the Minneapolis and St. Paul chapters.

“It was pretty awful. It was messy,” said McDaniel. “Frankly, the first year was just running around trying to clean up mistakes.”

While the Red Cross merger got some media attention, nonprofit mergers tend to fly under the radar. These are not the \$3 billion Northwest and Delta blockbusters. Indeed, the combined Red Cross chapter's 2007 budget was about \$12.8 million, according to its 2007 financial statement.

But with funding pressures in the slowing economy, expect more nonprofit mergers to come.

No one has tracked local nonprofit mergers. But Frank Forsberg, the Greater Twin Cities United Way's senior vice president for community impact, said he believes such mergers started picking up 10 years ago and accelerated a little during the economic downturn following the Sept. 11, 2001, attacks.

The United Way has supported approximately two-dozen nonprofit mergers since 2003, through planning and/or implementation grants. Examples include the Red Cross, the disaster relief organization, and the merger of Tubman Family Alliance and Chrysalis, A Center for Women Inc.

“We have been out actively encouraging nonprofits affiliated with United Way to at least seriously assess and consider these kinds of changes,” Forsberg said.

### At the Red Cross roads

As McDaniel tells it, Red Cross funders, particularly corporate funders, long had encouraged the Minneapolis and St. Paul chapters to merge. The chapters resisted. While only 10 miles apart, neither chapter wanted to lose its identity.

But once the national umbrella organization approved the merger in December 2005, it happened quickly. Too quickly, McDaniel says, explaining the merger was completed by July 2006. She joined the operation in spring of that year.

Big challenges included deciding whether the headquarters would be in Minneapolis or St. Paul, and determining the new board structure and who would chair the board of directors.

Leaders put the two boards together, creating a board of 60. They created a succession plan for first chair and second board chairs (St. Paul chapter member first, Minneapolis chapter member second). They decided to be based in Minneapolis, which had the newer headquarters building.

That was a start.

But merging two very different administrative systems — human resources, accounting and donations tracking — was a nightmare. “We had to do a lot of what we called ‘forensic accounting,’ “ or trying to figure out which bills to pay, McDaniel said.

More challenging yet was merging organizational cultures. The St. Paul chapter was smaller and had a family feel, a place where volunteers and staff mingled. The Minneapolis chapter had a more corporate structure.

The St. Paul chapter had been more financially challenged of the two, but the merger was supposed to be a merger of equals. It didn't work that way. “I think there was a little too much Minneapolis overlay,” McDaniel said.

Just like mergers of for-profit operations, Red Cross leaders had a difficult time managing when staff didn't know if they would have jobs. Out of the two chapters' 130 combined staff, approximately 30 jobs were cut initially. The total staff reduction now is roughly 50.

The Red Cross also lost volunteers during the merger, including key disaster response leaders, McDaniel said. She blames poor communication for the losses but notes that through conversations, some have returned.

What are the lessons for nonprofits considering a merger? McDaniel said it's critical to involve volunteers in the process, and to communicate openly with everyone about how difficult the merger will be.

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## MINNPOST.WORLD

# Oil prices rise, and no one know why

By SHARON SCHMICKLE

There was no universal sigh of relief after Saudi Arabia pledged on Sunday to boost oil output.

Instead, there was renewed debate over what, exactly, is causing the current crisis in energy prices and how those causes should inform energy policy for the future. A flash point in the debate is the question of whether speculators have driven oil prices to record levels.

Track all of the threads that are tied to oil prices, and you end up lost in a complex web that takes you around and around but never seems to get you anywhere you wanted to go.

Even the experts are baffled. So how can ordinary Americans be expected to assess proposals in an election year where energy issues define clear lines between candidates?

How can Congress, for that matter, come to a wise decision on President Bush's call for lifting the moratorium on offshore oil drilling? The call is vigorously echoed by presumed Republican presidential nominee John McCain.

The personal stakes are easy to track. Beyond the gas pump, they confront Americans at the grocery store, the airport and Wall Street where the Dow Jones industrial average responded to the most recent spike in oil prices Friday by tumbling to its lowest level since March.

## 'Anybody's guess'

The puzzle begins with the why questions.

People who have spent their careers tracking the ups and downs of the global oil markets say their compasses are spinning over the question of why prices have climbed so high so fast. The New York Times reported Saturday.

"Oil prices rise for reasons they cannot quite fathom, and where prices will be a year from now has become, literally, anybody's guess," the Times said.

Analysts agree that increasing demand, especially from China and India, is a major factor. But what confounds many experts is that the price of oil seems to be changing much faster than the world is changing.

"Old rules of thumb and assumptions that once helped traders foresee the direction of prices no longer seem to work," the Times said.

The upshot is that energy experts offer radically diverse predictions for the coming year, ranging from \$60 oil to \$200 oil.

And suspicion is mounting around the world that market forces have created a bubble of artificially expensive oil. A new breed of financial investors, including pension funds and hedge funds, view oil and other commodities as just another way to make money, like stocks, bonds and real estate.

"The evidence of their impact is mixed, but consumers and lawmakers nevertheless are furious, saying these new financial traders are driving up prices," the Times said.

The suspicions gained traction among politicians, investors and energy leaders after the U.S. Commodity Futures Trading Commission said on May 29 it was investigating the possible role of index-fund investors in the doubling of oil prices during the past year, Bloomberg reported.

## Saudi Arabia's pledge

Saudi Arabia's King Abdullah weighed in on the debate Sunday, saying, "Among other factors behind this unjust increase in oil prices is the abhorrent act of speculators acting for

their own selfish interests," AFP reported.

Saudi Arabia, the world's biggest oil exporter, pledged Sunday at an emergency energy price summit, to increase its oil production by 200,000 barrels a day, according to the Bloomberg report.

Many of the world leaders who attended the summit at Jeddah, the Saudi city on the Red Sea, also called for tighter regulation and more data on index fund activity.

U.S. Energy Secretary Samuel Bodman, in Jeddah for the summit, rejected calls to put greater controls on markets, saying a supply shortage was responsible for pushing oil prices higher. He disputed the view that speculators are leading the markets to record levels, Bloomberg said.

The only clear point in all of this give and take is that stepped up Saudi output offers little hope for price relief. In the short term, it could be offset by production disruptions in other oil-producing nations such as Nigeria, where militants have sabotaged oil facilities. In the long term, it could set back momentum for finding energy alternatives and changing gas-guzzling behavior.

Meanwhile, Congress has scheduled more hearings on energy prices this week. One is focused on the question of whether the skyrocketing prices relate to "a bubble or a new reality."

There is expert support around the world for the bubble theory.

"It's like the dotcom boom in the 1990s," Mark Lewis of Energy Market Consultants told the BBC.

There also is ample evidence that global politics plays a role. When the New York oil price broke through \$100 a barrel for the first time at the start of 2008, one of the factors cited as being behind it was the assassination

of Benazir Bhutto in Pakistan Dec. 27 last year, the BBC said.

## Iraq war and Big Oil

More recently, friction between Iran and the Western powers has spiked fears of supply interruptions.

And China's political aversion to disclosing its full intentions keeps demand projections murky.

"We really don't know what the fundamentals are doing at any point in time," Lewis told the BBC. "The markets are looking for signals from the fundamentals. Some of them are irrelevant, some of them are wrong, some of them are meaningless, but they affect prices nevertheless."

All of this uncertainty comes on top of longstanding suspicion that the Bush administration launched the Iraq war and other major government initiatives in the interests of Big Oil.

Add heated emotions over energy conservation, ethanol and other energy alternatives and you get a steaming political cauldron. Congress failed this year to pass a major renewable energy bill which would have extended tax credits for solar energy, wind power and other renewables. If lawmakers now go along with Bush's call for lifting the moratorium on offshore oil drilling, angry protest is sure to erupt.

The sum of it all is an explosive election-year issue on a subject that even the experts can't completely fathom.

*Sharon Schmickle writes about foreign affairs and science. She can be reached at [sschmickle@minnpost.com](mailto:sschmickle@minnpost.com).*

# Controversial airport salary comparisons aren't 'apples to apples'

## BUSINESS AGENDA

By DAN HAUGEN

A Detroit newspaper's investigation last weekend cited the Twin Cities as one of the few places with a greater number of high-paid airport officials than the Motor City. But the data on our airport executives, it turns out, may not be as startling as they seemed at first glance.

The Metropolitan Airports Commission defended its employees' salaries this week, saying they're in line with other airports of similar size and structure. Officials here cautioned that comparing airports is a complicated task involving lots of factors not adequately addressed in the article.

The Detroit Free Press surveyed salaries at nine airports and found Detroit Metro Airport in the top tier for pay, with 46 executives making six-figures, even though it's the 11th-busiest airport in terms of takeoffs and landings.

Dallas-Fort Worth and the Minneapolis-St. Paul International Airport were the only airports it surveyed that had a higher number of employees making more than \$100,000. Minneapolis-St. Paul, the 13th-busiest airport, pays 49 people with such salaries. By comparison, Atlanta, the nation's busiest airport, has just seven six-figure executives. MinnPost's David Brauer noted the curious numbers in Monday's Daily Glean.

Why would an airport with twice as many flights as MSP have one-seventh the number of six-figure executives? And why

would MSP surpass all but one of the surveyed airports in the same category?

### MSP t a different operational model than many

The explanation lies in the airports' "vastly different operational models and sizes," said Patrick Hogan, MAC spokesman.

"Articles such as this are troubling because they make implications without taking into account whether their data is really comparable," Hogan said. In this case, he said, the airports chosen by the Detroit Free Press do not have enough in common to offer fair salary comparisons.

Atlanta's Hartsfield-Jackson International Airport is city-owned and -operated. Its budget, like those of other municipal airports, doesn't reflect the cost of fire, police and other services handled by other city departments, Hogan said.

Meanwhile, MSP is in the category of hubs run by independent airport authorities, which function self-sufficiently, much like small cities.

"If you really want to do apples to apples, what you need to do is compare authorities to authorities, cities to cities, and then adjust for the cost [of living] index," said Sean Broderick, spokesman for the American Association of Airport Executives.

Besides Detroit, the closest peers to MSP in terms of traffic on the newspaper's list were Philadelphia and Salt Lake City, ranked 10th and 15th, respectively. Philadelphia has nine employees making more than \$100,000 and Salt Lake City has

six, but both airports are also municipally run airports, not independent airport authorities.

Other airports on the list, such as Miami International and Cleveland Hopkins International, have fewer six-figure executives than MSP but also handle fewer takeoffs and landings, Hogan said. Another variable worth noting, he said, is that the MAC oversees not one but seven airports around the region, further complicating comparisons.

Hogan said a larger sampling of airports would show MSP is generally competitive with airport authorities in other major cities and even some medium-sized cities.

The State Legislature created the airports commission in 1943 as a public corporation to promote air transportation in the Twin Cities. It doesn't get regular funding from state, local or federal taxes. Instead its budget relies on concession revenues, lease agreements, airline and passenger fees, and federal grants and bond sales.

Fifteen commissioners, most of them appointed by the governor, set the pay for the commission's director. Executive Director Jeff Hamiel's annual salary of \$175,487 is the second-lowest of those the Free Press surveyed. The executive director then oversees compensation decisions for other managers and employees.

The pay is based on studies of comparable positions in the region, as well as pay rates at similar-sized airports, Hogan said. The airport competes with businesses for the most-qualified

employees, Hogan said. As a result, incomes tend to skew higher here than in other cities because of Minnesota's high concentration of Fortune 500 companies, he said.

The experience of the airports commission's six-figure employees can be measured in decades. Those making more than \$120,000 average 23 years of experience with the commission. Employees between \$102,000 and \$120,000 average 15 years. And the 13 employees just barely over \$100,000 average 12 years.

Sen. Scott Dibble, DFL-Minneapolis, who has introduced legislation calling for greater oversight of the commission, said he doesn't recall specific complaints or discussions about employee salaries before. His main issues concern how board members are appointed, but after reading the Free Press report, he said he may look into the pay issue.

Another critic, Rep. Paul Thissen, DFL-Minneapolis, said the pay issue has "never come up on my radar." Thissen has disagreed with the commission on noise issues and also argued for greater legislative oversight. But as far as the airport's operations, he said, "it has a reputation as one of the better-run airports in the country."

A 2003 report from the state auditor's office concluded the airports commission operates with limited oversight, but "nevertheless, MAC's administration of the Minneapolis-St. Paul Airport is generally well regarded, and the airport's operating costs are relatively low compared with other U.S. airports."

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Joel Kramer, CEO and editor

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“The communications has to be five times what you consider normal,” says McDaniel, a former general manager for WCCO-TV. “It has to be often and it has to be consistent. It has to be written and it has to be face to face.”

## Emerging issue

Jodi Sandfort, associate professor at the University of Minnesota’s Humphrey Institute and a nonprofit management expert, thinks nonprofit mergers are becoming more of an issue in the arena. But information is lacking on merger frequency, outcomes and how they compare to for-profit mergers.

“It was shocking to me to realize — particularly because of how important it is on the private sector side — how little is understood on the nonprofit side,” she said.

The Stanford Social Innovation Review (Summer 2007) ran a series of articles on nonprofit mergers, exploring the pros and cons.

An article titled “Before you say ‘I do’” recounted the merger of HOPE Services of San Jose, Calif., and Skills Center of Santa Cruz. One unexpected result was that nine of 10 foundations that had funded both agencies dropped their total support for the merged agency, a loss of tens of thousands of dollars.

That merger eventually worked. Not so for the 1997 merger of the University of California-San Francisco and Stanford medical centers. The subsequent 2000 breakup cost millions of dollars, the article said.

The Stanford Project on the Evolution of Nonprofits (SPEN) interviewed 200 nonprofit leaders from a 10-county area around San Francisco. Its findings suggest that nonprofits “need to save a lot more money, budget a lot more time, and get to know each other a lot better before walking down the aisle.”

## A roller coaster ride

Financial necessity often drives nonprofit mergers, but the ultimate goal isn’t market share or share price — the goal is client services. Getting to and through mergers isn’t easy.

Institutional leaders have to give up some institutional pride and control to make them work. Merger veteran Ron Reed calls negotiations “a roller coaster ride.” Common struggles include agreeing on a new board structure, leadership, a headquarters site and even the merged organization’s name.

Reed, former chief executive officer of Family Service Inc., went through numerous mergers, including the final one with Children’s Home Society of Minnesota. The board structure was one potential deal-breaker, he recalled: “Our board members had to join their board in order for this to work.”

Madonna King, president and CEO of the merged Children’s Home Society & Family Services, said at the time her board shot from 30 to 46. In retrospect, she would have looked for an interim step, either board members voluntarily stepping down or at least more discussion about how a 46-member board would function.

Reed retired after the 2003 merger. He now heads MAP for Nonprofits Project ReDesign, which promotes mergers as an option. MAP is in its second year of a three-year pilot. Reed and attorney Suzanne Pearl provide nonprofits free 90-minute assessments. For a fee, they also facilitate mergers.

Unlike for-profit mergers, Reed said nonprofits typically create a joint board to negotiate. The joint board fashions a shared vision and common understandings. The vision could include an agreement that no staff members lose their jobs through the merger.

Mergers create one-time costs, everything from legal fees and letterhead to computer integration. Reed encourages larger agencies to budget for mergers, because the smaller organizations typically are cash-strapped.

“I think there are going to be more agencies looking for partners,” he said.

## Matchmakers

Reed said business leaders in some communities will push for nonprofit mergers, but Twin Cities-area funders are reluctant to enter

that debate.

José González, program officer for the St. Paul-based Bush Foundation, said there might be situations where Bush would encourage a merger, but there is nothing wrong if several nonprofits replicate services if only to increase access.

Bush might encourage partnerships, but González notes: “It is bad for foundations to be so directive to nonprofits that we say, ‘Do it this way or we won’t fund you.’”

The Humphrey Institute’s Sandfort is also a former director of the McKnight Foundation’s children and families program. She said foundations encourage mergers but rarely succeed.

When nonprofits do decide to merge, each merger has its own wrinkles. Two local examples follow.

## PPL: Hesitancy, then ...

As 2006 came to a close, Minneapolis-based Loring Nicolle-Bethlehem Community Centers had a \$104,611 deficit, its third red-ink year out of four. Though it still had healthy reserves, its annual revenue (\$2 million-plus) was slowly shrinking.

The centers — which include alternative high schools, day care, adult basic-education and employment programs — approached Project for Pride and Living (PPL) about merging. PPL, known for its housing programs, also runs self-sufficiency programs that dovetailed with LNB’s work. Talks took a year. The two merged Jan. 1.

LNB was a ‘tweener agency, stuck because of its size, say those familiar with the merger: too big for a niche, scrappy, everybody-does-everything organization, too small to have adequate volunteer coordination and other key administrative supports.

Though its education programs were strong, the employment programs struggled, recalled former LNB board member Walter Rockenstein. It lost a couple of city employment contracts because it couldn’t compete with larger organizations.

Steve Cramer, PPL’s executive director, said his board wasn’t predis-

posed to a merger. The tipping point came in summer 2007 as PPL developed its own strategic plan, independent of merger talks. Leaders wanted to broaden and deepen the education and employment programs.

Then the light bulb went on. People thought, “we probably would jump three years ahead in implementing our plan by having these agencies come together,” Cramer said.

Some parts of mergers can go smoothly. In this case, LNB Executive Director Brad Englund planned to retire, so the duplicate leadership issue was moot.

Money concerned leaders from both agencies. Would key funders back the merged agency at the same levels at which they had supported the two separate agencies?

Agency leaders talked to their funders early in the process and felt comfortable enough with the responses to move ahead with the merger.

## Girl Scouts: Merger mandate

Last Oct. 1, five Girl Scout councils became one. The Cannon Valley, Greater Minneapolis, Peacepipe, River Trails and St. Croix Valley councils merged into the Girl Scouts of Minnesota and Wisconsin River Valleys. It was part of a broader effort by Girl Scouts of the USA to consolidate 312 councils into 109.

Linda Keene, chief executive officer of the new organization, and Board Second Vice Chairwoman Chris Kuhn said the consolidation creates higher-capacity councils across the nation. Under the old model, girls in a small council with limited resources would have few options. Or, if a girl’s family moved to a new town, she might have to adjust to a different scouting program.

The goals of the mergers and other reforms were to make scouting more uniform — and uniformly better.

*Scott Russell covers nonprofits for MinnPos. He can be reached at srussell@minnpost.com.*

## THE DAILY GLEAN

## Summertime living is easy for some, queasy for others

By DOUG GROW

Summertime and the living is easy, especially if you like stories with happy endings, are a fan of the Minnesota Twins or think that public subsidies for sports arenas such as St. Paul's Xcel Energy Center are a good idea. This summer's living isn't so easy if you live near the Crosstown Commons construction project or were a fan of Theatre de la Jeune Lune.

For the second time in less than a week, there's been a happy ending to what seemed a futile search story. On Sunday, Keith Kennedy, the 25-year-old man with autism, was found, a mile from the camp he'd left. Strib reporters Rodrigo Zamith and Amy Simons talked with one of the St. Paul firefighters who discovered Kennedy. "We were sent in for a body recovery, and to come across somebody that's still alive after seven days is amazing," said firefighter Gary Ruiz. Last week, Abby Flantz of Gaylord, Minn., and Erica Nelson of Las Vegas were found just outside Alaska's Denali National Park.

Double Crosstown? The Strib's Steve Brandt has a story on highway construction and promises seemingly forgotten. According to Minneapolis city officials, the state promised it would follow city night noise restriction laws when re-constructing the Crosstown Commons. But when the city tried to enforce those laws, the state

said it was just kidding about earlier promises. Now it says it doesn't have to follow city regs and that the feds agree. Those near the project are now trying to sleep through noise and shaking beds.

Ready for the worst when Republican National Convention comes to town? MPR's Tom Pugmire wasn't asking about bad speeches. He was asking if the region's hospitals could deal with an emergency on the scale of the 2004 terrorist attacks in Madrid. The University of Minnesota's Dr. Michael Osterholm paints a vivid — and grim — picture. "Our health care system in Minnesota, like the rest of the country, has been gnawed to the bone, and frankly we've been sucking calcium." Hennepin County Medical Center's Mark Lappe is a little more upbeat, noting that collapse of the I-35 bridge proved region's hospitals are ready for almost anything.

The last act at Theatre de la Jeune Lune is a downer. The Strib and television stations all chased PiPress's Dominic Papatola, who broke the story of the demise of the Tony Award-winning theater on Sunday. The only way for the 30-year-old theater to cover its \$1 million debt is to close down and sell its building.

In more sad entertainment news, comedian George Carlin is dead at 71. The Strib gives scant coverage of the man

who unleashed a routine that included "the seven words you can't say on television." Turn to PiPress for more thorough coverage, plus an amazing photo of Carlin being led from Summerfest grounds by four Milwaukee police after he used those seven words in a 1972 performance.

It's been 10 years since the first shovel of dirt was turned for the construction of St. Paul's Xcel Energy Center, reports the PiPress's Jason Hoppin. In that time, the publicly financed arena has been home to hockey players, Prince, Springsteen, Dylan and, soon, thousands of Republicans.

But another project that was supposed to change the look and feel of St. Paul's downtown hasn't been quite so successful. The 1980s era Galtier Plaza has constantly struggled. Now, according to the Strib's Susan Feyder, the building will be home to St. Paul Preparatory School. The 130-student school is moving from Hamline to Galtier, where it will be among the building's largest tenants. Even with the move, Galtier will be at only 72 percent of capacity, below the St. Paul average of 78 percent.

Not-so-fast food is being served up at St. Paul's Sonic drive-in, according to the Strib's James Walsh, who reports that there are long lines outside the heavily advertised national chain, which opened on St. Paul's Suburban Avenue two

weeks ago. Walsh admits that coverage of the chain restaurant brings back memories of the hype surrounding ill-fated Krispy Kreme.

Northwest CEO Doug Steenland is back in D.C., this time to talk about what the rest of us are talking about: High fuel prices. MPR's Martin Moylan reports that Steenland will tell a House committee that speculators are driving oil prices sky high. Steenland will ask for oversight of the speculators.

The U.S. Women's Open begins this week at Interlachen Country Club, and KARE-TV's Greg Vandegrift has a nice piece about club caddy Micky Millburn, who will be toting the bag of South Korean Kyeong Bae during the tournament. "I've sold insurance and I've tried other things," Millburn said. "Working inside isn't for me."

In other sporting news, the Twins get a day off after winning their sixth successive Dome game, defeating the Arizona Diamondbacks 5-3 on Sunday. Key play in the game came in the bottom of the fifth, when Arizona leftfielder Conor Jackson lost Delmon Young's fly in the dome roof. A sure out became a double, which opened the door to a five-run inning.

## Want to add your voice?

If you're interested in joining the discussion by writing a Community Voices article, email Susan Albright at [salbright@minnpost.com](mailto:salbright@minnpost.com).

## COMMUNITY VOICES

## State should help foster socially responsible businesses

By SEN. JOHN MARTY

In the drive to please Wall Street investors, some corporations have shortchanged their customers and workers and polluted the air we breathe. Corporate scandals fill the news media.

Producing a good return on investment for business owners (shareholders) is an important function of any for-profit corporation. But society is ill served when we let profit trump fair treatment for the community.

It is unethical for businesses of our generation to use up natural resources at an unsustainable rate, destroying the planet we leave for our children. It is not OK for a business to make more money by paying its employees so little that the workers' families end up in poverty. It is not acceptable for a business to profit from selling toys containing lead that poisons unsuspecting children. The public wants corporations to be responsible for more than just making money.

Unfortunately, in today's political climate, profit usually wins out. Corporations have the lobbyists, campaign contributions, and the clout to block government from interfering in their drive to make more money. Reform of the political system so government serves the best interests of the people, not the best interests of power-

ful corporations, is urgently needed.

**Corporate design needs to change**

However, this is not a problem to be solved solely with government regulation and enforcement. Our corporate design needs to change too. Corporate laws should enable business owners to profit, but not to maximize profits regardless of the impact on others. Unfortunately, current law makes it difficult for corporate leaders to focus on the well being of the community.

There are business people who want to look out for the public interest, but who are concerned that their fiduciary responsibility to stockholders precludes them from paying better wages or protecting the environment if profit margins are affected.

To address this fundamental problem, we should give businesses the option of incorporating under an alternative structure that acknowledges their responsibility to the stockholders as well as to other "stakeholders." Others who have a stake in a corporation's actions include the employees, the customers, the suppliers, the communities they are in, as well as the general public interest such as public health, the environment, and public safety. One means of facilitating socially

responsible corporations is spelled out in Senate File 1153, the Minnesota Responsible Business Corporation Act.

The main advantage of incorporating as a socially responsible business is that a corporation's board and executives would be protected from lawsuits for failing to maximize stockholder profits as a result of their actions to protect the interests of other stakeholders. For businesspeople who want "to do the right thing," this would enable them to do so without fear of being punished. In addition, the legislation would bring worker and public interest representation onto the corporate board, and would ensure that corporate leadership regularly considers its impact on the public.

**At least a partial answer**

This legislation is only a partial answer to the problem. It would assist people who want to create a "for-profit" corporation to produce goods or services for the purpose of making money, but who also have sincere concern for other stakeholders. It would assist corporate leaders who treat their employees and the environment well even if doing so might, in the short term, reduce their profits.

Most businesses would continue to use the traditional corporate structure, but some

would choose to incorporate under the socially responsible option instead.

Being socially responsible does not mean being unprofitable. Traditional businesses often recognize that they can create "green" jobs in renewable energy. Many employers recognize that good compensation for their employees results in happier, more productive workers. Many businesses recognize that it is a very real asset to have a positive reputation, to have built public trust. It creates loyal customers.

Businesses cannot survive if they cannot make money. They need to generate a fair return for their shareholders, but they can do that without trampling on the rights and interests of the community.

Our current corporate structures were designed in an earlier era, captive to investors' desire for short-term profits. In this new millennium, we need corporate structures that protect the environment, ensure public health and safety, and treat workers fairly. The Minnesota Responsible Business Corporation Act is a step in that direction.

*State Sen. John Marty, DFL-Roseville, represents Minnesota Senate District 54. This article originally appeared in the To the Point! newsletter on the Apple Pie Alliance website.*

**Want to add your voice?**

If you're interested in joining the discussion by writing a Community Voices article, email Susan Albright at [salbright@minnpost.com](mailto:salbright@minnpost.com).