

# COMMUNITY ORGANIZING AND SHAREHOLDER ACTIVITY

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Having retired as President of the Jessie Smith Noyes Foundation in 2000, Stephen Viederman interests are focused on the limits of corporate social responsibility, sustainability, economic and social justice, and new directions in fiduciary responsibility.

## Community Organizing and Shareholder Activity (see Note 1)

### Abstract

The power of shareholders, especially institutional investors, through engagement with corporate management, shareholder resolutions and proxy voting, can be an effective instrument for assisting communities in their efforts to change corporate behavior that negatively impacts upon their quality of life. This essay chronicles one ‘successful’ effort on the part of a philanthropic foundation, the Jessie Smith Noyes Foundation, and one of its grantees, the SouthWest Organizing Project, to bring Intel to the table with the community and to share information with them.

Intel; New Mexico, USA; institutional investors; community organizing; shareholder resolutions; proxy voting; mission-related investing

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Traditionally community organizing and shareholder activities have not been linked.

Shareholders are usually distant owners, unaware of community concerns. Often they are institutional investors—pension funds, higher educational institutions, and philanthropic foundations—that have dissociated the management of their endowments from their social purposes. (Tasch and Viederman, 1995) When pension funds become involved in shareholder activity they usually focus corporate governance. Religious institutions are often an exception. Religious investors have a long history of using their power as shareholders on important social issues, going back at least 30 years. However, their concerns have been on such matters as apartheid in South Africa, improved environmental reporting, genetically modified organisms, and diversity in the workplace.

Community organizations have a crucial stake in corporate behavior in their communities. Rarely, however, have they had the financial resources to become shareholders. Nor do they usually have access to institutional investors who can champion their interests and needs.

## **Background**

In 1993 the Jessie Smith Noyes Foundation and the SouthWest Organizing Project (SWOP), began an experiment to see how shareholder activity could support SWOP's organizing efforts to make Intel more accountable to the communities in which they worked. SWOP, a twenty-year old grassroots membership organization based in Albuquerque, New Mexico, addresses threats to the environment in New Mexico as part of a broad agenda for social, racial, economic and environmental justice. Noyes, founded in 1947, is a philanthropic foundation that provides support for organizing and advocacy in the United States at the intersections of environment, reproductive rights and social and economic justice. Since 1992 SWOP had been a grantee of the foundation, which supported its general organizing efforts in New Mexico.

This is the story of the experiment from the Foundation's perspective. SWOP's efforts are chronicled in their publication Voces Unidas. In addition to providing a chronology, we offer some reflections on what was accomplished. We conclude with some guidelines that are a result of discussions between SWOP and the Foundation. Our goal in telling this story is to encourage discussion of the ways that investors, especially institutional investors like foundations, can assist communities in their efforts to create a more level playing field in their dealings with corporations.

## **What Happened**

In 1993 SWOP issued a report, later formally published as Intel Inside New Mexico. (SWOP1995; see also SWOP 1997) They raised questions about the expansion of Intel's chip manufacturing facilities in New Mexico, encouraged by the state of New Mexico with various forms of corporate welfare including tax breaks, and, ultimately, \$10 billion of Industrial Revenue Bonds. Among the problems detailed in the report was excessive water usage in the manufacturing process (recall New Mexico is a desert state); excessive toxic emissions into the air and water; questions about who would get the jobs that Intel promised to create--New Mexicans, or people from other places. Another major issue was the true cost of the state's subsidies: was the state giving away more to the company than it would receive in return to the state economy?

SWOP tried to engage Intel's management for a discussion of the report, but to no avail. The company offered to meet alone with Jeanne Gauna, SWOP's Co-Director, rather than with a group of SWOP's members, as SWOP had proposed. But SWOP rejected Intel's offer since it was contrary to their principles as a participatory, constituency-based organization.

Realizing that we held Intel stock in a socially screened portfolio, Noyes asked SWOP what we should do. Holding the stock and doing nothing would have been normative for

foundations, Noyes included, up until that time. Divesting would have no impact whatsoever, even if we sent a strongly worded letter to Intel explaining the circumstances. At the time, Noyes held 100 shares of Intel stock. Taking an active role as a shareholder in the company would be a new role for foundation, but it was a role consistent with our goal of reducing the dissonance between the way we managed our endowment and our grantmaking values. (see Note 2) SWOP suggested we take the latter course as a complement to their community organizing strategy.

We appeared at Intel's Annual Shareholders' Meeting in Albuquerque in May 1994 and asked, from the floor, when Intel would respond to SWOP's report. The then-Chief Operating Officer, now Chief Executive Officer, replied that Intel did not deal with "vocal minorities."

During the next few months articles appeared in the *New York Times* and a number of financial magazines and newsletters about our efforts. Two of our investment managers spoke with Intel officials, urging a dialog with SWOP. But there was still no response from Intel.

As a result of their silence, and with SWOP's agreement and full participation, Noyes filed a shareholder resolution in the fall, to be voted at Intel's 1995 Annual Meeting. The resolution asked the company to revise its Environmental, Health and Safety (EHS) policy to commit to sharing information with communities. Intel's EHS policy, in effect at the time, committed them "to sharing the knowledge that we gain with our employees, customers, the scientific community, and government." Notably absent in this statement is the community as a legitimate party. The policy's statement that "We will be a responsible member of the communities in which we live and work" clearly did not carry with it a commitment to share information with communities.

Filing the resolution got Intel's attention. In December 1994 a corporate vice president and the manager of the New Mexico site came to New York to meet with us. They pulled thick notebooks from their briefcases, filled with data on water usage, air emissions, and the like, as the basis for a discussion of the issues raised by SWOP. We, however, refused to enter into a discussion of these specific issues. We observed that our concern was Intel's accountability and transparency to SWOP and its community constituents. We made clear that it was with SWOP that detailed discussions needed to take place.

As a result, in January 1995, Intel initiated a series of facilitated discussions with SWOP on a range of issues. The Foundation did not participate, as jointly agreed with SWOP, making clear the division of labor between SWOP and Noyes. The SWOP-Intel discussions focused on specific issues detailed in SWOP's report. They continued for most of the year. SWOP and Intel learned more about each other's cultures. Some progress was made, although many issues were left unresolved. A continuing issue was Intel's culture of secrecy concerning such things as their suppliers and subcontractors. At one point, with a smile on his face Intel's staff person, said he was "unable to affirm or deny" that Taco Bell, whose trucks had been seen coming to the plant, was the supplier to their commissary. We recalled that chair Andrew Groves' autobiography was entitled Only the Paranoid Survive. (Grove 1996)

With the help of the Interfaith Center on Corporate Responsibility (ICCR), a 30 year old coalition of religious institutions committed to social shareholder activity, and through our own outreach to other philanthropic foundations, the vote on our proposal at Intel's 1995 Annual Meeting in April received support from almost 5 percent of the shareholders voting, with another 8 percent abstaining. Although the numbers seem small, they are significant as social shareholder resolutions go on the first try. (see Note 3) They were also sufficient to allow the resolution to be filed at the next annual meeting, in the spring of 1996, assuming that was necessitated by a lack of formal response from Intel.

Throughout 1995 Noyes continued discussions with Intel on issues of accountability and transparency to communities, and the need for a revised EHS policy. We kept in touch with SWOP at all times, and they kept us informed of the state of their discussions, which also continued during 1995. By the early fall, when resolutions had to be filed with Intel for the 1996 Annual Meeting, Intel still resisted our efforts to change their EHS policy, so we re-filed our resolution.

In December 1995 we were pleasantly surprised to receive a draft of a revised EHS policy that included the community language that we had requested. After checking with SWOP, which agreed, we withdrew our resolution for the 1996 meeting. This signaled our acceptance of the changes made by the Intel board.

Since December 1995 Noyes has kept in touch with Intel kept in touch with Intel regularly, and, to their credit, they with us, on a number of issues of accountability and transparency. They have been more receptive to SWOP and other communities' approaches to them, and have often provided information before SWOP had to request it. Intel, however, still has a distance to travel. Sharing information is not yet intuitive for them.

Over the last few years the Foundation, with the concurrence of SWOP, has been talking with Intel about opening a dialog with the Coalition for Environmentally Responsible Economies (CERES). The goal was for Intel to become a signatory to the CERES Principles, which call for standardized environmental reporting. When discussions failed to reach a satisfactory conclusion we filed a resolution for a vote at Intel's 1998 annual meeting. Once again, the shareholder resolution process resulted from a failed effort to reach agreement through discussions. The CERES resolution received 9.9 percent support, with 6.3 percent abstentions, again indicating strong support for change by shareholders. These discussions continued during 1998 and 1999. Intel continued to be resistant to accepting the standardized CERES reporting form. But to their credit they listened to criticisms of their reports, and each year they have improved their EHS reporting. As a result SWOP and Noyes agreed that, given the time and human resources needed to push the matter, we would not pursue the CERES resolution further.

## **Some Reflections**

The world has not changed as a result of our combined "victory." Life is not that simple. We continued monitoring Intel's implementation of the new EHS policy in New Mexico, and have also heard from communities in Arizona and Costa Rica about issues that have arisen in those places. We have kept in touch with Intel reminding them of their

commitment to share with communities, while SWOP, and the other communities that have been in touch with us, maintain their organizing efforts.

Throughout this process, the shareholder efforts contributed in a new way to SWOP, a group that Noyes had supported with grants dollars for a number of years. In this case our contribution was the use of our power as a shareholder, and the time it took to engage Intel. There was a shared feeling of solidarity toward a common goal between SWOP and Noyes. A year into the process we included funds in our grant to SWOP so that they could purchase Intel stock, making them shareholders as well as stakeholders. Retrospectively we realize that we should have done that at the very beginning of the experiment.

We have communicated continuing concerns to Intel urging community dialog, and they have been more open to sharing information, although they do this inconsistently. Dialog now seems more possible than it did a few years ago. And Intel has made some changes in its administrative structure that are designed to help them listen more carefully to communities. In a letter to [Foundation News](#) in response to an article on the shareholder process, Intel wrote: "The experiences we have shared with the Jessie Smith Noyes Foundation illustrate the value of establishing a dialogue with the company where an investor concern exists. We at Intel welcome constructive dialogue with our stockholders."(Casey 1997;Viederman 1997)

In New Mexico SWOP received a lot of public attention as a result of their organizing efforts around the Intel expansion, and Noyes' involvement. A prize-winning series of articles by a local journalist demonstrated that SWOP's concerns about financial aspects of the expansion were fully justified. SWOP, not Intel or the State of New Mexico, was correct in its analysis that Intel had gotten the better of the deal from the tax breaks and other aspects of corporate welfare. Originally caricatured as anti-development in the Albuquerque press, SWOP has more recently been viewed as a protector of the state's rights and resources. SWOP believes that they are a stronger organization now as a result of our combined effort. "Although we knew we were right about Intel's huge tax packages and environmental impacts on the local community, the shareholder strategy lent some 'credibility' to our struggles. It can be a powerful tool which other community organizations can use to press for corporate accountability," said SWOP Co-Director Jeanne Gauna.

## **Suggested Guidelines for Community-Investor Relations**

As a result of this effort over the last few years we—SWOP and Noyes—believe that shareholder activity can, in certain circumstances, be an effective addition to the toolbox of community organizers. Based upon our shared experience SWOP and Noyes have drafted the following guidelines that we think might apply to collaborations between institutional investors and community organizations.

### **Definition:**

Shareholder activity is an effort on the part of owners of companies—shareholders—to change the policies and/or the behaviors of companies through a variety of means, including meetings with corporate officials, letter writing, proxy voting, co-filing of shareholder resolutions initiated by others, and/or initiating a shareholder resolution. Initiation of a shareholder resolution is usually the end of an unsuccessful effort to obtain satisfaction from the corporation on the issues raised through meetings and letter writing.

**Assumptions:**

1. Shareholder activity can be an effective part of a community strategy toward corporate accountability, transparency and responsibility.

**Principles:**

1. Shareholder activities, particularly shareholder resolutions, are not a stand-alone strategy. The shareholder activities must be conceptualized and be part of a broader community organizing strategy.
2. Communities must speak for themselves. No one but the community can speak for it.
3. Communities must determine their own organizing strategies, detailing the nature of the problems and the demands they wish to make of corporations. It should be recognized that while letter writing and meetings with corporate officials are always appropriate, some issues, in the present U.S. legal climate, might not lend themselves to shareholder resolutions. The U.S. Securities and Exchange Commission has ruled consistently in the last few years that certain issues are "ordinary business" and, therefore, inappropriate for the shareholder resolution process.
4. Communities should seek to become shareholders as well as stakeholders in the targeted companies in an effort to somewhat level the playing field in discussions.
5. Alliances should be developed with other shareholders, including religious institutions, foundations and other groups that share concerns for social, economic and environmental justice
6. Control of the shareholder activity must remain in the hands of the community. A division of labor for the shareholder process should be made clear between the community and the other groups involved before the process begins. Communication among all groups is essential, with the lead always residing in the hands of the community.
7. The role of the community is to insure that the corporation is accountable on the detailed issues of concern to the community.

8. The role of other shareholders is to make sure that the corporation is accountable to the community, in effect insuring that the corporation comes to the table with the community. Other shareholders should also organize the shareholder community to support the activities that are being directed by the community.
9. Shareholder activities should always be designed in ways that contribute to strengthening the community and its organizations.

The focus of this essay has been on shareholder advocacy and community organizing. Shareholder advocacy can also be used effectively to advance other efforts by individuals and institutional investors to change corporate behavior on a variety of social and environmental issues. The challenge to apartheid in South Africa through boycotts, political action, divestment and shareholder activity is well known, and underlines the importance of a variety of strategies to achieve a goal. (Massie 1998) The religious community, through the Interfaith Center on Corporate Responsibility, has for 30 years advanced environmental, human rights, diversity and other concerns successfully by using their power as shareholders. Pension funds, through the work of the Council of Institutional Investors, have focused their wealth on advocacy to improve corporate governance with good results. (Moberg 1998)

There is no panacea for helping corporations become more responsive to the needs of communities and people of conscience. Shareholder activity can, however, be an effective tool along with other tools.

#### NOTES

1. A earlier version of this essay appeared as the President's Message in the Annual Report of the Jessie Smith Noyes Foundation 1997. New York: Jessie Smith Noyes Foundation, 1998 ([www.noyes.org/1997/97.pres.html](http://www.noyes.org/1997/97.pres.html)). SWOP co-director, Jeanne Gauna, and staff organizer, Louis Head, were consulted at all times during the process described. Jeanne also reviewed this essay. The guidelines that appear at the end of the essay are a joint effort. This essay focuses on what the Foundation did, and does not attempt to describe SWOP's organizing efforts, which were necessary and considerable.
2. See the section of the Noyes Foundation web site, [www.noyes.org/admin/misrel.html](http://www.noyes.org/admin/misrel.html), and [www.noyes.org/1998/98\\_pres\\_essay.html](http://www.noyes.org/1998/98_pres_essay.html) on Fiduciary Activities for the Investment Policy and papers describing the evolution of the program on mission-related investing.
3. It is important to note that most money managers vote the proxies that they hold for their clients with corporate management on almost all social issues unless the client informs them to do otherwise. The decision of the UK-based Friends, Ivory to henceforth vote all proxies according to ethical guidelines, unless the client tells them to vote with management, represents a significant change.

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