

DuPont and Its Publics:  
A Lot of Good Chemistry Between Them?

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## DUPONT AND ITS PUBLICS:

## A LOT OF GOOD CHEMISTRY BETWEEN THEM?

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Submitted to the Sloan School of Management  
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## ABSTRACT

Historically, companies had two primary external stakeholders: customers and stockholders. Today, the list includes the general public and a myriad of private interest groups. One of the corporation's challenges in the 1980's will be to somehow maximize satisfaction or at least achieve compromise among these large and diverse "publics."

This case study of the DuPont Company was undertaken to observe how a company manages its relations with the "outside world." DuPont was selected because of: its importance as a major multinational corporation, the current controversy surrounding the chemical industry and its activities, the author's personal background and training, and his opinion that DuPont tries to be a leader in its public affairs activities as much as it does in fibers or fluorocarbons.

DuPont has responded to external pressures in several ways including: an extensive involvement in external affairs by corporate line management (particularly its chief executive officer), and the activities of its large and highly specialized public affairs department. It has developed a strong internal philosophy that is forcing the company to become involved in many social issues which have no short term effect on DuPont financial performance. DuPont seeks to be a leader in the public policy process, and is willing to use its size and stature to achieve desired results.

The DuPont experience in specific activity terms is not completely generalizable to other companies; many of their activities are industry or size-of-company specific. But what can be applied elsewhere is a crude mental "checklist" which would include the following questions for a manager attempting to assess the strength of external corporate relations:

1. Do you run your own business well?
2. Do you know what you stand for, and do you believe your actions to be responsible?
3. Do you make public affairs activities a part of management?
4. Do you continually evaluate the appropriate level of external activities, and monitor their effectiveness?
5. Do you believe in winning every outside confrontation, or can you compromise?
6. Do you have a vision of the future and of the role you would like to play in the future?

At DuPont, the answers to these questions do imply "good chemistry" between the company and its publics.

Thesis Supervisor: Dr. Mel Horwitch

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"The spread of corporate power into control of public government and allocation of public resources; the growth of hazards to people and environments from the uncontrolled effects of widening technologies; the increasingly determined management of larger social systems by giant multinational corporations - these and many other problems created by the corporate Leviathon demand intensive citizen scrutiny.

— Washington D.C. 1971 November  
Ralph Nader

- INTRODUCTION -

"You and DuPont. There's a lot of good chemistry  
between us."

— 1980 television commercial

The aim of this paper is to examine the bridge built by a major corporation between itself and the outside political/social world, including: the structure and activities of its public oriented functions, the role of its chief executive officer in outside activities, and how this firm combined organizational capabilities, roles, and philosophy into behavior in a "real life" situation. Company actions are obviously the result of individual employee decisions; thus understanding both collective and personal views is important. Monod put it nicely - "actions necessarily bring individual beliefs and values into play." This is both an investigative as well as normative journey; I started this project with only one thesis - that the nature and quality of external links are vital to corporate success, and are what differentiate a merely successful company - from one which is great. I hope this paper illustrates what one company has done to address these problems, and provides insights as to what others can learn from its approach, and perhaps do even better ...

### Background

For many years, the role of business as a positive societal institution was rarely questioned; maximizing corporate profit somehow maximized everything for everyone. This assumption was not necessarily bad; it just reflected a culture where the achievement of private corporate goals was believed to satisfy public ones as well. Today, public expectations of business are much more complex, and various segments of the business world are viewed much more critically. Indeed, interest on the part of the public as to what business is "up to" has reached an



all-time high. Irving Shapiro, Chairman of DuPont, commented that if you had been in space the last quarter century and returned to Earth you "... would be bowled over by the great increase in public involvement and public interest in the affairs of our companies." [1]

James Lindheim, vice president of Yankelovich, Skelly, and White, believes the 1970's saw nothing less than a massive transformation of American society. He argues that contributions to societal institutions through national service or family cohesion have declined as a source of basic motivation, and have been replaced with the ethic of "self" and the "philosophy of entitlement." [2] Service to self is far more important than externally directed efforts, and has been coupled with a trend to believing that the individual is entitled to something from national institutions like industry. Completely accurate or not, Lindheim's views confirm the belief that the social marketplace is more concerned about business - its products and practices - and less easy to please than ever before.

The increasingly sophisticated attention implies a loss of managerial freedom and far higher costs to simply be able to do business. Estimates suggest that every dollar spent by government on regulatory programs may cost business firms as much as twenty dollars in compliance costs. A hidden component of this large cost factor has been the drain on management time, away from internal or market related issues. James Post of Boston University has written: "The late 1960's and the decade of the 1970's, however, saw a turning point in the way ... senior managers spent their time. Time studies showed that chief executives spent significantly more time than ever before on external matters such as

legislation, regulation, and social issues - and much less time on administrative matters and strategic planning..." [3] Although management policy still is concerned with the guidance of the whole organization, such policy requires increasingly careful attention to the ways in which corporate policies intersect and "fit" with public policies.

Critics of business can be extremely effective in the ways they use media, proxy, or other tactics to achieve their aims; the abandonment, alteration or continuance of projects or products can be forced by regulatory or public pressure. The fate of the supersonic transport program (SST), Monsanto Corporation's acrylonitrile plastic bottle, or the current "limbo" status of American nuclear power plant construction provide dramatic examples of this potential outcome.

While the 1980 Presidential and Congressional elections suggest that public goals are swinging back to a more conservative posture, the business critics are not dead - nor will the public lose its sophistication in making judgements on what it sees happening in the private sector. As a senior member of DuPont's Public Affairs Department has observed: "As they (business leaders) trot off to Washington now, are they under the assumption that they have to give a little or do they say - hot diggety - I don't have to give anything anymore. My boys are in now. If they follow the latter trait, they're gonna get their brains knocked out. Not every democrat or liberal or antagonist to business is ready yet to put both feet in the air and flop over dead. Business would be foolish to believe all the great gods of liberalism are dead." [4] Moreover, many environmental or social limits on business

have now been institutionalized, and they will be quite difficult to eliminate.

The corporation's challenge in the 1980's will be to somehow maximize satisfaction among its large, diverse, and often conflicting group of clients. Historically, companies had two primary external groups to worry about - customers and stockholders. Today the list includes the general public and a myriad of private interest groups. Each stakeholder group has its own expectations of what business should (and should not) do; the relative importance and effectiveness of certain groups will change, but it is certain that none will go away. And ironically, perhaps the greatest public expectation (and demand!) of business in the 1980's will be that it improve its ability to provide jobs and compensation ...

#### Why DuPont?

I sought DuPont as my research subject for a number of reasons: (1) its importance as a major multinational corporation, (2) the current controversy surrounding the chemical industry and its activities, (3) my personal background and training, and (4) my opinion that DuPont tries to be a leader in its public affairs activities as much as it does in fibers or fluorocarbons. DuPont activities are global in scale, and touch millions of people's lives through the jobs they hold or the products and services they use. The size and stature of the company make it a prime target for outside scrutiny and direction. Because it has to live "under the microscope," it has thought very long and hard about public/corporate issues and the role it should play - and thus makes a particularly good study subject. Being the largest member of the American chemical industry - with the industry's current "bad guys" image - also places

DuPont in a particularly challenging position. According to Yankelovich, Skelly and White, more than half the people they polled consider the chemical industry the worst in matters of environmental and health damage and tied for last with mining as the least safe industry to work in [5] H. Luz of W.R. Grace & Co. vividly described the industry's public problems with: "As long as water supplies are affected, as long as oil spills kill fish, pollute the oceans and destroy the beaches, etc., we will be a specter of fear to the general public." [6]

Health and safety issues in general came to the forefront during the 1970's; following closely behind has been the genesis of "chemophobia" - the connection of chemicals to cancer in the public's mind. Media coverage has not helped much either; particularly the spectacular coverage of such industry disasters as the Love Canal and Elizabeth, New Jersey dumpsites. Says Bob Roland, president of the industry trade association - "I don't need any polls to tell me the chemical industry is not held in high esteem. The public accepts the benefits of chemicals out of hand, but they do not believe the industry is doing enough to manage the risks. We believe we are acting responsibly. We don't have to apologize for making chemicals." [7]

In today's environment, I agree with the model of the corporation in the public policy process described by James Post of Boston University. The legitimacy of the corporation is inextricably linked to its perception as a mechanism to achieve both public and private goals. It must acknowledge: a mission to meet this wide range of needs and purposes, a commitment to responsible behavior in the policy making process, and the frequent need for compromise solutions - and not the taking of enemy

scalps. Pursuing this hazy middle ground approach is not easy, both in philosophical and tactical terms. I do not advocate rolling over and playing dead, nor do I favor blind opposition. An unswerving manipulative or reactive strategy is not optimal; compromise must occasionally be found in the corporate vocabulary.

I believe DuPont is worth studying because it not only preaches and practices what it believes, yet also continually rethinks its positions and views. Again, Irving Shapiro - "quasi-public ... the label is correct in suggesting that the contract between private business and the public has been changed ... The new realities will require that business be managed by leaders who are actively in tune with the larger goals of society. Certainly business cannot have social or economic objectives that are different than those of the American people. We may have different ideas on how to get there, but our long range goals must be the same." [8] And further down the DuPont line, a middle manager - "We have established the way we want to behave ourselves." [9] I picked DuPont because I was anxious to learn how the company that has always believed in better living through chemistry translates public affairs philosophy into structure, policy, and tactics.

#### Nature of this Work

Much of this paper is based on personal interviews, speeches, and other public statements. Results and achievements in the public affairs arena are often difficult to quantify; this whole area is (to borrow the popular term) somewhat "touchy - feely." Chapter I discusses the history of DuPont as well as its organizational structure and current

activities. I believe it is important to understand where the company has been, and what it is now - to properly examine its beliefs and actions. DuPont is a fascinating blend of history, tradition, family, science, and power- elements that are still present in the corporate milieu and decision making process. Chapter II focuses on the role of the corporate chief executive as both a private and public figure. DuPont has a tradition of preeminent corporate leadership, yet Irving Shapiro achieved a level of respect on the inside and outside matched by few business people anywhere. When your CEO goes "public", it does pose many questions ... What are the implications of this role for the rest of his organization? How did it happen? Has the corporation benefitted from this posture? Chapter III examines the structure and activities of the formal public affairs organization. What does it do? How does it relate to line management? Does it even have a real function during the tenure of a public CEO? Chapter IV ties the elements of corporate tradition, strategy, and structure together through the vehicle of a recently passed Congressional bill - superfund. Superfund ( a billion dollar plus fund to clean up wast dumpsites) gives us a window - on the chemical industry and its problems, its relationships with member firms and a number of "publics," and the unique role DuPont played in the passage of this controversial piece of legislation. Superfund is a fascinating case study of the roles played by various actors in a key public policy issue. The concluding remarks section contains my observations of the key elements of DuPont's "drawbridge" to the world, and

highlights what lessons can possibly be learned from the Dupont experience.

So, let us begin our journey, for - "the time has come, the walrus said, to talk of many things ..."

## FOOTNOTES - INTRODUCTION

1. Shapiro, Irving, Chemical Week, Oct. 17, 1979.
2. Lindheim, James, Chemical & Engineering News, Dec. 17, 1979.
3. Post, James, "Publics Affairs and Management Policy in the 1980's"  
Public Affairs Review: 1980, p. 4.
4. Interview, January 1981.
5. Lindheim, op cit.
6. Chemical Engineering Progress, September 1980. p. 23.
7. Business Week, October 8, 1979, p. 73.
8. Shapiro, Irving. "Remarks" to the Conference Board, New York  
Sept. 16, 1976.
9. Interview, January 1981.



## CHAPTER I

## - THE COMPANY -

"Dupont is quintessential Establishment, almost as old as the country itself. It is justly proud of its superb research, which has given the world such innovations as nylon, Dacron, Orlon, Mylar, and Teflon. Dupont's name still brings to mind the lofty slogan it used for years: Better things for better living through chemistry."

— Fortune, September 10, 1979

With 1980 sales of \$13.652 billion, E.I. DuPont de Nemours & Company is the United States' largest chemical producer. It employs over 134,000 employees throughout the world who manage an investment valued in excess of \$16 billion. The company manufactures and sells a variety of industrial and specialty chemicals, plastics, fibers, and electronic products. While less than 5% of its sales volume is derived from consumer products, a large portion of its businesses lie close to the public or are household names ('Lucite', 'Quiana', 'Lycra'). Results for 1980 are high-lighted below. (in millions \$)

Sales	\$13,652	
Net Income	\$716	
Earnings/Sales	5.3%	
Earnings/Investment	4.3%	
Earnings/Common Equity	13.4%	
Capital Expenditures	\$1351	
Research & Development Spending		\$484

(Source: 1980 Annual Report)

The statistics are impressive, but they really tell us very little. To learn how DuPont deals with the outside world, we must understand what this corporate enterprise is in product, organizational, and philosophical terms. In the following chapter we will trace the history of the company and its products, and explore the development and current state of its structure and strategy. But why is corporate history important? The answer to this question is as old as the historian's profession - by reaching into the past we can observe key corporate traits and themes which in turn, tell us much about how it will deal with the future. DuPont is unique; this is true both within the chemical industry as well as among all corporations.

I believe the history, structure, and strategy of DuPont exhibit six themes: a tradition of technical and managerial innovation, an

ability to rationally change and adapt, a strong sense of ideals and purpose, a history of personal (DuPont family) versus corporate interest, an orientation to the future, and a willingness to be in the public eye by being a leader. These themes surface throughout the corporate history, and they - far more than the actual products - are what Du Pont is all about.

#### History: The Early Years

DuPont was founded in 1802 by Eleuthere Irenee du Pont de Nemours. Irenee had studied chemistry under the great French chemist Lavoisier, and became his first assistant in 1787. The French revolution soon intervened in the young chemist's plans; Lavoisier was guillotined in 1794, and three years later Irenee and his father spent one night in jail on charges of treason. Later in 1797 the family sailed for America with plans to organize a colony in Virginia. When these plans failed, Irenee convinced his father that the gunpowder business would be a profitable venture. He had studied gunpowder manufacturing under Lavoisier; the young and growing nation clearly needed a source of high quality powder.

With funds secured from French investors, E.I. duPont de Nemours was founded on April 21, 1801. Construction of the powder mills was begun in 1804 on the banks of the Brandywine River near Wilmington, Delaware. President Thomas Jefferson encouraged the development of the mills, and gave the company its first order. Against the backdrop of the Barbary War and the War of 1812, the company grew rapidly. By 1857 the firm had begun to demonstrate several of those key themes which

would dominate much of its 179 year history. First was the control of the company by members of the DuPont family. The original French investors were bought out in 1837; control of the company remained in family hands until the late 1960's. Current chairman Irving Shapiro is only the second chief executive officer in company history to have been an outsider.

Second, after explosions in the mills in the early 1800's took numerous employee lives, DuPont began an aggressive campaign to improve plant safety - and help the families of workers who had been killed. DuPont was one of the first corporations to exhibit this sense of the employee as an important company stakeholder. The 1980 annual report cites company frequency of work related injury statistics that are 22 times better than the chemical industry average and 68 times better than American industry as a whole. The (admirable) DuPont obsession with safety is just one aspect of what can best be described as a strong sense of 'doing the right thing'. Like the hero of the Western movies, the company tries very hard to wear the white hat...

When Lamot du Pont, grandson of the founder, patented black powder based on sodium nitrate, a third key theme of the company -innovation- was born. Research/development and the DuPont name were to become synonymous titles in future years.....

After the civil war, Henry DuPont organized the Gunpowder Trade Association ("Powder Trust"), dividing the country into sales districts, setting production quotas, etc. for its seven members. In 1902, after the death of Eugene DuPont, it appeared that the family might sell out to a competitor. In a dramatic move that Forbes Magazine termed "the shrewdest leveraged buyout in history" [1], three cousins of the

original founder stepped in and purchased the company. One of the three, Pierre S. DuPont, was driven by the goal to make the company the largest powder maker in the world.

" P.S. du Pont was enlivened... by the thought that Cousin Eugene's death had delivered the family business into his hands, and that he was responsible for its destiny. He could feel them (his forebears) tugging at him as he wrestled with the ledgers in the office, whispering to him: We have made our family known and we have made it rich. It is now up to you to make it great." [2]

Between 1902 and 1911 the company bought up 64 powder manufacturers; in 1904 the company controlled the market to such an extent that it pulled out of the Gunpowder Trade Association.

"The success of the mopping up process reduced the authority of the Powder Trust to that of a high school debating society. Authority rested with DuPont. It was a source of potential embarrassment, some of its restrictive provisions being clearly in contravention of the Sherman Anti-Trust Law." [3]

By 1905, DuPont produced 65% of all soda blasting powder, 80% of all saltpeter blasting powder, 73% of all dynamite, and 75% of all black sporting powder sold in the U.S.

The three cousins had parlayed a cash outlay of \$8,500 into control of an empire whose asset value in 1905 was in excess of \$59,000,000. Pierre commented: "Of course, since we were du Ponts we were always more likely to under - rather than over - value our assets, so that sum must be considered a conservative estimate". [4] Pierre's words about conservatism and making the company great illustrate both how closely intertwined the corporate and family interests were during this period, and how ambitious were the goals for the future.

In 1907 the US government sued DuPont for suppressing competition; the company lost the case and was forced to divide into three parts.

However, the family retained control of the Hercules and Atlas Powder Company spin offs for another 39 years until threats of legal action forced them to sell their stock. DuPont was allowed though, to keep its monopoly on the military smokeless powder market.

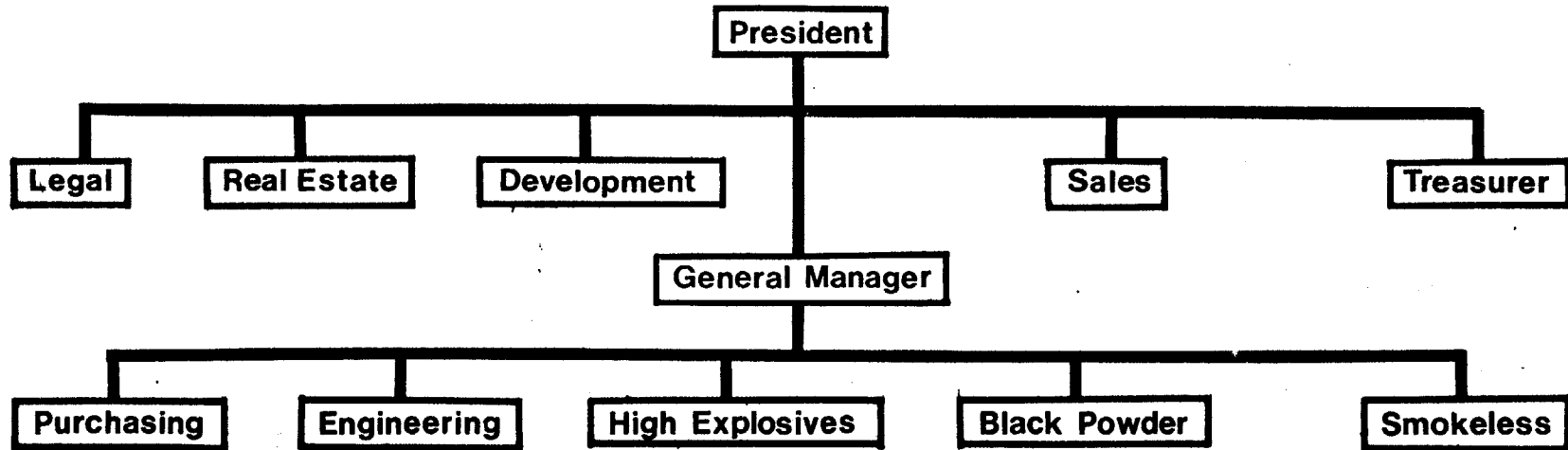
Following World War I, charges were made that the firm had cheated the government and used its monopoly power to make excessive "war profits". During Senator Gerald Nye's committee hearings on the wartime activities of the company, DuPont was given the nickname "Merchants of Death", but was ultimately cleared of the charges. Du Pont had finally come of age in the public arena.

#### Strategy and Structure: 1902 to 1925

Following their purchase of the company in 1902, the three cousins followed a strategy of consolidation and integration to achieve control over their far-flung empire of plants and personnel. The initial question of 'what is it we now own?' was answered by the creation of a strong centralized structure. They formed product departments, consolidated manufacturing facilities, set up a nationwide marketing network, and began to develop more sophisticated cost/audit information. The early 1900's also saw the growth of centralized auxiliary staff departments like purchasing and engineering to assist operating activities. (see Figure 1.1)

By 1911, Pierre had forged a policy of promotion based on competence rather than family background - a significant departure from the prevailing American and European tradition. The family was still very much in control, but the gradual process of increasingly professional management had begun. Numerous other innovative managerial

FIGURE 1.1 ca1911



Source: Alfred Chandler, Strategy and Structure.

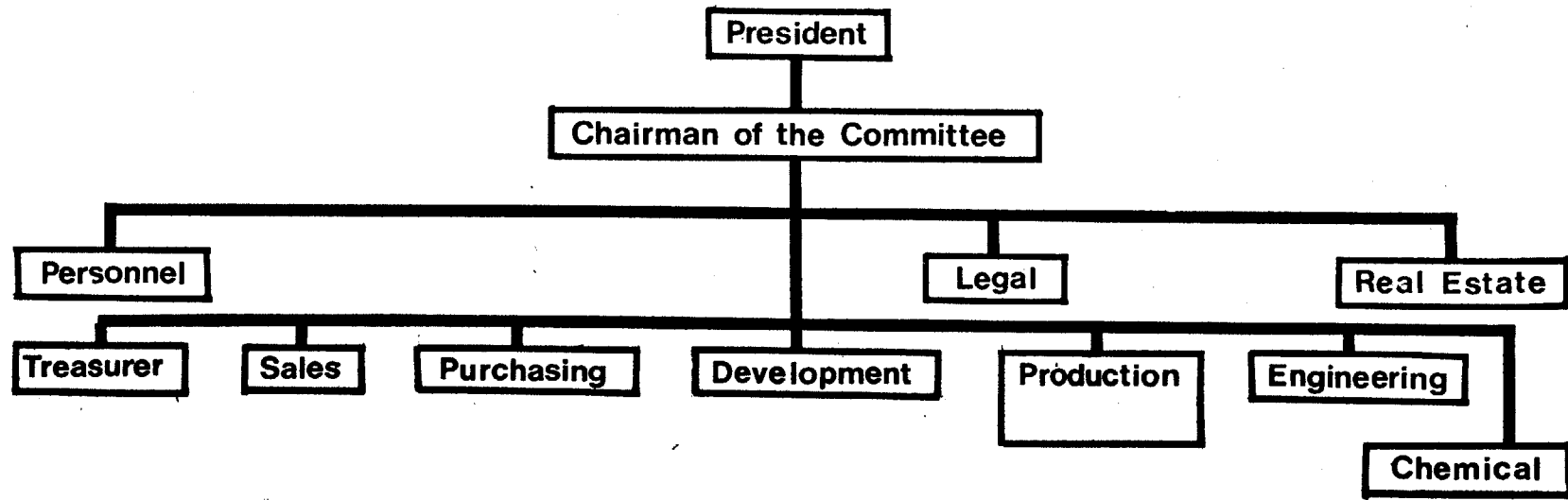
techniques were adopted by DuPont during this period. An executive committee was created to do long-range planning, leaving day-to-day operations to departmental directors. By 1918, the Treasurer's Department was assisting functional managers with advanced forecasting, and F. Donaldson Brown's pioneer development of return-on-investment (ROI) profitability techniques had been adopted as the company-wide tool for performance and plan analysis.

In 1919, the centrally held functionally organized structure was complete. (See Figures 1.2 and 1.3) Department directors administered the operational activities of each major function, while the vice-presidents in charge of the functional departments and the two general officers made the corporate strategic and entrepreneurial decisions. Yet despite the inherent psychic investment DuPont had made in this carefully planned structure, the company was willing to change - in response to a changing world and the resulting new strategy.

Prior to World War I, DuPont manufactured essentially a single line of goods. The wartime needs necessitated a dramatic scale-up in explosives capacity, and the company began to question what should be done with the excess capacity following the close of the war. In response to the threat of unused resources, DuPont began a strategy of related diversification in combination with one major acquisition - a controlling interest in General Motors. Pierre, later to become president of GM (1920-23), commented: "DuPont had lost the military business or knew it would be lost very shortly, and in the interim between the earnings of the military business and what might come after that, we needed something to support the dividends of the DuPont Company." [5] Meanwhile, the entry into new products and markets had

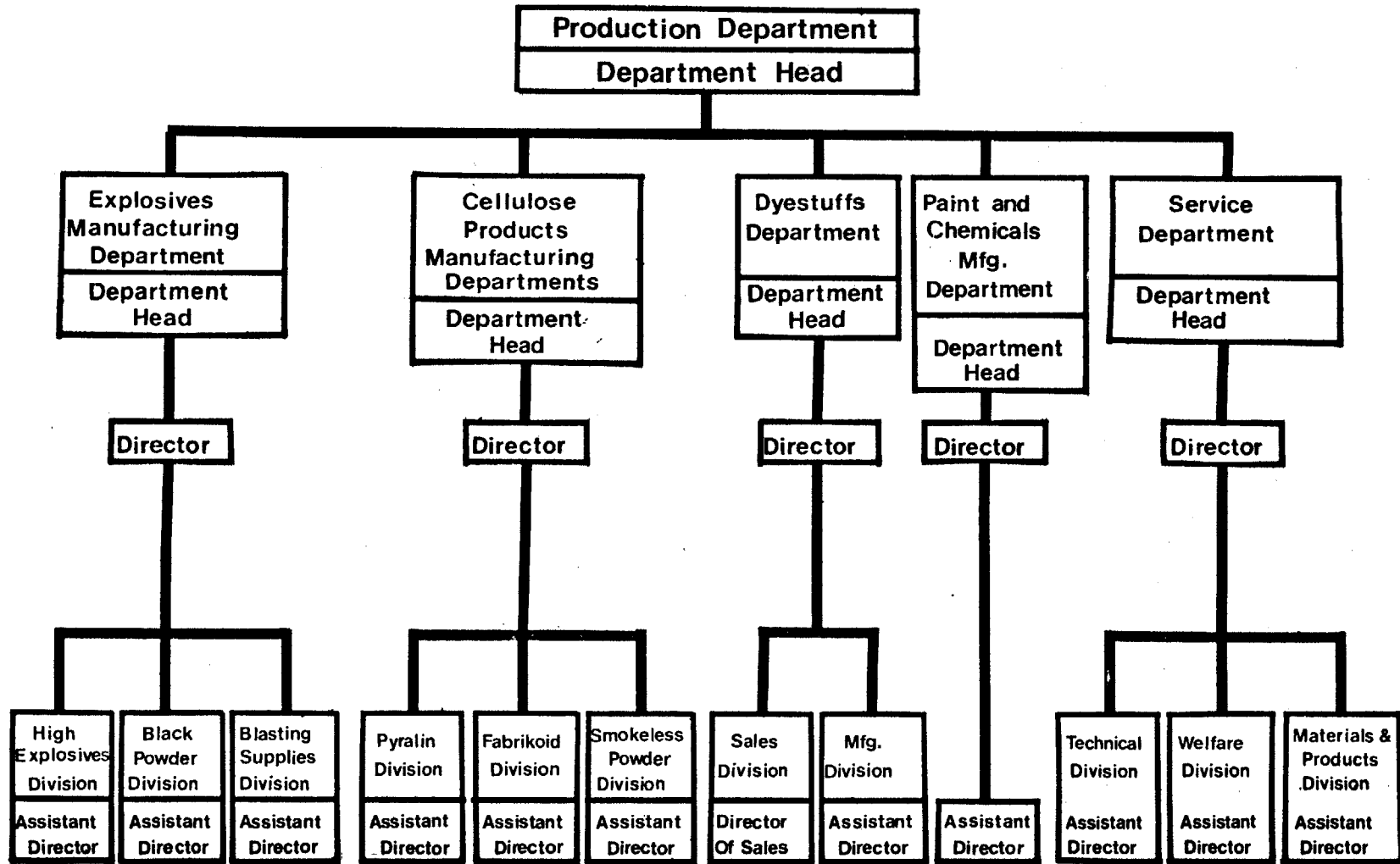


FIGURE 1.2 ca 1919



Source: Chandler

**FIGURE 1.3**  
**DU PONT PRODUCTION DEPARTMENT, 1919-1921**



Source: Chandler

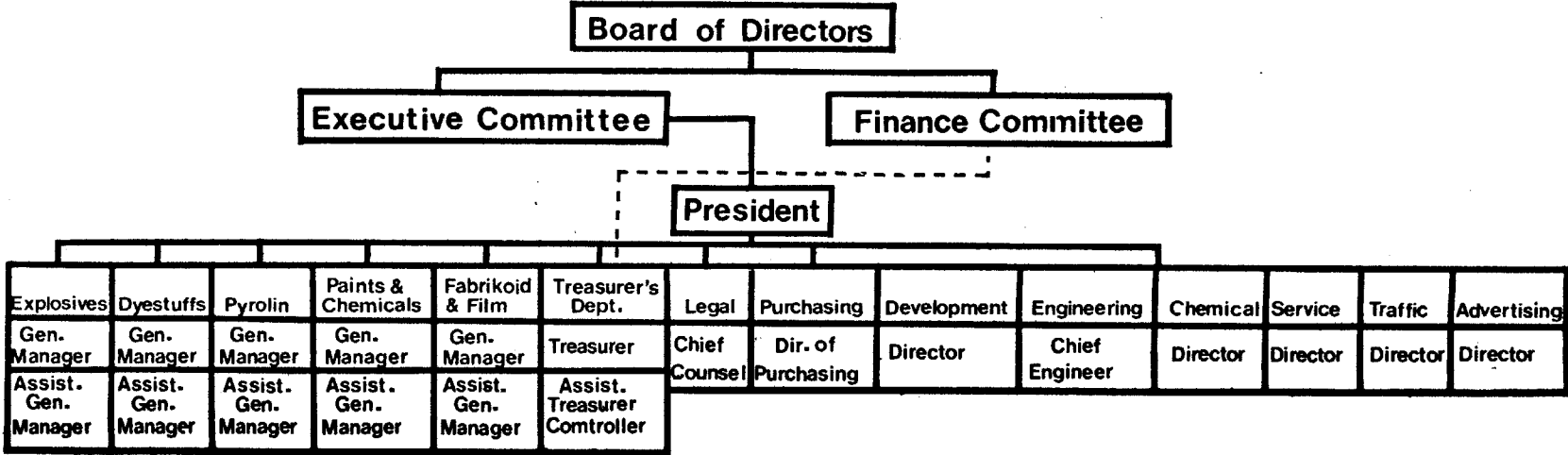
begun to strain the company's administrative offices. Coordination of activities across many industries, products, and plants was becoming increasingly difficult; for example, Purchasing, Sales, and Manufacturing departments each made individual sales estimates and set their own schedules.

In 1920, a management subcommittee studying the organizational structure in an effort to solve these problems recommended a radical new arrangement: almost functionally self-contained divisions with managing directors.

"The managing director of each of the branches will report directly to the Executive Committee in such manner as they may prescribe, and the relations of his company (or Division) to the Development, Chemical, Engineering and Service Departments will be entirely through the managing director and these general departments will be used at the discretion of the managing director. Any additional expenditures for the business, that is, further experimental work or looking well to the future, are general charges and will be handled at the discretion of the Committee out of the profits turned in by the particular subcompanies...We would like to see as far as possible a monthly compilation of the standing of the business with respect to its balance sheet...so that within a week or so after the first of each month the General Manager will know the exact condition of his business...for which he is responsible." [6]

The new strategy of diversification required the refashioning of corporate administrative structure. By 1921, the new arrangement was in place. (See Figure 1.4) The executive committee now had the time, data, and psychological commitment to make overall strategic and entrepreneurial decisions. DuPont had boldly fashioned the basic elements of an organizational structure that has served as the model not only for its present operations, but also for the typical multidivisional US company. Decades before other corporations followed

**FIGURE 1.4** ca 1921  
**DU PONT - CREATING AUTONOMOUS DIVISIONS**



Source: Chandler

its lead, DuPont was systematically and rationally studying its administrative needs, and thinking about improving coordination, appraisal, and planning.

#### From 1920-1979: Fulfilling the Strategy and Structure

The decades of the 1920's and 1930's saw the fruition of the diversification strategy: it was a period of dramatic capacity expansion and product introduction. Du Pont had begun manufacturing dyes and organic chemicals when supplies from Germany were cut off during World War I. It later bought out several producers of films, acids, pigments, ammonia, and firearms, and acquired rights to produce two French developments, rayon and cellophane. Its own research produced such important developments as neoprene rubber (1931), Lucite acrylic resin (1937), nylon (1938), Teflon (1943), Freon (1930), Orlon (1948), Dacron (1950), and Mylar film (1958). Many of these products were developed at the DuPont Experimental Station, whose charter was expanded in 1927 to include the field of basic research not directed at particular product development. Nylon, the world's first synthetic polymer, provides a dramatic illustration of the worldwide significance of these developments. In 1976, thirty five companies produced over 5 billion pounds of nylon in 180 countries and employed more than 250,000 people. An estimated 3,100,000 employees work in industries using nylon to make finished products.

With the onset of World War II, DuPont devoted most of its productive capacity to making explosives, neoprene rubber, and other materials for the wartime needs. Some of the effort involved the

building of defense plants which were then turned over to the government. The company built the Clinton and Hanford Engineering Works for the Manhattan Project for a fee of only \$2. Unlike the majority of chemical firms, DuPont has designed and built most of its own plants rather than using construction companies.

The firm fought 19 antitrust suits between 1939 and 1964; the most important suit brought in 1949 charged DuPont, General Motors, and others with conspiracy to restrain trade. In 1957, the Supreme Court partially reversed lower court decisions that had cleared the company of any conspiracy or wrongdoing and forced the divestiture of all GM stock (23% of outstanding shares). The court commented:

"The wisdom of (General Motors' widespread use of DuPont products) cannot obscure the fact, plainly revealed by the record, that DuPont purposely employed its stock to pry open the General Motors market to entrench itself as the primary supplier of General Motors' requirements for automotive finishes and fabrics." [7]

During the 1950's and 1960's, DuPont became increasingly reliant on fibers related operations. At one point in the 60's, fibers sales were 40% of the company revenues and accounted for half of the firm's profits. The line was incredibly successful; the annual fibers demand growth rate of 15-17% during the 1960's kept DuPont in its position of most profitable as well as largest domestic chemical company. DuPont continued heavy spending on new product research during this period - developing such products as 'Lycra', 'Quiana', 'Delrin', and 'Kevlar'. The company has consistently sought to be a technological innovator; it has led the chemical industry in both percentage of sales and total spending levels for R&D throughout its history. Seeds for its current strategic changes were sown in the early 1970's when it moved into such

less traditional businesses as pharmaceuticals, electronics, and instruments. International business activities have also developed rapidly during the last two decades. Today DuPont operates over 100 facilities abroad; it has commercial activities in over 30 countries.

### The History-Concluded

To understand the current activities of DuPont, it has been important to grasp the scope and significant themes of the firm's history. First, few American firms of its stature can point to such long and interesting roots - now stretching 179 years. During the early stages of its history, the family du Pont and the company were almost one entity. But the last eighty years have marked the gradual and orderly transition from a management based on personal to one of professional interest. Ed Jefferson's nomination to the Chairmanship in 1981 will mark only the second consecutive time a non-family member has held the top post. In the future, the most unusual management development will be a family member once again holding a top position.

The company has been and will continue to be an innovator - both technically and managerially. The company has lived and breathed research for its entire lifespan; this orientation and effort are as strong today as ever. While the structure has proven fundamentally sound, the company has been willing to continue managerial innovation, as we will see in the discussion of Irving Shapiro in Chapter II.

Perhaps because of the closeness of its products to the marketplace or its occasional battles with government, DuPont is no stranger to being in the 'public eye'. It is very sensitive to what is happening in

the world around it, and has been rationally studying and implementing planned change since the early 1900's.

DuPont has a tremendously strong sense of corporate ideals and purpose; it genuinely tries to do the 'right thing'. To accomplish its purposes it is willing to be a leader and to be criticized: this tradition is as strong today as it was in 1935 when it opened one of the first industrial toxicology laboratories amid comments of "wasting corporate funds..." The DuPont executive of today follows a remarkable tradition whose challenge is much as it was for Pierre: to not only make the company prosper, but also make it great.

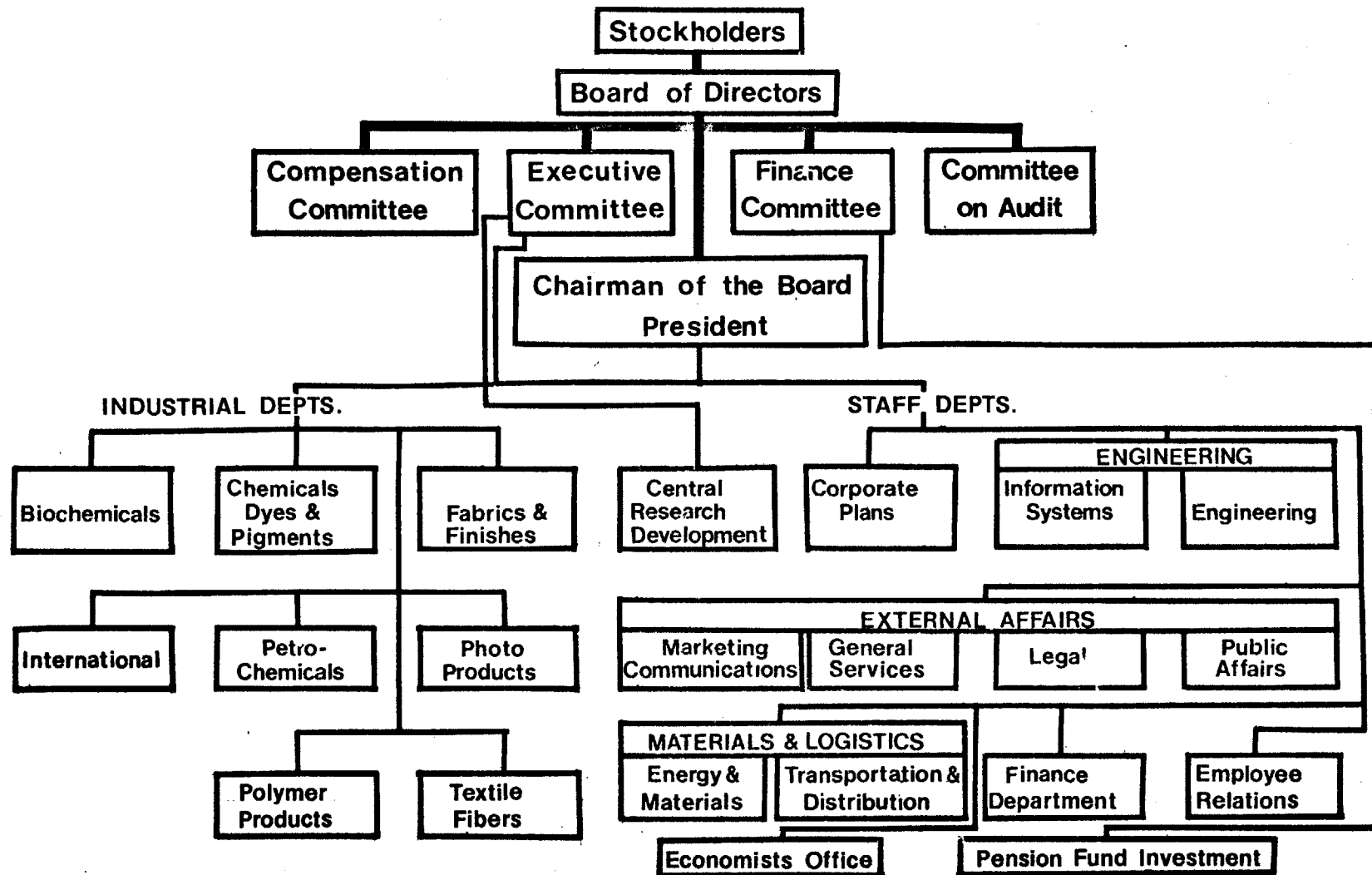
#### The Organization Today

The current DuPont organization chart is shown in Figure 1.5. At the top is the Board of Directors, composed of 26 members. Included in this group are the six top company officers, two retired company chairman, and seven others who are tied to the DuPont family. The board also includes nine "outside" directors whose main employment is with another organization. Unlike many companies who use the composition of their board as the principal means to give them a window on the outside world, the DuPont mix suggests that much of this direction comes from within. Given its history of internally generated products, structure, and strategy, this composition is not surprising.

Reporting to the complete Board are four committees: Committee on Audit (engages outside accountants to audit company books, procedures, and statements), Finance Committee (overall responsibility for company financial affairs including approval of large expenditures),



**FIGURE 1.5**  
**DU PONT CURRENT ORGANIZATION CHART**



Source: DuPont Brochure

Compensation Committee (administers compensation and stock option plans and sets levels of compensation for the Chairman, President, and board members), and the Executive Committee (policy-making and supervisory body for all DuPont operations).

Reporting to the Executive Committee are the eight industrial departments and twelve staff departments. The Pension Fund Investment department reports to the Finance Committee, and Central Research and Development is responsible to one of the four senior vice presidents. Each of the line industrial departments is headed by a vice president, who in turn, is guided by a senior vice president.

The Executive Committee is the central core of power within DuPont, and this form of committee management, as we saw earlier, has been in place since 1921. As originally structured, the committee was to act solely as a major policy making group, with no authority to direct how any individual department should be run. It was patterned after the military form of organization, with a strict separation between line and staff activities. The industrial department executives were given an investment, and then allowed maximum authority to run their own business. This form of organization was unusual and controversial in its day, and the weekly Wednesday sessions of the committee rapidly became the stuff of legends.

For many years, the fourth Wednesday meeting of the month was held in the Chart Room. Hanging from an overhead network of trolleys were 350 big charts showing the performance of the company and various departments. The committee met all day, reviewing departmental results or large appropriation requests or perhaps studying a new product or area of research. If there were any unusual points in the results, the

general manager would be on hand to explain the problems and their source. Fortune Magazine was moved to comment on the system in 1950 with:

"Many an industrialist and economist is still skeptical that DuPont's committee management can work, and look for a hidden power behind the organization chart. There is none. The 'Ex-Committee', enjoined as individuals from any day-to-day decisions in the business, is removed from the battle to deliberate and coordinate overall strategy, a job in which nine heads are better than one. The general managers, given personal authority, snap out the daily decisions that run the business, a task that no committee could do."  
[8]

When a large appropriation request comes before the Ex-Committee, the rationale, sales forecasts, costs, etc. are weighed relative to the overall DuPont policies and strategy. The other half of this approval procedure is the Finance Committee - a powerful, interlinked group that holds the company pursestrings.

It is a characteristic of DuPont that it can be quick to grasp and use the latest in technology or management techniques; as late as 1950 Fortune noted that DuPont evaluated projects on the basis of return on investment and was "one of the few to follow this controversial practice, evaluating it above net return on sales." [9] It is also a characteristic of DuPont that policies and procedures that work well can also become an institution - a sort of table of commandments passed from one generation of managers to the next. The Ex-Committee and its policy orientation have remained the DuPont way of doing business for over fifty years. The committee is still there, it is still powerful, but today the control it wields over department management is much stronger.

Retiring Chairman Irving Shapiro has been the architect for much of this alteration, and he described the changes as follows:

The tradition at DuPont was that the head of each department was his own major general. The theory was that the executive committee, even if it thought that the head of the department was wrong, would not interfere with what he was doing. Well, we've drawn away from that kind of thinking. We've also set up a corporate plans department...that enables me and the committee to have the kind of information we need to make decisions, and not be dependent on facts we get from our operating departments. By definition operating heads are advocates for what they want."  
[10]

Long-range R&D, carried out at the famous Experimental Station, operated almost autonomously for many years. Today it reports to a senior vice president who is charged with giving the effort more commercially oriented direction. Again Shapiro:

"It's a major change. In the old days researchers went about their own scientific interest and often they hit things you didn't know what to do with. The old line was, 'We've got an answer, you go find a question'. What we're trying to do now is point them in the right direction- give that effort a little body English."  
[11]

When queried as to whether these organizational changes should have been made years before, Shapiro wryly summed up the "legend/gospel" nature of company policy with "only in DuPont could this have been such a major development." [12] Other industry observers point out that more company officers and directors are decked out in dark suits, white shirts, and striped ties in the annual report photos than any other in America. True or not, DuPont has evolved a sense of organization, policy, and of itself - that is unique.....

#### The Business Mix Today

DuPont operations are grouped into five industry segments:

chemicals, plastics, specialty products, fibers, and international operations. The chemicals segment consists of commodity materials such as sulfuric acid, methanol, and aniline; special purpose chemicals such as Freon refrigerant; and pigments. Sales of this segment were \$2.1 billion in 1979. DuPont's 1979 annual report describes the corporate strategy for this segment: "DuPont does not attempt to be a full-line, broadly representative supplier of commodity chemicals. Instead the company carefully selects its entries and sustains them with the necessary research to ensure a good manufacturing cost position, or prunes them if prospects are not favorable." [13] The company took its own advice at mid year 1979 when it announced the discontinuance of dye chemical sales.

The plastics segment achieved 1979 sales of \$2.8 billion, a 22% increase over 1978. Products in this area include thermoplastic resins, elastomers, and films. Final end uses range from automotive belts (neoprene), computer tape (Mylar), zippers (Delrin acetal resin), ski boots (Surlyn), to package sealants (Elvax). Specialty products revenues increased 15% in 1979 to \$3.4 billion. This segment includes such diverse products as 'Remington' firearms, 'Teflon' cookware coatings; 'Rain Dance' car wax, x-ray films, herbicides and fungicides, electronic components and connectors, and explosives. Fibers include high volume products with well known tradenames such as 'Orlon', engineered and specialty fibers ('Kevlar'), and spunbonded sheet structures ('Tyvek'). Sales in this area were \$4.1 billion in 1979. International sales of foreign made products and US exports reached \$3.9 billion in 1979, almost \$1 billion higher than the previous year. Exports accounted for almost 45% of this total. Approximately 27,000 of

DuPont's 132,000 employees work outside the United States; 12,100 in Europe, Middle East, Africa; 5,400 in Canada; 8,000 in Latin America; and 1,400 in Asia/Pacific countries.

#### The Corporate Strategy--Today

The decade of the 1980's will be a very challenging period for DuPont and the rest of the US based chemical producers. Industry growth rates have declined from twice the GNP increase to just slightly faster than the overall economy. Rising energy prices have dramatically increased costs while dampening demand; shortages of hydrocarbons resulting from a crude oil disruption could be even more crippling. Chemicals are no longer a top priority sector in the government's crude oil priority-allocation list, an important factor since the industry uses 4% of all US hydrocarbons for feedstocks and another 2% as energy for producing chemical products. Stiffer price competition is also being felt from European competitors like Hoechst, Bayer, and BASF - particularly now that US crude oil has been deregulated. In recent years, foreign chemical producers have also been among the leaders in investing in the States.

DuPont, too, created challenges on its own for remaining the dominant industry figure. It relied too long on its fibers business for growth - missing the developing commodity nature of some key fiber products businesses. It allowed R&D spending to slip from over 6% of sales to less than 4 percent. As Business Week put it in 1980: "DuPont fell into a trap when it began to believe its own lofty reputation."

[14] DuPont's outstanding product and management innovations ironically caused them to relax and respond slowly to several needed changes. As

David Barnes, Fibers - VP stated: "People didn't know where the end of the rainbow was." [15]

Today, Irving Shapiro and incoming Chairman Ed Jefferson are leading an ambitious drive into specialty products. Jefferson has stated that spending on commodity operations will rise only 40% over the next five years, while specialties investment will double. The four key areas for this expansion appear to be genetic engineering, life sciences, electronics, and specialty fibers/plastics. In the genetic engineering area alone DuPont spent \$2 million in 1980 - probably the largest in-house program of any US chemical producer. Its task force of approximately 10 Phd's is working to see whether the human protein interferon can be produced in commercial quantities. The market for interferon alone may be as high as \$10 billion, while potential markets for other products of gene splicing techniques (drugs, hormones, seeds) could be orders of magnitude higher. Ed Jefferson believes "this could be a major source of new approaches to making drugs... in the plant and animal kingdoms. It has all the foment that characterized the electronics and computer explosions." [16]

While DuPont's effort is smaller than many others, it is (in typical DuPont fashion) the only one being carried out by internal staff and university based consultants, without outside help from established genetic engineering firms. Dupont is also spending heavily in its more conventional life science businesses such as pharmaceuticals, pesticides, herbicides, and clinical instruments. The company is also seeking potential acquisition candidates in the pharmaceutical field, as well as plowing over 20% of drug sales back into research - compared with an industry average of 5%. Since its acquisition of Beng

Electronics in 1972, the company has built a \$450 million electronics business and is looking for rapid expansion of sales of such products as instruments and photopolymer resist film. In the fibers area, DuPont is pushing to become the low cost producer in the commodity lines (like nylon) and continue the development of high performance specialty fibers. Kevlar, used in products from bulletproof vests to tires, represents the highest investment ever made by the firm in a new product. A \$200 million capacity expansion for Kevlar is scheduled to be on-stream in 1982.

DuPont increased overall R&D spending to approximately \$480 million in 1980, an increase that will continue at a rate of 3-5% in real terms according to Jefferson. The company has also changed its long standing philosophy of not necessarily following aggressive pricing moves of competitors or suppliers. DuPont once considered price increases above contract levels in the face of external cost pressures (such as 73-74 OPEC oil hikes) "sharp practices." Shapiro commented that "Some regard a supply contract in a crunch as nothing but a basis for new negotiation." [16] Paul Orefice, President of Dow Chemical and a likely target of Shapiro's statement, summed up DuPont's reluctance to raise fibers prices with: " DuPont seemed to be fighting inflation singlehandedly". [17]

In looking at the future, DuPont has clear strengths in its capital structure, extensive position in the high "value-added" end of the business, and ability to produce and market new products. (Corfam notwithstanding!) The mood is upbeat, and the intentions are clear. "We've regained the momentum. Now we can restore ourselves as the premier company in this industry" [18] states Irving Shapiro.



DuPont's capability to rationally alter its strategy - to change even the basic thrust of its future growth - is not surprising. For many years it has served as an ideal corporate model for Alfred Chandler's classic thesis that structure - the organization devised to administer the resources and actions - must follow the determination of the basic goals and objectives of the enterprise and the proper course of action. To be optimal, structure must follow strategy. As we turn to the role of the chief executive officer, we will see this principle in action. When the DuPont Board of Directors analyzed the external forces impinging on the company in the early 1970's, they elected to meet those challenges by "tuning in" more strongly to the outside world. To both refine and implement the new strategy, they turned to Irving Shapiro - who by virtue of his background and interests - represented a remarkable structural change.

## FOOTNOTES - CHAPTER 1

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3. Ibid., p. 180.
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5. Phelan, James. The Company States, Grossman Publishers, New York, 1973, p. 196.
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9. Ibid.
10. Forbes, March 5, 1979, p. 36.
11. Ibid., p. 36.
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13. DuPont Annual Report 1979, p. 4.
14. Business Week, Nov. 24, 1980, p. 86.
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## CHAPTER II

- IRVING SHAPIRO: MR. OUTSIDE -

"For if today's managers can successfully negotiate the transition that new economic, social, and political imperatives demand, then we will mark ourselves as a renaissance generation of leaders who left an indelible mark on our time, and made life better and more secure for people all over the world."

— Irving Shapiro  
Sept., 1976

In reply to the question of where to start something, perhaps the most common answer is to "take it from the top." As we begin to focus on the specific structural and strategic actions taken by DuPont to deal with the outside world, we must do just that - and study the role of its chief executive officer. The CEO is important for many reasons: his ability to speak for the corporation as a whole, the example he sets for managers throughout the company, his power to make decisions or concessions without consultation, and his charter to set corporate policy. The chief executive's role is a crucial one to a company's public affairs posture, because only at the top can you truly be evaluated on outside activities....

This chapter focuses on the responsibilities and impact that any CEO can have, explores the recent phenomenon of the "public" chief executive ( who spends significant amounts of time on external activities), and then keys in on DuPont's current chairman - Irving Shapiro. As we will see, Shapiro is a remarkable figure. His background, training, and experience were all "wrong" for the traditional DuPont mold - but the Board was very clear in its strategic intent when he was named chairman in 1973. Shapiro was charged with the task of confronting a seemingly hostile world with its corresponding social, political, and regulatory demands. But Shapiro was to personally accomplish even more, becoming as much a modern industrial statesman as "Mr. DuPont." He continued the policy of his predecessors (McCoy and Greenwalt) of forcing DuPont into strong external involvement, and fostered an attitude of accessibility and candor towards outsiders. Many of the issues Shapiro and DuPont have spoken out on have had little relationship to its financial performance; this

has caused some criticism of the outside involvement as being excessive and detrimental to company results. But Shapiro has clearly been an extraordinarily important business figure, and the role he has forged for DuPont's top manager will remain after he retires. To understand DuPont's role in public policy and affairs, we must study Irving Shapiro - he has been the "point man" for the company's relations with its publics.

#### Background: The Changing Corporate Role

The business corporation exists to provide the goods and services that society needs and wants. Achievement of this objective must be its primary responsibility; profitable business performance necessarily precedes the ability to do anything else. But the decade of the 1970's brought a confluence of forces to bear on the proper breadth of corporate responsibility. Companies (DuPont included) found themselves operating in a vastly different business climate than they had known in previous decades. As discussed in the introduction, historical events like Vietnam, Watergate, consumerism and environmentalism coupled with a shift in social attitudes toward societal institutions resulted in a dramatic decline in public attitudes toward business. From 1968 to 1975, according to surveys conducted by Yankelovitch, Skelly, and White, the percentage of respondents who agreed that business tried to strike a reasonable balance between profit and publics declined from 70% to 15%; the number who had a great deal of confidence in business executives similarly dropped from 58% to 18%. [1]

With this loss of confidence came a flurry of new demands - many in the form of regulatory actions - that insisted corporations had

additional responsibilities. Equal employment, the environment, health and safety, apartheid policies in South Africa, and other issues have highlighted the necessity for business to assume responsibility for the social consequences of its actions. In contrast to the popular paraphrasal of Charles Wilson's line that what is good for GM is good for the country, John de Butts (former chairman of AT&T) replies:

"..the corporation is now viewed as having a wide variety of responsibilities transcending the marketplace. Some of those responsibilities are responsibilities to society at large. Whether a business has social responsibilities is, I know, a subject of widespread debate. But to my mind, it is debate that continues long after the argument is over. Today, I know of no leader of business who sees his function as limited to the pursuit of profit. I know of none who do not realize that business that for profit's sake ignores the impacts of its actions on society is not likely to make a profit very long." [2]

While I might not agree that every company has reached this lofty plateau, it is clear that some have come a long way towards this end. In this process of corporate "broadening", a large number of chief executive officers have emerged who see their roles (like their companies') extending beyond the direction of the organization solely for profit.

For example, during a recent trip by the 1981 Sloan accelerated masters class to New York City, eight of the eleven chief executives interviewed exhorted the students to think about and become involved in the world they will do business in following graduation. Each of those eight - like Joseph Flavin of Singer or Bruce Smart of the Continental Group - spoke of external activities as being one of the most crucial parts of their job. These men are not corporate "stars" a la Reg Jones or John de Butts, but company leaders who believe they must contribute.

leadership to the problem solving process - as it relates specifically to their business environment, and more broadly to the society at large.

Kenneth Andrews, in The Concept of Corporate Strategy, has defined the CEO in terms of three key roles: organization leader, personal leader, and architect of organization purpose. In his role as organization leader, the CEO functions to insure achievement of planned results through personal directives, development of organizational capability, and the integration of specialist functions. Comments Anderson: "The integrating capacity of the chief executive extends to meshing the economic, technical, human, and moral dimensions of corporate activity and to relating the company to its immediate and more distant communities... The point of view of the leader of an organization almost by definition requires an overview of its relations not only to its internal constituencies but to the relevant institutions and forces of its external environment". [3]

As a personal leader, the chief executive contributes both formally and informally to the quality of life and level of achievement in his organization. Through policy and by example, the expected levels of performance ripple downward through the corporation - pushing results far beyond that possible through the exercise of one man's institutionally derived power. In the most difficult role, that of being the architect of organizational purpose, the CEO serves as the caretaker of corporate objectives. This continuous monitoring of the quality and suitability of corporate purpose is the most important managerial function, and its implications extend far beyond the individual's job tenure.

As the CEO grapples with the achievement of success in these three

roles, it comes as no surprise to find them increasingly turning their attention to the world in which their organizations operate. "Today, it is the rare chief executive officer who does not understand that the attitudes of consumers, employees, government, the press, and the public in general have important consequences for business. And certainly, business executives have come to realize that they must concern themselves with the impact that business activities have on the public."

[4] Because so many of the problems facing the CEO are external to the company, and because they believe the power of decision has often moved out of the boardroom and into the street or the Capital halls, many executives have chosen to "go public." As Robert Fegley, a senior communications executive at GE noted:

"If he (CEO) is to have any influence on the public policies that affect his business, he must become an active spokesman and participant in public affairs ... willing to be interviewed, make speeches, offer public testimony, accept public assignments, and in general show himself worthy of trust as a leader of an important institution. This means that the Chief Executive must be willing to become a public figure ... with all the risks and difficulties that implies." [5]

As previously discussed, the roles of the CEO put him in the unique position of being not only the chief director of corporate resources and personnel, but also the chief spokesman of its views.

Involvement of business executives in public policy or government activities is not a new phenomenon. Many businessmen have launched successful political careers - Barry Goldwater, Jimmy Carter, Lloyd Bentsen. Others, like Michael Blumenthal, have served as Cabinet officers or agency directors. But the new generation of CEO's are distinctive in the degree of their openness and political candor, and willingness to involve themselves and their organizations in public



policy issues.

A 1980 Conference Board survey of four hundred chief executives in principally larger manufacturing firms found the following: 94% of the respondents believed they should actively express their public policy views at senior government levels (85% said they actually had done so), 80% believed their comments should not be confined solely to company related issues, 72% felt they should take their views 'to the people' through advertising or public / media appearances, 90% agreed with the necessity for making views known to direct corporate constituencies, and almost half (49%) had either publicly endorsed or campaigned for political candidates since they became CEO. [6]

Meanwhile, at DuPont

Perhaps no individual has played a larger role in this development than Irving Shapiro, Chairman of DuPont from 1974 to 1981. In his seven years as Chairman, Shapiro has established himself not only as the chief link between DuPont and its outside publics, but also a leader of the movement to push business and its executives out into the world. Shapiro has become a figure of tremendous influence in Washington as well as Wilmington. He is unique among business leaders in terms of his personal background, the breadth of his outside interests, the intensity of his commitment to solving public problems, and the high standards he has set for himself and his organization. The story of Irving Shapiro is the story of a corporation responding to external change by selecting a new leader who was closely attuned to those developments. It is the story of leadership that extends beyond his own company - by an individual who does not leave personal values at home each morning. His

position as CEO of a company with the size and stature of DuPont were enough to attract a lot of attention, but Shapiro has become a window to the corporate world in general - as well as to DuPont.

To comprehend how DuPont manages its relations with the outside world, we must begin by understanding Irving Shapiro, the chief architect of that modern bridge. His background, his experiences, and his views are important keys to both understanding - and as we will see in Chapter IV - predicting corporate behavior. Implicit in this agenda order is the point that Shapiro is the most important corporate to outside link. The activities of the traditional public affairs department, discussed in Chapter II, are important - but secondary to Shapiro. He is not only the chief set of eyes, ears, and voice; he is also the boss.

#### Shapiro: The American Dream

The rise of Irving Shapiro to the top position at DuPont can certainly be termed a 1970's version of the classic Horatio Alger American dream. His father and mother were impoverished Jewish immigrants from Lithuania who owned a small dry-cleaning shop in Minneapolis. Irving worked there after school until 8 p.m., walking each way to the shop to save the carfare. Shapiro was encouraged by his father to study law, and he graduated from the University of Minnesota Law School with honors in 1941. Law opened the door for escaping the dry-cleaning shop; Irving once commented "I really got a taste of what quality performance could mean, and I realized that this was the only way I could do it." [7]

After beginning his law career as a title searcher in Minneapolis,

Irving took a job as a lawyer with the Office of Price Administration in Washington. He then moved over to the criminal division of the Justice Department where he argued his first Supreme Court case before the age of thirty. In 1948, he was assistant prosecutor of the case against eleven Communist party leaders who were charged with failing to register as foreign agents. Shapiro won the case and subsequent appeal; during the trial he was approached about joining the DuPont legal staff. Shapiro accepted and joined the anti-trust section of the department in 1951.

During the next decade he worked his way up to heading the legal platoons that argued the DuPont/GM stock antitrust case. The case, in which the government alleged DuPont used its 23% GM stock holdings to influence the car maker's purchasing policy, was a massive affair that lasted almost a decade. The company won two decisions in the case, but lost a final appeal to the Supreme Court. The ordered stock divestiture posed tremendous tax problems for DuPont stockholders; Shapiro directed a successful congressional lobbying campaign for tax law changes and then designed the divestiture plan. His performance on the case earned him a great deal of corporate influence. Crawford Greenwalt, President in the 1950's, commented: "the contact we always had at my level on anti-trust suits was Irv Shapiro. A great many people at the executive level got to know him." [8] During this period, he became known as a "can do" lawyer whose advice was geared to telling his clients how to accomplish their objectives - instead of blocking their plans. In 1965, Shapiro was named assistant general counsel, the number two member of the legal department. During the coming years, he was increasingly sought out for advice. A senior public affairs official commented: "In

the several years before his election to the chairmanship, more and more people would say - Let's get Irv in on this meeting. We'd like to see what he thinks about this. They weren't calling for a counsel, they were calling on Irv's business judgement. They had come to regard him as a businessman." [9]

Shapiro was to successfully manage two other events that further solidified his reputation. In 1970, he directed DuPont's response to a summer long interrogation by a seven man team from Ralph Nader's Center for the Study of Responsive Law. Shapiro, instrumental in the decision to allow the interviews in the first place, personally sat in on each meeting... During the summer of 1970, the Board was convened to fill a vacant slot on the executive committee. Edwin Gee, a former senior VP and committee member, wrote a memo to President McCoy recommending Shapiro. "My recommendation is Shapiro who has as high a level of admiration and acceptance by the departments as any man in the company. It would be a popular choice which could give the organization additional confidence in the flexibility of present management and in our merit system." [10]

Between the lines of this memo was a clear signal - it was time for DuPont to recognize a man's talent regardless of his religious preference or functional specialty. Gee's advice was taken; Shapiro was appointed senior vice president, director, and executive committee member. He was the only committee member who had no operating experience; the uniqueness of the promotion prompted even Irv to state: "The question I ask myself now is, would I have the guts to make the same kind of move? I won't know until I face the same kind of issue. But it was gutsy. Here I was sitting down there as assistant general

counsel. And he (McCoy) makes a move no one in the history of the company has made. First, picking a lawyer, then jumping a man a number of levels. If you want to measure a man's courage, that's the supreme test." [11]

The second event which capped Irving's reputation was his direction of the merger into DuPont of Christiana Securities, the family holding company. Shapiro negotiated a tax-free exchange of DuPont common for Christiana Securities stock, providing DuPont shareholders with a more fully public corporation and the family a way out of its expensive holding company operations. The consolidation also removed the potential for an unfriendly takeover of DuPont through acquisition of a significant position in Christiana stock. In July 1973, Shapiro was named vice chairman in conjunction with a management reorganization that separated the CEO's office into chief executive and chief operating officers, and on January 1, 1974, Irving Shapiro became chairman and chief executive officer.

The move surprised many people. Shapiro was not a DuPont, he had no operating experience, and was Jewish - hardly the "traditional" corporate qualifications. Yet in retrospect, the move was not nearly as surprising as it was portrayed at the time. McCoy and the board were perhaps ahead of most companies in recognizing that the role and qualifications of the CEO had changed. DuPont believed its most serious problems were external in nature; in Shapiro it had a man with an unmatched record of public affairs and legal accomplishment - and a great deal of business acumen. By splitting the top level into two parts, they created the possibility of a "Mr. Inside" and "Mr. Outside" orientation, since only the man at the top can adequately

concentrate on the forces bearing down on the entire organization, and accept full responsibility for corporate as well as personal outside activities. Brel McCoy described the changes with: "We are citizens first and businessmen second, and neither we nor our organizations can service a crumbling social structure. Times and problems change, so an organization keeps changing. It too, changes with the character of its people. You must have the nice coincidence of the right people at the right time." [12]

DuPont had come to believe that the proper role for its CEO was both public and private in nature; Shapiro was one of the first in a new breed of executives who were skilled in both arenas. Says a DuPont official: "The board knew exactly what they were getting at the time they got him. He had already - as a VP - made his instincts pretty clear. He was a fellow who could not only understand the legalities of issues but who could see solutions in a business sense. He would integrate the financial, the marketing problems in with an appreciation of the governmental and regulatory community and public opinion about the problem in his own way. You must understand one thing about him - they didn't make Irv chairman because he was a lawyer, they made him chairman because he was able to solve business problems." [13]

While Shapiro's interest in and focus on outside problems was clear at the beginning of his tenure, the breadth and extent and impact of that involvement has been truly remarkable. Since he assumed the chairmanship in 1974, Irving has probably been the most widely quoted corporate executive in the US. I believe he wants it that way because he considers it both his personal and corporate responsibility to spread certain messages. "Most businessmen have been afraid of the press,

unwilling to subject themselves to public examination on what they're doing and why. They've sought anonymity in the sense that their lives consist of working hard at the office, going to the club to play a round of golf or cards, having a drink or dinner, and then returning to the briefcase full of work. We've got to break that chain. Businessmen have to get out to where the people are, and find out what is on the public's mind." [14]

What then, has been on Shapiro's mind during the past seven years?

1. United States Political Leadership: "Maybe it's my age, but I feel the quality of people coming into public life has diminished over recent years. I have a feeling we had more able people in the past."

[15]

2. Government Regulations: "From the President on down, we have created a monster. Each agency is accountable to no one. What is needed then, is not just better rules, not just better rule makers, but most of all a better system that will give structure, rationality, and accountability to this important, necessary, but troublesome function of government." [16]

3. Business and the media: "The media are in the castle to stay - I guess you'll agree that's not going to change - so we are left with two options: We can be defensive, or we can respond more positively and try to strengthen our relationship with the media, with the goal of improving our relationship with the public as well. [17]

4. Role and qualifications of executives: "this changing corporate role carries new requirements for leadership. The need today is for executives with a panoramic view of the world and its complexities. The need is for executives who can keep in mind their various

constituencies." [18]

The list goes on and on: corporate governance, judicial reform, business/ government relationships, the need for nuclear power, antitrust, decline of American technology, business ethics, etc. For the past seven years, Shapiro has practiced the public involvement he has preached - giving speeches, press conferences, and interviews on these topics almost weekly.

Is there sufficient rationale to justify the CEO of a major corporation spending 30-40% of his time on outside activities? Does this make sense to the shareholders who own the company? Shapiro's answer - and mine - are a resounding yes. The principle reason is his belief that business has a stake in making the world work better. "I think we're a means to an end, and while producing goods and providing jobs is our primary function, we can't live successfully in a society if the hearts of its cities are decaying and its people can't support their families. We've got to help make the whole system work, and that involves more than just having a safe workplace and providing jobs for the number of people we can hire... you also want business to help do something about unsolved social problems." [19] Shapiro believes that the experience, training, and resources of business leaders give them particular insights for leadership extending beyond their own organizations. By helping make the world a better place, they also make it a better place in which to do business.

Irving Shapiro is a member of six corporate boards, a trustee of four universities, and an official of such groups as the Conference Board, the Ford Foundation, and the American Academy of Arts and Sciences. Because of his strong interest in social and political



affairs, Shapiro has led his company and himself into the public policy arena - not just confronting issues that directly concerned business (like regulation) but many that were part of his own personal vision. A DuPont executive summarized this nicely: "He's a very interesting person because he has his own agenda, and always has had - the things he's concerned about both as chairman and a public spokesman - what he thought he'd accomplish. He's always been willing to carry the mail for the corporation if there were a project that needed the voice of the chairman to get the right kind of attention in the right places. So you end up with a person who is perfectly willing to use his office and his reputation to the service of the stockholder account, but who also has a list of things he wants to say and do." [20]

Some of Shapiro's most noteworthy success came from his clout in Washington. He was an early supporter of Jimmy Carter and became an exceptionally prominent informal business advisor to Carter. Shapiro is credited with securing business support for Carter's energy and wage/price control programs, encouraging ratification of the Panama Canal treaties, and shaping the U.S. response to the Arab boycott of Israel. He was also instrumental in the selection of G. William Miller as chairman of the Federal Reserve Board.

How did Shapiro develop this behind the scenes influence? Being the CEO of a corporate giant did not hurt, nor did his Democratic party affiliation. But I believe the real key was his willingness to be a contributor, a problem solver - instead of an antagonist. Says a company advisor of the executives like Shapiro: "It's an uneasy balance - government, private sector, activist groups. Instead of turning their backs on all those other institutions and saying mine is the one that

ought to define the role, they appreciate the fact that in some way this consortium... is going to arrive at some kind of consensus. They certainly don't hold government in contempt. They don't regard the people in government as simply meddlers. They say, if I were handling those issues, what would I be doing? If he were in my shoes at DuPont, what would he be doing? They sit with those guys. I think that's what the Carter White House found very refreshing about Shapiro". [21]

Shapiro's ability to pick up the phone and dial the White House gave him and his organization tremendous power and influence, which he was not reluctant to use. There is a clear and strong message here: Shapiro was only in the forefront of increasing business leader involvement in Washington and the state capitols. Business, particularly the larger organizations, do control significant financial and human resources - and led by companies like DuPont - are beginning to flex those muscles. The lesson has not been lost in Wilmington either, for incoming Chairman Ed Jefferson has strong ties to the Reagan administration. It is interesting to speculate whether (or how strongly) Jefferson was encouraged to cultivate those relationships, and whether they will be as effective.....

In addition to his governmental influence, Shapiro is also noted for his two year leadership of the Business Roundtable, an organization of some 200 Chief executive officers from mostly large companies. Founded in 1973, the Roundtable has become an important business lobbying force in Washington. A quick extrapolation from the level of influence a single executive like Shapiro can have - to an organization composed of several hundred - emphasizes the rationale for this success. Shapiro's contribution, as it had been at DuPont, was "the fundamental

change to take it public. I felt that a group of businessmen should not operate in private for it would be misunderstood". [22] He believed that CEO's can have "a more profound impact on issues than lobbyists or trade association staffers. They can exercise a judgment when they get involved: a staff gets locked into fixed positions and can't compromise as easily." [23] Compromise in the business-public policy arena is another Shapiro trademark; he believes in business doing its homework, offering alternative solutions, and applying its problem solving skills to accomplishing those tasks. This belief in the chief executive's ability to act unilaterally - to exercise managerial judgement without having to consult others - will surface in a very dramatic manner during the Superfund discussion in Chapter IV.

" It would be our view that you can work with the regulatory agencies - that you have to in order to get the balance that I think we all say is so necessary ... I think you keep working away at it with government and in public performances. It's hard work. It takes a lot of time. It takes a lot of effort that you might say would be better engaged in entrepreneurial tasks. But it's essential." [24] More strong words on the subject of business' role, but these come from Ed Jefferson - Chairman designate. Irving Shapiro's imminent retirement has posed many questions concerning the company's public posture. Will the company turn inward once more? Will it be as involved in public policy work? Many have voiced the same question as this from a DuPont staffer: "Sometimes when you're looking at the public policy statements of a guy like that, you have to say to yourself - Could anybody else at DuPont do this, or is it simply a reflection of the man's personality?" [25]

The beginnings of the answers to these questions came in the recent press conference formally naming Edward Jefferson and Richard Heckert Chairman and President designate. Symbolizing the accessibility and candor of the company and its top executives, the briefing was held in the DuPont boardroom - the first time in its 179 year history that media personnel had been inside. Commented Jefferson: "We need you (reporters). I'll have to take my calls, and I no doubt will get some brickbats thrown at me here and there, but I can survive that." [26] "...In the course of business, I expect to be seeing members of the President's team and offering my thoughts fairly regularly." [27] "I would expect to do all I could in the public areas. I'm absolutely convinced it's helped us a great deal." [28] Adds Heckert: "We may not get as many opportunities as Irv to get out front on issues, but we certainly won't shrink from the opportunities when they arise. In fact, I'll be surprised if Jeff doesn't react a lot like Irv. He can carry the ball and carry it well." [29]

I will be surprised too. DuPont is a classic example of structure following strategy, but I also believe it demonstrates that the reverse relationship can also hold. Shapiro defined and institutionalized the new role for the DuPont CEO, and this in turn, will have a profound effect on the actions of his successors. Jefferson said it well: "It's company policy. Irv has set a great example... I would intend to continue with that example." [30]

A number of other large companies, as well as the Business Roundtable, are at the same leadership crossroads as DuPont. As the 1980's unfold, a number of executives who rose to public or private prominence are passing from the scene. John DeButts of AT&T, Tom Murphy

at GM, Reginald Jones at GE, and Irving Shapiro at DuPont all played key roles for business in the 1970's. They established and articulated the concept of the public CEO and they made it work. Now others will take their place, changing both the organizations they head and ones they participate in - like the Roundtable. Says Shapiro: "The Roundtable is at a unique point in its history. Those of us who shaped it in the 1970's are retiring now. Another generation is taking over, and it remains to be seen what they'll do with it." [31] Perhaps much of the popularity and recognition these business leaders gained resulted from their willingness to stand out from their colleagues, and to push all industry in the directions these men believed were right. The days of the faceless gray organization are not gone, but there is greater visibility and contrast today than ever before - and that is good.

While the future may not bring a new generation of leaders with the remarkable capabilities of an Irving Shapiro, those who emerge will be more sensitive to public policy issues and the importance of involvement in that policy process. Jim Post of Boston University has written: "I believe the next decade will see American industry produce a corps of CEO's who are politically astute, sensitive to the importance of public issues, knowledgeable about the public policy process, and creative in dealing with that process." [32]

In our examination of how DuPont relates to the outside world, we have begun (deliberately) with the unique role of its chief executive. If this chapter has read much in praise of Shapiro, that reflects the admiration and viewpoint of the author. Irving Shapiro is a figurative "shoe man" - people constantly refer to how big his are and how difficult they will be to fill. Shapiro responded to his external

challenges with a tremendous breadth and depth of vision, and a lot of energy and hard work. He has been a leader, both outside and inside his organization. As we will see, this role model has flowed downward throughout the organization, and reinforced an already strong public affairs philosophy. However, the chief executive can not do the communications and policy work on his own - and the next chapter focuses on the DuPont staff formally charged with managing much of its external relations : the public affairs department.

Broadly speaking, the CEO is the only individual capable of representing the entire corporation; I believe the best ones in the future will not only be good businessmen, but also good communicators, well informed, politically/ socially sensitive, and action-oriented in public affairs. No one sums up the challenge as well as Irving Shapiro: "The future role of business in society will depend to a major extent on how business management proceeds as well as the results it achieves -- how constructively it works with government to achieve public goals -- how candidly it responds to inadvertent mistakes -- how carefully it handles new safety risks -- how wisely it introduces new technology -- how responsibly it blends business goals with energy and environmental priorities -- how effectively it joins with other sectors of society to help solve our recurring national and international problems." [33]

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## FOOTNOTES - CHAPTER II

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## CHAPTER III

## - THE PUBLIC AFFAIRS DEPARTMENT -

"The public affairs department of a major chemical company has been a challenging place to be during this period. In many ways, it has been the window through which DuPont has seen the world. I can tell you that very often the view wasn't worth the climb. Sometimes, all we saw were militant reporters, impatient environmentalists, harsh critics, impassioned advocates for one cause or another. Of course, windows come equipped with two way glass and our public affairs organization also had the job of articulating DuPont's story to the chanting mobs at the gates...."

— R.P. McCuen  
Director, Public Affairs Dept.  
March 5, 1980

A corporation can respond to the "chanting mobs at the gates" in many varied organizational and tactical ways. The purpose of this chapter is to examine the formal staff function at DuPont whose chief responsibility is the effective management of these external relations. At DuPont, the last seven years have seen the emergence of the chief executive officer as the chief public affairs officer. Irving Shapiro has embraced the roles of company leader and primary outside spokesman with unique skill and enthusiasm. Yet as effective as Shapiro has been in media and government relations, he can not build the bridge between the corporation and the outside world alone. While the brass are worrying about major issues and the big picture, plenty of work must still be done 'in the trenches'.

In the following pages, we will touch on four basic areas: the history of the department, its current organizational structure and goals, the activities of each major section, and a comparative analysis of DuPont's approach to that of competitors and industry in general.

The history of the public affairs group is a long and rich one, reflecting the age and extent of public attention given the entire company. For over the past sixty-five years, the development and articulation of company responses to a variety of individual business and community public relations needs - as well as helping shape that big picture - have fallen within this group's activities. This organization predates the emergence of Shapiro and the 'public CEO' role by many years, and its history reflects both the changing external world and the beliefs and needs of internal management. This history echoes major themes of the commercial entity of which it is a part: the long period of its existence - reflecting an organizational ability to survive and

fulfill useful purposes, secondly, a capacity to change in response to evolving needs, and lastly, a management posture that creates action programs which attempt to maximize corporate effectiveness. DuPont has exhibited a remarkable agility at responding to a changing world; so too has its public affairs function.

Organizationally, we will see that the department is very large and composed of highly specialized smaller units. Most of the staff are career public affairs specialists, with little or no line experience. DuPont senior management are very concerned with public affairs activities, but clearly do not see an assignment in this department as a key management development experience. Structurally, the group has undergone only one major transition in the past decade. Most of the activity and organization change has been evolutionary in character.

Much of the staff time is spent on traditional public relations activities like media relations, corporate communications, speechwriting, etc. - but an increasing percentage of time and manpower is devoted to environmental analysis and forecasting, and issues work pertaining to prime corporate-wide concerns like energy and the environment.

DuPont's public affairs department is unique relative to its competitors and other industrial firms' staffs. This is particularly true in the governmental affairs area, where the department is notable not for what it has - but for what it is missing: a political action committee and the responsibility for legislative lobbying. The prominence of its crusading CEO has also posed a number of challenging questions, both for the DuPont department and public relations generally. In the context of a public chief executive, does the public

affairs organization have any kind of leadership role? What should their functions be relative to the activities of the CEO? Is their proper role the traditional work of talking about the company and improving its reputation, or do they have a place in the emerging arena of corporate public issue management? DuPont is unique in its answers to these questions, and has been thinking about and organizing for the optimal solutions to its external problems for a long time.

But before we turn to the public affairs history, it is vital that we understand just how seriously DuPont takes all aspects of its corporate mission. It is - and has been for many many years - something of a company that likes to operate "squeaky-clean". This sense of corporate motherhood flows down strongly from the top, and pervades the actions of all levels in the corporation. To understand how and why DuPont relates as it does to the outside world, we must remember how it perceives itself. I believe this philosophy is elegantly stated in the following excerpt from a 1975 internal report:

"We would like the public to regard DuPont as an institution operating in the social and economic interest of the people of the world; holding to the highest standards of employee, customer, and stockholder relations; reflecting the highest skill in management; contributing broadly useful products and services; and leading in technical accomplishment. Whatever can be done to build these components of our reputation will, we believe, ultimately enhance DuPont's financial position."

#### ORGANIZATION HISTORY

The beginnings of the public affairs organization trace backwards to 1916. In response to external media and Congressional questions concerning the company's involvement in war related activities, DuPont

put together a two man press bureau to handle these inquiries. The profitability of its high hazard operations had been vigorously criticized, and its image as a war profiteer had earned it the nickname "merchants of death". These media activities expanded to include product publicity during the 1920's and 1930's - paralleling DuPont's broadening commercial activity in new products (Rayon, etc.).

The Press Bureau became the Public Relations Department in 1939, and with the new name came increased responsibilities in management counseling, policy preparation, increased external communications, as well as press relations and product support. Following World War II, the activities increased further to include employee communications, shareholder communications, and an outside speakers program.

The tenor of the public questioning and the nature of its expectations were far different in those days. R. McCuen, DuPont's Public Affairs Director reminisces: "the primary public relations problems the company faced were economic in nature -- 'bigness is badness', for example -- or legal -- the lengthy anti-trust suit which forced DuPont to divest its holdings in General Motors being the principal example. There were some product problems, but they were by today's standards almost benign ... 'Why', American women would write, 'don't my nylons wear the way they used to' ?" [1]

During this period, DuPont was the recipient of a wave of popularity stemming from the remarkable new products coming out of its labs. "Better living through Chemistry" became a theme believed by the company and public alike. The 'go-go' enthusiasm of the period (1950's) was reflected in the rapid increase in product publicity activities. Some 70 percent of the department staff were engaged in product

information work - like arranging a Life Magazine photo of a car being lifted off the ground in an envelope of 'Mylar' polyester film.

The "honeymoon" between the chemical industry and the public changed during the 1960's. Rachel Carson published The Silent Spring, and helped launch what was to become a tremendously influential environmentalism movement that sought to change industry products and practices. Serious product problems, like infant suffocation caused by the use of plastic cleaning bags as mattress covers, also began to surface.

The departmental charter became threefold: identifying and evaluating public demands that could affect DuPont business opportunities or operating practices, assisting in the preparation of Company policies to meet these demands, and developing communications programs to express the corporation's views, support product marketing, and improve the DuPont reputation. Personnel who had been used to touting the positive now found themselves also preparing defensive product publicity strategies. The 1970's saw many more intense issues surface including product safety, transportation safety, and cancer in the workplace.

The functions of the department were also evolving to cope with the increased external demands. "Communications continued to be its primary mission, but staff members were becomingly increasingly involved in issues and matters of public policy. Staff members sat on the company's Environmental Quality Committee, its Energy Committee and its Public Affairs Committee." [2]

DuPont stated its public affairs philosophy during this period in its 1971 annual report. "DuPont's responsibilities extend not only to

its employees, customers, and stockholders but also to the public and to the communities in which the Company operates. If public confidence in business is to be maintained, DuPont believes that the business community must demonstrate it is responsive to genuine public needs, must recognize the social consequences of its actions, and must make its contributions better known and understood. DuPont is involved in continuing efforts to solve a broad range of social problems. In determining its response to social needs, the company attempts as best it can to weigh their urgency, to balance this urgency against the Company's obligations to employees, customers, and stockholders, and to assume responsibilities which are consistent with DuPont's resources, competence, and role." [3] DuPont was one of the first major corporations to explicitly recognize and support the need for consideration of issues and decisions in the broadest possible context.

During the latter half of 1979, the responsibility for product publicity was transferred to the corporate advertising department, thus uniting all the facets of advertising, market research, sales promotion, and product publicity into one organization. The Public Affairs department was also reorganized to reflect the new orientation to outside issues. A new subgroup was formed to deal with environmental/health and safety/ energy/transportation issues; others were consolidated to strengthen industrial department support and formal corporate communications.

As the goals and interests of its many publics have changed, so too have the structure - as well as activities - of the public affairs department. Organization charts detailing the internal structure and reporting relationships before and after the 1979 reorganization follow

as Exhibits 3.1 and 3.2. A side-by-side comparison of the two charts reveals the evolutionary nature of departmental organization change during the past decade. There has been no sweeping buildup of staff or massive manpower shifts in support of the Shapiro-led public policy and governmental activities. The staff was large and highly active before Shapiro took office, so major change has not been necessary. But the realignments and new department functions followed the classic DuPont pattern of strategy preceding structure.

Environmental and energy problems are critical success factors for the chemical industry: a division was created to support that effort; departmental line managers are increasingly challenged by public issues that impact their specific businesses: a departmental affairs division was created to consolidate these support activities; corporate communications and media relations have been combined into one unit; and two division director level positions were created to handle the increased executive communications and issues management/special projects workload triggered by externally active senior executives.

The organizational trend in the DuPont staff has clearly been to support two key emerging areas of management: (1) environmental analysis and forecasting, particularly as it relates to strategic business plans, and (2) helping shape and focus public issues programs. And because line management is so active in external affairs, much of the departmental work is either support oriented (providing data, being company "eyes and ears") or coordination oriented (getting all the executive elephants to line up in the same direction....)

#### CURRENT ORGANIZATION AND ACTIVITIES



## CHART 3.1

PUBLIC AFFAIRS DEPARTMENT. CA 1974.

Source: DuPont Document

DirectorAssistant Director

- A. Division Manager (Internal and External Communications, Media Relations)
- Public Affairs Manager (2 Departments)
  - Public Affairs Manager (3 Departments)
    - Public Affairs Regional Manager - Southwest (Houston)
  - Employee Communications Manager (Internal and External Publications)
    - Supervisor - Publications - "Context" "Innovation" "Du Pont News"  
"Management Bulletin"
    - Supervisor - Communications - Audiovisual                      Wilmington Area  
Employee Benefits                      Plant Consulting
  - Public Affairs Manager (Corporate Information Services and 1 Department)
- B. Division Manager (Executive Speeches, Academic Affairs, Central Research and Development, Economic Education)
- C. Division Manager (International, and Director of Community Affairs)
- Community Affairs Manager and Executive Secretary - Public Affairs Committee
  - Public Affairs Manager - International (Wilmington)
    - Public Affairs Manager - Brazil and Argentina - (Sao Paulo)
  - Public Affairs Manager (3 Departments)
    - Supervisor - New York
- D. Director of Public Affairs - Europe - (Geneva)
- Public Affairs Manager - Europe - (Geneva)
  - Public Affairs Adviser - Europe - (Geneva)
- E. Division Manager (Advertising, Secretary, Treasurer's, Staff Work for Corporate Management, Financial Public Affairs)
- Manager - Corporate Projects (Annual report, annual meeting, opinion research)
  - Public Affairs Manager - Program Development (Issue Analysis, Special Projects, Corporate Staff Work and 1 Department)
  - Public Affairs Manager (4 Departments)
  - Public Affairs Manager (2 Departments)
- F. Manager - Environmental and Consumer Affairs (and 1 Department)
- G. Manager - Personnel & Administrative Services
- H. Accounting and Records Supervisor

CHART 3.2 PUBLIC AFFAIRS DEPARTMENT - E.I. DUPONT DE NEMOURS AND COMPANY. CA 1981

Source: DuPont Document

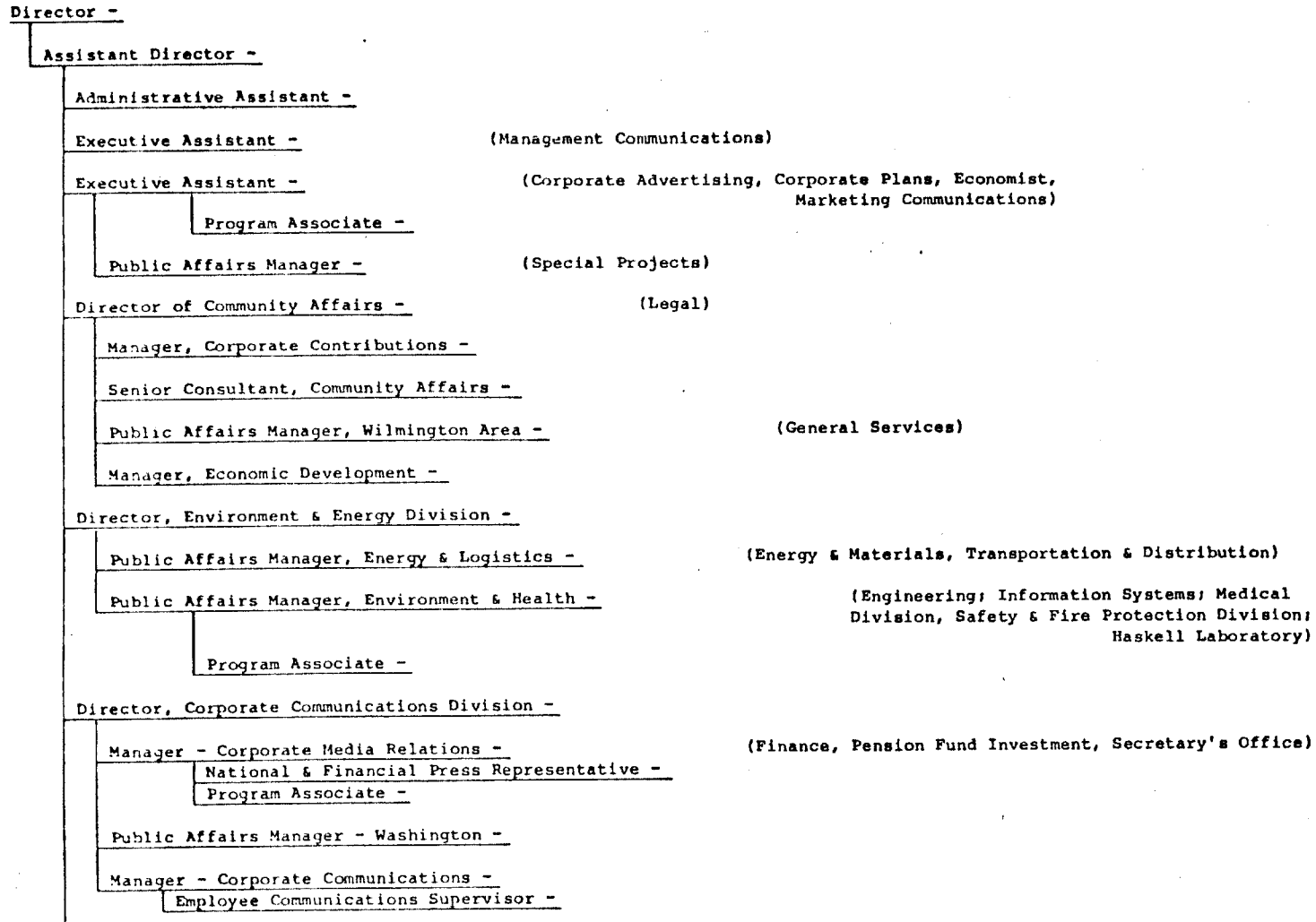


CHART 3.2. PUBLIC AFFAIRS DEPARTMENT - E.I. DUPONT DE NEMOURS AND COMPANY. CA 1981 (Cont.)

<u>Director, Departmental Affairs Division -</u>	
<u>Public Affairs Manager -</u>	(International)
<u>Public Affairs Manager -</u>	(Mexico)
<u>Public Affairs Manager -</u>	(Brazil)
<u>Public Affairs Supervisor -</u>	(Argentina)
<u>Public Affairs Regional Manager -</u>	(Asia/Pacific)
<u>Public Affairs Manager -</u>	(Japan)
<u>Public Affairs Manager -</u>	(Australia)
<u>Public Affairs Manager -</u>	(Petrochemicals)
<u>Program Associate -</u>	
<u>Public Affairs Manager -</u>	(Biochemicals)
<u>Public Affairs Manager -</u>	(Central Research & Development, Employee Relations)
<u>Public Affairs Manager -</u>	(Chemicals & Pigments)
<u>Public Affairs Manager -</u>	(Polymer Products)
<u>Program Associate -</u>	
<u>Public Affairs Manager -</u>	(Fabrics & Finishes)
<u>Public Affairs Manager -</u>	(Photo Products)
<u>Public Affairs Manager -</u>	(Textile Fibers)
<u>Public Affairs Manager - Southwest -</u>	
<u>Manager, Personnel &amp; Administrative Services -</u>	
<u>Personnel and Records Supervisor -</u>	
<u>Director, Public Affairs and Advertising, DISA -</u>	

At the corporate level, the department is one of fourteen staff groups that support on-going DuPont operating activities. Reporting to a Vice President - External Affairs and General Counsel along with Public Affairs are the Legal, General Services, and Marketing-Communications groups. The position of external vice president was created in 1978 to "reflect our awareness that the Company's interface with government, the public, special-interest groups, and plant communities will be ever more important in the years ahead. The new position will provide coordinated leadership of such sensitive areas as public affairs and legal activities." [4]

The public affairs staff numbers about 67 professionals in the United States, 37 in Europe (Geneva), and several others in additional foreign subsidiaries. The majority of the staff is located at DuPont world headquarters in Wilmington, Delaware. The departmental budget for 1981 is estimated by the author to be somewhere in the range of \$ 5 to 10 million. (.03% of sales, .5% of net income). While these figures are not large in percentage terms, they are significant in absolute size, and are high in comparison to other large manufacturing firms.

#### --- Director Level

The group is headed by a director and assistant director who are responsible for guiding the staff, developing overall departmental goals and policy, and counseling senior corporate management. The assistant director, one of the few public affairs managers who has come from a line management background, defined the overall goals of the department as: (1) assisting various operating departments to operate effectively, (2) maximizing DuPont's influence on the public policy process, (3)

increasing DuPont's influence through insurance of responsible operations, and (4) supporting company credibility through effective communications programs.

As an example of operating department assistance, the A.D. cited the development of a media training course for local plant management. During 1980 over 130 plant personnel were put through the course; another 116 managers are scheduled to receive the training in 1981. To demonstrate the importance and effectiveness of the program, the department has prepared a fifteen minute videotape consisting of actual local television interviews with DuPont managers held during 1980.

The major speeches by Irving Shapiro and Ed Jefferson on energy issues were cited as examples of DuPont's heightened influence in the public policy area. Both talks (Shapiro's on nuclear power and Jefferson's on overall energy policy for a U.S. Presidential seminar) were the result of a team effort by the public affairs, research, legal, and energy and materials departments. Managers from each of these groups assembled the data base, argued the issues, and then prepared the major points of the text.

Were these successful? DuPont believes so, citing the resulting discussions held with the Association of Nuclear Power Operators after Shapiro's talk - and noting (with a smile) that Jefferson was later quoted by Saudi Oil Minister Yamani. One further point: for the preparations of corporate statements on key public and company issues, DuPont has not relied solely on the public affairs staff capabilities, but has used multidepartmental teams. Public affairs staff have thus been coordinators and "shepherds" of the process; this trend will likely continue when any company works as hard as DuPont to fully

comprehend and communicate its viewpoint.

In an effort to help insure the effectiveness and rationality of toxic substances control legislation, DuPont sponsored a visit by two members of U.S. Representative Bob Eckhardt's staff to the Haskell Toxicology Labs. By helping educate these legislative architects and making information available, the company believes it improved the resulting Toxic Substances Control Act. Remember our DuPont philosophy statement? Listen to the assistant director: "We have our own ideas of how things ought to be and we want them to be heard. There are things we don't talk about, and we don't always expect to have our own way, so we can't be so self-righteous. But if our conduct is responsible, it will stand up under scrutiny. It takes a long time to build that credibility, and it can be lost in an instant." [5]

This willingness to think about - and talk about - what it is doing is something of a DuPont trademark. From Irv Shapiro at the top: "Today, a business leader simply can't do his job unless he has access to groups outside the executive circle, and that means those groups have to have access to him. He has to be available and responsive to journalists as well as to others...There are still some businessmen who would like to remain invisible -- what they are doing, of course, is declaring themselves out of the decision-making process -- but in the future they will be increasingly scarce" [6] to Senior VP Heckert "to keep business from ending up crossways with society... the best strategy I know is to stand up and say 'This is what we believe'" [7] to Public Affairs Director McCuen " It (the communications challenge) has been accepted with increasing appetite in recent years, not only by those of us in public affairs roles but throughout line management" [8]

to one of his division directors "We believe in never saying 'no comment' to a legitimate press query. We believe in giving an answer."

[9] I believe the direction of this posture is largely top-down; the public affairs group is important in reinforcing, communicating, and monitoring the message-but the goals and policies are conceived and initiated at senior levels.

---- The Executive Assistant

Reporting to the department directors are four divisional directors and two executive assistants. The executive assistant for executive communications has the responsibility for preparation of high level speeches and papers. This role is particularly challenging in the context of DuPont because of the sheer number and diversity of topics which Shapiro and other officers have touched on in recent years. For example, from January 1, 1979 through June 15, 1980, members of the executive committee gave forty major speeches on topics ranging from corporate governance to individualism to education. Obviously, it is impossible for any one individual to create the all the ideas or even to pull all the information together - but his (and his staff's) role is to help organize, editorialize, stimulate, and put into words top management concerns.

The communications executive describes his role in this way: "you talk to many people - people looking at the elephant from many directions - and each person contributes a little something, you find out what kind of opposition is out there, what sort of analysis has really been done, and whether people are muttering homilies (you thought you had a policy but you don't) you get all that stuff together. I

don't think it's strictly an editorial function, although that's a lot of it, but then we're supposed to apply testing to it before we surface in the free world with an opinion. It isn't that we're commissioned to be conflict resolvers, because ultimately the executives have to do that themselves. But we do serve something of a catalysis role, and have big eyes and ears." [10]

This a pretty tough job, particularly in a company where the CEO is as active politically and socially as Irving Shapiro. It forces the public affairs staff work to be consistently top quality, intellectually broad, politically astute, business minded, well-researched, and on the same "wavelength" as the senior executives' views. But DuPont seems to pull it off, for as several staff members commented - "It's hard to know where Shapiro ends and his communications man begins..."

The other executive assistant has responsibility for the company's issues management, issues advertising, and "special programs". DuPont, like many companies of similar size, stature and type of products, attracts a lot of attention - and is correspondingly subject to the effects of many issues on the public agenda.

People have always wanted to predict the future; business is no exception. Over the past decades one of the most dynamic areas of management research has been corporate strategic planning - that is, trying to chart the optimal corporate path in an uncertain future. A 1979 Conference Board Report cites the words of a consultant who described planning in past years as 80% of what management wanted and 20% of understanding how the world affected the company; today he believes the percentages are reversed. Peter Gabriel, author of "Managing Corporate Strategy to Cope with Change", has stated: "It is



hard to find a reasonably informed person today who is not aware that the rate of change all around us has become not only inconvenient, uncomfortable, disconcerting or confusing, but outright dangerous with respect to the future of whole countries, socioeconomic systems, and certainly some private corporations - if not private enterprise as such." [11] Managing emerging social issues has become a "hot topic", for as numerous examples have demonstrated, what management does not know about the future can blindside them before they have time to prepare their case.

DuPont has long perceived environmental scanning directed at identifying trends which might impact specific businesses as being important, but it is a relative late comer to corporate-wide issue analysis involving the top management levels. Says the executive assistant: "I am the chief of staff designate of a committee that's never met - with two senior VP's and the corporate VP for external affairs. The charter of this committee in a nutshell is to recognize, examine, and do something about what is called emerging issues. I think you have to recognize that it is practically impossible to predict the future. All you can do is speculate and the best you can do is speculate in an intelligent way to the point where you can see likely bits and pieces of the future. Worst of all, most of those results are not relevant to the business because most - maybe 95% - of the future is not relevant to business. What I'm going to urge on the committee is that the number 1 job in issues research is to make it as relevant as possible." [12]

I believe this sensitivity to making emerging issues programs relevant is an extremely important point. Issue management has become

something of a management fad, with executives convening staffgroups who create lists detailing the future from A to Z. The rise of electronic banking is surely an issue, but of what importance to DuPont? The key for success in this kind of program is the quality of thought which goes into the process of pitting the multitude of future events against the long range implicit and explicit corporate planning assumptions. Relevance means prioritizing, calculating and quantifying impacts, and incorporating these insights into the decision-making process.

The second major program headed by this manager is corporate issues advertising. DuPont is a household name, but not one that is readily associated with the products it makes and sells. Says DuPont: "The average person hasn't the vaguest idea what this company whose name they've heard a great deal is about. At first glance that may not seem terribly important. But it does become important when the public makes political judgments in the area of regulation and control." [13] Through its corporate advertising, DuPont hopes to create a much greater awareness of its product lines - what they are, how they are used, and what they mean to people. The company also wants to spread the message of its concern and accomplishments in the area of risk management such as workplace safety or railroad transportation. Again the DuPont manager - "Our advertising is simply designed to call the public's attention to the series of facts in what you might call risk management. We feel it's in the public's interest and in our interest to increase their learning. And we do all of this on network TV." [14] The following text is taken from a recent national television ad discussing the location of plant sites.

"CARETAKER: 'These natural gardens are like a second home to me. I take care of them. So when I heard that DuPont was building a chemical plant right next to here...I figured it was "goodbye" gardens. But DuPont said they needed the plant to make Dacron fibers... for the clothes we all wear. I said fine. But don't spoil all this. Well, they didn't. DuPont plant site engineers worked closely with experts on forestry, water...and plants...long before construction began. They installed equipment to minimize noise...and systems to control air and water pollution...to meet or surpass all local, state, and federal regulations. Turns out DuPont cared as much about the natural environment as much as I did. Now people come to see my gardens... and never realize just beyond the trees there's a DuPont chemical plant going full tilt. Well DuPont...my gardens think you're ok, and so do I."  
[15]

While the battle for the public's heart and mind has been heavily criticized as being "misinformation and brainwashing", DuPont believes it knows what it is doing and that the program works.

What then, does the company think of advocacy advertising - a la Mobil Oil? My initial speculation was to believe DuPont had rejected the idea as being somewhat out of line with its policy of "alignment with the angels." I was wrong... Comments DuPont: "We did consider advocacy advertising. We do have very strong views about overkill in the water pollution area. That last 2% of pollution control costs as much as the first 98%. We went so far as to develop some trial advertising. Since we had no experience with that kind of advertising, we proceeded very cautiously. By the time we had the advertising in hand - our economics had changed." [16] In other words, but for the grace of dropping profits, so too would have gone DuPont. " We maintain very strongly that corporations have first amendment rights, and that it is appropriately legitimate for corporations to exercise those rights - one on one through Congress or through advocacy advertising." [17]

Perhaps the real reason DuPont has not resurrected the approach is because it has not needed to, given the advocacy power of its chief executive. The discussion of superfund in the following chapter will touch again on this important point - DuPont's CEO does not only have this capability, but he also has the degrees of decisional freedom to effectively use it.

The final area of responsibility for the executive assistant - issues is special projects, the most notable recent one being the sponsorship of the first human powered flight across the English Channel (in the Gossamer Albatross) and the first lengthy solar powered flight (in the Solar Challenger). Why is DuPont sponsoring airplanes? Well for one, the planes incorporate quite a few company products such as "Dacron" polyester fiber and "Mylar" polyester film. But most importantly, DuPont explains its participation in a project that some might consider foolhardy as a reflection of its own company history and philosophy. The press releases state: "DuPont's long history is studded with examples of pioneering achievement, invention of exotic new products, and a willingness to challenge seemingly impossible goals. DuPont is also the world's safest industrial corporation, with a record unmatched by any company, anywhere. Its philosophy is simple: If a product can't be produced safely, it should not be attempted. Paul MacCready and his team followed that philosophy... DuPont is involved in this effort because it is an engineering adventure on the frontiers of knowledge, demonstrating how ultra-light engineering materials can be fashioned and used to meet seemingly impossible goals. It involves discovery, innovation, unique applications of materials and technology - all surrounded by calculated but manageable risks." [18] You do not

have to strain to hear the angels in the background, but I believe it reinforces the previously discussed "self portrait." Another point though, which portends actions taken by the company on superfund, is that DuPont does not just prescribe its own behavior, but also encourages similar behavior by others. The company likes MacCreedy's projects because he reflects DuPont's perception of its own values.....

---- Departmental Affairs Division

The largest of the four divisions is the Departmental Affairs group, headed by a director who is equivalent organizationally to the two executive assistants. Reporting to him are ten managers; eight who have responsibility for the public affairs support of one operating department (Fabrics and Finishes, International, etc.), one who heads the support of the employee relations and central research activities, and the last whose jurisdiction includes the company activities in the southwest region of the United States. Each of the ten managers and his staff act as the full time public relations agency for their respective operating department. The purpose of the division was outlined by the director as: "We're expected to be very close to their businesses - understand them, their goals, and strategies-analyze them and discern where public affairs can make a contribution to the attainment of the objectives. Be it a problem or an opportunity - we expect to put together a program responsive to those objectives and then persuade management of that department to accept that program. They are expected to be able to persuade management to accept the public affairs point of view knowing full well it may run counter to the consensus - and you'll find that a lot." [19] Counseling at all levels of the

department is a big part of the job, and includes media relations as well as business tactics advice. DuPont not only believes in being responsive to the media, but also letting the management of the appropriate business field the questions.

Among the issues this division has been involved with include ozone, formaldehyde, and the use of plastic materials in packaging. The formaldehyde issue stems from a proposed ban by the Consumer Products Safety Commission on the use of urea-formaldehyde foam insulation. DuPont is a big producer of formaldehyde, and it chairs the communications committee at the Formaldehyde Institute. The public affairs department participated in internal management meetings to determine the short and long range impact of the ban on the company. A DuPont position was prepared and a communications strategy involving people from the six affected operating departments was launched.

Plastics is also a very big business for DuPont, and with the genesis of "bottle bills", the company became concerned about the possible impacts of plastic packaging legislation. A public affairs manager tells the story this way:

"As a major supplier of plastics, we were trying to determine what was our role. Can we contribute to the issue? We decided the best place to start was right in our own shop with our own employees in the plastics businesses (12,500 of them). What did they know about the issue? What were their attitudes towards plastic packaging? Their livelihood depended on it. Where were the missing knowledge gaps so we could fill them?"  
[20]

So DuPont undertook an attitudinal survey of their employees and spouses at plant locations and corporate headquarters. The results were used to develop a communications program aimed back at the employees including a film, videotaped program, a speech, and handout materials to be taken

home with them. The materials focused on the essentiality of plastic packaging and provided toxicological information about plastics use. What happened next? "We then began to use these materials in plant communities with the public. We made it available to other companies. We made it available to trade associations involved in the issue. We feel we made a real contribution. We haven't reached the point yet where we've called on our employees to do anything. But the day may come ..."[21]

In his comments on the department activities supporting the agricultural chemicals business, the director reveals another DuPont policy that is an important facet of its approach to issues problems. "What we try and do is assist the growers - the farmers - in developing effective communications programs locally or at the state level to counter the local or state activist group and also in that process to help to make sure that the programs these people undertake are credible and reflect well on the industry and not poorly - and that they aren't just saying no for the sake of saying no, but that they have an alternative." [23] The company takes the same rigorous approach in the programs it undertakes with trade associations. "Members of my staff are expected to be on the public relations committees of the leading trade associations. Get themselves in a position of leadership or certainly in a position of influence so we can have some control over programs trade associations can take out so they don't damage the industry." [23] DuPont clearly seeks to be a leader, with the goal of exercising that position to uphold its own standards. We will see this characteristic surface again.....

----- Community Affairs Division

The remaining three divisions are much smaller in size and scope than the departmental affairs group. The community affairs division director has three managers reporting to him with responsibility for corporate philanthropic contributions, community affairs relating to Wilmington area plant operations, and economic development considerations in the state of Delaware. DuPont has always been sensitive to its unique role as the big corporate fish in the little state pond (Delaware). This was especially true in the early 1970's when the company was the target of a scathing Ralph Nader study group report on its activities in Delaware titled The Company State. DuPont employs over 26,000 people in Delaware and its payroll is a large component of the total state income. The Nader study group termed the company a "corporate Leviathan" that treated employees unfairly, did not pay its share of taxes, meddled with too much power in local and state politics, and committed a host of other mortal and venial corporate sins. The report echoed the sentiment of the Wilmington taxi driver who lamented in Chemical Week (Dec.8, 1971) that "DuPont owns this city and runs it; always has."

The company, naturally, disagreed with the charges in the Nader report and analyzed the 105 recommendations as being either (1) unrelated to the company (ex: Wilmington Trust Co. should loan more money), (2) having little merit (put employee reps on the board of directors), (3) addressed to the government (treat capital gains as ordinary income), or (4) having some merit and having already been considered (making more company information public). Good or bad, the report certainly reemphasized the uniquely visible role DuPont must play



in its home state.

Corporate philanthropy is an increasingly important area of corporate public relations, and in 1979, surpassed the Charitable contributions of private foundations. [24] DuPont has had a long history of corporate giving, donating both money and service from its executives and employees. The area has attracted considerable controversy however, from people who believe the company is doing too little or too much. The Nader report criticized DuPont for donating less than the maximum 5% of pre-tax earnings allowed by law (1979 contributions of \$8.5 million were less than 1% of the \$1,522 million NIBT); in much the same vein Lyndon Johnson once told a group of businessmen that until they spent the legal limit they were sending Washington a message: the government can spend the money better than we can. [25] Others dispute the desirability of this goal calling it "blood money" or a frivolous waste of stockholder's value. Corporate giving is a challenging activity; Irving Shapiro summed it up with "we're damned if we don't, damned if do", [26] DuPont does, but in limited fashion.

---- Corporate Communications Division

The third departmental division is corporate communications, with managers in charge of corporate media relations, corporate communications publications, and a liason manager to the DuPont governmental affairs office in Washington. The publications manager has responsibility for the annual report, "DuPont News" (an employee paper), "DuPont Context" (a magazine of opinion on major issues), and "DuPont Today" (a biannual magazine focusing on one major topic). The media

relations section handles corporate radio and television relations, as well as the financial press activities. DuPont's government relations activities are organized differently from most companies; the DuPont legal department is responsible for all contacts with political leaders, legislators, and regulators. The public affairs group however, works closely with the legal staff to develop the necessary communications materials, even though it has no control of these programs. For example, DuPont is planning a meeting of approximately 150 plant and regional sales managers in Washington to kick off its grass roots contact program. The schedule calls for an issues briefing followed by visits with the appropriate Congressman. Public affairs will prepare the materials and focus on dealing with the media.

Financial and shareholder public affairs have become increasingly complex and important in recent years. In addition to preparing the stockholder reports, this group organizes the annual meeting and works with the corporate treasurer and secretary to field financial, stockholder, and special interest group information needs.

#### ---- Environmental Affairs

The fourth division is the environmental affairs group with managers in charge of logistics and energy and environment/health and safety issues. The managers and staff in this section are expected to be experts in these policy areas, and have the responsibility for coordinating and reviewing all policies across all businesses in each of these policy areas. Staff members from these groups also serve on two corporate committees (environment and energy) chaired by senior vice presidents to create policy on these issues. This departmental division

is the newest of the four, reflecting the importance of these policy areas to a company that consumes large quantities of energy materials as feedstocks or fuel, and turns them into (sometimes) potentially hazardous products that are often transported over long distances.

### Bits and Pieces

The final activity of the overall department to be discussed is its academic affairs program. This unique operation was begun in late 1979 with the goals of (1) building DuPont contacts with academics whose policy views could have significance for the company, (2) gaining valuable information for management on social and political trends, (3) beginning a series of lectures/ seminars for management in public affairs fields, and (4) contributing positively to DuPont's overall academic reputation. Comments the program coordinator, "To my knowledge there's no other company that has a program like this designed to identify a rather select number of academics, tune into what they're saying, and then get what they're saying to people in the company who should know what they're saying. I see this program as designed not in a public relations but public policy sense - to bring their ideas into the corporation and be 'eyes and ears'". [27] Since the program's inception, the coordinator has flown all over the country, conducting several hundred interviews in search of academic "foxes". The coordinator (alias DuPont Ambassador to the collegiate world) defines public policy academics as either hedgehogs (who spend their careers digging a deep hole in their particular field) or foxes (who tire of the single research area and spend their careers roaming in many diverse disciplines). "It is the younger foxes who become the Galbraiths,

Kissingers, Friedmans, Schlessingers, and Moynihans of American intellectual life -- and it is those with whom corporations should build solid relations." [28] I am very impressed by this program, but it has obvious limitations as to the size of the organization who can afford it...

Public relations or public affairs is a difficult subject to talk about, because many people and most companies have different ideas on what it is - or is not. To many, it brings to mind the New Yorker cartoon showing an executive seated at his desk handing a stack of documents to his public relations man. The caption read, 'Take this, Ferguson, and hype it threefold !' [29] Exhibits 3.3 and 3.4 display the preliminary results of a survey undertaken by a group of public affairs researchers at Boston University School of Management to determine what activities are included in the public affairs function, how large and how costly is the effort, and how old is the department.

Of the ten most common functions, the scope of DuPont activities cover six categories: community relations, corporate contributions, media relations, stockholder relations, advertising (issue related) and investor relations. DuPont was clearly a leader in the founding of the public affairs function, and remains a strong believer in its usefulness as expressed by its top 25% ranking in size of departmental budget. In addition to these six, the function at DuPont also includes consulting and counseling of management, extensive executive speech and public policy staff work, academic affairs programs, issue analysis and staff work, and an intensive environmental / energy / transportation policy effort.

DuPont's public affairs program is unique then, for some things it

## EXHIBIT 3.3

DEFINING THE PUBLIC AFFAIRS FUNCTION

<u>Activity</u>	<u>Percentage of Respondents</u>	
	Yes	No
Community Relations	84.9%	15.1%
Government Relations	83.9%	16.1%
Corporate Contributions	71.4%	28.6%
Media Relations	70.2%	29.8%
Stockholder Relations	48.2%	51.8%
Advertising	40.1%	59.9%
Consumer Affairs	39.3%	60.7%
Graphics	33.7%	66.3%
Institutional Investor Relations	33.4%	66.6%
Customer Relations	24.2%	75.8%
Other *	26.3%	73.7%

\* Some firms included Grass Roots Lobbying and Political Action Committees in this category, but most considered these a part of Government Relations.

Source: Boston University School of Management Study

## EXHIBIT 3.4

CREATION OF PUBLIC AFFAIRS DEPARTMENTS

<u>Date of Creation</u>	<u>Number</u>	<u>Percentage</u>	<u>Cumulative Percentage</u>
Before 1950	35	9.7%	9.7%
1950 - 1959	37	10.3	20.0
1960-1969	80	22.2	42.2
1970-1974	97	27.0	69.2
1975-1980	<u>111</u>	30.8	100.0

n=306

PUBLIC AFFAIRS ANNUAL BUDGET DATA

<u>Corporate Expenditures (Dollars)</u>	<u>Number of Companies</u>	<u>Percentage of Responses</u>	<u>Cumulative Percentage</u>
\$0 - 100,000	52	17.0%	17.0%
\$100,000-500,000	103	34.0	51.0
\$500,000 - 1,000,000	57	19.0	70.0
\$1,000,000 - 10,000,000	88	28.0	98.0
More than \$10,000,000	<u>6</u>	2.0	100.0

n = 306

Source: Boston University School of Management Study

does as well as does not do. First, it has no political action committee (PAC). At many companies, PAC's have played an increasingly important role in their legislative relations programs. The numbers have grown enormously; in 1974 there were only 89 corporate PAC's, today the figures exceed 1100. During the 1979-1980 legislative cycle, these groups took in contributions of \$19.2 million and disbursed \$11.4 million - outspending labor PAC's (\$10.7 million) for the first time.

[30] Not unexpectedly, labor leaders and a number of interest groups are concerned about the future legislative influence corporate PAC's may achieve, even though only 11% of 1978 Congressional campaign funding came from corporate or association PAC's. Statistics for the 1977-78 year for twenty chemical firms are contained in Figure 3.5. In that year, Chemical industry PAC's spent over \$600,000; 80% of that amount went to Congressional campaigns. Were DuPont added to the bottom of the list, the characteristic contrast between Dow and DuPont would appear. Dow Chemical, reflecting its aggressive public posture, spent \$191,00 - over twice as much as any other company. Perhaps DuPont believes a corporate PAC gets their hands "too dirty", or simply that their government connections are so strong that the effort would be wasted...

Secondly, government relations/lobbying activities are handled by the legal department; all of the lobbyists are lawyers. The background for this separation is a purely historical one, for the split was made many years ago. Yet DuPont has not seen fit to add this activity to the public affairs function; whether this is because lawyers make better or more honest lobbyists is not clear. What is clear, however, is the formal expression of internal power this separation conveys. Washington lobbying has become an increasingly important function, and the internal

Figure 3.5. 1977-78 CHEMICAL PAC SPENDING

(Source: C&amp;EN, March 3, 1980)

Company	Receipts	Disbursements	Contributions to candidates				Total
			Senate		House		
			Democrat	Republican	Democrat	Republican	
Dow Chemical	\$202,628	\$191,625	\$5,140	\$34,250	\$25,050	\$77,040	\$141,480
FMC	90,168	92,437	8,000	18,600	23,000	38,550	88,150
Monsanto	78,111	76,755	7,000	13,000	20,200	16,550	56,750
Olin	47,764	60,740	4,250	11,508	4,975	12,801	33,534
American Cyanamid	41,984	26,752	2,250	13,175	2,925	6,646	24,996
Stauffer Chemical	29,229	29,795	1,000	14,300	1,600	12,395	29,295
Allied Chemical	18,824	16,735	2,650	5,450	1,900	4,400	14,400
Borg-Warner	17,494	7,009	0	3,171	900	2,900	6,971
Ethyl Corp.	16,589	11,300	5,500	4,000	2,500	1,050	13,050
Borden	16,462	5,212	150	2,100	800	2,150	5,200
Celanese	16,403	15,300	700	4,050	4,700	5,600	15,050
Diamond Shamrock	14,704	9,150	500	3,250	700	2,700	7,150
Cabot Corp.	12,885	10,275	1,000	4,325	2,450	2,100	9,875
PPG Industries	12,704	12,200	1,000	9,600	200	600	11,400
Hercules	10,757	12,225	200	3,600	1,600	5,000	10,400
Ciba-Geigy	10,697	6,400	900	800	1,450	3,050	6,200
Goodyear	9,364	5,200	500	2,700	100	1,500	4,800
Rohm & Haas	7,131	6,700	0	0	0	2,250	2,250
W.R. Grace	5,239	4,800	1,000	800	1,100	900	3,800
B.F. Goodrich	4,060	0	0	0	0	0	0
TOTAL	\$663,197	\$600,610	\$41,740	\$148,679	\$96,150	\$198,182	\$484,751



stature and importance of Public Affairs is diminished because it does not control this activity - in structural contrast to 85% of the firms studied by the Boston University group.

Third, because DuPont is a huge and highly profitable company, it can afford the services of an almost full time academic ambassador. The program is unique to DuPont, and could easily provide many future benefits such as an enhanced reputation, a broader thinking and "more aware" management, an inside track on college recruiting, and potential future "chips" as DuPont's "foxes" move into government/ society leadership roles.

Fourth, the department is notable in terms of size, scope, and length of history. The company has always attracted a lot of public attention; it has a big and complex public affairs function to provide the staff support to manage that attention. And, it also pays close attention to its role in its home state, Delaware. Long before the critical Delaware Study Group Report in 1971, the firm had worried about its local behavior and influence.

Fifth, the company has articulated and carried through strong philosophies of trying to respond to the questions and suggestions from the outside world, and letting those in the affected business speak for themselves. DuPont tries very hard to make public affairs work an intergral part of the company management process - by contributing to the achievement of corporate objectives and long-term prosperity.

This effort is strongly centralized, (and including the legal department - headed by a senior vice president) again in contrast to Dow which operates on a largely decentralized basis. Their strategy entails a director of regulatory affairs for each of the senior U.S. operating

departments, whose job is to achieve the most cost-effective compliance possible. DuPont agrees with this purpose, but in characteristic fashion states "our interest in emission levels is motivated by our real concern for people. Having satisfied that, we make sure we're doing it as cost-effectively as possible." [31]

The final unique aspects of DuPont's program are its activities in support of a public chief executive officer. Irving Shapiro is a challenging figure to help prepare and coordinate staff work for; his interests are remarkably diverse and his energy level very high. Says one of the public affairs directors - "I don't know why the guy didn't die several years ago of a heart attack. He thrives on work and speaking out..." [32] An Irving Shapiro as the chief executive not only brings a great deal more staff activity, but also implies that a lot of the function's tasks will be to coordinate and mediate the "staff work" done on public issues. When DuPont wants to say something important on a tax bill for example, Shapiro consults the financial, legal, economic - as well as public affairs department.

The real bottom line to this department's work - is the contribution it makes in support of the line management. After all, a department of this size and scope represents a tremendous overhead burden that must be funded by the actual operating departments. Are these people pleased with the work of this department? I can only speculate (because I was not allowed to ask them) that as long as these managers pay the bill, they must be satisfied.

Corporate executives are often criticized for responding to every crisis by creating a new staff group, but public affairs at DuPont passed this 'acid test' long ago. As eyes and ears, as futurists, as

in-house experts, as gifted writers, as corporate policy committee members, as media windows - these people are important in DuPont's links with the outside world. But they are not always the most important link, as we will see in the following Chapter. Superfund is our chance to see the elements that have thus far been examined -- the Firm's traditions, structure, and leaders -- take part in a remarkable public policy debate.

## FOOTNOTES - CHAPTER III

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4. 1978 DuPont Annual Report.
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6. Shapiro, Irving speech at Tuck School, May 23, 1978.
7. Heckert, Dick, "How DuPont Copes", Chemical Engineering Progress, p. 24.
8. McCuen, R.P., speech to Athens Rotary Club, March 5, 1980.
9. Interview, January 1981.
10. Interview, January 1981.
11. Gabriel, Peter. "Managing Corporate Strategy to Cope with Change". Conference Board Record, March 1975, p. 57.
12. Interview, January, 1981.
13. Ibid.
14. Ibid.
15. DuPont commercial, 1980.
16. Interview, January, 1981.
17. Ibid.
18. DuPont brochure on the "Solar Challenger," November, 1980.
19. Interview, January, 1981.
20. Ibid.
21. Ibid.
22. Ibid.
23. Ibid.

24. PR Reporter. Vol. 23, no. 22, June 2, 1980.
25. Ibid.
26. Chemical Week. December 8, 1971, p. 36.
27. Interview, January, 1981.
28. Ibid.
29. Public Relations Journal, March 1980, p. 12.
30. Chemical Week, June 25, 1980, p. 44.
31. Chemical Week, January 21, 1981, p. 36.
32. Interview, January, 1981.

CHAPTER IV

- SUPERFUND -

"Some companies have a more enlightened  
view of their self-interest."

— Sheila Brown, Majority Counsel  
House Transportation and  
Commerce Committee  
January, 1981

Chapter III brought us to the end of our journey examining the organizational, philosophical, and leadership style of DuPont as it relates to the company's outside world. In Chapter IV, we become spectators - and can watch the corporate animal we have studied in action. The superfund legislation, passed by Congress in 1980, gives us the opportunity to see an issue unfold, to view the key antagonists, and to learn what brings each party into conflict with the others. In particular, we will watch DuPont play a strong role in the bill's passage that caught many people by surprise. Yet, upon careful consideration, DuPont's action was really in character and should not have been surprising at all.....

DuPont has always been something of a "white hat" outfit - wanting to do the right things for all its clients, and willing to consider compromise. Philosophically, DuPont gets positioned at one end of a public/governmental affairs spectrum, in contrast to Dow Chemical: the lofty idealists versus the guys one trade executive called "the stormtroopers of the industry." I do not suggest Dow is an irresponsible company or that DuPont is pure as the driven snow - but that both have different views of how much help they will accept from outsiders in running the business. Dow's Paul Orefice continually rails against government regulation and is always willing to rattle the sabres and fight; DuPont's Shapiro speaks of the necessity to compromise.

DuPont is an organization with significant resources and capabilities for influencing the public policy process. It was led by a chairman with unique public recognition and a "direct line" to the Carter White House, it was willing to augment his activities with

extensive staff programs, and it had a strong sense of corporate purpose and responsibility. It likes to do its own thinking on public issues and do that thinking well; it is also willing to put its ideas and credibility on the line. And as we will see in the latter stages of Superfund, is willing at times to make a bold move...

### Background and History of Superfund

The story of the Superfund legislation, Public Law 96-510, is a long and complex one. Like any terrific story - it has good guys and bad guys, a lot of action and emotion, impassioned dialogue, and a happy ending (maybe). But what makes the legislative process different from fairy tales is that who the good and bad guys are can not only change, but also depends on your vantage point. A great many actors were involved in the story; each actor carried a different set of philosophical baggage. The following pages are not an attempt to tell the entire Superfund story; it is a complex enough one to serve as the grist for an entire thesis by itself. But we will trace the significant events, examine the major influencing factors in the eventual outcome, and of course - pay special attention to the actions of Du Pont. The historical detail will not be exhaustive - Charts 4.1 through 4.5 more completely chronilog the major events.

The roots of the Superfund legislation, like most congressional actions, are a problem that the existing legal, social, and economic systems have been somehow unable to solve. Here the problem was a legacy of national inattention to the proper disposal of hazardous wastes. Framed against the backdrop of the 1970's - a period of extensive legislative redress of chemical and overall industry

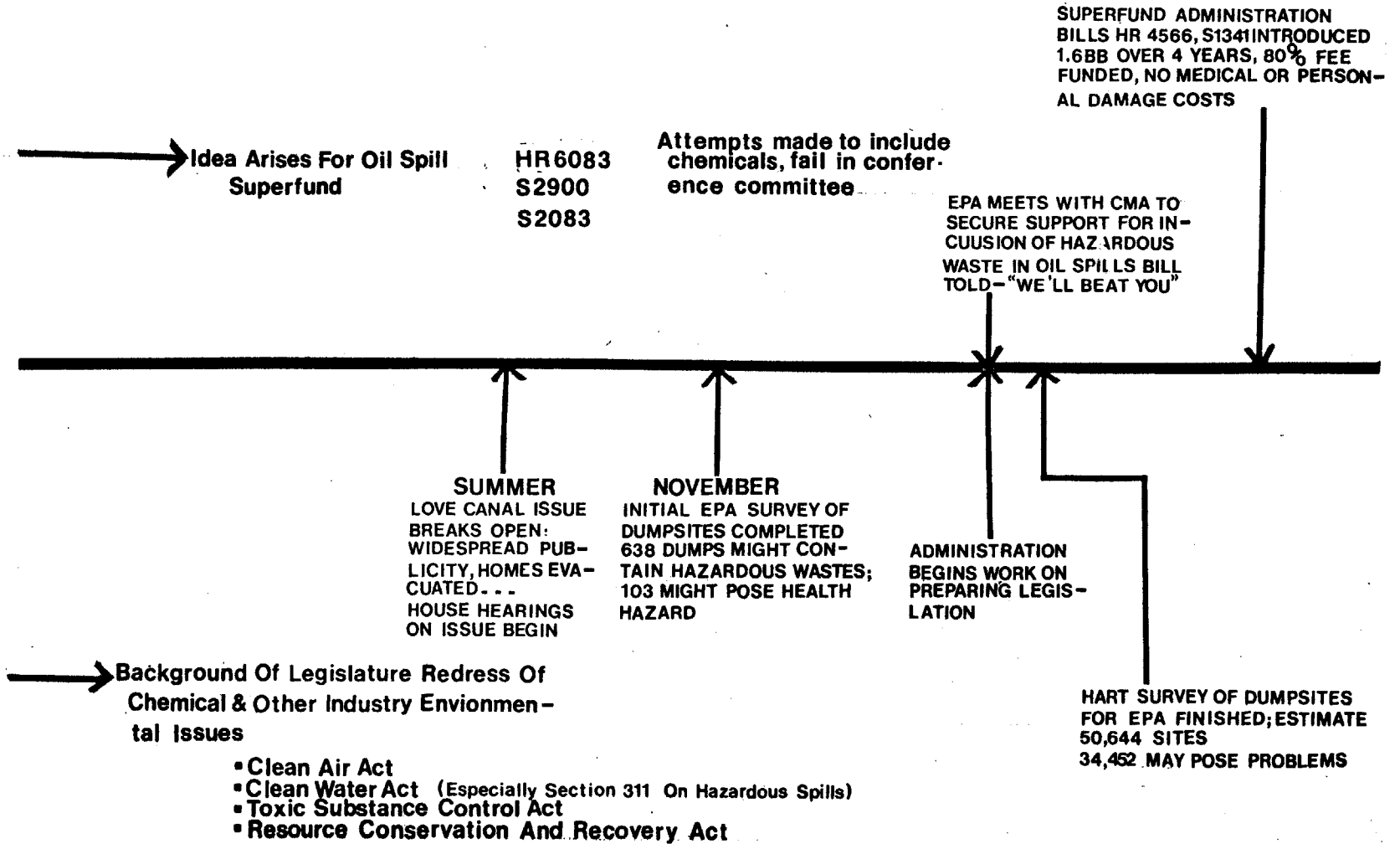


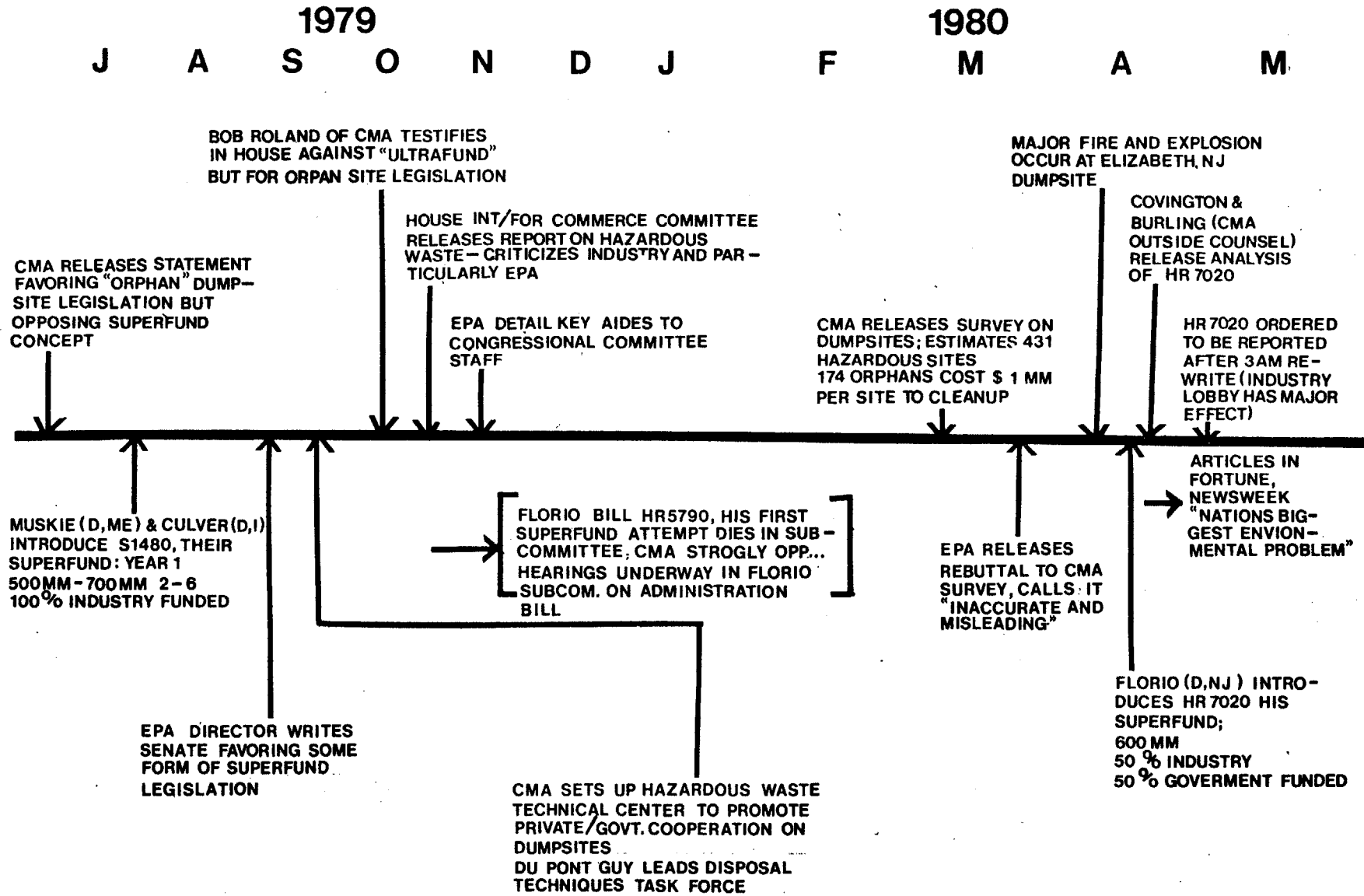
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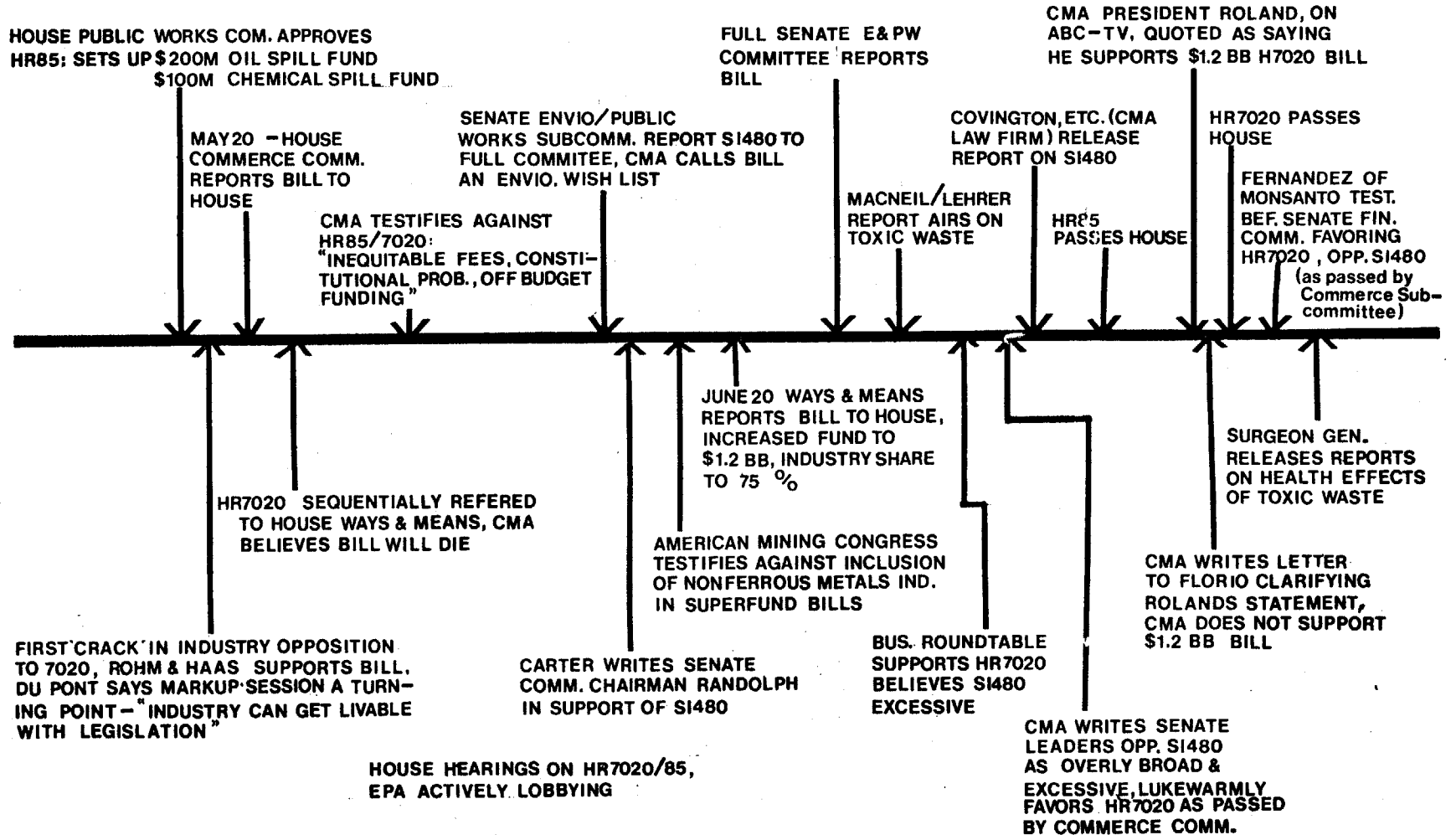
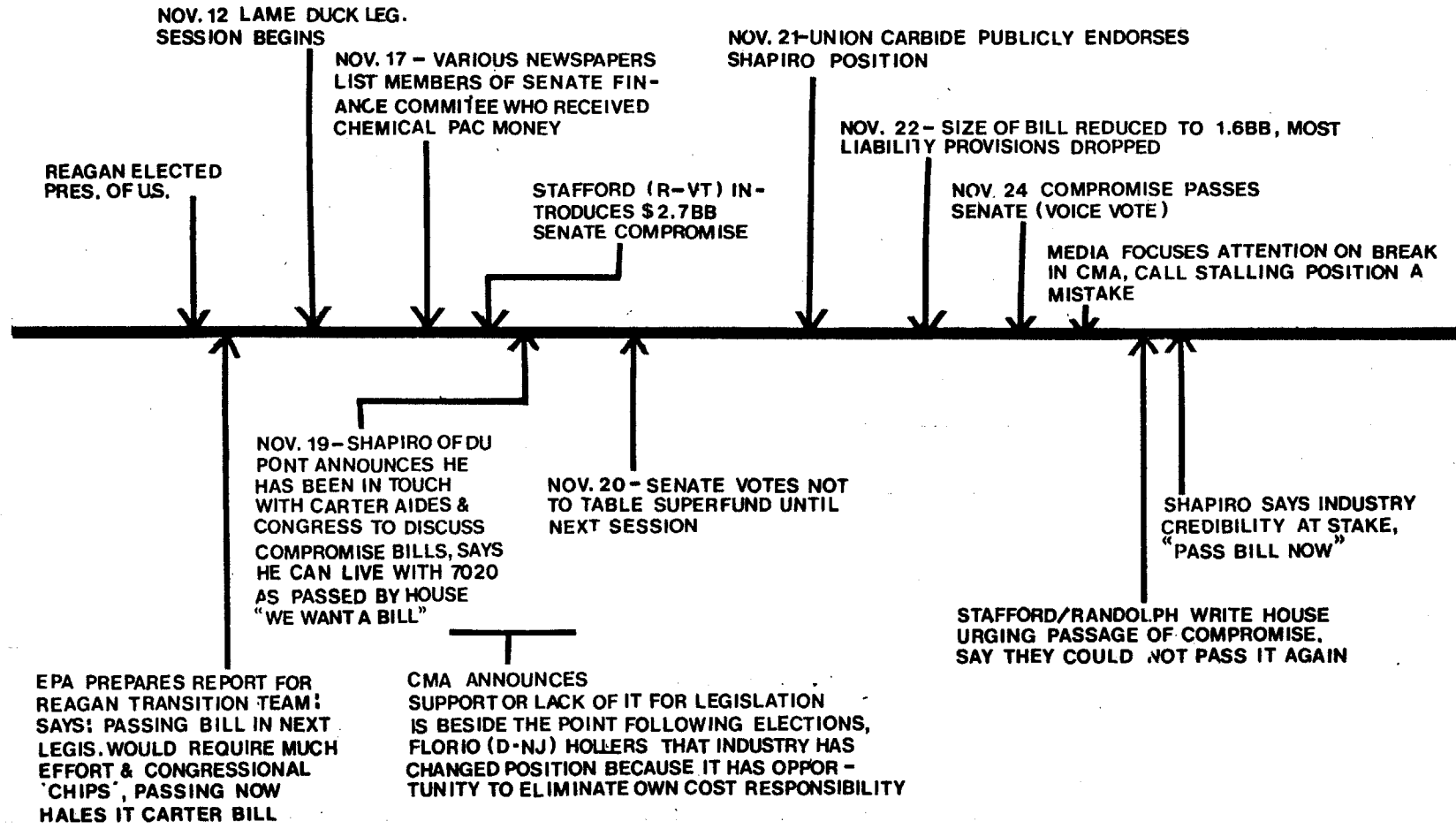


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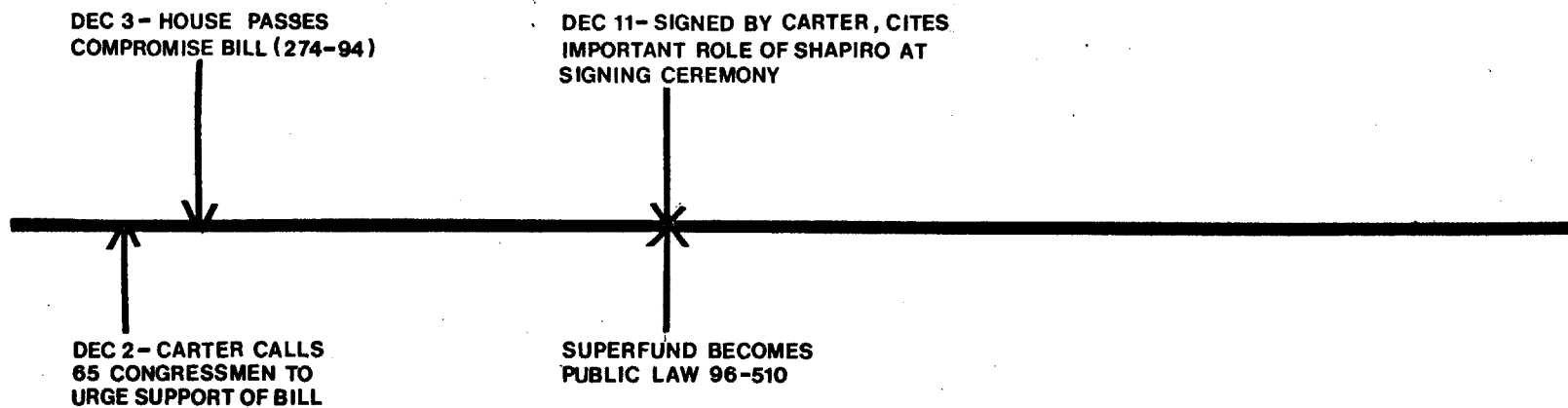
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environmental problems, the idea of a massive sum (or superfund) of money to pay for the cleanup of hazardous disposal sites filled one of the remaining gaps. The Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Toxic Substances Control Act addressed almost every facet of the generation, use, and ultimate disposal of waste materials - but a real need existed to fix the mistakes made in the past. Technology for waste disposal had dramatically improved since World War II; past state of the art technique could hardly be judged adequate in modern terms. Occasional problems cropped up at disposal sites: groundwater in Riverside, California was contaminated with zinc, lead, and DDT from a nearby quarry used for 19 years as a dumpsite; major fires broke out at Gary, Indiana sites in 1976 and 1977; and a wet waste landfill containing pesticides, oil, etc. located above the water supply aquifer for Tuscaloosa, Alabama was closed in 1978.

The issue of past disposal practices suddenly burst into national prominence during the summer of 1978 when the story about an inactive waste site used by Hooker Chemical in Love Canal, New York broke in the Niagra Falls Gazette. Toxic waste handling became a street issue as nightly newscasts chronicled the evacuation of residents from the area who told horrible tales of sickness, disease, and death. "It's just so scary, and the fear you have to live with - no normalcy. You don't watch TV, you don't go to a movie, you have no social - I mean, your relatives won't come to your home. You can't have birthday parties for your children, and invite any children outside the area, because their mothers won't let them come here. It's just horrible. We fear for our children, and we fear for their children. And the neighborhood lives in

fear." [1] A new word - chemophobia- captured the newly awakened paranoia concerning chemicals and their safety. The grisly tragedy of Love Canal, with its powerful media images of deformed children and empty homes, spawned a near hysterical emotionalism that was to characterize much of the future legislative process. First impressions are always important; for the chemical industry, they were to prove damning.

The idea for a fund to pay for oil spill cleanups had been around Congress since the early 1970's; the oil industry even supported federal legislation to avoid potentially worse state codes. During the latter stages of the 1978 Congressional sessions, attempts were made to include chemicals in several oil related bills - but they failed in conference.

As hearings continued on the Love Canal tragedy, the EPA began to build information on the extent of the problems nationwide. How many sites were there? Where were they? How many were dangerous?

In early 1979, an EPA commissioned study conducted by Fred Hart Associates was released that estimated over 50,000 dumpsites were located in the US, of which some 34,000 might cause problems. This report, later criticized by a House investigation panel, the chemical industry, and others - became a crucial element in the "numbers game" played by legislative opponents. Right or wrong, the frighteningly large Hart numbers showed up again and again in articles, editorials, and testimony.

During early 1979, Carter Administration staffers began work to draft a Superfund bill. Even at this early stage, opposition sprang up over the necessity of a new bill and how it should be funded. The EPA

and the Council on Environmental Quality, lead by Thomas Jorling, favored an industry-funded approach; the Commerce Department, Council of Economic Advisors, and Council on Wage and Price Stability sought general revenue funding. The EPA won out, and in June of 1979, the Administration introduced H.R. 4566/ S.1341 calling for a \$1.6 billion fund with 80% being paid by industry. (See Chart 4.6 for bill details).

By July of 1979, the Chemical Manufacturers Association (CMA), an industry lobby with about 200 company members, had surfaced its opposition to the Administration's bills. The CMA position was that: a bill combining oil/ chemical spills and waste disposal sites into one compensation fund was inappropriate, a Federal bill was needed to treat "orphan" dumps and should be funded by general tax revenues, and a Superfund (or ultrafund as they critically named it) for chemical spills was unnecessary. During the remainder of 1979, hearings continued on the Administration bills, as well as two competing ones - S.1480 introduced by Senators Muskie/Culver (See Chart 4.6), and H.R.5790 sponsored by Congressman Florio. DuPont was active at two points during this early period: as a member of the CMA Executive Committee they were involved in the preparation of initial CMA responses; and a DuPont expert was assigned to lead a CMA task force on waste disposal techniques.

The loan of company personnel to private, charitable, or industry projects is a common practice for DuPont; for example, in 1976 Richard Heckert (current president designate) was an almost full time coordinator for the industry position on the TSCA legislation. The Toxic Substances Control Act was a legislative attempt to prevent unreasonable risks to health and the environment by giving EPA broad



EXHIBIT 4.6. COMPARISON OF SUPERFUND PROPOSALS

	S.1341 - Administration Bill	S.1480	H.R. 7020/85 (Passed by House; 9/23/80)	Stafford - Randolph Compromise	H.R. 7020 (As Passed by House Ways and Means)	H.R. 7020 (As Enacted)
<b>Fund Size</b>	\$1.625 billion over four years	\$4.085 billion over six years	\$1.95 billion over five years	\$2.7 billion over five years	\$600 million over four years	\$1.6 billion over five years
<b>Fund Source &amp; Operation</b>	80% from industry Fees on crude oil, Petrochemical feedstocks, inorganic chemicals, heavy metals	87.5% from industry excise tax on oil and specified chemicals	81% from industry excise tax on oil, specified chemical feedstocks and inorganic substances (75% for 7020, 100% for 85)	87.5% from industry excise taxes on specified substances	50% by industry fees on Petrochemical feedstocks, crude oil, and inorganic compounds	86.25% from industry excise taxes on oil and specified chemicals
<b>Coverage</b>	Oil and hazardous substance spills, containment and emergency response for inactive and abandoned disposal sites	Any hazardous substance (broadly defined) and any pollutant which may present imminent and substantial danger; generally does not apply to oil pollution	Release (or threat) from inactive hazardous waste site; discharge (or threat) of oil or hazardous substance into navigable waters	Release (or threat) of designated hazardous substances from vessel or facility into environment; generally does not apply to oil pollution	Release (or threat) from inactive hazardous waste site	Release (or threat) of more narrowly defined hazardous substance; or pollutant which presents imminent and substantial danger
<b>Liability</b>	Joint, several, and strict for owners, operators, and lessors	Joint, several, and strict (except where person can apportion and show his contribution - then limited to that portion); federal cause of action	Sites: strict, joint, and several with apportionment; spills: strict, joint, and several for owner or operator	Strict liability, No federal cause of action	No third party liability, provides for liability defenses while maintaining strict, joint, and several liability	Liable as under sec. 311 of clean water act, (joint, strict, several liability eliminated)
<b>Preemption of State Funds</b>	Yes	No	Sites: No Spills: yes	No		Yes
<b>Damages and Claims</b>	Spills: removal and restoration costs, third party damages, no personal injury damages  Sites: Emergency assistance, containment, no third party damages	Removal, containment, and emergency response; all damages for personal injury or loss of natural resources, loss of tax revenues, out of pocket medical expenses, loss of income	Sites: Removal containment, emergency assistance; spills: removal, injury or destruction to property or natural resources, no medical reimbursement	Injury or destruction to natural resources; fishery and agricultural losses only; out of pocket medical expenses; removal, containment, and emergency response	Funds limited to remedying problems of failing sites	Removal, Remedial action, injury or loss to natural resources

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c3

powers to compel companies to provide information on the production, uses, and health effects of their chemical products - and then use the data to regulate these materials' manufacture, use, etc. Comments a DuPont executive: "Dick Heckert was the MCA's (now CMA) equivalent of Mr. Christopher (Warren), the US and Iranian hostage negotiator - and the guy who was trying to put it together in the field. Heckert spent most of his time for 6-9 months working on that thing. I don't think there's any question the Toxic Substances Control Act that's on the books today is ever so much more reasonable because of that effort. So there's a case that proves sweet reasonableness does work." [2] DuPont is not always sweet or reasonable, but as we have seen in earlier chapters, does spend a great deal of time and effort evaluating its proper role relative to its many publics.

The Environmental Protection Agency was to prove a very active and influential force during the Superfund debates; in September, 1979 Douglas Costle (EPA Administrator) wrote the Senate Committee on Environment and Public Works - "the urgency and importance of this legislation requires that I respond... to some of the more significant issues raised by the CMA... We have made significant progress in dealing with chemical incidents, but more needs to be done. We must have comprehensive coverage to fill in the many gaps not covered by our current spill control and hazardous waste disposal programs.... This committee has been a pioneer in enacting environmental legislation and the proposals before you represent the next step in finally dealing with one of the most serious environmental and health hazards in our society today." [3] The battle lines between the EPA and industry were drawn: EPA favoring a comprehensive oil/chemical spills and dumps program

heavily funded by industry with strict liability provisions; the industry favoring a limited federal fund to clean up only abandoned sites with liability measures only for wrongful dumpers. The chemical industry was now as Chemical Week put it - "in the eye of the 'superfund' storm". [4]

In October, 1979 the Subcommittee on Oversight and Investigation of the House Committee on Interstate and Foreign Commerce released a report on hazardous waste blaming problems on industry, Congress, and the EPA. The report concluded that "industry has shown laxity ... to the point of criminal neglect", that there is "no excuse for EPA's failures", and that "Congress has shown lethargy". The report criticized the EPA funded Hart study as being mostly "pure guesswork" and produced figures that suggested 94% of the wastes generated by the major companies had been disposed of on-site.

The CMA added its own impressions of the size and extent of the problem with the release of a survey on March 7, 1980 claiming "The states are well on their way to managing their hazardous waste disposal problems without a federal 'superfund' to pay for the cleanup." [6] Bob Roland, CMA President, further commented the study "confirms our belief that the size of the superfund problem is not as great as the Environmental Protection Agency has estimated and that state agencies are acting in this area in a responsible manner to handle their own problems" [7]

The EPA returned the volley later in March with a report calling the CMA survey "misleading and inaccurate." The numbers game had become a crucial element in the debate. How big was the problem? How serious were the abandoned sites? The answers to these questions were obviously

crucial to any rational solution structure - and perhaps more importantly - to which side's approach would be adopted by Congress. What the real numbers were was hotly debated; EPA and Congressional aides suggested that they had never even been able to see the CMA data, a fact which they say upset a number of Congressmen and undermined industry lobbying credibility.

By the end of 1979, the media was beginning to pick up the elements of the debate and intensify the rhetoric. "From Lowell, Massachusetts, to Riverside, California, dozens of these toxic cesspools are already leaking carcinogens into backyards, basements, and water supplies" [8] "toxic waste is fast becoming the nation's biggest environmental problem - far more pervasive and far less controlled than nuclear waste, and consequently a far greater threat to health." [9] In April, after Florio (D, NJ) introduced H.R.7020 (see Chart 4.6), four superfund proposals were active in Congress: S.1341/H.R.4566, H.R.85, H.R.7020, and S.1480. The bills were all different, but had common features such as: a legislative base building on existing laws like Section 311 of the Clean Water Act, a fund to pay front end clean-up costs, and codified liability.

Industry was actively testifying on all these proposals, but cracks in the unified front opposing comprehensive superfund legislation began to appear in May during the hearings on H.R.7020. First Dow: "It's (H.R.7020) a lot better than the earlier versions, but we still believe this thing has been grossly overblown. We don't think we need superfund." [10] Rohm & Haas: "It would have saved lots of aggravation if we had gotten the measure months ago." [11] Chemical Week reported that disagreement was continuing among industry members over lobbying

policy and coordination, and that many Congressmen had been antagonized by what they perceived as industry 'stonewalling' on the bill. Rohm & Haas, Olin, and Monsanto were particularly active in pushing for a compromise; Rohm & Haas was instrumental in working out a compromise on fund size and liability provisions with Congressman Florio.

As a whole, the CMA was perceived to grudgingly favor passage of the 7020 compromise, and DuPont's Washington Representative, John Klocko, called the compromise a turning point for the superfund since industry believed it could finally get legislation it could live with. [12] But the CMA was not yet ready to give in on superfund, and it pushed to have the bill reviewed by the House Ways & Means Committee. A House majority legal counsel described the industry strategy as "an attempt to get the legislation to as many committees as possible, to complicate the legislation, to increase the number of necessary hurdles it had to cross, and to hopefully kill the bill." [13] The Ways & Means committee, in a surprise move to the industry, not only reported the bill to the full House, but increased the fund size to \$1.2 billion and the industry share to 75 %.

On June 6, 1980 President Carter wrote Jennings Randolph, Chairman of the Senate Committee on the Environment and Public Works, strongly urging passage of S.1480. (See Exhibit 4.7.) This action by the President prompted the first dramatic response from DuPont: a personal appeal by Chairman Shapiro to the White House to moderate its support of S.1480 in favor of a more reasonable bill. Other groups began to position themselves on the various bills: the American Mining Congress believed mining companies should not be included in any bill, the Business Roundtable urged passage of H.R.7020 (reported by the Commerce

## Exhibit 4.7. THE WHITE HOUSE

WASHINGTON

June 5, 1980

Dear Mr. Chairman:

One year ago, I proposed comprehensive legislation to protect the public health and environment from the hazards of careless and improper disposal of chemical wastes. Enactment of the "Superfund" bill is one of my top environmental priorities.

Since then, your Committee has provided crucial leadership in moving forward a Superfund bill. Now in the last hectic months of the 96th Congress, this legislation is in a race against time despite widespread support for it. I urge you to do everything you can to report S. 1480 by the July 4 recess.

A number of dramatic events during the past year have reinforced the urgent need for a strengthened emergency response program addressing oil and chemical hazards. The human suffering and financial costs associated with the Love Canal site are a national tragedy. We are concerned that there may be thousands of other sites around the country that also require emergency cleanup to prevent future disasters.

My Superfund proposal has two key features which any legislation you report should include: a strong system of liability to encourage responsible parties to undertake cleanup activities themselves, and assured funding of \$1.6 billion over four years, of which at least 80 percent should be provided by industry contributions.

I commend the Committee's action in starting this process this week and am particularly pleased that the strict, joint and several liability provisions have been retained, as my Administration proposed. A strong liability provision will prove to be our most powerful incentive to obtain cleanup by responsible parties and is essential to effective legislation.

Exhibit 4.7 Cont.

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I know you share my deep concern about the dangers posed by abandoned hazardous waste sites. I have already mobilized my Administration to address the Love Canal tragedy and we will be prepared to implement the Superfund legislation as soon as the Congress passes it. The Superfund legislation must be enacted this Summer in order to prevent additional human suffering.

Sincerely,

# Signature Redacted

The Honorable Jennings Randolph  
Chairman  
Committee on the Environment and Public Works  
United States Senate  
Washington, D.C. 20510

Committee!), and the CMA continued to voice its opposition to the Senate bill. In a letter of July 29, 1980 from Bob Roland to various members of the Senate (including the latest Superfund champions - Senators Levin, Heinz, and Bradley), the CMA called S.1480 "defective in its overly broad scope, its punitive approach to liability for legal action taken in the past, and in its excessive funding levels which are far beyond demonstrated need." [14] Roland went on to lukewarmly support the House Commerce Committee's version of H.R.7020 with "That measure appears to strike a number of reasonable compromises, and represents significant improvement over previous versions. We direct your attention to its much more acceptable approach." [15] Meanwhile, what was hapening back in Wilmington?

The DuPont management bulletin summarized the company position with: "DuPont supports the need for the superfund type of legislation 'very strongly'. Moreover, the company is working with the industry through the CMA to encourage passage of a legislative establishment of a hazardous waste superfund financed jointly by the chemical industry and the federal government. The industry has not always supported this approach to superfund legislation... The industry's decision to support legislation in which it and government share the funding burden resulted not only from recognition that legislation is needed, but also from realization that a major part of the financial burden of superfund will inevitably fall upon the chemical industry. As a result, the industry's effort now is to keep superfund from being ballooned into an excessively costly and punitive piece of legislation." [16]

DuPont, in speaking for itself and the CMA, clearly reflected a sort of resigned support - a far cry from the very strong early industry



positions. Note too, the clear statement that DuPont, the industry, and CMA are all working together and still on the same "wavelength." The bulletin went on to describe the company's operational approach to the waste disposal problem citing: a survey of all present and former plant sites, an analysis of the company's waste disposal history from 1950 to 1978 for the House Oversight and Investigations Subcommittee, a detailed study of hazardous waste disposal at Delaware Valley area plants, and the appointment of a waste disposal coordinator for each of the company's plants." [17] The bottom line for DuPont's actions:

"Internally, the company is taking even closer looks at its waste disposal practices - past and present. Externally, management is working within the industry and with government in the interest of effective but reasonable laws and regulations... DuPont's wastes are being managed in a responsible way so as to protect the public." [18] At this juncture, DuPont and the CMA were still seeing "eye to eye."

Action in the media and on the Hill surrounding the legislation continued during the summer and early fall of 1980. The Surgeon General released an assessment of the threat to public health caused by toxic chemicals concluding "while at this time it is impossible to determine the precise dimensions of the toxic chemical problem, it is clear that it is a major and growing public health problem. We believe that toxic chemicals are adding to the disease burden of the United States in a significant, although as yet ill-defined, way. In addition, we believe that this problem will become more manifest in the years ahead." [19] Time magazine picked up the Surgeon General's report and used it in a major story. The cover was particularly striking: a man sinking into a pool of chemical ooze, normal above the liquid but a skeleton below.

ABC-TV ran a documentary called "The Killing Ground" with the leadoff copy reading "There are over 50,000 chemical dumpsites across America. All contain toxic wastes, including known cancer-causing agents and chemicals causing birth defects and death to man and the environment." Once again, the numbers from the Hart survey had surfaced; in this quote the dangers associated with the sites were expanded such that all sites contained "nastogens" - clearly not the truth. But guilty or not, the chemical industry had become inseparably linked to the toxic waste problem - chemophobia was with them to stay....

In testimony before the Senate Finance Committee, the CMA was now trying to kill the popular rumors that it was "stonewalling" vitally needed legislation. "I want it known clearly and without doubt that the CMA and its member companies strongly support new legislation to solve the problem of abandoned hazardous waste sites. Our industry does support a federal response fund which could take action when there is danger to public health or the environment or when no other party is taking responsible action. For more than a year, we've been trying to work with the Congress to achieve sound dumpsite legislation. And finally, Mr. Chairman, although our industry opposes fees in principle, we are prepared to contribute a fair share to help pay for cleanup... The chemical industry supports H.R.7020 as it was reported by the House Interstate and Foreign Commerce Committee. We oppose S.1480, which is a legislative disaster." [20] Louis Fernandez' (Vice Chairman-Monsanto) comments concerning support of the Commerce Committee version of 7020 are particularly significant: a few days earlier on the ABC-TV program Nightline, CMA President Roland was quoted as supporting the House Ways & Means version; the following day the CMA wrote a qualifying letter to

Congressman Florio stating the Association did not support the more expensive House - passed version. Despite this damage to the industry's credibility, most observers gave superfund legislation (also being called the "best spectator sport on the Hill") only a 50-50 chance of being passed before the end of the 96th Congress. The forecasters though, were not aware of the events which were to follow the November general election.....

On Tuesday November 4, 1980 the balance of American political power dramatically shifted. Reagan was elected President by an overwhelming majority; Republicans were to outnumber Democrats in the Senate for the first time in decades, and they also made significant gains in the House. This of course, was news of great joy in boardrooms all across America. The CMA was also pleased, believing the chances for passage of a superfund bill in the "lame duck" Congressional session were less than one in ten. But the CMA went too far in its optimism... Florio announced to the press that Roland had told him the association's "position is that there should be no contribution to the superfund from the industry, that public funds should pay for the clean up." [21] Bill Stover, CMA vice president commented: "I feel sure the new power figures in Washington are not going to permit the Congress to move ahead wth major precedent-setting legislation... Our support or lack of support at this time is really beside the point." [22] This flip-flop in position by the industry may have been beside the point, but it did not go unnoticed. Florio and other Congressional leaders were furious ("In the annals of corporate cynicism, I have not encountered anything as brazen" - Senator Moynihan), and they quickly garnered support from the Administration and the media.

On November 17, during the week hearings were to end in the Senate Finance Committee (where the bill had been stalled for two months), The New York Times, Washington Post, Boston Globe, and other papers published the names of all committee members who had received Chemical PAC money. Eighteen of the twenty members received contributions totalling \$300,000; the largest amount (\$73,950) was received by Rep. Charles Grassley of Iowa who defeated John Culver - the Senator who also happened to be the co-sponsor of S.1480. The EPA meanwhile, had prepared a report for the Reagan transition team which concluded that passing superfund legislation in the next session would require a lot of effort and Congressional "chips", and that favoring passage now would make it a "Carter" bill. The Reagan team, (like Pontius Pilate) decided they wanted nothing to do with superfund...

On November 18, Stafford (R-Vt) incoming and Randolph outgoing chairmen of the Environment and Public Works Committee, believing that S.1480 stood no chance of passage - worked out a compromise bill. On November 19, DuPont finally broke ranks with the official CMA position when Chairman Shapiro announced that "I want legislation in this session, rational legislation dictated by the facts." [23] Shapiro went on in the Times interview to state that the Senate compromise bill was unacceptable but added that if CEO's of the major chemical companies got together with Congress and the White House "we could have a sensible bill in two hours." Shapiro stated he could favor H.R.7020 as passed by the House, and that he was aware his position differed from the CMA. "There is more than one school of thought on this. And there are a number of companies that share our view." [24]

Suddenly the 'consensus' industry position splintered. On November

20, William Sneath, Chairman of Union Carbide, announced his support for passage of H.R.7020. "We're essentially supporting the Shapiro position. And I think this can be read as a splitting of the ranks."

[25] A Dow spokesman stated his firm supported the CMA position; Hercules announced "we are not in favor of the bill pending in the Senate or the one that passed the House." [26] Roland urged the Senate to delay its vote because "we believe... that the haste and hidden political agendas of a lame duck session mitigate against thoughtful... consideration." [27] Extensive press editorials appeared supporting superfund: The New York Times - "Save the Superfund. Even the DuPont Company thinks the few remaining rough spots can be smoothed out quickly. But the Chemical Manufacturers Association is trying to head it off, confident it can do better with the next Congress" [28]; The Christian Science Monitor - "we urge Congress to move expeditiously to pass legislation establishing a 'superfund'..." [29]

On November 22, the Stafford-Randolph bill was reduced in size to \$1.6 billion and most of the liability provisions were dropped; on November 24 the bill passed the Senate by a vote of 78 to 9. The bill still faced a difficult road to final passage: somehow it had to be reconciled with H.R.7020/85 which had already passed the House. The media firestorm continued, and even Chemical Week urged on November 26 that "we feel the important thing is to get a decent superfund bill, and we urge industry to do what's needed to accomplish that..." [30] Shapiro of DuPont again made public statements favoring legislative passage: "This is the best bill we can get under the circumstances. It seems to me that the industry's credibility is at stake and we ought to pass the bill now." His words were echoed by Rohm & Haas' Chairman

Vincent Gregory: "The Legislation should be passed now so we can begin the job of cleaning up abandoned dumpsites that are still out there. Deferring the legislation until next year will just add to the public's anxiety over chemical dumps." [32]

Stafford and Randolph wrote the House on December 2 urging the passage of the Senate bill without any change (see Exhibit 4.8). With remarkable candor the Senators wrote "Our bill was brought to the floor not because a large number of Senators supported it, but because a large number agreed not to oppose it... The Senate has passed a bill. It is not what we would have wanted under other circumstances, but it was the best we could do at the time. In fact, it was the only bill we could pass at the time and we do not believe it can be passed again." [33] During the evening of December 2, President Carter telephoned 65 House members urging support of the bill. The gesture was probably of little importance to the bill's actual passage, given the President's minimal Congressional prestige at this point, but the House took his advice and passed the bill on December 3 by a vote of 274 to 94.

President Carter signed the bill as Public Law 96-510 on December 11, and called special attention to the role of DuPont's Shapiro: " I would like particularly to thank Irving Shapiro who, on behalf of the leaders of the free enterprise system of our country, was instrumental in pushing this bill to a final conclusion. This directly affects the chemical industry and the enlightened attitude of the executives of that industry was a very constructive element." [34]

Strong words of praise for an old friend perhaps - but the impact of Shapiro's personal efforts can not be denied. With the signing of the bill, the months of heated debate over superfund had come to an end.

Exhibit 4.8.

**United States Senate**

WASHINGTON, D.C. 20510

December 2, 1980

Honorable James J. Florio  
 U.S. House of Representatives  
 Washington, D.C. 20515

Dear Representative Florio:

Let us first express our appreciation to you and the many other Members of the House who have worked so long and hard to see a "superfund" bill enacted. We know that during the past several days you have continued to press for a sound and workable bill and know how difficult that must be because we have only recently completed that formidable task in the Senate. That is the reason we are writing.

On Monday, November 24, the Senate passed a compromise "superfund" bill and sent it to the House by a vote of 78 to 9. That the bill passed at all is a minor wonder. Only the frailest, moment-to-moment coalition enabled it to be brought to the Senate floor and considered. Indeed, within a matter of hours that fragile coalition began to disintegrate to the point that, in our judgment, it would now be impossible to pass the bill again, even unchanged.

We say this not in a spirit of ultimatum, but with the hope that you and your Members will appreciate the difficult situation here in the Senate. Our bill was brought to the Floor not because a large number of Senators supported it, but because a large number agreed not to oppose it. The bill represents an extremely delicate balancing of interests. In fact, it made its way through the Senate only because there was unanimous consent that there would be no changes to the compromise. Senators accepted distasteful provisions because they saw others do likewise and because virtually every Member agreed on the need for a bill.

We know that some Members of the House are dissatisfied with the Senate-passed bill. But it was the best bill we could pass. Had we changed a comma or a period, the bill would

Honorable James J. Florio  
 Page Two  
 December 2, 1980

Exhibit 4.8 Cont.

have failed. With the evaporation of the balance of interests which permitted us to go to the Floor in the first place, amendments to the bill will kill it if it is returned to the Senate.

We sincerely hope you will accept that statement in the spirit in which it is intended. It is not a comment on the merit or lack of merit of any particular amendment or a collection of them. It is our assessment of the fate which would greet an amended bill if returned to the Senate.

Specific mention has been made of adding an oil spill provision. That was suggested in the Senate, but agreement could not be reached on a specific provision, so none was offered. Personally, we both agreed on the desirability of such a Title but unanimity could not be reached among others interested. Some disagreed with increasing the size of the Fund. Others disagreed with the creation of a private right of action, whether against a Fund or against a spiller. Others disagreed with preemption provisions. Others disagreed with limitations on liability, especially as they related to inland oil barges. In short, we could not even reach a consensus, much less unanimity. And in the context of an eleventh-hour session of the Senate, unanimity was absolutely necessary. Nothing less would do, either then or now. Specifically, the Senate could not then and cannot now accept an oil spill title in this bill, whether it was within the \$1.6 billion limit or outside it.

The Senate has passed a bill. It is not what we would have wanted under other circumstances, but it was the best we could do at the time. In fact, it was the only bill we could pass at the time and we do not believe it can be passed again.

Thanks again for all of your hard work and support.

Signature Redacted

Truly,

Signature Redacted

Robert T. Stafford

Jennings Randolph



But the final weeks before passage had wrenched the relations between the CMA, its members, and Congress. A Chemical Week article on the rifts caused by superfund included such comments by Congressional aides as "the industry was disorganized. There were too many people supposedly speaking for industry, too many points of view, and too great a reluctance to make concessions" - "Had [CMA] been more constructive, this wouldn't have been so bitter at the end". [35]

Each side of the industry still believed it was right: Dow - "we supported what we believed in good conscience to be in our best interest and in the public's best interest" versus Rohm and Haas - "as a company, we have done the right thing and would have done very much the same thing if we had to do it over." [36] Roland called the bill "a significant improvement over earlier versions" but added the CMA continues to be disturbed that the law "establishes unfortunate precedents, inflationary off-budget financing, and an unnecessary new federal bureaucracy." [37]

#### BUT, WHY SUPERFUND ?

We have followed the genesis and culmination of a major legislation bill over these last pages, and have seen the ebb and flow of a lot of views, positions, charges, and wishes. But one has to ask, why was this issue resolved by national legislation, as opposed to industry actions or agency regulation? Why did it take the shape it did? What does it mean for all of us who are affected by it? And why was (and is) Superfund, basically a tax law (and far less punitive than most tax legislation), such an emotional, personal issue for those involved in it?

In picking through the events of the years before passage, I believe Superfund came to pass in the way it did because of a confluence of seven themes: an aggressive and effective Administration/EPA, an active personal leadership role by Shapiro and others, a new style and posture by the CMA, a miscalculation of the meaning of a wholesale change a political leadership, the differences in philosophy and tactics by the various CMA members, the sensational media coverage of hazardous waste issues, and the fact that a problem with dumpsites really existed.

The EPA and the Carter White House were very strong and effective advocates of the legislation. For Carter, the bill was a capstone of his great desire to improve the nation's environment; in his signing speech he remarked "In my four years as President I think everyone who knows me understands that of my greatest pleasures has been to strengthen the protection of our environment. Along with the Alaska Lands Bill and other major legislation this Superfund bill represents a fine achievement for the Congress and for my own administration and for the whole nation". [38] Carter's letters, personal involvement, and strong administration staff support were important factors in the outcome. The EPA also, as one industry rep put it, "played hardball." Environmental Protection Agency legislative liaisons were highly effective in keeping the pressure on for a bill through their media and Hill actions. The EPA did their legislative "homework"; they prepared fact sheets on each Congressman in key superfund states, for example, "... Pennsylvania - Senator Heinz - strong supporter in Senate Finance, visited several sites. May be some resentment against him by other Senators because of past publicity... Representative Edgar - strong supporter on Public Works, very vulnerable seat..." [39]

Individual sheets listing the Dumpsites located in each legislator's district and the need for Superfund were also prepared. (See Exhibit 4.9.) As for the hardball description, several industry spokesmen told "horror stories" of how EPA people threatened certain industry members (ex: Rohm & Haas) with Justice Department prosecution for supposed violations which EPA knew about - unless they supported Superfund legislation. True or not, the perception of the intensity with which EPA/Administration and supporting environmentalists pursued the bill was very real...

The nature of the problem itself sparked tremendous interest in and sympathy for passage of a bill to 'set the world right'. Unlike the potential carcinogen in your saccharin bottle or cigarette pack, the perceived demons from contaminated air or water could not be seen - or exposure controlled by one's own choice. Besides the hidden menace one could not see, there were also the very visible and ugly reminders of shoddy past industry practices one could see. Lush green meadows strewn with rusting, oozing drums; herds of PCB contaminated cattle being bulldozed underground, aerial photos of multicolored pits of industrial slime - these were the overwhelming visual scenes of the waste disposal problem. And coupled with the associated images of abandoned houses, crying parents, and hints of diseased and deformed children - it became very easy to link the industry to the waste to a problem that could possibly affect you. No matter the logic of the industry case or the efficacy of its current practices, the mistakes of the past were damned hard to defend.

The sensationalism of the images and the poignant tragic suffering were of course, wonderful fodder for the national media. The rhetoric,

## Exhibit 4.9.

## THE NEED FOR SUPERFUND: LOUISIANA-RUSSELL LONG

Extent of Problem

On July 22, 1980, two merchant vessels collided in the Mississippi River Gulf Outlet, spilling some 12 tons of highly toxic pentachlorophenol (PCP) into the MRGO and threatening Louisiana's prime commercial fisheries. The Outlet was closed to shipping, and the area, including Lake Borgne, one of the most productive commercial fisheries in Louisiana, was closed to all fishing, harvesting, and water sports.

2. Petro Processors of Louisiana, Inc. for years dumped hazardous waste into a waste disposal site near Baton Rouge. Heavy rains transported the chemicals to an adjacent 550 acres of farmland which was ruined for farming or other purposes. The farmer has waged a ten-year court fight over the pollution. His sister and brothers accepted an out-of-court settlement of \$10,000 each plus \$20,000 for 160 cattle who died after the chemical leaks were discovered. The Federal government has since brought suit against Petro Processors and eleven generator co-defendants. However, legal action will take years, and discharge from the site continues.
3. These are but two hazardous substance and waste incidents that have occurred in Louisiana. The problems are serious. The State has:
  - \*160 potential hazardous waste sites identified to date;
  - \*32 sites with preliminary assessments;
  - \*11 assessed sites with medium to high seriousness rating;
  - \*5 sites have had enforcement actions initiated.
4. In Louisiana the EPA Surface Impoundment Assessment identified 222 industrial facilities containing 885 impoundments with the following characteristics:
  - \*almost 50% contain potentially hazardous waste;
  - \*over half of these potentially hazardous impoundments are unlined;
  - \*almost 90% of these potentially hazardous impoundments have no groundwater monitoring.

Superfund Solution

1. Superfund is necessary because the government, under present law, lacks both funds and authority to respond to emergencies in all environmental media. Under Section 311 of the Clean Water Act the government is now able to respond only to releases of designated hazardous substances into surface waters. Other tools such as penalties and court orders are ineffective when swift action is necessary, and when the responsible party is either unknown, unable or unwilling to take action.
2. There are four versions of Superfund before Congress. All four have several features in common:
  - \*emergency government response to a variety of environmental emergencies;
  - \*adequate and assured up-front response funds;
  - \*liability provisions, to enable the Fund to recover money where a responsible party can be found.
3. Hazardous sites and spills are a ubiquitous part of today's environment. The public is acutely aware of the problem, and is demanding response. Superfund provides that response in a broad range of incidents. Unless it becomes law this year, elected officials and government employees will remain helpless to provide assistance, and public outrage at government inaction and unresponsiveness to a problem that threatens their water supplies, their land and their health will increase.

Source: EPA Document.

the editorials, and the cartoons all ran heavily against the industry. Newspapers called on Congress to "save the superfund"; cartoons showed a frog sitting next to a beautiful princess with the caption "me - a prince? No, I grew up in a chemical waste dump!". With the tendency for publications to play the 'numbers game' and cite studies which were exaggerated at best or fairy tales at worst, and with the perhaps natural inclination of the media to mirror the inherently dramatic of the world they cover, the press could hardly help but be criticized for having a negative industry axe to grind. National media is show-biz, and superfund made for terrific entertainment.

James Sites, CMA communications vice president, summed up the world of the Washington media from the industry viewpoint with "as a former Washington reporter, I can attest to the fact that this fair city must surely be the one place on earth where sound travels faster than light. Here is a circus of curved mirrors and distorted images, of lights and shadows, of leaks and red herrings -- where it daily becomes more difficult to separate fact from fiction. It is hardly strange then, that reporters often get snared into transmitting to the nation some weird illusions and delusions -- or worse, of being used as pawns in a power game by people seeking to get something out of government." [40]

The media contributed to the outcome in another way through its power to instantly freeze statements and viewpoints as being truth, which must then be adhered to or altered with a loss of credibility or influence. Bob Roland blundered on ABC-TV's Nightline: the correction the following day could not undo the damage. When newspapers spotlighted the pro-bill comments of Shapiro and others, it had both tremendous impact and a tendency to freeze viewpoints and make

compromise more costly in face-saving terms. Family arguments reported in the press do little to help an image of sweet unanimity.

Industry unanimity (by any commercial group) is always hard to achieve; this is as true for the chemical industry as any other group. Producers vary widely in business mix, closeness to the consumer, number and type of non-chemical products, and a host of other commercial indices. How a bill affects each company may vary radically; this alone makes disagreement likely. Just as important though, are differences in corporate philosophies.

Companies are simply aggregates of people, and over time they begin to develop personalities and idiosyncratic quirks all their own. There is often a distinct company view, and these can and do vary widely. Superfund became a clash of personal corporate views of what was right and wrong. The issue became internalized in a very personal way, and what was in reality a tax bill became an indictment of certain companies' lofty self image and ethics. The more intensely personal any conflict becomes, the more difficult it is to compromise and the easier it is to 'squabble in the living room while the house is burning down'.

An important factor in both the initial industry-wide unanimity, and its ultimate emotional disintegration in the final stages of the bill, was the new-found role of activism and advocacy by the main industry trade group - the Chemical Manufacturers Association. CMA President Bob Roland took over leadership of the then Manufacturing Chemists Association (MCA) on August 1, 1978 with a charter to give the association a more public presence and more active role in shaping legislation. Bolstered by the "success" of a more active association involvement in the TSCA legislation, the industry believed the time had

come to change their image and unofficial motto of 'quiet excellence'.

They sought a new leader with Washington and Congressional know-how combined with an appreciation of the difficult role an association must play; Bob Roland was that kind of man. He was an experienced association figure, (20 years with the National Paint and Coatings Association - including three as president), he never read the Washington Post until the evening (because the liberal editorials would ruin his day!), and he was strongly in favor of greater CMA activism. "People will never love us, but they can respect us, understand us, even appreciate us. And they can buy our products. You don't want them to lose faith in the products. We have pulled together the greatest collection of talents and experts that we can find and we are all on our knees praying that their understanding and their projection of how to go about doing this is correct. I think a lot of it is an act of faith. We'll test, we'll fine-tune, we'll listen. Above all, we'll listen to what the people are saying." [41]

Under Roland's leadership, association spending tripled to \$14.5 million. The staff was first reorganized, and then increased from sixty five to over 130 people. To counter the perceptions of negativism about the industry's safety, health, etc. record, the CMA members instituted an new program called ChemCAP (chemical communications action program) in 1980. Supported by voluntary assessments of member firms totalling \$6.1 million over the first two years, the program features heavy advertising in mass publications to promote the good job the industry believes it is doing - and that it "does not have to apologize for making chemicals."

Superfund was the first test for the new leader and the new CMA

style. It was, naturally, a battle the association wanted badly to win. But the group never really accepted the premise that industry should share in the cost of a federal clean-up fund; to them the proposal smacked of ex post facto constitutional change and was a dangerous precedent with its off-budget financing. CMA had a difficult time listening to what its members were saying because they were saying widely different things. The CMA could not be all things to all members, so it opted for a fairly tough stance. This was a miscalculation, for genuine support of an orphan site clean up bill was forgotten by Congressional leaders in reactions to what was perceived to be industry unreasonableness. Rep. Edward Madigan commented "I might also suggest that those in the business community who have stonewalled the legislative process, hoping to stop any legislation, have also made it very difficult for those of us who wanted to develop a reasonable bill." [42] Industry had correctly assessed that the House would take a more reasonable approach and the Senate a much harder line, but they underestimated the tenacity and desire for passing the legislation (as well as the difficulty for anyone in Congress to oppose any bill).

The biggest mistake occurred when the CMA withdrew its weak support for the House Commerce Committee version after the November general election. This flip-flop angered many members of Congress who believed (probably correctly) that the merits of a legislative proposal addressing a major problem should have little to do with who occupies the White House. This comment by a Senate aide was echoed repeatedly: "Many Senators were maddened and embarrassed when the CMA indicated the elections would influence whether a superfund bill was needed." [43] Superfund suddenly became the "Lazarus bill" as it rose from the dead to



be swiftly - if tenuously - passed. Still, in all fairness to the industry, it is fascinating to see how quickly a Congress that compromises and "horse trades" at a feverish pace can suddenly ascribe such a high degree of nobility and purity to the legislative process...

Last but certainly not least, we come to the fascinating role of E.I. DuPont. That role is unusual in two respects: the particularly low key approach it took during the early stages of the bill, and the dramatic pro-bill public posture taken by the company during the latter stages. The role DuPont played in the first months of Superfund was quite different than its actions on previous measures like TSCA. During the course of TSCA's passage, DuPont senior vice president Dick Heckert acted as chairman of the MCA Special Committee on Toxic Substances Legislation. Heckert worked on the bill almost full-time for many months, and was widely praised for his efforts to produce a reasonable compromise. Heckert noted that the process of dealing with TSCA had greatly changed the MCA, and that industry had not done a good job communicating with environmentalists.

This time though, most of the company activities were strictly confined to support of the overall CMA position. The thousands of pages of hearings testimony contain no statements or appearances by DuPont officials; what little public information is available emphasizes the company support for the industry view. That view (of lukewarm Commerce version 7020 support) was the company line up until the dramatic public announcements by Chairman Shapiro. The statements calling for superfund passage caught the industry and a lot of DuPont people - by surprise. Industry lobbyists say DuPont aides were still pushing a relatively hard line at the time of the statements; even the CMA leadership was not

informed of the pending split. This notification failure was a contrast to Union Carbide, who warned the CMA of their new position - in line with an internal association agreement that permits divergent views on an issue so long as the group is notified beforehand. DuPont ignored this agreement; it drove its industry credibility down "significantly" according to a House aide.

Was this move really surprising? I believe not, particularly if one has studied Irving Shapiro. In fact, the roots of the rationale behind the acceptability of CEO unilateral action were first voiced by VP Heckert in 1977. He said the key to the TSCA success was the power of the MCA committee to make immediate decisions. "The committee was vested with the power to act immediately without having to deal with the internal machinations of MCA." [44] Shapiro had echoed these sentiments in describing the success of the Business Roundtable as attributable to its ability to make immediate decisions and compromises on public policy issues. If your real public affairs is done by the CEO, then he can act immediately on what he believes to be right - and he does not have to trot back to headquarters for approval.

Secondly, I am convinced Shapiro was profoundly disturbed by what he perceived as industry reluctance to get busy cleaning up a real problem. And, why should he worry about the CMA? With significant political connections of its own, and a large internal public affairs/legal staff, why does DuPont need the similar staffs and skills of the association? Further, if you are beginning to think of yourself more as a life sciences and high technology company, as a recent Business Week article suggests, then it makes sense to establish a unique role for your organization outside the industry trade group.

Unfortunately, I have not had the opportunity to crawl inside Shapiro's mind, and few other company people apparently know the whys of the actions. An interesting speculation on the "real" rationale came from another DuPont manager....

"Well, maybe in the minds of many people that was reasonable, and the way it ought to come out, (the \$4.2 billion version) That is what we were opposed to. Then one day we woke up and found people were talking about a very much smaller bill, and the possibility that the liability thing could be severed, that we'd get a Superfund thing to clean up the dumpsites, so we're gonna talk about it. And then the CMA came forward with its official position or unofficial statement. Word was out on the streets that the CMA was gonna try and stall this bill and keep it off the lame duck session because they were gonna get a hell of a lot better deal from the Reagan Administration. First place if the money had been reduced from a fairly large number to something smaller and the liability thing taken out, what deal did they think they were gonna get from the next administration that was much better. Maybe no bill at all? There's also the chance this will get killed in the next session or will be such a useless sort of a drill the Congress will go through that it will not help solve the problem - and where's that gonna leave us a couple of years down the road? Somebody's got to do something to clean this up. There was a very real feeling in parts of the industry that you couldn't let those things sit there forever until we all worked out a perfect deal ....." [45]

Other industry people believe Shapiro had a hidden personal agenda - perhaps a personal campaign for a future Supreme Court justiceship. Regardless of motive, the moves were bold, and they pushed DuPont at least temporarily out of the overall industry's good graces. Shapiro's lead was crucial to passing the bill; both as an important spokesman in its favor and the difficult (less enlightened? angelic?) role it cast other non-supportive leaders.

And so it was that superfund traversed the long and tortuous road from societal need to public remedy, somehow rebounding back to life

just when it seemed the bill was truly dead. The industry was caught in and slightly scarred by the superfund whirlwind; DuPont created several windstorms of its own. Superfund was - and is - a fascinating issue. It provided a window into the minds and strategies of an industry battling to rescue a tarnished image, and showed just how emotional and competitive the public policy arena can be. Like any piece of legislation, superfund was the end product of judgment, rhetoric, sham, horse-trading, power, concern, and much more. It was the product of people and people's institutions with widely varying concepts and goals. And our friends from DuPont taught us a neat lesson: goodness can - and will - be used against you.....

## FOOTNOTES - CHAPTER IV

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27. Ibid.
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31. Philadelphia Inquirer, Dec. 2, 1980.
32. Ibid.
33. Letter of Dec. 2, 1980 from Robert Stafford and Jennings Randolph to James Florio.
34. Remarks by President James Carter, December 11, 1980, at the signing of Public Law 96-510.
35. Chemical Week, Dec. 3, 1980, p. 18.
36. Ibid.
37. Ibid.
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40. Speech by James Sites, New York City, Oct. 14, 1980.
41. Chemical Week, March 12, 1980, p. 41.
42. National Journal, Dec. 13, 1980, p. 430.
43. Chemical Week, March 12, 1980, p. 41.
44. Ibid., April 27, 1977, p. 52.
45. Interview, January, 1981.

CHAPTER V

- WRAP UP -

"There is one and only one social responsibility of business -- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game..."

— Milton Friedman

"Bah humbug!"

— Ebenezer Scrooge (Charles Dickens)

Managing the corporation's relations with its outside world - public affairs in the broadest sense of the phrase - is a complex subject for analysis. The topic involves a mixture of corporate and product publicity, employee and community relations programs, lobbying and issue identification, speeches and trade shows, and many other activities. Many people disagree about what corporate external relations comprises; many - like Milton Friedman - argue that any type of public relations work is a needless expense. I believe the Friedmans of the world are wrong. They miss an important point: the legal institutions (like corporations) of our society depend on the public perception of the legitimacy of their purpose and programs. Without this legitimacy, the corporation will be severely constrained in its ability to do business - or even threatened with extinction or public take-over. A successful public relations management program is vital to corporate success.

During the past four chapters we have studied an individual corporation and its programs for relating to its non-traditional "publics." DuPont has been an excellent research subject for many reasons: its size and international scope of operations, its premier position in a controversial industry, and the fact that it constantly examines and rethinks its proper societal role - and then implements change it believes necessary. What then, have we seen?

DuPont has a unique corporate culture with a long history of organizational and business change to accommodate its changing environment. It has a tradition of excellence in its research activities, its products, and its management practices. Many organizational and decision tools were first designed and implemented by



DuPont - such as ROI analysis techniques and the multi-departmental organizational structure.

Most recently, the company has begun an extensive strategic shift aimed at making it a lot more of a life sciences and non-chemistry high technology firm - and a lot less of a basic chemicals and fibers producer. DuPont has made mistakes in holding on too long to its lofty beliefs about its products (like Corfam), but its remarkable history also reveals great willingness to rethink its self-definition in order to insure future success. The company effectively has blended this sense of tradition with a remarkable ability to change - there is a DuPont way of doing things. This style of operation means being an explicit or implicit leader, and abiding by a strict sense of corporate right or wrong.

Leadership is a strongly prevalent theme in corporate activities, whether it be the company's desire to guide industry trade association policies or its unique posture on a public issue like Superfund. DuPont's sense of what kind of behavior is right can almost be too "squeaky clean" - an interesting criticism to even consider making about a modern company, particularly in light of the 1960's and 70's political rhetoric. DuPont has no political action committee, its lobbyists are lawyers, and its managers speak first of what ought to be done for the public's good - and then of the company interests. How a corporation interacts with its publics necessarily brings its corporate self-image into play: Policies and orders are important elements in motivating behavior at all levels in an organization, but even more vital are the personal beliefs acquired through socialization into the DuPont norms.

Much of the corporate-wide actions and sensitivity to the outside

world has come in recent years, from the top of the organization. In the early 1970's, DuPont believed its chief strategic problems were external to the company and its individual businesses. "We often say to ourselves how many things we didn't see ten years ago. So naturally we wonder where our blind spots are today. Having spent many unhappy hours studying the Nader report, for example, we worry very much about how far business is from being understood by people today." [1] These words by Chairman Charles McCoy in 1973 point the way for the emergence of a new DuPont strategy to actively interact with the public - and to increase its public understanding.

The structure to implement this strategy came in the form of a single person - McCoy's replacement - Chairman Irving Shapiro. Shapiro was to become the company's chief public affairs as well as chief executive officer. He led the company into broad involvement with public policy issues; Shapiro was personally active in politics and numerous public/ business leadership activities. Shapiro was to become more than Mr. DuPont; he was truly an ambassador and spokesman for all business. Today, with a new change in leadership, I predict DuPont's public role will be more muted, and the external affairs point position on issues shared more broadly within the company. DuPont in a sense, has moved on and turned to the more pressing issues of carrying out its new business strategy. But the company has changed over the past seven years, and that change has now become corporate policy and culture.

What has DuPont learned in the public policy arena? No one can answer this question as well as Shapiro himself.

On the business side, we learned at least a half-dozen useful lessons. We learned, for instance, that the

most effective political approach is to develop a carefully researched, factual case. The facts don't always carry the day in a legislative or regulatory proceeding, but just as is the case in a courtroom trial, having a strong set of facts is way ahead of whatever is in second place.

Another lesson we learned is to offer positive suggestions, and not just negative objections. Sometimes as a matter of principle it is necessary for business to dig in its heels, but more often it's possible for business to come up with a suggestion or two that gives government people a reasonable course of action they can follow.

The businessman calling on government quickly learns that he probably will not get everything he wants. You win some and you lose some. You learn, too, not to put your opponents on an enemies list, or let yourself get carried away by single-issue doctrines. The practical fact in politics is that the public official who may vote against you on one issue--say, a tax question--may be exactly the person who can help you attain your objective on some other issue. The lessons that were learned in the 1970's are going to stand business in good stead in the 1980's, and all the signs suggest that more people from the business community, at many levels of responsibility, are going to be involved in governmental relations during this decade.

Shapiro has set a tremendously influential example during his tenure, and it is easy to imagine the ripple effect his openness and public involvement have had at lower levels in the company. Kenneth Andrews summed up the value of this form of leadership when he stated "we will return...to the truth that the president's function above all is to be the exemplar of permanent human aspiration - the determination to devote one's powers to jobs worth doing. Conscious attention to corporate strategy will be wasted if it does not elevate the quality of corporate purpose and achievement." [3] Irving Shapiro can be criticized for spending too much time on outside problems, for being too willing to compromise on public issues - but he must be applauded for a far greater number of positive contributions to better understanding of

his company and even business in general. I admire Shapiro, and believe his unique blend of keen business acumen and social sensitivity is an important trait for insuring excellence in future corporate leaders.

As important as the CEO is as an organization leader and spokesmen, the job of external relations can not be handled by only one individual. In various incarnations, public relations as a formal staff organization has existed at DuPont for a long time. This department is no latecomer to helping communicate DuPont to the world; it does not fit the all too common pattern of staff creation in response to a problem management can not handle. James Post of Boston University describes three main areas of change in the public affairs field in the 1970's: evolutionary developments which extended previous management innovation, crisis induced changes which occurred in response to serious outside threats, and systematic efforts to apply learned lessons to common organizational problems.

DuPont has seen all three developments in recent years; Shapiro was selected partly in response to a perception of "chanting mobs at the gate" (crisis induced), while the formal public affairs department has incorporated both evolutionary and systematic changes aimed at making it more of a management function. Much of the ongoing activities are traditional "PR" in nature: advertisements, media relations, company magazines, and so on. But what is implied by the new thrust at DuPont for making public affairs a vital "right arm" of company management? H. Close, Chairman of Spring Mills, answers the question with:

"I'm talking about your profession becoming an arm of management that participates fully in decisions and

activities involving the organization's future. That means: sifting the issues and putting the key ones in priority; finding out all you can about an issue and what it means to the organization's publics; developing and selling to management a point of view on the issue; communicating that point of view to appropriate publics inside and outside of the organization, and monitoring the effects of those communications."[4]

Three keys exist to making public affairs a significant voice in the corporate decision making process: finding the relevant issues which will affect the company and preparing for them in advance, becoming an informed participant in corporate policy making, and using a broad mix of human talent in the department.

As we saw in Chapter III, DuPont has made significant progress in organizing and orienting the department to serve management needs in public issue work, and corporate concerns like environmental or energy affairs. The department has not however, succeeded in folding itself into the mainstream of managerial promotion and development. The staff is still composed mostly of public affairs professionals; little movement occurs between this group and other staff or operating departments. Perhaps this isolation has occurred because the majority of the department's staffwork deals with traditional PR tasks such as press releases, corporate advertising, etc. or because the department suffers from a lack of intraorganizational power (because it does not lobby for example). I believe this separation has reduced the effectiveness of the staff group - and of DuPont managers who could have benefitted from exposure to public relations issues.

Development of a wider number of publics that are interested in business - coupled with an increasing government/business interface - has created the continuing need for business to actively affect its

social and political environments. DuPont has recognized the need to understand its external environments, to accept and even lead the way for change, and to actively engage in the political process in an eminently respectable manner.

No better example of the total DuPont approach to its outside publics can be found than its actions surrounding the recent superfund legislation. In many ways, superfund displayed the classic corporate response to a social issue: first -- ignorance, second -- denial, third -- legislative blocking, and last -- (after legislative passage!) announcing that business will adapt to the new law and carry on even better than before. (see Figures 5.1 and 5.2). Yet superfund was different - because first DuPont and then several other chemical companies "stuck their necks out". Shapiro refused to accept an industry position on a key social and industry issue which ran strongly counter to his personal and corporate beliefs. DuPont temporarily alienated itself from the industry; but it believed the discomfort was worth it because it perceived its own corporate and industry credibility was threatened.

Today, the industry waters are very calm. The CMA members and the EPA are working very closely to implement the superfund legislation, and each believes their relationship is the " best ever ". Perhaps in recognition of its size and importance, or because the industry is actually grateful now for DuPont's lead in resolving the issue -- DuPont, too, is once again back into the industry fold. William Simeral, a company senior vice-president, is rumored to be the next CMA Executive Committee Chairman. Possibly because Shapiro has retired, or because DuPont believes CMA participation is still important (it is

willing to be a leader but not an outcast...) - DuPont today considers its superfund actions a closed issue.

How a company interacts with its publics is a complex issue, and it consists of what it says, what it believes, and what it does. I have some sense that an optimal level of outside involvement exists and that such an optimal level is a "moving target"; it is not difficult to see the size and scope of the DuPont Public Affairs Department and question whether all the effort is worthwhile. As Edward Bowman of M.I.T. and others have pointed out, the most attention to corporate responsibility is not associated with the highest levels of corporate profitability.

[5] And yet I find it hard to agree with the corporate wags who advocate that a company do no more than its industry colleagues, or more than society will ever require it to do... I believe leadership results in real benefits to a company willing to take educated risks, and become involved in its many worlds. Business is an important institution in our society; it must be able and willing to accept the responsibility for managing its relations with the outside by working to change itself, change its environment, or change those who govern its environment.

When I began this paper several months ago, I had no idea of what I would find at DuPont, or what might be generalizable to other companies. But today I would pose the following checklist for every company attempting to assess the strength of its bridge to the outside.

1. Do you run your own business well? Friedman does have a good point: a company contributes positive social value when it produces better products made more efficiently. And, of course, profits make all auxiliary programs like communications, philanthropy, etc. possible.

2. Do you know what you stand for, and is your own house in

order? DuPont practices what it preaches, and is not reluctant to change a policy based on an internal audit. External credibility necessarily begins with real corporate behavior.

3. Do you make public affairs activities a part of management? From the top on down, attention to the external corporate environment is vital. As Kenneth Andrews has written:

The breadth of vision and the quality of judgment brought to the application of corporate capability to environmental opportunity are crucial. The managers who keep their organization involved continuously in appraising its performance against its goals, appraising its goals against the company's concept of its place in its industry and in society, and debating openly and often the continued validity of its strategy will find corporate attention to strategic questions gradually proving effective in letting the organization know what it is, what its activities are about, where it is going, and why its existence and growth are worth the best efforts of its people. [6]

4. Do you continually evaluate the appropriate level of external activities, and monitor their effectiveness? This point is obvious perhaps, but no function is possibly as adept at "selling itself" than public affairs...

5. Do you believe in winning every outside battle, or are you able to compromise? I believe, like James Post and others, that the key to a successful public strategy is to maintain public credibility and legitimacy over time, and that the winning firm is one which makes a positive contribution to society and then communicates that fact to the public.

6. Do you have a vision of the future, and the role you would like to play in it? Conceptualizing the corporate mission in its most broad and challenging terms will help ensure that corporate actions and public expectations do not become separate and conflicting forces.



As for DuPont, do I now believe that a "lot of good chemistry exists between it and its publics?" That answer is easy -- yes.

Figure 5.1.

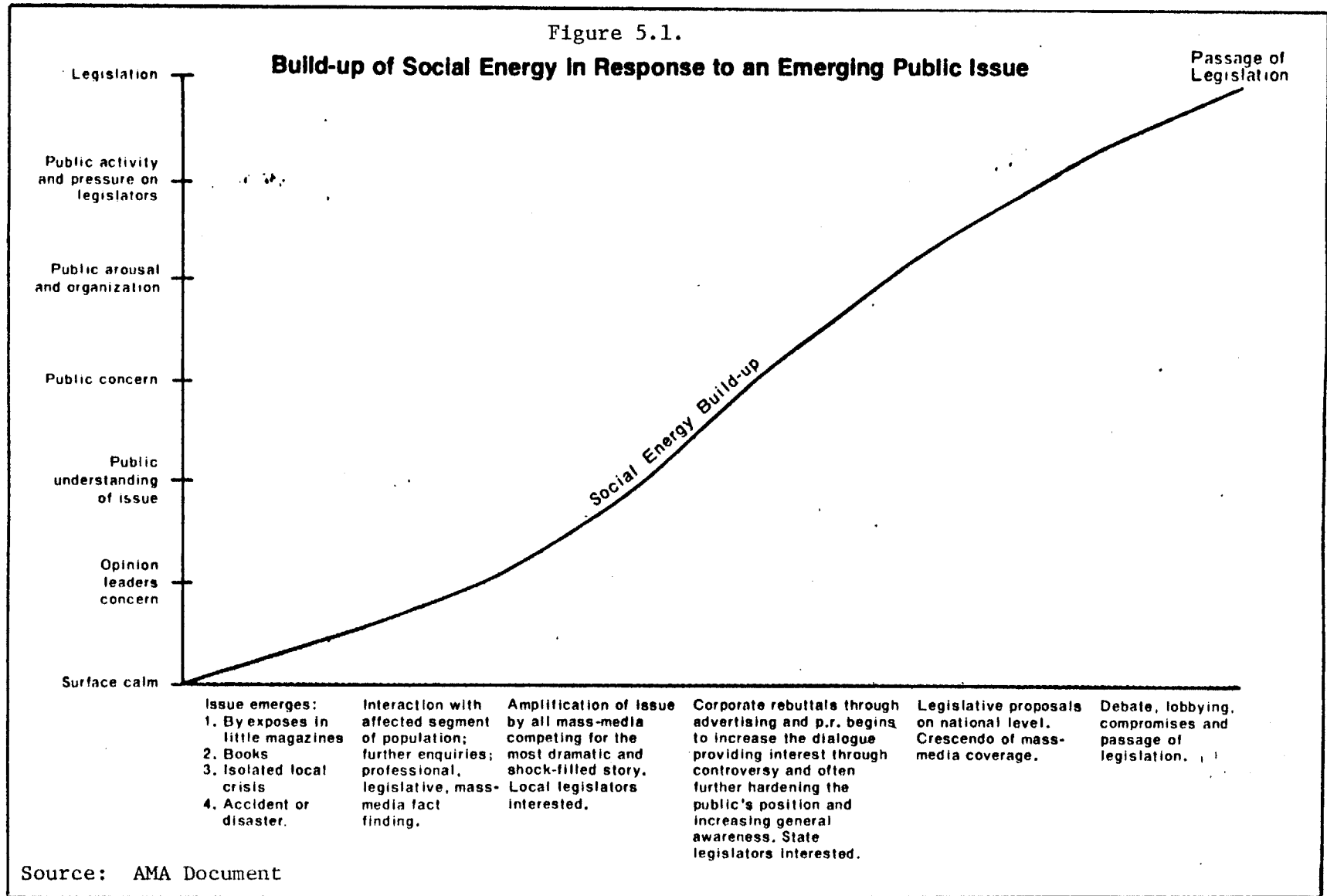
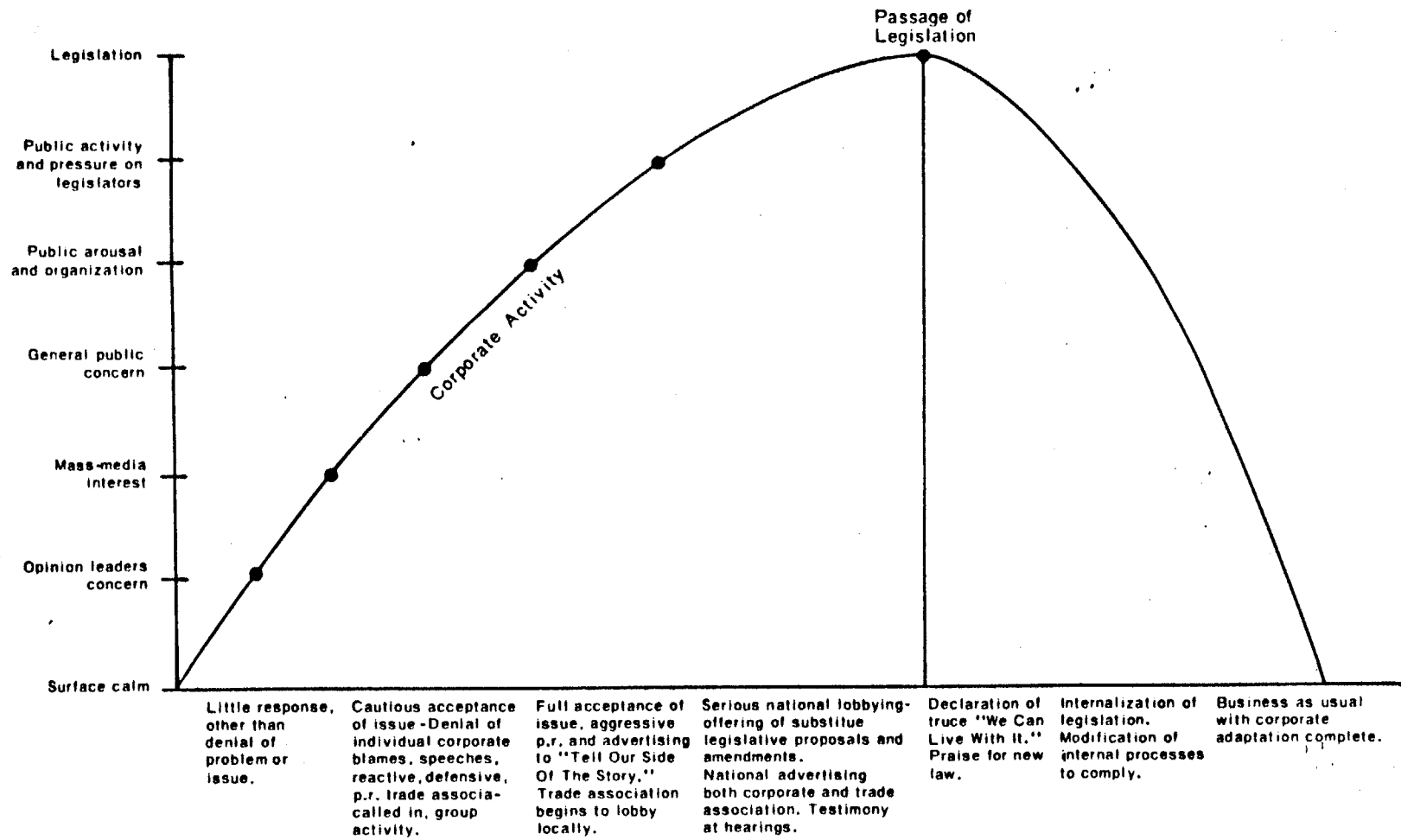


Figure 5.2. Typical Curve of Corporate Response to Social Issues



Source: AMA Document

## FOOTNOTES - CHAPTER FIVE

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