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REBUS

RElationship between BUsiness & Society

CSR Practices among European
Multinational Corporations



EUROPEAN UNION
European Social Fund
Article 6 Innovative Measures

**PART 1 – CORPORATE SOCIAL RESPONSIBILITY
AND THE REBUS PROJECT**

WHY IS CSR SO IMPORTANT TODAY?

Mauro Magatti

In all advanced countries, the subject of CSR has acquired, over recent years, a growing significance. Within the academic context, in political and administrative institutions, within the managerial and organisational context, among consumers and within the trade unions, in television broadcasts and via journalists, people talk about CSR almost everywhere.

The impact and extension of the phenomenon is such as to induce one to reject the notion that this might be a simple fashion, an expression of a heterodox minority. There are, on the other hand, numerous indications that we are dealing with a profound movement, which calls into question the nature of relations between a company and the social context within which it operates.

In effect, research in the field conducted within the REBUS project confirms this impression. The conviction that arises from an empirical analysis, indeed, is that we are faced with a question that goes to the heart of the equilibriums that advanced capitalism is trying to define in contemporary society, particularly as regards a complex and articulated social reality like that found in Europe. As the Green Paper already indicated on this subject, the question of CSR can become a strategic element in constructing social-economic structures that are more appropriate for the transformation that we are experiencing.

To understand this shift it is necessary to recognise that a company does not constitute a closed and self-referential universe, able - by means of its autonomous action - to mould the surrounding world as it wishes. As authors like Simon or Weick have noted, organisations are continually listening to the world in which they live and enjoy success in order to pick up those signals that come from the external context since it is only in this way that they can position themselves in the most appropriate manner. The environment is not something external to the organisation, but is internalised through prospects, cultures and the interests of its components. Successful companies are those that are able to transform these stimuli into an equal number of managerial solutions.

The empirical observation carried out in this research confirms this point once again: the companies which we have studied all display a marked interest in CSR, providing highly diversified definitions of the same and re-elaborating the subject in accordance with the cultural and managerial resources they have available. In reality, this initial observation must be properly interpreted. According to some, in fact, it demonstrates that CSR is a vague subject, not easily distinguished and defined, and therefore not very significant. In our opinion, on the other hand, the dispersion of behaviour that can be observed empirically indicates that we are in an initial phase of a process that appears to be long-term and complex. Our interpretation is that the observed variety confirms that we are not dealing with superficial behaviour or practices that are obligatorily introduced into company realities, but rather with company realities that accept the

problem, do not yet have certain and codified responses, and hence try to adapt themselves to an environment that is changing quickly and which imposes on them new strategies for action.

In short, this adaptive tension responds to a contextual change which is fundamentally derived from two main sources.

The first source has to do with the transformation of individual subjectivity which is manifested with ever greater clarity in Europe (and more generally, in advanced contexts). By this expression we mean that vast and variegated body of phenomena that is related to the increased importance of autonomy, self-realisation and authenticity in determining the life-styles and orientations of those who live in the Old Continent. It clearly does not involve a new or recent phenomenon. Since the great social crisis of the 1960s, and perhaps even earlier, the said transformation began to exert its effects on western public opinion, increasingly extending its influence and producing ever more visible effects on individual behaviour and institutional structures. In essence, this cultural movement emphasises the personal and expressive dimension and tries to extend, within the various contexts of social life, the possibilities for self-realisation and the manifestation of diversity, in opposition to the predominance of a purely bureaucratic and commercial logic.

Naturally, the phenomenon remains partial and contradictory. Partial in the sense that it does not affect with the same intensity the entire range of citizens and all action contexts. Contradictory in the sense that it expresses only one dimension of the overall cultural change, a dimension that exists in the midst of other drives of a different character and in some cases even in opposition. Nevertheless, its effects are increasingly more evident.

This very general trend is then translated into concrete behaviour which is also noted by companies. Initially, the said change had consequences for the attitudes of consumers, who now tend to more forcefully emphasise the cultural aspects of those goods they consume. Part of this transformation also emphasises the ethical content of the goods consumed. A transformation which certainly does not involve the entire body of consumers - as many surveys have demonstrated - but it is certainly true that a growing proportion of citizens are interested in these aspects. In this case too, the signals that reach the companies are not univocal. Nevertheless, the impetus to move in this direction on the part of a significant proportion of consumers is increasingly more clear and decisive. In addition to this initial aspect, the subjective change also affects the world of companies on other levels. Companies, it must be remembered, are also organisations, whose correct functioning depends on their ability to valorise the human resources they have available to them.

And since human resources are simply men and women who constitute part of a more general body of public opinion and who assimilate cultural changes in the world in which they live, it is clear that problems of motivation and involvement are raised. Especially for the medium and medium-high hierarchical levels, the reference to CSR constitutes a valuable cultural resource that makes it possible to construct that sense of belonging and identity which lies at the heart of organisational success. Finally, the subjective change

also affects top management, to the extent that it calls into question the very role of managers, their public image, and even the meaning of such work. As different interviews revealed, answering the question “what am I doing?” is still – despite everything and alongside a thousand contradictions – extremely important and, although it certainly does not constitute the main question which managers put to themselves, it nonetheless lies at the heart of the decision taken by many companies to explore the CSR field.

It is as though the subjective component has the strength to re-emerge and to suggest roads that otherwise would not seem interesting. There again, that this aspect is important is a point made not only by our research but has also been confirmed by the CEO Survey on Corporate Citizenship, carried out by the World Economic Forum in 2003, in which it was clearly evident that the CEO personnel leadership role in constructing a vision of business linked to CSR themes is considered the most important element.

The second source of the change which companies have registered and which they must tackle is related to the institutional transition which has been produced due to the processes of globalisation. As the recent literature has now patently shown, the conditions in which companies find themselves having to operate are very different from those of the recent past, given that there has been a shift from operating in very structured and coherent contexts to a situation in which companies must operate in and among highly diversified cultural and institutional contexts. This certainly constitutes an extraordinary opportunity for development, but at the same time it introduces new challenges for entrepreneurial action. In essence, the change is such that the institutional middle managers who were trained in the Fordist-Welfare period – middle managers essentially conceived and realised on a statutory-national basis – tend to become insufficient. For companies all this opens up new and difficult dilemmas, given that in many cases they must operate in dishomogenous and at times even incoherent contexts. This in turn introduces a variety of difficulties.

Firstly, problems arise regarding regulation of competition, in the sense that operating in markets that are at least partly de-institutionalised tends to intensify the risks of unfair competition. In recent years this subject has been particularly noted in Anglo-Saxon countries, though the said concern is felt more or less everywhere. Naturally, it would be wrong to think that these difficulties could be remedied merely by recourse to CSR. And yet, one notes that a growing number of companies use CSR as an instrument to contribute to limiting the degree of unreliability which is produced in the said market situation, and in economic relations, encouraging the diffusion of that more regulated behaviour which lies at the heart of a non-destructive competitive system.

Secondly, to operate within a context that is partially de-institutionalised intensifies the problems of business social legitimacy. On the one hand, the growing complexity of the institutional and economic world in which one operates makes it increasingly difficult – if not impossible – to perceive the consequences of actions, all the more so where they are produced by complex concerns like companies. U. Beck, in this regard, has spoken about “growing organisational irresponsibility”, referring to the fact that, contrary to the reassurances that are provided every day, our society is characterised by its ability to self-fabricate uncertainties.

Those institutionalised systems which, during the first modern period, were used to reduce the levels of such uncertainty, no longer function and instead end up by augmenting a widespread sense of anxiety: “political, social, economic and individual risks increasingly tend to be beyond the reach of those institutions in industrial society that carry out a monitoring and control function... these same institutions become, despite their intentions, producers of threats that they no longer succeed in controlling” (Beck, Giddens, Lash:4). Economic businesses are particularly exposed to this effect, given that public opinion tends to emphasise risks rather than any economic and social advantages that derive from their operational activity. This has again been confirmed by the already mentioned Global Survey, from which it can be seen that companies (both multinational and national) are among those institutions that register lower levels of trust on a world level. This means that – in advanced countries too – there is a serious legitimacy deficit that constitutes a not indifferent problem for companies which operate in advanced contexts. The said deficit is linked to both the above-mentioned poor ability to adequately evaluate the social consequences of one’s decisions and to the fact that globalisation dissolves the link which, until recently, existed between business and its social context.

For as long as the company operated on a national level, the link with its social constituency was sufficiently clear. The company took; the company gave. The exchange which the company was able to offer was the subject of conflict, but quite well defined. Today, however, matters are much more complex, given that this link is infinitely weaker, so much so that a company finds itself struggling to justify its decisions before its reference public. As will be seen later, this is an important aspect in understanding the CSR question.

These two profound sources of change involve significant consequences in relation to the behaviour of a company as an organisation which is subject to an attenuation of the borders between internal and external. The contemporary company, indeed, increasingly tends to become a complex environment, which no longer coincides with a physical location – the factory and the office – but tends to be constituted as a reality diffused in space, held together by a series of diversified contractual connections. This involves problems that are entirely new and which tend to further increase the problems of constructing an organisational identity.

This kind of problem is in reality multi-faceted, given that it regards different publics which are of interest to the company: first and foremost, the employees, whose problem is that they find themselves in an environment that is no longer univocally defined by a single spatiality; then there are the shareholders, who structure an entirely different relationship with the organisation; consumers, on whom the company focuses its attention, with the fundamental problem of reducing the haphazard nature of this relationship, with the aim of stabilising the purchasing relationship, a stabilisation which in turn becomes a fundamental resource in obtaining and defending market shares; and finally, the social – local or extra local – communities, in which the company is inserted. In all these cases, the company is faced with the problem of presenting itself as a credible, reliable and recognisable interlocutor.

Research has revealed that companies in the three countries under consideration are moving in an attempt to achieve a new equilibrium with the surrounding environment,

acknowledging the institutional and cultural changes underway in the said surrounding environment. This adaptation is anything but easy, both because the transformation companies have before them is not homogenous and because the opportunities towards which the companies are moving have not yet been fully defined.

CSR constitutes one of the main themes which the business world uses to encourage this adaptation, convinced as it is that it can help them to advantageously interpret the directions of contemporary change.

In concrete terms, companies decode the said transition in terms of some deficits that are reflected in their daily activity.

The first of these deficits regards the rules of competition and calculability. As is well known, the pricing system on which the market is based constitutes a formidable instrument as regards the autocollocation of economic operators and in rendering interaction with the social environment possible. This borderline, however, is not in the least stable and tends to vary over time. For many reasons (which there is no need to go into here) both internal and external calculability have today been weakened.

With regard to internal calculability, one may cite for example the exploitation of child labour or recourse to work 'in the black'. In the absence of rules (or, which is the same thing, in the presence of very different regulatory regimes), the terms of competition are falsified. As regards external calculability, one may cite the fact that in European public opinion pressures exist encouraging the inclusion, in company calculations, of aspects which used to be neglected e.g. environmental matters. Given the difficulty, in a phase like that present one, of providing responses to the said problems solely via institutional means, companies respond by using CSR.

The second deficit regards the subjective motivations of the management and the social legitimacy of business. This deficit, on an organisational level, is translated into the subjective change we mentioned earlier. The problem consists in finding new motives for economic activity which is often no longer able to autonomously sustain itself. This area refers to both the question of subjective motivations which guide managerial activity and the more extrinsic subject of business social legitimacy. As different interviews have demonstrated, there is a significant proportion of managers and entrepreneurs who are convinced that the subject of CSR is the avenue that offers the greatest possibilities in terms of providing a response to the above situations within the managerial world. In this regard one could observe that this sensibility - which certainly reflects the changes we referred to earlier - does not constitute a novelty for the managerial world. Already in the past, at different times, and in different ways, the latter has been subject to analogous tensions, whose resolution lay at the heart of important economic changes.

The third deficit is organisational in character and regards the possibility of succeeding in that very difficult task which consists in holding together highly complex reticular realities, aiming at the valorisation of human resources. In a certain sense, one could say that the organisational challenge of recent years seeks to achieve the squaring of the circle: maximise the disarticulation of the old bureaucratic structures through externalisation and decision-making autonomy, trying to shift at least the central part of

the workforce from a passive to an active attitude, while at the same time maintaining company integration. As is well known, this objective is at least in part contradictory and constitutes a very demanding challenge. Research has revealed that management is very much aware of the difficulties that derive from this, especially to the extent that it is increasingly difficult to construct company identity using internal resources alone. In this sense, CSR can constitute a very useful point of support in tackling and managing this question.

Naturally these three deficits can also be reflected - in a very heavy and concrete manner - in the economic indicators which contemporary businesses use to evaluate their value and efficiency. Although the links between CSR actions and company profitability are still difficult to quantify, a large part of the managerial world is today convinced that such a nexus exists and that it can provide an answer to the deficits mentioned earlier, which tend to produce poor overall profitability. From this point of view, it is clear that CSR enters the companies' field of action the moment it is translated into an economic question.

However, this affirmation must certainly not be read in a reductive sense, reducing it to a mere question of accounting. On the contrary, all our research and the results that have flowed from it clearly indicate that CSR has a profound connection with profitability, understood as an indicator of business economic success, but also as an indicator of the successful integration between the company and its surrounding environment. An affirmation which, despite everything, still remains true today, although the terms of the said integration are today very different from those in the past. The CSR question is the key that can be used to define the terms of the said integration.

Ultimately, research permits us to arrive at an initial conclusion. In the current capitalist context, the subject of CSR does not simply constitute a *ballon d'essai*. Given that reference is made to a very extensive transition, when the term CSR is employed the subjects that are raised are different just as those attitudes employed in tackling and managing the question are also different. But beyond this variation, it is still true that companies think of CSR as a means - alongside others - to interpret the change in the surrounding environment and to thereby define the most adequate structures in establishing the stance to be adopted in relation to the same. In this sense companies are confirmed as subjects that listen, are able to read and interpret the said transformations and also find new adaptive forms. And in this sense too, CSR is related to the process of innovation which in recent years has informed the entrepreneurial world. By this we do not mean to say, of course, that all companies that use CSR are innovative.

In a more limited sense, we wish to point out that the subject is located on a sensitive frontier, around which a significant force of adaptation is produced which, in some circumstances, is able to stimulate the search for innovative solutions. In a certain sense, CSR is the heir to the subject of Quality, which emerged during the second half of the 1980s and was then extremely important during the course of the subsequent decade. Quality too arose from a need on the part of companies to adapt to an external world undergoing change. That aspect has gradually become more demanding, encouraging the raising of issues which have coloured the Quality question, including in terms of ethical matters.

Within this perspective, CSR can be interpreted as a subject that calls into question managerial practice, challenging it to achieve a new synthesis between companies and an environment experiencing change and within which it operates. This makes it possible to understand that the subject of CSR is so significant that it is actively encouraging the formation of new Schumpeterian entrepreneurs, who are a reflection of our times and who find themselves having to tackle new economic challenges and new cultural anxieties. The company, in this sense, can be seen as an institution for change, in search of new structures and new equilibriums.

CSR strategic objectives

The research has therefore presented us with an extensive context within which one can consider CSR. Naturally, if the scenario is as we have briefly outlined in the previous pages, it is necessary to locate concrete company strategies correctly, without falling into two recurrent simplifications: on the one hand, that of those who think that CSR is a univocal response to all contemporary management problems; on the other, that of those who reduce the subject to its most basic and superficial aspects, essentially linked to an instrumental adaptation. Research reveals, however, something different, namely that:

- i) The subject of CSR is important and is viewed seriously by companies, who see it as a question involving their identity and with implications for their economic performances;
- ii) The approach on the part of companies and the strategic objectives that are concretely pursued can be – and in practice effectively are – very different.

Thus, an initial warning must be provided, namely, that it is very difficult – and to a certain extent also misleading – to speak about CSR in general terms. In the current phase, indeed, it is a label applied to extremely different approaches, at times even opposed to each other. In other words we are in a phase when the question is still open and is subject to managerial innovation, while the kind of standard practices and procedures which can be followed and reproduced in a general fashion do not yet seem to have been consolidated. On the contrary, research indicates not only there is a very extensive array of activities that can be traced back – in a more or less contrived manner – to the CSR question, but that the nexus between CSR and company strategic objectives can also be highly varied. As will be seen in an analytic manner below, the range extends from a wholesale acceptance of the subject – as a fulcrum on which company strategies can be totally reoriented – to a merely instrumental attitude, aimed at achieving partial and precise objectives. It is therefore necessary to distinguish between different approaches and understand that one is referring to a very heterogeneous reality, for the most part undergoing rapid transformation.

A second warning regards the question, which is often posed in the CSR debate, relative to the “true” motivations lying behind CSR. The said debate generates two contrary positions, one of which sustains mere instrumentality on the part of companies (according to which the latter are completely disinterested in the subject and are involved in it solely for economic reasons); the other position reflects the opinions of

those who think that the subject expresses a profound degree of morality within the entrepreneurial world. Research indicates that these two aspects are inevitably interwoven, and that the CSR discourse is employed in response to a whole array of motivations which do not, however, constitute the essence of the problem. Going beyond the instrumentality-ethics axis, to us it seems that it is important to distinguish between those who talk about CSR as a factor in social and economic innovation and those who instead use it in a purely adaptive and imitative way.

On the basis of these two riders, we can now move on to specify the strategic objectives which can be related to the CRS theme:

Brand construction and characterisation of communication strategies

This first strategic objective reflects in a very clear manner the concern of companies to succeed in attracting a significant share of the potential public, explicitly using CSR as a communications resource. As we know, the economic success of a company is closely linked to its public image, an image which is in turn closely linked to the trust which it is able to generate and the reputation it enjoys. These objectives are certainly not new and also existed in the past. What has changed are the ways in which it is possible to achieve them, in a period like ours when the conditions for economic action have also profoundly changed. Today's company is faced with the problem of rendering its relationships with a series of publics (consumers, employees, shareholders, local community) firm and stable, with the latter demanding a whole series of conduct practices which provide them with a series of guarantees. In this sense CSR is an extraordinary resource, one that allows companies to project a better image and therefore accredit themselves in the eyes of their publics. In essence, this first objective assumes that creating value for the market is no longer sufficient in itself and that the company must not only respond to the needs of the consumer but also to those of social well-being. Indeed its image will be all the more solid the better it is able to communicate its ability to contribute to the creation of social well-being. Which is why, within this first modality, CSR is strictly associated with marketing strategy, starting from two basic assumptions: the first is that the relationship between a company and consumers is no longer based solely on an exchange of products and services, but also on the construction of exchanges of meanings and value which embrace, to a growing extent, a social and valorial dimension. The second is that the company interacts with different publics, which demand different things of it, have different expectations and which it is difficult to segment. In this sense, CSR can offer an important resource in constructing a global communications strategy, one that is able to tackle and manage the variety of these worlds, with a discourse which, though articulated, is nonetheless unitary and able to construct company identity and stability of action over time.

Social legitimization of the company in the risk society period.

A second strategic objective is that of avoiding the company being penalised by the perception of the surrounding environment being threatened due to the creation of risk factors. Such an orientation represents, within the economic context, the birth of what

U. Beck has called the risk society, which arises the moment it is realised that economic development – and production activity – do not necessarily represent an advance and that in many cases it can even constitute a source of risk. If this is true, then the economic operator is kept under control and contravening any of the rules laid down can constitute a very serious problem, provoking strong reactions among the public. This situation pushes companies to assume a prudent attitude, aimed at guaranteeing – in terms of both facts and image – a position that helps to safeguard them against such problems.

This strategy is particularly important today given that western public opinion appears to be particularly sensitive in regard to those risks that can affect collective life. Companies know only too well that their exposure to risk can cost them dearly in terms of image and the possibility of enjoying success. Naturally, this strategy is especially adopted by those companies that operate in sectors which have a high negative environmental impact, where the latter can be traced very clearly to company behaviour. In these cases, the company strategy seeks to convince the surrounding social context that the company is aware of the risks which its activity involves and, as a result, is prepared to do everything it can that is useful in avoiding the creation of any negative consequences.

It must be emphasised that in some cases the question of risk is not simply tackled by management – as an external restriction which must be dealt with – but is also internalised within the managerial conception, to an extent that the reduction of risk becomes an ethical imperative which – apart from the communications aspect – has the ability to qualify the entire company action in a transversal manner, thereby becoming a possible factor for company identity and cohesion.

The consequences in terms of managerial action can therefore be very different, ranging from a merely regulatory attitude – expressed by those who limit themselves to scrupulously respecting all the standards contained in laws and regulations – to one oriented towards the construction of an external image, through to a strategy that tries to transform the restriction into a resource, thereby creating an innovative approach, one that is able to view the entire production process in an entirely new way.

Enhancing the symbolic-cultural content of production

A third strategy which can be pursued by those who adopt CSR programmes consists in enhancing the cultural and symbolic content of their activities.

To explain this point it is necessary to consider the fact that in the advanced markets competition is increasingly less tied to purely quantitative parameters (e.g. price reduction), depending essentially on more qualitative aspects. As has already been pointed out, there is a close correlation between the importance attributed to quality during the 1990s and the emergence of CSR in recent years.

To compete in markets that are sensitive to the cultural and symbolic content which the company and offered product are able to provide is highly demanding. The problem

is to succeed in constructing not simply an image, but a discourse, an emotion, an identity, which goes beyond the individual and ephemeral moment. In this case too the connections with the subject of communication are evident, but we feel it is incorrect to make the two aspects coincide. Indeed, in this case we are faced with actors who employ the subject of CSR, not in an instrumental way, but as a true reservoir in which to cultivate their ability to elaborate symbolic contents. In this case, the conviction is that it is not possible to successfully remain in the market if this ability – which traditionally does not constitute a priority element within the company world – is not adequately developed. CSR constitutes a raw and extensive material which can offer many stimuli for internal elaboration, becoming – once again – a factor that is able to mould not just company culture but even its way of producing goods and services.

Construction of internal identity and organisational culture

A fourth strategic objective involves the internal rather than external context. As has already been mentioned, today's company has to deal with a formidable series of challenges from the organisational point of view. Indeed, while it is driven to adopt strategies involving reductions in personnel and an increase in flexibility, it is at the same time urged to consider human resources as strategic for its very success. On the other hand, while it is necessary to decentralise and externalise, it remains essential to create internal coherence, permitting the company to maintain its capacity to act in a coordinated fashion. We know that to resolve tensions it is possible to adopt various strategies. What is important here is to emphasise the fact that CSR can be deployed to achieve the objectives of integration of diversity and involvement of the labour force in the company's strategic objectives. In this case too, as with the previous point, CSR provides rich symbolic-cultural material, which can be drawn on to tackle the challenges that contemporary organisational models have to deal with. Within the contemporary context – characterised by a strong element of randomness and cultural instability together with the destabilisation of any cultural tradition – it is becoming ever more difficult to succeed in employing a functional alternative that is as significant and effective.

Construction of reference publics

Contemporary transformation processes determine a weakening of the relationship between companies and their surrounding social world. Where, in the previous expression of capitalism, companies referred to worlds that were essentially national (in terms of political community, consumers and trade union representatives) today this relationship is much more complex. Traces of this transformation can be seen in the growing significance which the company world has attributed in recent years to so-called stakeholders. If one looks closely, stakeholders are nothing other than those publics that are relevant for company action and which are no longer defined on the basis of the territory they belong to or political affiliation, but are instead linked to the nature of the company and its functional activity. This change in the world of companies expresses those dynamics of de-spatialisation and re-spatialisation – typical of contemporary society – which various authors have spoken about in recent years. The

process is such that companies lose their points of reference and are led to construct new ones. In essence this involves recreating a system of social relationships, which prevents the company from being totally cut adrift from the social world in which it operates.

At first sight, the collapse of traditional social bonds constitutes a great advantage for the company, given that it makes it possible to act more freely. However, as Dahrendorf and Bauman have pointed out, this excess of liberty presents its own problems and is, in the final analysis, a source of new difficulties. A company that is completely cut adrift, lacking any social references, would find itself having to manage many more problems than those it has to deal with today (one need only think, for example, of the question of security). In addition, reality tells us that, with the weakening of social bonds, new ones will arise. For example, the growing role of shareholders, which certainly constitutes an increasingly more important restriction on managerial action. Naturally, regarding this matter a considerable amount remains to be said. Here it is sufficient to note that today's company is faced with the problem of communicating the creation of its value to this public and to outline, on the basis of the institutional nature of the said shareholders, the time line at the end of which profitability can be achieved. Or one might consider the consumer organisations that can carry out a control action in regard to companies, the presence or absence of trade unions, not to mention a company's own clients, the local communities in which it operates etc. In essence, what characterises the action of a company in today's re-spatialisation context is the redefinition of its social bonds. In relation to this transformation, however, the company can - with respect to the past - play a more active role. And it is this that constitutes what is perhaps the most significant difference. Indeed, these bonds prove to be - on one side and another - more fleeting. In many cases, the contemporary company decides to take advantage of this situation, attempting to move in an opportunistic manner. In other cases, however, the company understands that the loss of social ties may lead to short term advantages but with heavier costs over the medium long term. In these cases, CSR becomes a language and a resource in constructing obligations that make it possible to anchor the company to its various social contexts. This certainly constitutes a restriction on entrepreneurial action, but at the same time it also constitutes an option, in the sense that it provides the company with the kind of certainties it can count on over the medium-long term.

Creation of new competition rules

A final strategic objective which can be pursued by employing CSR is the modification of the competition conditions with reference to their reference market. Usually, the subject of CSR is viewed within a context that is closely linked to individual companies, which can commit themselves in this direction to the extent that they understand that such a decision can offer them advantages. Within this perspective, CSR constitutes a competition resource, a way of distinguishing oneself from one's competitors. In reality this is only one aspect (though an important one) of the question, given that CSR is also a way of modifying the competition terms in one's markets. This is very clear if one closely observes what happens in reality. As has been mentioned above, CSR is related to the process of de-institutionalisation which is typical of contemporary society, a

process that is in turn related to the dynamics of globalisation. On the one hand, this situation is seen in a positive manner by the world of companies since it reduces control and regulation levels. At the same time, however, this same situation creates new problems, since companies find themselves having to compete in a deregulated context, in which it is difficult to find common reference points. In this situation, there are innovative companies which understand that the adoption of CSR practices constitutes a way of recreating a regulated context capable of offering advantages for everyone (starting with themselves). By adopting socially responsible behaviour, these innovative companies also find themselves dictating the new standards which, when they meet with public favour, can also become points of reference. In this sense, CSR leads to a change in the rules of competition, more through the mechanism of diffusion than agreement. In essence, this strategy encourages the transformation of competition, promoting an adjustment from the bottom-up, starting with the actor, instead of top-down, due to the legislator. In this sense, CSR is interesting because it indicates a process of autogenesis, which is one of the typical features of capitalist dynamics.

The six strategic objectives that we have identified obviously constitute ideal types. In reality, they appear confused and interwoven, in forms that are always different and original. What must be emphasised, however, is the fundamental datum that emerges i.e. that a company which adopts CSR appears to be (more or less) aware of a whole series of questions which essentially regard its collocation within the contemporary social world, once the changes underway have been assimilated. In all the cases we have studied companies use CSR as an instrument in their attempts to become fully-fledged social subjects, able to dialogue with the environments to which their actions refer, enhancing their awareness of increasingly being a true cultural subject which needs to be recognisable - both internally and externally - legitimated and provided with its own identity. This constitutes, as one can easily perceive, a very extensive and significant line of change which it is essential to continue to monitor.

THE REBUS PROJECT RELATIONSHIP BETWEEN BUSINESS & SOCIETY

Marella Caramazza, Caterina Carroli, Mauro Magatti, Massimiliano Monaci

The project reference context

The project was created at a time when various institutional actors, and in particular the European Commission, called upon companies to evaluate and take on board the concept of social responsibility.

The reference to the Social Responsibility of companies on the part of the European Council of Lisbon, which was held in 2000, came at a moment of significant changes which had occurred in the economy and in society and were comprised within the complex phenomenon of globalisation. Under the driving force of globalisation, and sometimes with the excuse of global competition, companies often appear to be governed by an unconditional and exclusive search for management efficiency, aimed at profits, which considers the quality of life in organisations and the more general interests of the collectivity as entirely secondary variables.

The project therefore arose from an awareness of the importance, within this context, of qualifying the type of management culture which our society requires i.e. a culture that embraces the concept of responsible management of companies and institutions. The departure point for this position is a recognition of the close interconnection between the company and its surrounding environment: there is no isolated economic subject, the company is moulded by the world in which it is founded and operates and, in turn, transforms this world in relation to its specificity. Starting from the said presuppositions, the relationship between company and surrounding environment is so profound that responsibility is not only reconcilable with company logic, but should be seen as an integral and essential part of its strategic programming, and be configured as a fundamental managerial attribute within the everyday managerial actions which managers are called upon to undertake.

It is necessary to restate and testify to the importance of the fact that whoever has governance responsibility, in companies and institutions of any kind, is:

- above all aware of the fact that his first duty is not to be a dilettante but a professional i.e. a person who has dedicated and dedicates to his training energy and resources in proportion to his directive responsibilities;
- able to reflect critically on the responsibilities that he assumes - in relation to shareholders, the market, collaborators - exercising the power that derives to him from the authority conferred upon him and by the competence he possesses;
- aware of the importance of reconciling company objectives with the needs of individuals and the more general requirements of the community within which the company is located.

In such a context, the project sought to recall the importance of promoting awareness in management and in society regarding a subject of priority importance within the policies delineated by the Commission in its Green Paper, but which nevertheless appeared to still lack standards and practices that are shared and recognised by all actors involved in the economic and social process.

The Project

REBUS - Relationship between BUsiness & Society, is a research project financed by the European Union, promoted by ISTUD and patronised by the ISTUD Association for management culture, which seeks to explore the concept of company social responsibility as the concept is perceived by management, as regards both large companies and small and medium sized enterprises, and by society taken overall. In addition, it sets itself the task of identifying and exchanging good practices that facilitate the assumption of responsible management practices by the management of European companies.

At the heart of the project lies the fundamental hypothesis that it was not possible to define, in a univocal manner, the concept of social responsibility, but that the only way to understand the said reality was to enter into direct contact with the organisations and with their way of living and interpreting social responsibility.

Project objectives

With the REBUS project the objective pursued was that of diffusing the culture of social responsibility in companies, through the analysis of modalities of good behaviour practices, so that it can become a managerial instrument capable of encouraging and facilitating the assumption, by the management of European companies, of responsible management practices.

In particular, REBUS has pursued the following objectives:

- To enhance awareness among the management of European companies and the main stakeholders in relation to the subject of Corporate Social Responsibility (CSR);
- To photograph the “state of the art” with respect to the subject of CSR, directly involving the main actors. The project has investigated, to this end, the perceptions and expectations of various economic and social actors with respect to this subject, in this way encouraging an increased level of awareness;
- To share with the management of European companies the most innovative and effective practices which have emerged from the research;
- To facilitate the extension of Social Responsibility to small and medium sized companies;
- To diffuse, on a European level, the evidence that has emerged from the research carried out in the different European countries by partner organisations.

Methodology

In order to more effectively achieve the goal of reconstructing the framework of management perceptions with respect to the subject of social responsibility, the research employed the qualitative methodology of studying an ethnographic type case.

Methodology of case studies

The distinctive characteristic of this research approach consists, regardless of the type of phenomenon investigated, in exploiting a multiplicity of data sources. It is mainly in regard to the said plurality of information sources used, since it seeks to be “a comprehensive study” of a certain social context, that the validity of a case study is assured.

In particular, since the survey in the field intends to analyse variables and aspects that are both “structural” and “cultural” in character, the methodology chosen within the context of the general approach in case studies has been that of qualitative assessment, based on the ethnographic procedure, where the latter refers to a structure of investigative research conducted in the light of the assumption that it is essentially through exploration in the field of culture “traces” that it is possible to access the specific body of cognitive/valorial references at the heart of collective life and action, and therefore at the heart of models of behaviour and relationships (internally and towards the exterior) practiced by the actors studied.

The ethnographic procedure is not oriented towards a search for laws or even a hypothesis of regularity, but rather the empirical and almost inductive reconstruction of thought and action logics within a specific context of organised activity.

Assessment techniques

The case study in accordance with ethnographic modalities takes three main categories of data sources into account:

1. material artefacts;
2. behaviour of individual subjects and collective events;
3. verbalised expressions.

To collect this series of data the investigation in the field used the following methodologies:

1. analysis of documents, in addition to any other material artefacts;
2. participant observation;
3. semi-structured interview with individual subjects.

In relation to the analysis of the documents, particular attention was devoted to the documents produced by the organisation in regard to CSR strategies and practices, such

as the social report, ethical codes, summaries of important decisions, declarations of intent – charter of services etc. - and *mission statements*, internal press, selections from the external press which are circulated within the company and commented on, initiative projects, material on member training/update programmes.

The interview is nevertheless the instrument that made it possible to gather and register the most significant data from the point of view of the ‘experience’ of management in relation to the CSR question and the managerial implications that the same involves. The interview, indeed, has the aim of capturing, on the one hand, the reality (personal actions, relational processes, collective activities and situations) at the centre of the experience of the subjects interviewed and, on the other, their perceptions and representations of the said reality. In the case of our research, the aim was to produce relevant information on the dynamics of the material and at the same time socio-cultural construction of CSR on the part of these subjects, since they are “in action” in and on behalf of their respective organisations.

Given that the action context examined by the research is very complex, the number of interviews carried out in each organisation was significant in both a horizontal (with respect to any functional units and lines of business activity), and vertical sense (with respect to levels of different hierarchical authority).

In particular, the actors interviewed during the research comprise:

- the organisational top management i.e. that body of subjects who theoretically have greater discretionality and power within the context of decision-making processes and coordination relative to CSR initiatives;
- managers of individual functions;
- CSR managers, where present;
- privileged witnesses of the impacts of CSR, or other actors considered significant due to the specificity of the case.

In each company between 5 and 10 managers were interviewed, depending on the characteristics (dimensions, ambiguity etc.) of the setting studied.

The dimensions investigated

The survey in the field examined a series of case studies on a European level, involving large and small companies, analysing the specific situation in depth. The intention at the heart of the research, in fact, is not to obtain information and indications relative to the overall population of Italian companies, but rather to bring to light and characterise a certain number of different significant experiences which have been consolidated in Europe in recent years, in order to highlight nexuses, trends and problems (tensions, contradictions etc.).

On a more analytic level, the questions that the research tackled with respect to the subject of CSR can be grouped into six central thematic areas:

1. The *stakeholders*, considered in the definition and realisation of CSR programmes/practices
 - Internal and external stakeholders;
 - CSR spatial dimension.
2. The impact produced by CSR programmes/practices on the internal organisation
 - Unity, levels, organisational roles involved or “affected”;
 - Level of proceduralisation of CSR practices;
 - Consequences for the company governance and decision-making system;
 - General consequences on the organisational “climate” level (motivation of personnel, communication, cohesion and conflict, business culture etc.).
3. The impacts produced by CSR programmes/practices on relations with external realities and actors
 - With respect to the market and reference “network” within the economic context (production sector, inter-organisational partnerships, management of suppliers and company-clients);
 - Respect for public actors (local, national, supra national);
 - Respect for other social subjects (e.g. trade unions, NGOs, category associations, non profit organisations);
 - Respect for the public in general and consumers.
4. Reference ethical universes
 - Specifications, forms and contents (values, world views, level of sharing between actors);
 - Management of moral dilemmas: relationships (and conflicts) with the economic rationality, relationships (and conflicts) between ethical universes.
5. CSR as a mechanism of isomorphic adaptation and/or mechanism of strategic innovation
 - “Heteronymous” practices (mainly dictated by external pressures and sources) and “autonomous” practices (arising as a result of more original and internal circumstances): their presence and relations.
6. CSR “performances” and *audits*
 - The organisational benefits of CSR (efficacy/efficiency, reputation, human resources management etc.) and the relative evaluation/*audit* criteria;
 - CSR benefits for *stakeholders* and relative evaluation/*audit* criteria.

The composition of the group of actors selected for the case studies has taken into consideration the following elements:

- Historically consolidated commitment in regard to CSR;
- Manifest abilities to develop cooperative conduct and initiatives internally (e.g. through the more or less systematic involvement of trade unions);
- Existence of a proceduralisation of CSR practices through a set of formal indicators;
- Presence of a connection, through a weak link, between business activities and commitment in relation to CSR;
- Existence or not of a *trade-off* of considerable public significance;

- Nature of the link between the parent company and the local branch;
- Presence of CSR initiatives mainly directed towards the local context (typically, the surrounding territorial community);
- Presence of a propensity to promote one's CSR initiatives within a global context.

Project partnership

The REBUS project was realised thanks to the contribution of numerous subjects, in Italy and in Europe.

The project partners are:

- ISTUD - Istituto Studi Direzionali is the project promoter partner. ISTUD is an advanced centre of management research and training which acts as a 'bridge institution' between theory and practice, between academy and the professions.

It was founded in 1970 on the initiative of Assolombarda and a group of large Italian companies (including Pirelli, Olivetti, IBM, SMI) in order to "provide companies with a training service of a quality matching that of the leading international institutions".

Today, ISTUD enjoys an international reputation as a scientific and cultural centre of expert knowledge on organization management. Besides its training programmes - and in relation to them - ISTUD has always conducted research, the results of which are incorporated into teaching materials and publications.

- Formaper - a special company of the Milan Chamber of Commerce, it constitutes the Milan Chamber of Commerce Training College. Since 1987 Formaper has carried out training and research initiatives on behalf of small and medium sized companies. Within the REBUS project it has focused on promoting the concept of social responsibility within the context of small and medium sized companies.
- ESC Grenoble/Centre TIME. The Ecole Supérieure de Commerce in Grenoble is one of the most important business schools in France, with a strong influence in the training of small and medium sized companies and large local businesses. TIME, the group research centre, has worked for seven years on innovation in managerial practices, in close contact with local companies, thanks to European programmes and the French authorities. In particular, in recent years, the research centre has concentrated its work on the future competences of managers of small and medium sized businesses, with particular focus on relationships between employees. Within the REBUS project it has realised case studies in regard to both large and small businesses, in this way contributing to achieving an outline of the practices existing in France in relation to CSR.
- bfz - Berufliche Fortbildungszentren der Bayerischen Wirtschaft, is one of the most active subjects in managerial training in Germany. Its activities are focused for the most part on small and medium sized companies and large companies. In particular,

it focuses on the integration in the workplace of different groups (youngsters, those affected by handicaps, the elderly....) and develops programmes to encourage employability during the entire span of an individual's life. Within the project bfz has analysed case studies of large and small companies. It has also made available to the project numerous connections with trade unions and regional and national networks of companies and training schools.

- SFERA - Servizi Formativi Emiliano-Romagnoli Associati, numbers among its partners the training organisms of employer representation structures in Emilia-Romagna. Its aims are to promote and diffuse the culture of small and medium sized companies, develop training and offer advanced services for associates, assistance and consultancy for companies and for public and private entities. The REBUS project lies within the aims pursued by the consortium, especially as regards the qualification of training systems and the socio-production fabric of small and medium sized companies in the Emilia-Romagnolo context. The contribution of SFERA to the REBUS project consisted in the promotion of a conference to diffuse the results of the project, held in Bologna on 6 and 7 November 2003. The conference was organised by networking with an important national actor for CSR, Impronta Etica, and focused on promoting dialogue between the social parties in view of the recent publication of the Manifesto of Social Responsibility by Impronta Etica.

In addition, the project has involved the participation and support of other actors such as:

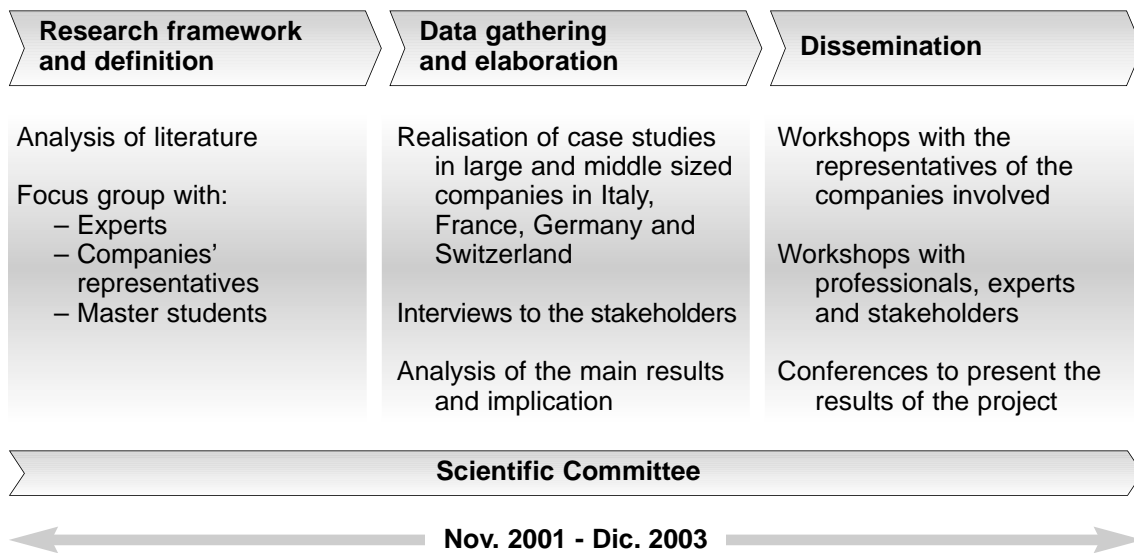
- Milan Catholic University of the Sacred Heart, which organised the scientific coordination of the project;
- ISTUD Association for management culture whose mission - to promote a culture of responsible management - has represented an ideal departure point, within the conceptual context, as regards the project. The Association therefore supported the project, making itself available for a continual process of contrast and comparison with regard to the emerging evidence and results.
- SUPSI - Scuola Universitaria Professionale della Svizzera Italiana (Italian Swiss Professional University School) provided a significant (albeit not programmed during the planning phase) contribution to the REBUS project. SUPSI has realised three case studies concerning large companies within the Swiss context, using REBUS research methodology.

Project structure

The REBUS project can be summarised in three main stages, realised between November 2001 and December 2003:

- Definition of the research framework through analysis of the literature and focus groups with the management of large companies;
- Gathering and elaboration of data: an extensive framework was reconstructed of the perception that management and society, taken overall, have of the subject of social responsibility, through 28 case studies involving large, medium and small

- companies in Italy, France, Germany and Switzerland, as well as interviews and workshops with the stakeholders;
- Diffusion of the research results: research results were presented and discussed on various public occasions with the aim of promoting a comparison between managers, professionals, public administrators and academic subjects regarding the practices currently present in European companies, the intellectual challenges that are still to be resolved, the moral dilemmas that the subject of social responsibility today poses for all institutionally involved subjects;
 - networking: the project availed itself of the contribution of a Steering Committee, comprising representatives of subjects more directly involved regarding the subject of social responsibility, with the function of coordinating and valorising the results that gradually emerged from the project.



Phase 1 - Framework definition

The first phase of the project consisted in the definition of a reference framework that was common to all the actors in the project, through both an analysis of the existing literature on the subject of CSR, and a series of focus groups with subjects that directly experience the significance of CSR.

In the first place an analysis of the extensive existing literature was carried out regarding the subject of the relationship between CSR and value creation processes, with the aim of defining the “state of the art” relative to the said question. This phase of the research revealed the remarkable complexity of the CSR subject, confirmed by the ample number of disciplines that it involves.

It clearly emerges from the literature analysed that there is a progressive affirmation in advanced capitalist countries of a conception of corporate social responsibility, based on the recognition of a growing interdependence between economic results and the socio-environmental impact of the strategic, technological-production and commercial conduct of market companies. The idea that with their multiple activities companies exercise an impact on the immediate reference situation or more extensive social

context, going well beyond the market effects in relation to contributions and costs of an economic-financial character, and that they must assume a socially responsible role, it not in itself a novelty. However, essentially since the end of the 1980s the said sensibility has been diffused in a continuous and articulated manner within the economic and managerial world, among public-institutional decision-makers, in the variegated universe of so-called civil society, as well as in academic research.

The analysis has taken into consideration, on the one hand, the organisational and managerial literature which arose alongside burgeoning interest and studies concerning CSR, but which introduces categories and problems with more general implications (neo-institutionalism, critical management studies and business ethics), and on the other, a series of research themes which have been formed or developed together with today's overall debate on CSR (stakeholders theory, corporate citizenship and governance literature, social reporting models).

At the end of this phase of literature analysis, a number of focus groups were set up with the aim of reconstructing, with company and society actors, their perception of the CSR subject. The focus groups were held with particular emphasis given to the managerial population: they were carried out with current and future (i.e. those who have recently taken their Degree and attend Master courses in managerial disciplines) company representatives.

Through creativity techniques like mind mapping or metaplan, the participants in the focus groups were asked for their definition of CSR, the conditions for its implementation and its impact on company results and behaviour.

The results emerging from this part of the research are as follows:

1. The perception of CSR appeared to be confused among participants. Among the definitions given it is possible to trace a continuum, at the extremes of which there is, on the one hand, the idea that CSR is a good practice in itself, without any argumentation of a rational type in support of this affirmation; on the other, however, there is a perception of CSR as a 'super-structure', which companies must adopt to respond to the expectations of the outside environment, but which involves costs and complexities within the company structure. In the middle of the continuum there is a vision of CSR as a useful instrument in motivating employees and as a useful instrument in acquiring a long-term competitive edge over competitors through greater social legitimacy.
2. The adoption of CSR practices requires, in the view of participants in the focus groups, strong support on the part of top management. It seems, in this regard, that there is no place for a bottom-up approach. In addition to the leadership, another fundamental instrument for the implementation of CSR seems to be that of economic willingness on the part of the company. This perception views CSR as an extra cost, rather than a business opportunity that is capable of improving processes and products or services.
3. No clear perception has emerged as to the benefits of CSR within the organisation and the modalities to measure the same.

The first phase of the project concluded with a transnational meeting, with all the project partners, aimed at sharing the reference framework and the fundamental methodological approaches for gathering and elaborating data in the realisation of research in the field.

Phase 2 - Data gathering and elaboration

The second phase in the research consisted in the realisation of a photograph of the degree of awareness and perception of CSR, on one hand among the most significant stakeholders and on the other in large and small companies.

As regards interviews with stakeholders, interviews were carried out in depth with the following categories of stakeholders:

- Consumer Associations (Adiconsum)
- Employer Associations (Assolombarda)
- Sustainable Finance (Avanzi)
- Trade Union (CISL)
- Media (Il Sole 24 ORE)
- Non Governmental Organisations (Médicins Sans Frontières)
- Institutions (Lombardy Region)

The interviews made it possible to reconstruct an outline of stakeholder opinions with respect to a series of dimensions relative to CSR, such as:

- Motivations behind the growing interest in CSR;
- Decodification of the CSR concept;
- Insertion of CSR within the current situation and the Italian context;
- Instruments for pursuing and realising CSR and the application contexts;
- Interaction between the world of business and social actors in relation to CSR;
- Prospects and expectations for the future.

An outline emerges of a reflection on the subjects covered by CSR, on the part of stakeholders, that is still recent and not formalised. The Italian context still appears to lean more towards theory (the debate) than practice (concrete CSR actions realised), something which, when all is said and done, can be considered quite normal given that Italy, according to the stakeholders interviewed, in these matters is still in the initial/experimental phase.

In general, CSR appears to be interpreted as “a major opportunity that must be seized”, as with the opportunity for a drastic revision of the current managerial paradigm, though the associated risks are not lacking, according to the perception of interviewees, such as:

- Part of the industrial world fears that everything will be converted into costs, resulting in a further loss of competitiveness, in terms of prices, with regard to “our next door neighbours”;
- Any “red tape” could compromise the development of CSR, leading to a levelling down, even acting as a disincentive;
- CSR might be used as “a theme to be hijacked only to resolve image problems”.

Relative to the crucially important subject regarding the relationship between companies and their stakeholders, an interesting comparison emerges between the prevalent approach in the opinions of managers and that put forward by the stakeholders interviewed.

The stakeholder approach seems to be very diffuse in those companies, which in ever greater numbers, undertake *stakeholder engagement* courses, with the aim of sharing their company strategies with the relevant stakeholders, submitting them to some extent to their judgement and feedback. The role of the company appears, in these cases, to be proactive in regard to stakeholders.

Vice versa, the variegated galaxy of stakeholders today appears to be more inclined to adopt a reactive attitude in relation to the promptings of the company, without succeeding in clearly setting up partnerships to realise shared requirements.

It is no coincidence that among the priorities for the future identified by interviewees there emerges a need for awareness enhancement and 'education' structures, promoting dialogue with the company world.

In particular, the priorities for the future appear to be the following:

- A major cultural project to raise the awareness levels of everyone and which will certainly involve everyone - companies, stakeholders, civil society - through awareness enhancement on the subject, training and information, promotion of partnership relationships between entrepreneurial associations, trade unions, environment and consumer associations, the world of the NGOs and non profit organisations, media (non only economic but also mass audience) and Public Institutions;
- Transparency in the information as an essential prerequisite for correct CSR development;
- Creation of a world of fiduciary relations: "it is essential that among companies and the rest of the world relations of dialogue and trust are instituted that go beyond commercial relations; it is necessary to arrive at the same kind of relationship that links individuals to each other, where people trust each other on the basis of their shared values and fidelity";
- Identification of a "common margin": each of the actors - companies and stakeholders - must relate to the others via a new attitude: that of the person who renounces a certain immediate claim for himself, considering it more appropriate to promote a framework within which an overall positive result can be achieved, which is also capable of guaranteeing the essential well-being of each of the actors involved.

PART 2 – ANALYSIS OF THE LITERATURE

THE SOCIAL RESPONSIBILITY OF BUSINESS: A MULTIFACETED SUBJECT

What is the appropriate reference literature for an analysis of this emerging question?

Massimiliano Monaci

The watchword is:
“What’s good for society
is good for our company”

[Galaskiewicz 1991: 302/Hay and Gray 1974: 140]

Paradoxically, at precisely the time when capitalism
finds itself with no social competitors
- its former competitors, socialism or communism, having died -
it will have to undergo a profound metamorphosis
[Thurow 1966: 326]

Introduction: the terms of the question

Numerous and unequivocal indicators are now available that suggest there is a progressive affirmation underway in advanced capitalist countries of a concept of social responsibility of companies based on the recognition of a growing interdependence between economic results and the socio-environmental impact of the strategic, technological-productive and commercial conduct of market companies. This approach to the entrepreneurial and organisational action of businesses is explicitly opposed to the traditional vision, codified in an exemplary manner by the motto - “the business of business is business” coined by Milton Friedman (1962 and 1970) - according to which the social responsibility of business consists exclusively in making profits and producing value for shareholders.

The idea that with their multiple activities companies exercise an impact on the immediate or more far-reaching (in space and time) social context which goes well beyond the market effects due to contributions and costs of an economic-financial character, and that they therefore can and must assume a role of social responsibility (CSR, *Corporate Social Responsibility*), is not of itself, as will be explored in greater detail below, a novelty. Nevertheless, it is essentially since the end of the 1980s that the said awareness has spread in an unceasing and articulated manner within the economic and managerial world, among public-institutional *decision-makers* of various levels and political persuasion, within the variegated world of so-called civil society, as well as within the world of academic research, consolidating itself in relation to a consideration that is so incontrovertible as to appear - especially in today’s conditions - almost banal: all market organisations entertain, whether voluntarily (and consciously) or not, relations and interdependencies with other components of society. There are therefore various forces which, combining with each other, and often feeding into each other in

turn, have given rise to a remarkable, not to say spectacular, acceleration in the development process as regards systematic and transversal attention focused on the subject of CSR. The main factors at the heart of this tendency include the following:

- in general, a widespread and increasing awareness that the changes linked to current globalisation dynamics, with the growing influence of transnational economic actors, and the corresponding weakening of the traditional prerogatives of nation States require, on the part of those actors most involved in the global processes of resources and value production/distribution, an explicit and direct assumption of a “mandate” (i.e. an institutional role capable of being translated into concrete commitments) as regards the *governance* of social, ecological, economic and political effects related to the execution of those activities in what, echoing the well-known definition by Beck (1992), can now be defined as our “risk society”¹;
- a parallel and heated debate concerning the effects on the quality of life of citizens due to the processes of *deregulation*, privatisation and managerialisation which, in the wake of the experiences of Reaganism and Thatcherism in the 80s, have subsequently affected a large part of the other industrial countries as regards a multiplicity of production activities and essential services, traditionally held or controlled by the public sector;
- the external pressure exercised by civil society in its various components which, in the face of effects linked to the dynamics of globalisation and liberalisation of economic activities, demands with ever greater insistence that companies be aware of their actions as well as their “intentions” with respect to social costs and the external diseconomies of company actions (e.g. waste of energy and environmental pollution, with related critical events having a high social impact, such as ecological disasters; speculative or *tout court* illegal financial operations – especially in the tax sector – with a consequent negative impact on the markets, on the fortunes of small investors and savers and on the socio-economic systems in developing countries; the use of child or forced labour and indifference towards safety at work standards on the part of suppliers and *subcontractors*; deceptive publicity campaigns and the non transparent avenues of information communication to employees, consumers, public authorities and citizens; cooperation with non democratic governments and

¹ It is almost superfluous to underline the role played – in the process of emersion of the CSR question – by a series of high impact critical events, not just material but also emotional and intellectual. To limit the discussion to the most sensational events, which as one would expect today provide a rich and variegated case history for managerial training and manuals, it is worthwhile recalling here: in the 70s, the case of the “infant formula” developed and commercialised in the Third World by Nestlé, the disaster at Seveso and the series of mortal accidents caused by the design defects of the Pinto model made by the Ford Motor Company; in the 80s, the disasters at Bhopal, Chernobyl, the Exxon Valdez tanker off the coast of Alaska, and the tragic failure during the launch of the space shuttle, Challenger, from NASA’s base in Cape Kennedy; in the 90s, the accident at the Shell Brent Spar oil rig in the North Sea, the exploitation of child labour in various eastern countries by subcontractors to the multinational Nike, the grave crisis in the Asian share markets; finally, and very recently, the financial scandals that have involved such giants of the American economy as Enron, WorldCom and Halliburton, pushing the SEC (*Securities and Exchange Commission*) to request the CEOs of almost a thousand companies to personally certify their companies’ financial statements and other large firms (like AOL) to admit in advance any incorrect practices and accounting “errors”.

more or less open support for political-economic regimes in which the protection of human rights is not guaranteed);

- the increase, primarily due to progress in communication technologies, in powers of aggregation and of access to (and diffusion of) information, inspection and intervention of groups of consumers and citizens who are aware of the dominant role and impact of economic-financial activities on the contemporary scene;
- on a very concrete level, the most visible and effective expressions of civil society's increasingly more intense *voice* in regard to specific results of business activity and managerial decisions, with boycotting initiatives on the part of consumers, hostile press campaigns, protest actions organised by NGOs, collective movements, groups of citizens and entire local communities;
- in the world of business, the affirmation of the idea that integration of social responsibility within the context of production, management and commercial strategies can provide direct economic value, generating benefits and advantages, for example, in relation to (i) reputation enhancement on the markets and social legitimisation in the reference territories, (ii) level of satisfaction and involvement of employees, (iii) ability to attract high potential human resources and new investments on the part of financiers who are concerned about the needs of sustainable development, (iv) possibility of having a supportive *business environment* available (in terms of overall economic health, available human and professional capital, infrastructural networks, social cohesion and public safety etc.).

This change of paradigm has already amply expressed itself, taken overall, in a series of effects of some considerable significance. Many companies, for the most part medium-large businesses and enjoying an international profile, have defined network or sector2 initiatives in order to create concrete CSR promotion/implementation projects and interventions. On the other hand, the most eloquent indication of this increased sensitivity on the part of the business world is undoubtedly provided by the enormous diffusion in recent years, including in European countries, of *social reporting* or *social accounting* experiences. On the public institutional side, apart from the meetings of the *World Summit on Sustainable Development* (Rio de Janeiro 1992, Johannesburg 2002) and the now multi-decade activity carried out by the United States CEP (*Council of Economic Priorities*), fundamental stages and expressions of an increase in attention - as well as concrete commitment in the form of *policy* guidelines - towards the question of CSR can be identified in the Rules of conduct of the ICC (*International Chamber of Commerce*) for sustainable development (1992) and against corruption (1996), in the Declaration of the ILO (*International Labour Office*) on multinational companies and social policy (1977/2000), in the Main Directives of the OECD (*Organization for Economic Co-operation and Development*) as regards multinational companies (1976/1997), in the code of conduct of the UN *Global Compact* aimed at large companies (2000) and in the Green Paper "Promoting a European context for the social responsibility of companies" by the European Community Commission (2001). Finally, with regard to the area at the centre of the attention of this paper i.e. economic-social research, there has been a fusion of new problematics and categories which have surfaced in the wider debate on CSR, with a pre-existing corpus, albeit not organic and

heterogeneous, of interests, studies, interpretative proposals historically stratified in sectors more or less distant from the *mainstream* of economic, socio-organisational and managerial theory.

On a general level, it is above all necessary to acknowledge that – as Amartya Sen (1987) reminds us – in economic theory over the last hundred years, alongside the dominant perspective (especially as regards micro-economics), founded on the abstract vision of the market as “simple natural order with self-interested trade and decisions carried out by individual optimising actors constantly oriented towards the maximisation of their individual utilities through a rational calculation of costs and benefits” (Monaci 2002: 79), there has always been a tradition of parallel and sometimes underground studies able to persuasively show how real economic life is not carried out and could not even occur within a vacuum of moral actions and motivations. This awareness, which in its essence others (e.g. Andriof and McIntosh 2001), in addition to Sen, trace back at least to Adam Smith, in particular to those passages in the latter’s *The Theory of Moral Sentiments* (1759) in which, alongside the image of the “invisible hand” in economics, which occupies centre stage of the author’s more famous *The Wealth of Nations* (1776), guiding the actions of self-interested subjects towards results that are collectively advantageous, a similarly decisive role is also attributed to the functioning of the market in response to an “invisible hand” of a more socio-psychological character in virtue of which the pursuit of individual interests appears to be strongly conditioned by a search for “respect” for oneself and that of others involved in the same activity, and thereby by cultural references and ethical values of a distinct historical period².

If one looks at the more specific segment of organisational and managerial literature, the scenario relative to the past is further enriched given that in this context the notion of CSR, present and used since the first decades of the 20th century (e.g. Dodd 1932), was discussed and elaborated during the course of the last half-century. Already in the 1940s a pragmatic-academic author like Peter Drucker, nowadays famous for his lucidly “visionary” analyses, emphasised the need to redefine the role of business in free democratic societies within the terms of a social institution that favours “an integration of the worker as a partner in the industrial system and as a citizen in society” (1946: 137).

This concept, which even in its terminology (cf. the reference to citizenship) anticipates developments which came to fruition much later (e.g. the analysis of business as an obligatory institutional passage towards social welfare by the guru of globalisation, Kenichi Ohmae [1999]), with Drucker remaining faithful to his analysis in all his major subsequent works (1986, 1993 and 2002), is flanked in the later post Second World War period by other initial attempts to achieve theoretically more structured contextualisations of the question. For example, within a context that is more

² In this sense it would not be exclusively a provocation to conclude, as the entire contemporary economic sociology considers (e.g. Borghi and Magatti 2002, Mingione 1997, Swedberg and Smelser 1994) and as the same Sen clearly permits it to be understood, that the anthropology implicit in the models of the classic economy often express a conception of the motivational structure of the economic actors, as well as their “living in society”, much more complex and credible with respect to the elegant but reductive premises on rationality and the human behaviour of a large part of the neoclassic economy of the 19th and 20th centuries.

propositional than analytic, Bowen (1953) conceives CSR as an instrument for the self-regulation of the business world that can ensure social control over company actions without depending on uncertainties linked to both the individual ethics of economic subjects and the potentially authoritarian intervention of governments. McGuire (1963), with the idea that CSR presupposes certain responsibilities that extend beyond solely economic goals (efficiency, profitability and investments, distribution of remunerations and dividends) and legal obligations, started to explore the multidimensional nature of the concept, preparing the ground for one of the subjects on which the recent CSR models most insist. Sethi (1975) adds – so to speak – a sociological touch to this line of reflection, declaring that the said “extra-responsibilities” essentially involve the ability to ensure that organisational behaviour conforms with prevalent social standards, values and expectations. Ackerman and Bauer (1976) introduce a consideration on the complexity of the composition of reference contexts in regard to company actions, and on the related problematics of *environmental assessment*, which anticipates some distinctions and indications of current theories of stakeholders and business citizenship. Moreover, even in this exploratory phase there are no voices lacking to underline the ambivalences inherent in the practices and consequently in the public rhetoric about CSR. This is the case with Davis (1973), whose “iron law of responsibility” institutes, within a scenario of constant increase in social expectations (as has occurred in various recent decades), an inexorable nexus between the abuse of the undoubted power of action of companies and a reduction in their social legitimacy.

There is no intention in citing these considerations to belittle the shared idea (and shareable, in the light of the developments and context conditions referred to above) that CSR represents an emerging question at the present time. On the contrary, there is a growing current of thought pointing to the plausibility of an interpretation that considers the constitution of this field of investigation and discussion, in terms of its current overall configuration, as the result – still very much open and in transformation – of a longitudinal process characterised by the alternation and, more frequently, by the stratification of different discourse grammatics. A dynamic in which there is a convergence and a tendency to combine, sometimes in a contradictory manner, not only various interpretive frames and labels (from CSR in the strict sense to business ethics, from *corporate citizenship* to *corporate governance*) but also and more profoundly a multiplicity of interests and research goals (pragmatic, critical or more purely knowledge-based), of contributions and disciplinary sensitivity (rooted in the macro-economy, in company and managerial theory, in organisational research of a more socio-psychological character, in descriptive and normative philosophy, in theological-religious interpretations, as represented above all by the Social Doctrine of the Catholic Church, in the juridical sciences and in “high” debate, as well as in direct comparison with national or multinational *policy-makers*, on priorities and public policy directions for the present and near future)³.

³ Going beyond the few references already introduced, we can note various surface indicators that demonstrate the vitality but also the extreme fluidity, of the way in which the subject of RSI is assuming a leading role in the higher training and research circuits. An obvious clue consists in the startling increase, since the late 80s, of the editorial initiatives on an international level, a trend testified to first and foremost by the publication of various tens of monographs in this area. However, a similarly decisive role, in that sense, is certainly to be attributed to those specific channels of

In other words, the central theme underlying the treatment that will follow involves an attempt to conceive and represent the formation and progress of this entire space of analysis as an *evolutionary* process supplied by *heterogeneous* development paths, which are considerably more exposed than other “research routes” to challenges and demands (in terms of solutions and sense), to the uncertainties and urgencies derived from the concrete experience of business operators and other social actors. In line with the said approach, the following will examine and comment upon the fundamental lines of thought and research orientations in which, over recent decades, there has been a material translation of the CSR emersion process. Two *caveats* will apply, however, which at this point ought not to arouse any surprise. The first note of caution concerns the fact that our very discourse, in its effort to order and map out a sector which by its very nature is precarious and constantly undergoing (re)definition, cannot but prove to be inevitably somewhat incomplete and partial, all the more so if account is taken of the fact that it constitutes in turn the fruit and synthesis of an extended research itinerary initiated many months prior to publication. The second clarificatory point concerns the customary caution to be exercised in relation to reconstructions that are based on classification operations, however weak or conditioned. It almost goes without saying that the interpretation presented here, while offering a descriptive account, has a mainly analytic value, above all reflecting the author’s choices and categorisations.

In the next two paragraphs, our discussion will start with an examination of some areas of literature which, although they originated outside the flowering of interest and studies concerning CSR in the recent past, introduce categories and problems of a general significance as well as thorough interpretative models which – particularly in the case of business ethics – deserve to be included in an ideal repertory of instruments and approaches that must be considered relevant in analysing the question. The paper will then proceed, in its central section, with a consideration of a series of research themes (prospects for CSR, stakeholders theory, literature on *corporate citizenship* and

theoretic discussion and dissemination of research that are given by the specialist scientific journals. From this point of view it is worth while recording two significant trends:

- a) The further articulation and expansion of the segment of publications expressly dedicated within a general or more specific context to these subjects, with the launch of new titles (e.g. *Greener Management International*, *Business Ethics Quarterly*, *Journal of Corporate Citizenship*) able in short to line up in terms of visibility alongside journals already consolidated by years or even decades (such as *Business and Society*, *Journal of Business Ethics*, *Environmental Ethics*);
- b) The gradual and growing penetration of the questions relative to responsibility and the ethics of business behaviour in the ordinary editorial programming (and not only through *special issues* and specific theme *symposia*) of the other management and organisation journals, from those more divulgative (such as *Fortune*, *Business Week*, *Business Horizons* and even the *Harvard Business Review*), to those with a greater academic slant (as with *Academy of Management Journal*, *Strategic Management Journal*, *Journal of Business Research*, *California Management Review*, as well as the titles of absolute intellectual prestige such as *Organization*, *Organization Studies* and *Academy of Management Review*), to those relative to more sectorial subjects but plainly informed by the RSI question (e.g. *Accounting*, *Organization and Society*, *Accounting, Auditing and Accountability Journal*).

In terms of specifically academic activity, another unequivocal indicator of the growing importance – of fashion – of CSR is given by the proliferation, initially within the Anglo-Saxon context and then, spreading randomly, in other countries, with autonomous study centres and separate curricular modules (teaching, entire *under-* and *post-graduate* courses) explicitly and variously aimed at exploring themes such as business ethics, *corporate governance* or *corporate citizenship*.

governance, the pragmatic *social reporting* models) which have arisen or more directly developed in line with today's overall debate on CSR. Finally, in the concluding paragraph there will be an attempt to identify the critical and emerging issues – of a managerial nature or more widely socio-cultural in their implications – which could (or should) occupy the centre of the debate in the immediate future.

Reading between the lines of contemporary organisational studies: the contribution of neoinstitutionalism and *critical management studies*

Focusing attention on the bases and social effects, if not precisely on the imperatives, of action on the part of so-called formal organisations, is an inherent part of the approaches which, from the mid 20th century, have characterised the constitution and evolution of organisational studies as an autonomous and multidisciplinary field of research. This is not surprising, starting from a twofold observation that, when all is said and done, at least today, appears immediately relevant, including from a “profane” perspective: organisations operate within the widest socio-institutional contexts (sectors of activity, cultures and national regulations, politico-economic guidelines and public opinion pressures etc.). Organisational action is in addition a phenomenon that plainly conditions the modalities and quality of social life, producing significant effects on both the collective plane and as regards individual existence (in relation to those who are *inside* and *outside* the organisations). Without returning to previous cases, including some illustrious ones⁴, within the context of this paper it is worth focusing our attention for a moment on two global and nowadays clearly identifiable currents of thought and research: the institutionalist approach and the so-called critical perspective which, amidst the welter of contemporary organisational theory of a more sociological persuasion, offer different and significant approaches, although rarely structured in a systematic and *ad hoc* approach as to the presence or need for an ethical dimension and responsibility in organisational practices.

The economy-society relationship from an institutionalist point of view: variety and ethics in various types of capitalism

Although it has been rightly noted that there are as many institutionalisms “as there are social science disciplines” (DiMaggio and Powell 1991: 1), the institutionalism in relation to which this paper intends to highlight implications and potentialities is that of a sociological and organisational type (e.g. Fligstein 1990 and 2001, Powell and DiMaggio 1991, Scott 1995), which emphasises the importance of the socio-cultural

⁴ In the sector of organisational theory closer to social-political sciences, the entire analysis of Max Weber can be considered, as can those of his disciples, on the interdependence between the diffusion of forms of bureaucratic organisation and the process of rationalisation of modern society; the theory of Burnham (1942) on the transition from entrepreneurial to managerial capitalism, with the gradual concentration in the hands of a “management elite” of new and considerable powers of control over shareholders, employees and consumers; the rather alarming evaluation of Presthus (1962) in regard to the “organisational society”, a definition taken up more recently also by Perrow (1991) to indicate the pervasiveness – which goes well beyond the working and professional sphere – of the presence and role of organisations in our daily life.

dimension in the dynamics of construction, reproduction and transformation of models of organisation and economic action⁵.

In particular, the aspect of the institutionalist approach that interests us most here is the attempt, and ultimately the ability, to highlight how economic phenomena and relations are embedded (*embedded*; Borghi 2002, Granovetter 1985) in social institutions. On the basis of the said perspective, the organisations and the “fields” in relation to which they compete and cooperate, interacting reciprocally and with other actors (such as public bodies), are governed by specific rules and logics of action which produce social order and which vary over time and through different societies. In other words, at the same time as they are committed in “formal” functions and in production/trade relationships, the organisations through which economic activity is rendered tangible are also included within a relational and symbolic framework (Meyer and Scott 1983), created to a significant extent by their initiatives, but which at the same time models and delimits their possibilities and strategies of action through the intervention and activation of rules of various kinds – coercive, cognitive, normative (Scott 1994) – which influence collective action in specific locations and periods.

This concept involves, for the purposes of our discourse, three vital implications: a) above all, it reveals that the organisations in the economy (and for that matter, those in other sectors too) exist within systems of relationships and meaning that are not strictly related to technical and efficiency imperatives b) secondly, it implies the role of knowledge, prescriptions and orientations of an ethical nature within the context of these frameworks are of more or less shared meaning i.e. “morality and ethical judgements are not an outside imposition on an essentially technical process of management [but, on the contrary] the stuff from which organizations are actually built” (Morgan 1998: 232); c) *and last but not least*, encouraging the recognition of the historic and comparative variability of institutional elements in the economy (from market mechanisms to forms of managerial control), involves an intrinsic predisposition

⁵ The primary difference highlighted by DiMaggio and Powell in their dense critical revisitation, but also by other commentators, is that between economic and sociological institutionalism. In the first case, the undoubted novelty of the thesis according to which the array of options and behaviours available to the economic operators is bound and directed by the institutional orders and set-ups in force in specific historical-social contexts seems to relativise but not undermine the basic instrumental logic of the traditional visions of the *rational choice theory* with their image of an optimiser subject oriented towards the maximisation of its interest. In point of fact, within the context of the “new institutional economy” (e.g. North 1990, Williamson 1985), the institutions operating in the economy (technical-organisational apparatuses, codified rules of governance of the transactions, networks, agreements and negotiations non formalised) certainly make more complex, variable and contingent the mechanisms of costs-benefits calculation, but remain essentially voluntary creations under the control of the economic actors, which produce, preserve or transform them on the basis of their efficiency (e.g. in the management of transaction costs). Quite differently, the institutionalism of a sociological matrix – in the classic and from many points of view pioneer version by authors like Selznick (1957) who in the more recent formulations cited above and usually codified under the label of “neoinstitutionalism” – considers the development and even more the persistence of the institutional assets of the action organised in the same economic world not so much in reference to aware decisions and efficient strategies, as to in relation to the way in which rules and above all knowledge of common sense, routine and value standards learned and progressively taken for granted in the course of experience orient concrete conduct in, of and between the organisations (e.g. within the context of peculiar national contexts or civilisation, industrial sectors, inter-organisational institutional fields).

to relativise real and current institutional structures, and therefore in turn encourages criticism of those universalistic visions that tend to identify, and often prescribe, specific institutional forms as natural mechanisms and structures or naturally dominating the functioning of the economy.

It is no coincidence that the second point has come to be seen as an exploratory path that is potential rather than capable of being effectively pursued in institutionalist analysis. Curiously, among the same neoinstitutionalist experts, the focus of attention on the way in which organisations model themselves and are regulated in relation to particular socio-cultural contexts has not in general been converted into an explicit interest in the specifically ethical component in the social construction of reference codes in economic and organisational activity. The institutionalist analysis clearly focuses on systems of shared rules and meanings that structure the architecture of the markets, but overall it does not seem to attribute autonomous relevance to the question of the intrinsically ethical character of the normative, decisional and behavioural models that are defined as acceptable or appropriate within the context of distinctive institutional reference environments.

A noteworthy exception to the said tendency, which among other things – aided by the growing visibility of the CSR question – could be a prelude to a progressive inclusion within this line of research of the subject, “ethics & institutional construction of organisations”, is constituted by a recent intervention in which Morgan (1998) surveys and summarises the considerable value and ethical content of a series of processes on the organisations/society interface typically examined by neoinstitutionalist analysis. On the basis of a previous classification by Fligstein (1996), Morgan concentrated his attention on four central factors in institutionalising the rules which superintend the modern market economy. With respect to each of them he then identifies the *key-issues* i.e. those elements that lend themselves discussion and comparison, which in his opinion can be proposed as “a fundamental first step in debates about business ethics in the current period” (p. 232).

Property rights. Property rights do not constitute natural and immutable rules of associated life, but social relations that define as legitimate specific claims of the subjects involved as regards the resources and results of business activity. From a comparative point of view, property rights and related benefits appear much more variable than is assumed by the individual and alienable capitalist property model, a variability that primarily concerns the distinction between private and collective property. In this sense – Morgan notes – one could say that, as opposed to appearances and commonly held concepts, the predominance of the “ideology” of private property is the rule of some exceptions such as the United States and the United Kingdom. However, if one looks further afield to institutional mechanisms and structures in other areas (Africa, Asia, Latin America and the continent of Europe itself) the principle – within an historic perspective, the rule – of collective property remains equally as valid in the State (at a central or local level), voluntary based groups (e.g. in the variegated non profit-making world) and in families. This tension between social models of *ownership* is currently evidenced by the persistence of participatory ownership of educational, financial or welfare institutions in many European societies (albeit in a more attenuated manner in Anglo-Saxon areas), by the intensity of the debate which, as

always in Europe, is accompanying the process, or even just the rhetoric of privatisation of so-called *public utilities*, and finally, by the fact that private forms of property become (apparently) dominating in particular conditions and circumstances in which the social forces that lie at the base or in defence of collective property are weakened. This is the case, with an entire series of ambiguities and collateral effects that are not always either foreseen or desired, in developing countries to the extent to which their ability to finance infrastructures and implement investments depends on the introduction of foreign capital or the intervention of institutions like the World Bank and the International Monetary Fund, as with the new hybrid forms of organisation of the market, arising in different countries in the ex-soviet central-eastern Europe block (Whitley et al. 1996). An institutionalist focus on conditions and mechanisms of this kind can provide an important contribution to the analysis of the nexus between organisational action and ethical choice, both because descriptively speaking it documents the fact that in all contemporary societies there continue to coexist private and collective forms of property and because, revealing how in concrete situations the border between them represents not so much a datum as a terrain that is socially negotiated and disputed, implicitly opening up a line of critical discussion which, although it is usually extraneous to the current institutionalist literature, “encourages the search for alternative forms of property rights, their original purposes, and their social supporters” (Morgan 1998: 227).

The governing structures of the market and business. Within Fligstein’s terms of reference (1996), the said structures refer to the general rules, as well as to the shared perceptions, which in a given social context define “correct” market function principles, competitive relationships and cooperation within the said market as well as the criteria of company organisation. In this sense, it is not difficult to identify – as the neoinstitutionalist research promptly does – the concrete forms of regulation which, in contemporary societies, impose limits on how market organisations can operate internally and externally: rules that discipline and govern the composition of administrative bodies and their powers, the requirements of capital and financial management, the responsibilities of managers, publication of documents and the various *auditing* mechanisms, down to the modalities by which the goods/services can be produced, sold and publicized to consumers. In this case too Morgan points to a critical element that is open to debate, deriving from the various possible conceptions of the role of cooperation between companies and between companies and other institutional actors. From this point of view, a significant factor in institutional influence is constituted by the historical-social variety of capitalisms already explored in some classic studies (Albert 1991, Dore 1987), and in particular by the profound differences between Anglo-American “stock exchange” capitalism, governed by a decidedly financial vision and short period of economic and company performance, and cooperative capitalism in line with the Rhein and Japanese model, in turn based on a conception of objectives viewed over a longer time span and placing emphasis on the role of networks between the actors within the economy (banks, companies, sector associations) and other social forces, and able to create conditions encouraging innovation and success that are difficult to achieve in more competitive environments. Adopting the categories of institutionalist analysis, Morgan introduces into this scenario two elements that combine in further elevating the complexity and at the same time the ethical implications. On the one hand, there is an invitation to acknowledge how in

reality mechanisms of collective cooperation can be distinguished in all forms of advanced capitalism, for example in the United States context where entire industrial sectors (such as defence and agriculture) are linked to state support; and on the other, despite anti-trust legislation which has been in force for more than a century, there is still an endemic tendency in the system to exploit monopolistic and cartel practices i.e. cooperative tactics that are to the detriment of those who are excluded from such circuits of power. In second place, once it has been emphasised that it is the nature of cooperation itself and the evaluation of which groups can be advantaged in specific circumstances which constitute in themselves a focus of privileged attention (and obviously the discourse could be extended to structures concerning the governance of market and company behaviour that is in appearance less “participatory”), it would seem that an analysis of this type does not merely imply a debate on technical models of economic development. Much more significantly, “cooperation as a form of governance raises questions about the ethical basis of this form of social action; it is not simply an economic response to particular problems but also a social and value-based approach to organizations and economic life” (Morgan 1998: 228-29).

The concepts of control. Fligstein (1996) defines the concepts of control of the market and business as the structures of perception and thought, used by economic subjects and especially by managers, on the “correct” functioning of the market, on the most adequate choices in given situations (e.g. in the face of competitive difficulties) for companies, on their reciprocal relations and with other actors in the socio-economic context. In essence, the visions on control offer maps that the actors participating in the dynamics of the market adopt to analyse the daily problems of their organisation or their sector of activity, in order to find solutions and finally to justify (evaluating them as appropriate and “efficient”) the chosen courses of action⁶. Morgan extends this explicatory framework, from the moment that in his opinion the concepts of control have a radius of influence such as to involve the way in which various groups of actors are structured within and between the organisations, impacting on their expectations, identities and strategies with respect to their role within the wider society. A characteristic mechanism in this sense is the tendency in social groups that contribute to the action of the company (management, but also other categories) to develop specific visions of their duties and prerogatives within the context of the inter-organisational reference settings, which reflect and at the same time provide wider concepts of citizenship and responsibility linked to their status and their sense of “social honour” (Whitley and Kristensen 1996) within the socio-political arena. This appears to occur, for example, in the frequent circumstances in which specific categories of *skilled workers* adopt a twofold and ambivalent strategy, the first aimed at maintaining or reinforcing their differentials/advantages of position through the concentration of their industrial power in exclusive initiatives or associations and the other in constructing and often guiding wider alliances in the field of safeguarding workers’ rights and trade union activity. With reference to a precise and widely studied case, the creation of extended coalitions, founded at least in part on the convergence of specific ideas on the social responsibility of entire groups of workers and able to achieve results beyond the

⁶ In a famous previous work, Fligstein (1990) discerns precisely in the transformation of visions relative to business control one of the factors at the base of the evolution of American big business throughout the entire century.

reach of individual categories, seems to characterise the recent history of Scandinavian countries, where the institutionalism of extremely inclusive and egalitarian welfare systems would not have been achieved without the action of networks of transversal interests in the agricultural sector, workers and middle class salaried workers (Esping-Andersen 1990). The fundamental implication emphasised by Morgan at this level is that through the historical concepts of business control there are generated, in market processes, spaces in which specific bodies of rights and duties, not necessarily reinforced by legal channels, are socially produced and reproduced, imposing themselves on the (supposed) autonomous criteria of economic action. The institutionalist approach suggests that this mechanism is not a pathological or distorted manifestation of market dynamics, but an endemic feature of capitalist societies, in which groups constantly operate – e.g. coalitions within workers movements, for equal opportunities with respect to differences of gender or other kinds of differences, of the same consumers – who aspire to a generalised socio-political recognition of their desire for identity and status. Where there emerge (i.e. on the basis of institutionalist theory, in any concrete expression of the market economy), these tensions open up a further route for an ethically imbued consideration providing – among other things – researches with the opportunity “to engage with debates by identifying the nature of the ethical issues involved and the implications of taking certain positions” (Morgan 1998: 230).

The rules of trade. In an economic system this ample set of rules generally defines what can be traded (sold and purchased), by whom, and the conditions under which such transactions can be carried out. The institutionalist analysis reveals, also from this point of view, a considerable diversity between the various social contexts: certainly in all contemporary societies limits are imposed on what is allowed to be traded on the market, as regards movables and transactions⁷. But they differ, to cite an oft repeated question which is widely debated today, in conceiving specific essential social services (health, social security, support for unemployment etc.) as rights of citizenship on the basis of a collective *entitlement* or as goods/services to be purchased individually on the private or semi-private market. At the same time, it is possible to note a considerable diversity, for example between the European and North-American context, and more generally between the industrialised West and other parts of the world, in the shared and collectively legitimated concepts as to what can be purchased and ceded (as regards specific technical performances; a more pervasive discretionality, possibly reinforced by coercive methods of control, in relation to conduct at the place of work and beyond) between employees and employers through employment relations (Van Gerwen 1994). This variability, once again, does not have a merely technical-productive value, but calls into question certain moral options and principles, in this case relative to reciprocal responsibilities and obligations between the parties to the exchange.

In short, Morgan’s interpretation has a meaning and a significance that seem to go beyond his albeit important aim of critically reconstructing the implications, especially

⁷ Thus, today one of the fronts on which storm clouds gather between the social and organisational actors on what should be considered acceptable as a subject of market exchange has to do with the prospects continually opened by progress in medical science. One need only think, in addition, naturally, to all the contested procreative material, at the difficult debate underway on the redefinition of the barrier – until a few years ago entirely firm and unbreachable – between donation and commerce “under the right conditions” (informed consensus of the parties, etc.) in relation to human organs.

those which remain unexpressed, of institutionalist research in terms of an ability to bring to the surface the intrinsically ethical characters involved in organisational and managerial action as socially situated action. More globally speaking, his analysis recovers and radically updates Durkheim's - a classic sociology author and one whom the neoinstitutionalists certainly draw on for their inspiration though for the most part in relation to the general idea of institutions as symbolic-cultural models that are taken for granted in social life - (1999) original and gradually trivialised perception, according to which the functioning of the markets inevitably requires a moral and normative infrastructure which defines the procedural (modality, government organs) and substantial (subjects and objects of transactions) rules of exchange.

In addition, this prospect comprises, as has been said, vital interconnections with macro-sociology theories on the variety of capitalisms, and in particular on the differences - in the culture of business and in civil culture, with their respective ethical components - between: the *market-driven* model of the North-American type, to which can be assimilated the British experience over the last twenty years (it is therefore not out of place to speak in more general terms of an Anglo-Saxon model), with its emphasis on free competition and financial performance of the economic activity, and the perception of the citizen as primarily in his dimension - if not as an entrepreneur - as a consumer, investor, rather than as a worker in a dialectical relation with the logics of business. The social market economy model in continental Europe, particularly influenced by German (the so-called "Rhein Capitalism") and Scandinavian experience and based on an attempt to combine the goal of efficiency and competitiveness with that of social cohesion by means of forms of consensus building and co-determination (between representatives of company ownership, management and workers) of company strategies and the stable connection between economic policies and public policies (training, welfare, etc.). The *patronage capitalism* model, characteristic of Japan and, albeit with significant variations, of other areas in the Far East (Bonazzi 1996, Orrù et al. 1991), in which the basic values of market architecture are harmony of social relations inside and outside the production organisations, consensual exchange of loyalty with the company and the entire (production)-country system and voluntary commitment - poorly sustained or encouraged by intermediary institutions such as trade unions - towards the security and well-being of human resources on the part of companies, senior management leadership, where responsibility is not so much understood, in a western sense, as democratic *accountability* with respect to certain stakeholders (be they workers or shareholders) but as institutionalised willingness to "take care" of those who depend on managerial authority and decisions. In his latest work, Dore (2000) affirms that in the globalised economy, encouraged by the intensification of globalisation processes, note should be taken of a progressive and apparent alignment, in the rhetoric of the market as opposed to production and organisational practices, with the North-Atlantic capitalist model, if it is true that increasingly in Europe, as in the Far East, there is support for *deregulation*, with a less intrusive role for the State, the free sovereignty of the consumer and the "ethics" of competition. This point, to be explored in future research but certainly appropriate in reminding us of the constant risk of the reification of distinctions which remain the product of an evolution and of consequent historically located theories, does not however seem to in anyway undermine a recognition that, in any reference context, economic organisations and their management cannot be conceived in amoral

and exclusively technical terms. In other words, it does not compromise the meaning which is fundamental for us here in the approach to the institutional variety of capitalisms⁸, alerting us to the need to explore the way in which the constant process of socio-economic change may be translated into original configurations of capitalism and, with respect to the last two decades, more hybrid and ambiguous forms.

Finally, and of considerable interest, since it explicitly indicates the possibility of ethical proposals and positions assumed starting directly from the categories of institutionalist investigations, is the way in which Morgan characterises the development of distinctive “local moralities” in relation to the conditions and effects introduced by growing globalisation. In his opinion, indeed, if sensitive attention is focused on the socially *embedded* nature of the real functioning rules of the markets and therefore their degree of contingent variability, one is naturally led to ask oneself how, in specific contexts, social institutions (within the economy and between the economy and other spheres of collective life: culture, primary relations, etc.) are modelled by the coming together, clash and combination of local communities and universalising forces. More specifically, there is a concentration on the impact of extra-local strategies of *governance*, tendentially homogenizing the development of local codes of morality of action and the management of business. In this sense – and this is the committed conclusion of the author – institutionalist research not only involves an analysis of the ethical values and choices of the actors studied but, in current scenarios, “by emphasizing the importance of local moral agreements and values in the construction of social institutions and organizations [...] may also arguably be said to embody a particular moral stance based on the primacy of the local community and the obligations and responsibilities founded there” (Morgan 1998: 235).

This sort of appeal to “a certain type of moral commitment based on local empowerment” (ibidem) can open up innovative directions of development for the institutionalist approach to organisations, above all reducing the traditional orientation towards relativistic detachment with respect to the cultural realities observed, and also – it hardly needs to be added – provoking discussions and polemical reactions. We limit ourselves here to emphasising the continuity and overlapping with a more extensive and consolidated current of thought, pursued at least since the 1980s by academic experts operating in the interfacing borders between the economy, social theory and philosophy, conventionally known as the “business & community” perspective. At the centre of this “community-oriented perspective on community-oriented management” (Bouckaert 1994: 155-67) there is once again a conviction that business management cannot be reduced, in practice and primarily in its conceptualisation, to a mere set of technical operations based on a presumed neutral “engineering way of thinking” (1994: 167) but essentially represents a cultural and moral activity expressed with the help and instruments of technical knowledge. From this point of view, although the evolution of economic theory and practice over the last century under the aegis of philosophy and rationalist science has led to a neglect of the meaning of culture and local community, due consideration and possibly the re-evaluation of these components of market action conserves – and eventually must reacquire – a crucial role for business and economic reflection.

⁸ And as a result of research, more circumscribed but also more directly accessible to the organisational experts, on the socio-cultural variability of managerial practices and styles (e.g. Hofstede 1980 and 1991).

Starting from similar premises⁹, this line of thought focused on the conditions of a local development economy, especially of the kind found in the central-western European area (France, Belgium and the Low Countries, Germany), and tending to branch out into two further sub-themes for discussion. The first consists in a critical approach, contiguous with more radical analyses (Latouche 1998 and 2002) on the failures and risks (e.g. social exclusion or uniformity on a planetary scale of the styles and priorities of western life) of globalised neocapitalism which, in a lucidly problematic manner, places the emphasis on the contradictory and socially disruptive (as well as being economically inefficient for the communities involved) effects of the processes of internationalisation of the economy at a time when these forces, typically within the contexts of so-called third or fourth worlds, cause the indiscriminate dissolution of traditional modalities of associated life, production and distribution, instead of selectively using the ideas and instruments of the dominant market model in order to promote local development that is, as far as possible, self-propulsive (e.g. through attention, on the part of multinationals and international planning agencies, focused on the delicate equilibrium and trade-offs between formal and informal channels within the economy). The second principle avenue of the “business & community” perspective goes beyond an interest in and concern for the repercussions of the growing diffusion and standardisation of certain market mechanisms on the socio-cultural fabric of developing countries and offers numerous points of contact with the communitarist orientation which, within the same Anglo-Saxon *social theory* debate (Etzioni 1988 and 1995), identifies as a priority of our times the need to reconstruct “damaged local solidarities” (Giddens 1994: 12) with more liberal and homologating forms of economic governance, seeking the preservation or, where necessary, the reconstruction of traditional communities of participated aims and values (e.g. those that are generated in workplaces). In this sense the research agenda pursued and the model proposed for economic and company *policy* are derived from an identification of the interdependence between morality in business conduct and the community of local interests as a centre of *governance* over economic organisations, adhering de facto to the programmatic lines suggested by one of the most authoritative promoters of neo-communitarist concepts in the analysis of market processes, Philip Selznick, an author who is highly regarded by exponents of the “business & community” approach and (not by accident) the recognised doyen of the first wave of organisation and sociological institutionalism in the 1950s:

In taking community as a model, we must make a distinction between management and governance. “Management” suggests rational, efficiency-minded, goal-driven organization. This is the realm of administrative rather than political decision. Ends are characteristically taken as given, and every act is justified by the contribution it makes

⁹ Evaluating also other contributions of this literature (e.g. Koslowski 1994), it is not difficult to recognise a basic position inspired by the already cited lesson of classic authors like Adam Smith and therefore moved by the attempt to recover and if possible rehabilitate the entire moral and social philosophy underling the economic “laws” and choices. Other influences at the base of reflection in this context are the indications and proposals of the more critical liberal intellectuals, as with the experts and sustainers of the German market social economy (e.g. Röpke 1965 and 2001), contrary to the easy equation between “economic efficiency” and “just society” and vice versa supporters of the necessary institutional-political-moral framework of any market system called upon to produce collective well-being.

to those ends. All else is distraction... To govern is to accept responsibility for the *whole life* of the institution. This is a burden quite different from the rational co-ordination of specialized activities. Governance takes account of all the interests that affect the viability, competence, and moral character of an enterprise. The strategies of governance are basically political... A vital aspect of governance is that it has *the care* of a community or quasi-community. People subject to managerial direction may be thought of as interchangeable, deployable, expendable units, to be used or discarded as efficiency may require. In governance, on the contrary, leaders (or systems) have a basic commitment to the participants as persons and to groups as vehicles of legitimate interests. (Selznick 1992: 290)

Critical management studies between constructive denunciation and anti-management disengagement

Where, in organisational neoinstitutionalism, questions of ethics and business responsibility can be perceived through the meshes of an historical-comparative and generally macro-level approach, focusing due attention on the dynamics of industrial sectors, entire organisational populations or even wider-ranging socio-economic contexts, in another tradition that can now be easily identified within the context of contemporary organisation theory - the critical-radical perspective or *critical management studies* - this sensitivity is exercised within an analysis context that is still specifically sociological in character but focused, using as a rule the empirical instruments of ethnographic research, on details of managerial micro-processes in individual and specific organisation and work settings.

Taken together, the *critical management studies* (e.g. Alvesson and Deetz 1999; Alvesson and Willmott 1992a, 1992b and 1996; Grey 1996; Jermier et al. 1994; Knights and Willmott 1989) pursue what Stablein and Nord (1985), applying to the field of organisational studies a previous typology formulated by Jürgen Habermas to classify the basic objectives of social theory, define as “emancipatory” knowledge interest i.e. an orientation aimed, on the one hand, at exposing and denouncing various forms of deprivation (physical, psychical and social) and dominion which, within the contexts of organised life, limit the possibilities of choice and development of subjects and, on the other hand, encourage the removal of the said power structures and relations (including those gradually “inscribed” in the subjectivity of the persons involved) proposing existential models and alternative relations. Although at the start (Clegg and Dunkerley, 1977 and 1980) this approach was heavily influenced by the neo-Marxian critique of authors such as Braverman (1974) and Burawoy (1979) as regards economic-production contradictions and the effects on the organisation of work of mature capitalism in the ‘50s-‘70s, the modern critical-radical perspective is characterised - even more so than institutionalism - by its theoretical pluralism, inspired by a range of intellectual and research positions which, in addition to neo-Marxism (Frankfurt School, Gramscian theory of “Hegemony” etc.), includes post-structuralism and deconstructionism, psychoanalysis, *cultural studies*, ambientalism and feminist theory. A decidedly variegated intellectual panorama, therefore, which can in part undoubtedly be explained by the heterogeneity of the stimuli which, starting from the mid 80s, and in particular in the Anglo-Saxon world (although more

systematically in the United Kingdom than in North-America), have contributed to its definitive appearance. Very schematically, and also drawing inspiration from some recent and detailed *re-assessments* on the formation and current prospects of this global line of studies (Calás and Smircich 2002, Fournier and Grey 2000), we can retrace the following factors among those conditions which, coming together, have encouraged the possibility of a critical look at current managerial and organisational practices:

- once again, the managerialist and efficiency oriented shift which, especially in Great Britain (with a fundamental line of continuity between governments of the “New Right” and the *New Labour* Administration), through the weakening of restrictions (e.g. trade union legislation) through to the “right of managers to manage” and the massive privatisation of the public sector (local government, infrastructures, education, social protection), launched a process of social construction of the “iconic status of management”, i.e. “a status legitimised on ontological grounds (managers as the bearers of the real world), epistemological grounds (management as the embodiment of expert knowledge), and moral grounds (managerialization being equated with greater justice, public accountability, democracy and quality in public services)” (Fournier and Grey 2000: 11), thereby encouraging – apart from any ideological preferences – a growing and privileged attention on the prerogatives and effects of managerial action, among a variety of experts, on organisational and work phenomena;
- the “crisis within management” (Locke 1996), paradoxically a process parallel to the previous one, by means of which management in the West, at the very moment it was visibly promoted as the *solution* for a heterogenous series of old and new problems, began to appear, presenting itself as a *problem* (e.g. in the face of the extraordinary competitiveness of production and organisation systems in the Far East), further accelerating the spiralling – which was also management-centric – recourse to ever newer management techniques and models (from *business process re-engineering*, to *downsizing*, to *knowledge management*, to the changing fashions of *human resource management*) to some extent accredited by the label of scientific knowledge;
- on the academic front, the decline of traditional positivist and functionalist concepts in social sciences, with their assumptions of certainty and predictability entirely consistent with the goal of a *true science of management*, in favour of epistemological (the effective significance of scientific knowledge) and ontological (the nature of the realities studied) approaches, founded on principles of complexity, uncertainty and instability, an intellectual trend which – although it does not automatically involve any movement towards critical positions – implies a recognition of the socially constructed character of existing socio-organisational structures as well as the possibility of their evolutionary development in alternative directions;
- in a more subtle manner, the debate aroused, not only in the academic field, by cyclical and controversial evaluations of the ruling ethos, followed daily in today’s contexts of managerial decision and action (Jackall 1988, Sims 1992), which, very much in line with what might be described as the cynical approach of first theories of the “organisation man” (Dalton 1959, Whyte 1960), reveal implicit moral standards of role behaviour in organisations that are significantly distant from the moral standards (and those of social or intersubjective responsibility)

conventionally expressed outside the same or expected by the public of citizens¹⁰.

What is it that makes critical studies a distinctive current of analysis, although internally composite? From a certain point of view this question is banal: at a very basic level, having a critical perspective means considering the possibility that “there is something wrong” in management, both as it is practiced and as a system of knowledge, and that it must in some way be modified. Just as evidently, however, this constitutes a correct but insufficient reply, from the moment that innumerable theories produced in organisational analysis fundamentally conform to the said definition, without for this reason adhering to the type of “critical” work carried out in this sector. To render our evaluation of *critical management studies* more incisive, we can add that there seem to be in essence two basic characteristics that currently, albeit varied in character, define the specific identity of critical management studies: 1) “non-performance”, in the sense that such critical approaches, although setting themselves pragmatic objectives (e.g. the removal of mechanisms of cultural and normative control in organisations), do not focus – unlike the majority of current theories – on finalising or even subordinating the research of knowledge to the imperative of efficiency, but if anything seek to bring to light what is done according to logic and in the name of ends-means considerations; 2) “denaturalisation”, in that the critical perspective appears to be constantly committed to deconstructing the realities of organisational life and the “truths” of orthodox organisational knowledge, to the extent that the processes through which they are respectively constructed remain hidden behind a veneer, or a mask, of apparent naturalness and scientific rigour¹¹.

¹⁰ Particularly noteworthy, in this regard, is the “Jackall case”. Robert Jackall (1988), basing himself upon the results of qualitative research carried out in the intricate world of large American *corporations*, outlines an extremely provocative portrait and – if compared with various certainties of common sense on the role of managers – even embarrassing in the way in which belonging to a company moulds the experience of a manager, his social references, his conception of self, his vision of the world and above all the moral rules and principles that guide his daily activity. To put it very succinctly, in Jackall’s interpretation, the “moral labyrinths” in which the organisational actors in positions of responsibility tend, willingly or not, to remain involved derive from a socially approved and routinised praxis which de facto, in the *backstage* of democratic (the company as a “large family”, management as a “team game”) and meritocratic rhetoric (career and professional success as the natural outcome of “hard work” and professional skills), seems to reward the pragmatic abilities to repress spontaneity and discipline oneself in view of personal advantages, to flatter authority following the golden rules of flexibility, self-interest and safeguarding crossed loyalties, to elude responsibility through the mechanism of the scapegoat and impersonal reference to procedures, to instrumentally manipulate symbols, interpersonal relations and public appearances. In essence – this is the Jackall’s drastic conclusion – the reference ethos which is *structurally* imposed as a model and restriction for the conduct of whoever wishes to enjoy success within company settings, and especially in the large complex companies, tends to transform “ethics into etiquette, values into tastes, personal responsibility into an adroitness at public relations and notions of truth into credibility” (1988: 204), confirming the crude and fatalistic argument of one of the top managers interviewed by the author: “What is right in the corporation is not what is right in a man’s home or his church. What is right in the corporation is what the guy above you wants from you. That’s what morality is in the corporation” (1988: 6).

¹¹ This predisposition to systematic doubt in relation to the “TINA tendency” (*There Is No Alternative*; Clegg 1995: 26) of a large part of the *mainstream* of organisational theory has two significant implications to further qualify the critical studies: that they are located, more amply, in a clinical vein which from various research traditions (e.g. the symbolic-cultural approach, the more recent and

Going beyond any differences or disputes that are less pertinent¹² here, the overall critical approach seeks to demonstrate how organisational life is interwoven with power relations, receiving contributions first and foremost from the choices and objectives of managerial action, which generate ambiguous and problematic effects – *tout court*, negative and therefore “subject to criticism” – in the daily working experience of participants and not unusually in their entire existential sphere, even succeeding in conditioning – to take up Sennett’s (1999) peremptory terms – the development of individual character. All this clearly has considerable implications as regards the ethical analysis of the bases, modalities and results of company activity, although concepts like those of “ethics” and “responsibility” are not in themselves categories that are articulated in the vocabulary of *critical management studies*. In this regard it is not so important, also taking into account the limits of our paper, to enter into the merits of specific interpretations offered in this segment, a comparison which, among other things, in those rare situations in which it involves exponents of less sceptical visions, arouses as a rule, and understandably, heated and perhaps irresolvable polarisations (a quite typical example is that between the kind of critical vision that focuses on a series of organisational practices – *human resource management*, management of quality, customer orientation – and that which tends to see, apart from inevitable degenerations, various opportunities for the personal and professional development of the members of the organisation). On the other hand, it can also be appropriate to question the prospects for development of this approach and above all the possibilities of entering more fully into a dialogue – albeit in a dialectical manner – with the more “conventional” approaches to managerial action, thereby increasing incisiveness with respect to consolidated organisational knowledge and practices.

Within this context, a crucial distinction seems to be that between unitarian and non-committed approaches and those approaches which may be considered to be more realistic and committed.

The first kind of position is expressly “anti-management” and tends to reject any hypothesis of communication and exchange with concrete managerial practice or, on a conceptual level, with organisational theory *mainstream*. The argumentative sequence implicit in this option is very linear: management constitutes an irremediably “corrupt” practice from the moment that its activities specifically seek to achieve the imperatives of performance and instrumental rationality (“efficiency costs what it costs”) which the

“cynical” developments of the theory of limited rationality) supports and promotes the basic idea that in organisations as elsewhere “things are rarely as they appear or as one thinks”; that they constitute an intrinsically dynamic area in contents and in the directions of analysis, subject to continual revisions in relation to the changes that occur in organisational theorising and practices.

¹² As with the long and unresolved polemic between the sustainers of the neo-Marxian “structuralist” view and those in the post-modernist and post-structuralist current of thought, with the first criticising the second for their dangerous epistemological and ontological relativism (to such an extent, in their view, as to compromise the political capacity of practical proposals/actions) and the second who respond disputing the blatantly materialist interpretation of mechanisms of dominion with the exclusion of work settings, accused of reductionism in their presumed inability to understand – in accordance with the views of authors like Michel Foucault – like the “discourses” with which are formed and perpetuated the dynamics of exploitation and organisational control are founded on the combination of more intangible material practices and processes of a cultural and linguistic nature (e.g. managerial rhetoric).

critical theory perspective intends to challenge. The aim of the latter therefore cannot be to reform it with regard to improved socio-human structures but to undermine it and possibly (however ambitious the same might appear) “dethrone it” through its critique. As a result, the only approach that can be coherently pursued by the critical researcher comprises provocation, the dissemination of disenchantment, a willingness and courage “to piss in public” (Burrell 1993: 81), whilst avoiding any conversation with managers and orthodoxy. This isolationism represents a choice which, in its more radical contributions, is also dictated by a conviction that “dialogue is the weapon of the powerful” (Burrell 1996: 650) i.e. a fear that any commitment to direct opposition and comparison with such interlocutors may defuse the potential within the critical approach or indeed transform it into just one more of the innumerable resources within the repertory of control techniques available to managers who might thus be able to exploit their knowledge of power relation mechanisms and at the same time increase the scientific legitimacy of their rhetoric by reference to a new and sophisticated theoretical apparatus.

On the other hand, the second orientation which can be observed in the critical school – for the authors, the only one that can provide incisive indications and proposals in the current reformulation process, both theoretical and practical, as regards the ethical agenda of the managerial role – places a certain emphasis on a commitment to dialogue with the *practitioners* and with the more traditional research. The said prospective offers a more realistic conception of the organisational processes i.e. one which demonstrates greater respect for their effective complexity. To start with it seems to reject the assumption of an ineluctable polarisation between “managers” and “managed” as well as the thesis of a global conspiracy of the first against the second. In this less intransigent and purist vein the risk of undervaluing the heterogeneity of managerial experience is correctly highlighted, together with the fact that the professional management group is fragmented within itself (through social and functional lines of division), that as a rule managers are in themselves turn “managed”¹³, and that one cannot a priori neglect, or worse exclude, their capacity for moral action. As a result, the discourse carried out in this segment does not embody a preconstituted position against management, with respect to which one takes up a dialectically propositive and transformative attitude: “the intent is not to indulge in the Utopian project of eliminating hierarchy, removing specialist divisions of labour or even abolishing the separation of management and other forms of work. Rather, its aspiration is to foster the development of organizations in which communications (and productive potential) are progressively less distorted by socially oppressive, asymmetrical relations of power” (Alvesson and Willmott 1996: 18). In this case too therefore there emerges a line of relatively simple reasoning which, although starting from presuppositions similar to those in the radical version, leads instead to different conclusions and options which can be schematised as follows: by its nature, especially in today’s conditions, management inevitably involves decisions, relations and activities characterised by strong ethical implications. In the face of which, the objective of critical theory is to encourage change, promoting forms of more humane and socially less disruptive organisational practice (and awareness). An

¹³ It is no coincidence that a significant part of empirical research of a critical character concerns the impact of a variety of current organisational practices on the figure and subjective experience of *middle-managers*.

obligatory point of transition for this reform work consists in the moral education of management both in the field and in the those training institutions which prepare individuals for their profession.

Incidentally it has already been suggested that this second variation in *critical management studies* appears more sustainable due to its vocation to commit itself – in a sense to “get its hands dirty” – in regard to the reality analysed and subject to critical evaluation. When this *commitment* towards a better order, albeit “modestly” pursued through the study of contingent power micro-circuits and attempts at local “micro-emancipation” (Alvesson and Willmott 1992b), succeeds in prevailing over and against the permanent counterposition or “criticism for the sake of criticism”, this line of studies provides contributions and stimuli which could in the future enrich the overall debate on CSR, with a tone that is different from and less aligned to more conventional priorities and credos, rendering itself useful precisely in its problematic content and its ability to challenge, or at least call into question, commonplaces in practice and theory. Nevertheless, acknowledgement also has to be made of the difficulties which still render the development of critical studies a tortuous affair, reducing their ability to articulate an influential *research agenda* within the wider context of managerial and organisational theory. Apart from the cited divergence between *hard* and *soft* versions of the approach, there appear to be two significant problems in this regard. One is related to the modalities of the dialogue to be established with the subjects that represent the privileged reference term for critical analysis i.e. management. Indeed, although the majority of critical researchers do not admit that managers have the essential moral authority and awareness to have a role as equal interlocutors within the exchange, other authors (Anthony 1998, Watson 1994 and 1998) who are strenuously pursuing the opposite route (from the centre of the conventional meeting theory to the critical perspective) consider that the moral training of managers cannot fail to proceed from a certain degree of “sympathetic understanding” of their practices and competences: “We should postpone the promulgation of advice for the improvement of managerial morals while we engage more effectively in the study of their practice. [...] If moral relationships are to be found embedded in the management process we must learn from those who practise it” (Anthony 1998: 278-79).

Secondly, it is important to register a persistent distance between the growing appeal, among the ranks of critical experts, to carry out direct comparisons with the concrete organisational reality and the effective translation of this commitment. Meanwhile, the declarations on the types of practicable and desirable *engagement* substantially involve communication with the management, curiously considering only in a marginal way the possibility of exchange with work-force subjects and with other actors (e.g. trade union and minorities representatives) who should represent the most obvious source of reception of critical formulations. More generally, despite the fact that the recent development indicates an interest in reducing the *gap* between the intensity of the internal debate and the attention paid to the implications of the theory produced for organisational participants, between the exercise of reflection and managerial practice’s capacity to influence, the risk “of reducing critique to some cryptic exchanges between intellectuals, conducted behind the closed doors of academic conferences” (Fournier and Grey 2000: 22) has not entirely disappeared from the *critical management studies* scene.

The traditional vector of the debate: *business ethics* and its (controversial) evolution

Business ethics represents a composite body of literature which, during the 60's, essentially through the extension of notions and preoccupations of moral philosophy and regulations in the field of economic and management conduct, elaborates and proposes a systematic and autonomous reflection on the nature and place of morality in the conduct of companies and management. As clearly illustrated in the reconstruction by Lodge (1977), business ethics began to achieve prominence in the United States in the late post Second World War period in parallel with a series of profound social changes, such as the struggle for civil rights and that against discrimination, the affirmation of pacifist and communitarist cultures, the increased attention devoted to environmental questions, the consolidation of a democratic culture shared, witnessed and reinforced by the reaction of public opinion to events like Watergate and the assassinations of the Kennedy brothers. These trends then spread to Europe and other parts of the world, and in Italy too - unlike the other approaches which focused on CSR - there is now a recognisable theoretical tradition in this field (Corno 1989 and 2002, Di Toro 1993, Sacconi 1991, Sacconi and Santarone 1993)¹⁴.

According to some commentators, business ethics still maintains a specificity such that it can be distinguished from other and more recent approaches focused on the socio-human implications of business, consisting in "the application of ordinary human ethical values or principles in the conduct of business" (Mahoney 1996: 474); i.e. with a more complete definition (Donaldson and Dunfee 1994: 252-53; see also Donaldson and Dunfee 1999), in an attempt, starting from empirical concepts "that describe and explain factual states of affairs, such as managerial motivation, organizational accountability structures and financial performance", to formulate "normative concepts, that is, ideas which, although not necessarily grounded in existing business practices and structures, are what ethicists call *prescriptive*". In the opinion of others it is necessary to register, however, at least in developments over the last decade, a progressive overlapping between business ethics interests and categories of analysis with those of other approaches. This is what De George (1995)¹⁵ implies when he emphasises that generally speaking second generation business ethics comprises four fundamental lines of analysis:

¹⁴ Once again it is possible to use the rate of increase of publications in an area of interest as a reliable indicator of that subject's ability to develop and penetrate the scientific community and those working in related areas. Regardless of a prejudice which is still common today, in the case of business ethics we are faced with considerably more than a mere *management/social fad*. This is clearly indicated both by the observation that "management fads generally last only about 10 years, and interest in business ethics has climbed for more than 30 years" (Treviño and Nelson 1999: 7) and by the number and variety of editorial initiatives at an international level dedicated to the subject from the mid '60s to date: not only hundreds of monographs and articles but the periodical launch of new magazines and entire theme series (e.g. the most strongly established include the "Ruffin Series in Business Ethics" from Oxford University Press and the "Issues in Business Ethics" from Kluwer Academic Publishers).

¹⁵ More explicitly McEwan (2001: 12) refers to and lists a considerable number of questions in relation to which, in his opinion, in the current phase, a definitive process of convergence is underway between the business ethics *research agenda* and the areas of interest in other approaches to CSR formally labelled in a different manner. This list of *overlapping topics* includes subjects like personal

- the application of general and particular ethical principles to particular cases and company practices;
- the discussion of “meta ethics” questions relative above all to an examination of how the moral terms usually used to describe and evaluate individual actions can be applied to collective actors like market companies and public sector organisations;
- the analysis of the premises and ethical references of organisations operating inside distinct economic-entrepreneurial systems (e.g. new forms of late-capitalism), on the basis of recent socio-cultural transformations in industrialised nations;
- especially in recent years - in reply to problems posed by the dynamics of economic globalisation and the international division of labour - an evaluation of the implications of company strategies with respect to questions like safeguarding human rights, dignity of the individual, corruption or collaboration with non democratic governments, the kind of attention that reinforces the determination of cultivators of business ethics to measure themselves against an ever more ample portion of socio-economic sciences, e.g. polytology, political economy and organisational studies theories.

Certainly it is not at all easy to define the current state of the art in this field and not even, in the final analysis, to identify a satisfying definition - precise, common and coherent - of what is to be understood today by business ethics. A fact which is, when all is said and done, not surprising when one considers that twenty years ago Lewis (1985) identified, in a detailed bibliographic analysis, approximately forty more or less different interpretations of this concept. Having said which, it is nevertheless possible to advance some additional considerations in order to better contextualise, within overall terms, development prospects for this area of discourse.

Above all it appears undeniable - though also entirely natural - that the current emphasis, within the social context, as in the most extensive socio-economic research, on questions regarding CSR have influenced business ethics guidelines. If one looks at the problems treated in a random sample selected from some of the most recent publications in the sector (Fort 2001, Goodwin 2000, Jones and Pollitt 1998, Klein 2002, Lozano 2000, Megone and Robinson 2002, Rosenthal and Buchholz 2000, Treviño and Nelson 1999) one notes a growing relevance attributed to subjects such as *corporate governance*, discrimination processes and equal opportunity policies, financial and social *accounting* practices, customer relations and marketing strategies, environmental impact and so on. An evolution which, as said, is obvious and justified to the extent to which the said questions are increasingly brought to the attention of *policy-makers* and legislators, the media, public opinion and individual citizens, within the scientific community and within the same organisations. On the other hand, it is

ethics of organisational members, rights and duties of workers, discrimination in the workplace, rights and safety of consumers, financial and accounting practices, relations with shareholders, acquisition and merger strategies, intra-organisational career paths, global business in relation to the situation in developing countries, *whistleblowing* (communication to the exterior of incorrect company practices) on the part of employees, relations with trade union representatives, protection of employee and customer privacy, industrial espionage, specific responsibilities of members of the board of directors, top management remunerations, corruption, protection of the environment and animal rights.

also possible to identify within the business ethics project a feature that continues to characterise it with respect to other analytic approaches, deriving from a tension – for many a source of persistent ambiguity – between the explanation of what business actors effectively do and choose from the moral point of view (descriptive ethics, an anthropology of concrete moralities) and the theorisation of what they should do in specific circumstances (prescriptive ethics, corresponding to the original purpose of moral philosophy, which primarily defines “ethics” as an attempt to construct a group of normative guides and orientation indications for daily action). Secondly, it is important to point out the peculiar predisposition of business ethics to be harshly criticized – to adopt an extreme simplification – both from the right and the left. The critical reactions which business ethics proposals are still able to arouse today on the part of both constitutionally sceptical positions relating to market forces and management and their most optimistic defenders are unequalled in any debate, albeit intense and conflictual, as regards other approaches to the subject of CSR. From both perspectives, in fact, business ethics is considered an irresolvable and misleading oxymoron, a contradiction in terms which, for detractors, obscures the nexus between two dimensions that remain fundamentally incompatible in reality, while for pro-business commentators it distracts company and managerial activity from their true responsibilities (remaining on the market and making profits) or, in the best of cases, makes a lot of noise about nothing, seeking to transform the problem of a few “bad apples” into questions of general and major significance.

Fundamental applications, models, distinctions

In the light of what has been said to date, it is no surprise that the spectrum of questions variously tackled by business ethics is exceptionally wide: what is or could be the origin of moral agreement between the parties involved in business action? What is the significance of personal choice in a context i.e. organisational, which is based on deference to authority? Where is the morality therefore - in the role, or in “real self” of organisational actors? What is the *telos* (the legitimate moral end) of a manager? What is the moral meaning of the search for profit and what are its conditions and its limits? Although the variety within this field¹⁶ has been rightly highlighted, we can nevertheless identify a series of general analysis trends and features, starting from the presupposition that – as various authors have felt it worthwhile to point out (Darley 1996, Treviño and Youngblood 1990) – provides a justification and basic legitimacy for the construction of an autonomous system of theories and models dedicated to business ethics: the categorical refusal of the already mentioned “*bad apples theory*”.

This theory attributes morally questionable aspects and *misconduct* in business behaviour to the deficiencies and predispositions of individual actors who are able to condition and “infect” – where the subjects in question occupy crucial roles – the functioning of the entire organisational system. The *bad apples theory*, add Treviño and

¹⁶ One of the most widely held theses is that it is possible to distinguish a European approach in these subjects (Harvey 1994, Zsolnai 1998), in general characterised – with respect to American contributions – by a greater ‘institutionalist’ tendency to place the specific company situations under examination within a more global analysis of their social-historical reference context.

Nelson (1999), is dangerous because it is simple and attractive and “is appealing because unethical behaviour can then be blamed on bad individuals. Although it’s unpleasant to fire people, it’s relatively easier to discard a ‘bad apple’ than to search for some organizational problem that caused the apple to rot”. On an operational level, the implications of this assumption are therefore particularly critical in that “according to this belief, people come to organizations as either good or bad and organizations can do little to change them. All they can do is attempt to hire people of good character and get rid of the bad ones who slip through the selection system” (ibidem). Alternatively, the common premise to the majority of business ethics proposals is inspired by a *bad barrels theory*, according to which the origin of the immoral conduct is to be found in the characters of the organisational moral ethos. On the basis of this idea, multiple structural aspects in regard to the real functioning of organisations, such as diffusion and fragmentation (and therefore, in a certain sense, the “dissolution”) of responsibilities, pressure of costs and career ladders, depersonalisation of internal and external groups (*targets*, customers...), work conditions involving chronic insecurity, all tend to make any organisation inclined to express negative effects and hide them rather than obviate them and correct them. The said perspective offers different points of contact with the “cynical” interpretations *à la* Jackall, even generalising them, but drastically distances itself from their fatalistic conclusions, identifying a solution in an improvement of the moral business ethos through diagnosis and subsequent intervention from within (and from above): “In this view, an organization that’s serious about supporting ethical behaviour and preventing misconduct must delve deeply into its own cultural norms and practices to search for systemic causes of unethical behaviour. An effective and lasting solution will rely on management’s systematic attention to all aspects of the organization’s culture and what it is explicitly or implicitly ‘teaching’ organizational members” (Treviño and Nelson 1999: 9-10).

Etymologically speaking, the concept of “ethics” refers to two distinct meanings: the scientific or systematic study of moral conduct; a specific moral system with its specific contents and ethical norms. As mentioned, the double reference to “being” and “having to be” remains a constant in the works carried out relation to business ethics, reflecting the traditional philosophical distinction between descriptive and prescriptive or normative ethics: the first is aimed at an empirical knowledge of values, beliefs and moral convictions of persons and groups and the way in which they influence concrete behaviour, while not implying per se any moral judgement in regard to the observed realities; vice versa, the second is not ethically neutral, since it researches and more often advances conceptions of what should be considered essentially right or wrong and offers them as preferable guide lines or priority standards for practical action. When *business ethicists* switch from one to the other of these two registers, i.e. in the vast majority of cases, there emerges a second fundamental philosophical connotation regarding their models, the adoption of one or more theories of moral philosophy as a repertory which can be used as a source for principles and indications in the orientation of concrete choices/actions and in the solution of moral dilemmas. Very schematically, the moral theories most often used to evaluate – and proposals for re-directing – the conduct of and within organisations can be summarised in three main reference models.

The consequentialist and teleological theories (focusing on the effects, results and objectives of the action). From this point of view, emblematically represented by the

theory of utilitarianism, an action is moral when, compared with all the alternatives, it tends to produce the greatest quantity of “good” (felicity, pleasure or another kind of result intrinsically considered to be of value) for the greatest number of subjects directly or indirectly influenced by the action.

The deontological theories (focusing on duties, obligations and principles). In general, the deontological position holds that the notion of a good action is to be related to respect for a series of principles (honesty and truthfulness, maintaining promises, justice, defence of various rights such as safety or privacy, etc.) or “moral” imperatives – in regard to duties – independently, in the final instance, of their consequences. The philosophical reference most frequently called into question at this level is naturally Immanuel Kant, with his idea that an action is ethical if it conforms to a moral law that is based not on intuition, knowledge or utility, but on reason i.e. a human prerogative provided with coherence (hence moral actions must not reciprocally contradict each other) and universality (“what is rational for me is so for whoever else”) and formed a priori (not developed by experience). From this position there emerges a fundamental and categorical imperative that identifies the criteria to be used to evaluate the morality of concrete actions in requirements such as respect for other rational beings as ends in themselves and not merely as means to other ends. Another deontological model which has more recently achieved considerable popularity in business ethics is John Rawls’ theory (1971), which attempts to isolate principles of distributive justice that are valid universally and using a variety of practical situations. More specifically, Rawls affirms that there are two principles of justice which ought to be acceptable to all rational subjects: that each person ought to have an equal right to the most extensive basic liberty compatible with the same liberty of others; and that inevitable economic and social inequalities must be structured so that, on the one hand, there is a reasonable expectancy that they contribute to the advantage of each and, on the other, that they are linked to positions and opportunities open to all.

The theories of virtue. This approach focuses more on the nature and integrity of the moral actor than on the moral action in itself, primarily considering the character, motivations and intentions of the subjects involved. In line with a perspective which sees in Aristotle its oldest and most authoritative exponent, and in Alasdair MacIntyre (1984) its most recent source of inspiration, the theories of virtue or personal integrity hold that a prerequisite of ethical action is the development and realisation of the mental, social and moral potentialities intrinsic in human beings¹⁷; a pathway that is defined and nurtured – and therefore viewed as inseparable – by those human communities in which the subjects operate, with which they necessarily tend to enter into sympathy which, if achieved successfully, in turn strengthens the cohesion and traditions of the social structures to which they belong.

References made – often insistently, at other times more discretely – by business ethics to theoretical systems which philosophers have wrestled with for centuries in their

¹⁷ The Aristotelian perspective offers space for another interpretation: that the actualisation of these prerogatives (in themselves as in others) is the final desirable state of ethical action rather than its condition. If interpreted from this point of view, as in fact frequently occurs in business ethics, then Aristotle’s theory provides a teleological model.

attempts to resolve the problem of moral decisions, and in particular the modern (and Anglo-Saxon) versions of utilitarianism, contractualism and the theory of rights/duties, represent one of the most vulnerable and criticised sides of this segment of the literature.

Above all they bring out the internal and reciprocal aporias in the various models used to provide univocal and definitive principles that can assist in the solution of practical problems. For example, with respect to utilitarianism, it is objected that in real life it is almost impossible to have available all the relevant information required to know the possible courses of action, deduce their consequences, evaluate the impact of the latter on all the parties involved and therefore list the available alternatives (and all the more so since, as the “limited rationality” school teaches, when can it possible occur that organisational members know *all* the facts and succeed in interpreting them *objectively*?). In addition, the principle of maximisation of well-being or utility immediately recalls the logic of efficiency of conventional business behaviour, a convergence which, although for some it may facilitate the institutionalisation of this moral philosophy in company business and theory, for others it is felt to be in strident contrast with the priorities of other ethical models such as the deontological model (making it possible, for example, to treat people as a means to an end, if the end is – one thinks of the search for a “competitive advantage” – the maximisation of well-being or the minimalisation of negative effects for the greatest number of subjects involved, a result whose technical ex-ante ed ex-post evaluation difficulties can prove to be enormous). With regard to the deontological models, the most obvious challenge concerns the decision as to which specific moral principle or set of duties must have prevalence in concrete situations (must a company auditor state the truth about the financial difficulties of his company or sacrifice the principle of integrity in the name of safeguarding persons – including himself and his family – who would be damaged by an organisational crisis?). In this regard, it would seem that the critical weakness resides in the model’s incapacity to provide guidance when, given values and expectations that are equally in force within the reference context, the actors “must choose between right and right” (Badaracco 1997). For their part, those theories of virtue which insist on the rooting of individual integrity within a community and a well defined social milieu that is “favourable” to the development of morality, pose the problem of an explanation that is tendentially structuralist in its ethical choices as well as, more prosaically, the dilemma as to how the moral training of actors can evolve in contexts that are apparently not very promising – as many consider the world of business to be – in this regard.

It is worth looking briefly at the way in which the Aristotelian ethics have been treated by *business ethicists* and the implications for company action in that, in addition to touching upon some themes which today lie at the heart of the debate on CSR, it is indicative of the level of ambiguity which even the application of the same theoretical system can generate in this field.

One of the most cited Aristotelian approaches to business ethics in the sector is that of Sternberg (1994) which, in a teleological context, derives two essential assumptions from Aristotle: that the definition of any human activity must be offered in terms of its specific objectives; and that the justice of any given behaviour must be evaluated on the basis of the aim which defines the activity to which the action contributes. The first

consequence of this concept is that what constitutes ethical conduct in business depends to a decisive extent on the final goal of the latter and, in regard to this point, Sternberg makes a clear, and in his opinion, indisputable affirmation: the particular objective of business activity, which distinguishes it from any other field of action, is maximisation of the value of the owners' interest over the long-term through the production/sale of goods and services. The pursuit of this end requires the guarantee and maintenance of a series of conditions: an attitude of trust in the future and between the parties, respect for the rights of property, the absence of coercion, a presumption in favour of legality (conditions which the author calls "limits of ordinary interaction"); and the distribution of recompenses and rewards essentially on the basis of the contribution of the parties to the organisational activity ("limits of distributive justice"). Hence, "*the key to business ethics is very simple: business is ethical when it maximizes long-term owner value subject to distributive justice and ordinary decency*. If an organization is not directed at maximising long-term owner value, it is not a business; if it does not pursue that definitive business purpose with distributive justice and ordinary decency, it is not ethical" (1994: 4)¹⁸.

In serene but open disagreement with this interpretation, and again drawing on Aristotelian ethics, Megone (2002) depicts the nature and ethical texture of business in much more intricate terms. In his opinion, indeed, what mainly counts in this field is the full comprehension of Aristotle's theory of virtue, according to a progression hereafter necessarily stylised to the maximum degree: the ultimate goal of (any) human life is *eudemonia*, a state of felicity in which the subject actualises its essential potentialities (cognitive but also practical and emotive) for being rational. The virtuous life is a necessary, if not sufficient, condition for achieving this goal, where the exercise of virtue – which is learned through the practice and habitualisation of action – consists in a relatively stable disposition of beliefs and desires (of "character") by means of which the subject is oriented towards preferences and choices of action that are appropriate to the situation (in accordance with, among other things, the principle of the "golden mean": e.g. courage lying between cowardice and rashness; generosity between indifference and prodigality). As a result, the specific end of any human activity is in the final analysis subordinate, in moral terms, to the exercise of virtue consistent with the ultimate goal of *eudemonia*. Transferred to the area of business, this line of ethical reasoning leads to the conclusion, according to Megone, that the objective of maximisation of profit is pertinent but not sufficient to ethically justify business behaviour, and is subject to scrutiny to the extent that it hinders (typically, in the logic

¹⁸ One can easily understand how a similar position is constitutionally sceptical, reformulating in a more refined intellectual form one of the perplexities of this subject that frequently recurs among *practitioners*, involving approaches concerning CSR like that of stakeholders: "Starting from the fact that business is affected by and affects certain groups, stakeholder theory concludes that business should be accountable to them. But this cannot be right. Business is affected by gravity and by terrorists, and it affects the Gross National Product, but it is not, and logically could not be, accountable to them. There are several reasons why it is wrong for businesses to pursue 'social responsibilities' independent of their effect on owner value. The main reason is that using business resources for non-business purposes is a kind of *theft*: it is an unjustified appropriation of the owners' property, despite what might be called the 'Robin Hood Syndrome'. [When they use business funds for socially responsible purposes, business managers] are also guilty of an offence akin to prostitution. Just as prostitution occurs when sex is proffered for money rather than love, so it exists when business pursues love – or 'social responsibility' – rather than money".

of acquisition of material goods and the production of wealth as goals in themselves and not as means with a view to further finalities) what is required to allow all the participants to practice a virtuous life, in the sense just outlined regarding capacity/opportunity for development of the potentiality that is an intrinsic part of the rational subject. The global system of business ethics which is derived from this type of reflection therefore presents the notion of restrictions that must characterise the ultimate goals – and therefore the moral dimension – of company activity in a way that is decisively different with respect to the previous Aristotelian model: “The nature of business will, then, have a role in determining which virtues are likely to be most prominent for those engaged in this activity. [But] although business has an internal goal which distinguishes it from other activities, that goal has to be made sense of, and partially determined, by the contribution of that activity to the ultimate goal, *eudemonia*” (2002: 47, 49).

More generally, these last considerations help one to focus on the most questionable feature of business ethics i.e. the risk of offering explanations and above all prescriptions that are excessively removed from the complexity and mutability of the real world of business actors, however intellectually sophisticated or convincing they may be. To express this in the almost caustic terms of Badaracco, in this sector, as perhaps in all moral philosophy, the search for rules or fundamental ethical instructions which can be considered in some way universal and objective, “a set of basic principles independent of religion, tradition, culture, or individual beliefs, [replacing] the biased, subjective, all-too-human approach to ethical issues with a transcendent ‘God’s-eye perspective’” (1997: 35), leads to the formulation of “grand principles [which] are too general and tend to float above problems. They often contradict each other, tightening the Gordian knot rather than cutting through it” (ibidem: 26).

Indeed the more canonical route in business ethics models culminates in the elaboration, on the basis of an analysis of the essential nature (origins, finality, limits) of business activities carried out in line with a specific moral perspective, of a set of general principles that are consistent with each other in the orientation of *corporate conduct*, usually codified under labels such as “*n steps to sound ethical decision making in business*”. The already mentioned approach of Treviño and Nelson (1999), all the more significant for its theoretically pluralist approach, offers an eloquent example of this tendency. In fulfilling their attempt to bring to fruition the combined suggestions of different ethical perspectives, the two authors indicate a behavioural sequence to tackle a wide spectrum of dilemmas in daily company life which comprises eight phases: 1) information gathering and knowledge, albeit limited, of the facts; 2) definition of ethical questions at the centre of the dilemma (what are the values, choices, objectives in conflict?); 3) identification of the parties involved (which requires in addition to an ability in *role-taking* – which are the main rights/duties involved and to whom do they belong? – a clear and more extensive ability to see situations through the eyes of others); 4) identification of potential consequences, for each of the participants (individuals, groups, external interlocutors), of the conceivable or practicable alternatives, particularly taking into account the most probable consequences and those which can be classified as “negative” (hence, for example, the need to discriminate and evaluate short term effects as against those over the long term, the most visible and material impacts versus symbolic ones linked to messages which

can be conveyed and implicitly legitimated by implementing or authorising specific conduct); 5) definition of the obligations of the agent and with respect to the parties involved (respect for truth, trust/obedience limitation between subordinate and superior etc.); 6) consideration of one's integrity and moral priorities which involves first and foremost a clear conception of one's reference community as regards ethical standards and expectations of behaviour (applying for example, the golden rule of "presumed publicity of one's deeds": "If you would be embarrassed to have someone read about your activities in the newspaper - or if you'd be uncomfortable telling your parents, children, spouse, or clergy about your decision - you probably should re-think it"); 7) exercise of creative thought about potential actions, so as not to be caught between two opposite and equally dissatisfying choices (according to the logic that frequently, given due flexibility, between the apparent opposition of two solutions *a* and *b* a third possibility *c* can be introduced which makes it possible to safeguard the different priorities at stake e.g. the decision to register an expensive gift from an important supplier); 8) final test of intuition, with an awareness that emotive empathy and years of previous socialisation offer agents an implicit repertory that is generally reliable when it comes to being "sensitive to situations where something just isn't quite right".

A strategy of *ethical decision-making* that is similar but, if possible, still more simplified (given the initial philosophical restrictions) has been refined in another model which we have already referred to, that of Sternberg (1994), and can be summarised in five *steps* to be applied in a linear manner: 1) precisely clarify the terms of the question (roles and parties involved, types of objectives at work, different replies to the problem etc.); 2) define whether the question objectively constitutes a problem for and of the company (is it a problem within the context of business activity? And is it a problem for this particular business?); 3) identify the restrictions that delimit the field of possible solutions (mainly constituted by contractual agreements, juridical restrictions and technical limits); 4) evaluate each of the alternatives as selected with respect to the three key conditions of maximisation over the long-term of shareholder value, respect for distributive justice and respect for ordinary interaction (see above); 5) choose the solution that most contributes to the first condition, maintaining the other two at a satisfactory level.

Finally, the sources of inspiration and moral guides constituted by prescriptions of *business ethicists* tend for the most part to propose replies and vague and static *golden rules*, by means of which they seek to simplify what is intrinsically complex with a clarity that appears directly proportional to the distance of the prescription from the real pressures of ordinary managerial work. The same conclusion can also be extended to other attempts to codify, through "formal systems of rules", fundamental principles for the moral conduct of business. This is especially the case with ethical codes, or company conduct self-regulation codes, which over the last ten-fifteen years have spread through companies at an exponential growth rate, typically annexed to or following more extensive *mission statements* regarding ultimate goals - as a rule, at least in part, socially expressed - of business activity¹⁹. Undoubtedly today's codes of

¹⁹ With regard to the American context, research has documented how already in the mid 90s some 60% of medium-large companies had more or less detailed internal codes of conduct and approximately a

conduct represent a privileged instrument by means of which companies attempt to translate their *key commitments & values* into more specific terms. Here too the underlying problem remains the vagueness and general character of the enunciated and prescribed²⁰ principles: in deliberately exaggerated terms, providing a solution as to what is implied by principles such as “correctness” and “respect for life” in concrete or urgent situations (e.g. to authorise or at least commercialise a drug that is able to produce, if not collateral effects on health, at least a serious impact on the lifestyle of the public or some of its segments) places the organisational actor before decisions which can rarely be clarified and automatically supplied by the few – however inspired they may be – words printed on company headed paper or posters.

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third had regular programmes of ethical training or formal structures (managerial roles such as *ethics officer*, transversal committees or entire functional areas) dedicated to this area (Goodell 1994, McCabe et al. 1996). But with respect to other national contexts too, including Italy, it is possible to speak of a phenomenon that has achieved a certain consolidation (Di Toro 1993, Mahoney 1990, Sacconi 1991). More specifically, it is interesting to note how these initiatives undertaken at an individual organisational level are increasingly conventionally rendered, in the company lexicon, using the terminology “(corporate) business ethics”. A detail that appears to express, in addition to, and even more than, a simple logical coincidence, the impact of business ethics as an intellectual movement on the institutionalisation of the “ethics question” in the practice or at least the rhetoric of business.

²⁰ In addition to its anecdotal or impressionist character, the observation of Kerr is also indicative as regards the more common teaching experience when managers undergoing training are asked to write their company’s *mission statement* on a sheet and then put it in a drawer: when the individual sheets are later extracted at random and read out, “inevitably five or six hands would go up, as managers from airlines, pharmaceutical companies, and plumbing supply manufacturers all claimed the statement as their own” (1996: 94).

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PART 3 – INTERVIEWS TO THE STAKEHOLDERS

THE POINT OF VIEW OF THE STAKEHOLDERS

Chiara Ancarani

The “state of the art” in Italy

All of the stakeholders interviewed converged in defining **Corporate Social Responsibility (CSR) in our country as still being in the initial phases.**

That is to say that we are definitely witnessing a consistent and growing interest in the theme of CSR.

- Attention has grown exponentially, especially in more recent times, with the multiplication of conventions, publications and initiatives (“during the initial months of 2003, in Milan alone, there were almost two conventions per day!”).
- It is also foreseen that there will be a further increase in interest, given the inclusion of CSR among the five priorities that the Italian Government has indicated for the Italian Presidency of the European Commission.

It is stressed, however, that there is a certain amount of “confusion”, which is typical of movements in their initial phases.

- It is a confusion that is definitely fertile, creative and even amusing: the domination of research, innovation and experimentation of new practices.
- Inevitably, however, from another point of view, people are somewhat disoriented with the sudden pregnancy of CSR.
 - Some are unprepared and react with mistrust or feelings of inadequacy.
 - On the other hand, this situation has produced a sort of “faddishness” on themes related to ethics, with purely instrumental uses and with a proliferation of “adventurers and improvisers who are riding the crest of the wave”.

The mechanism of diffusion of CSR, albeit development is still in the initial phases, nevertheless appears to have been irreversibly triggered: it is a widespread opinion that the “point of no return” has already been passed.

“It is now a problem of quality, more than anything else”: in the approach to this theme, in the initiatives inspired by it, in the strategies of enterprise, in the dialogue and involvement of all interested parties.

In any case, a rather optimistic vision prevails: even of certain implications open to criticism such as the “fad effect” and the instrumental uses (for marketing/ to increase competitiveness).

- These aspects end up having positive value in as much as they are in turn instrumental in “stabilising at a higher level the rate of equilibrium and sensitiveness in company relations”.
 - Substantial, faith is granted in the “implicit strength of things”: a company that poses the problem of CSR, even only instrumentally (for purposes of competition) ends up caught in their own game”, because they contribute to spreading higher social awareness.

- “Therefore, a company that sells more thanks to company sensitiveness is better than one that doesn’t even take that sensitiveness into consideration”; and, of course, “the theme is fashionable, but as fashions go, it is definitely one of the best: it is a welcome development!”
- Aspects that may be criticised that people are not really very worried about, inasmuch as they trust in the “honesty of time”, which will inevitably bring “natural selection, and in the “antibodies of the system”: which are deemed robust enough to distinguish those who work seriously from the “adventurers”.

“We shall allow the development to continue, and build binding steps that are almost self-blocking and self stimulating”.

The reasons behind the growing interest in Corporate Social Responsibility

Given the extreme and to some extent surprising rapidity with which the theme of CSR has gained attention (until a few years ago it was the exclusive patrimony of a few “crazy” innovators and today, as we said, it is already “fashionable”), most of the stakeholders interviewed consider a preliminary reflection on the reasons for this sudden growth in interest in CSR to be unavoidable.

The common opinion is that it was a **complex set of factors** that are even apparently contradictory to each other, wherein it is difficult to define causes and effects that made CSR such a strong and current theme. The phenomenon, that is to say, appears to be circular: no element is sufficient by itself and all of them are necessary, and by definition there is no beginning or end (even if some identify - on the world level - the Enron case as the “breaking point”, the moment of collective catharsis, the “catalyst” of a latent sensitiveness on the theme of CSR and ethics - just as Chernobyl was for the theme of environment).

This reawakening of attention on the part of society in relation to the world of production, and of the world of production in relation to society, seems due to the following factors - with no pretence of hierarchy or of rigid consequentiality:

- The growth of a new collective civil and social awareness, the slow but inexorable development of a new cultural climate, which is a result, among other things, of globalisation and of the maturity of the western economic system.
 - “There is a sort of collective alarm”, an acknowledgement of the need and an increasingly wider acceptance of responsibility towards the world we live and work in “towards ourselves, those who are worse off than we are and towards those who will come after us”. Today, people are beginning to worry about the prospects for the future (note the typical attention towards the environment and themes related to sustainable development) and are more sensitive towards variables that in the past were barely even perceived (such as the exemplary case of the great attention towards child labour - a phenomenon that is marginal in Italy, but which is assuming the traits of an emergency on the global level).
 - “This idea, which is increasingly widespread among the citizens, of participation in collective problems, is triggering phenomena such as the development of cooperation, the growth of the third sector and of non-profit, the imposing size of initiatives tied to volunteer service...”.

- Clearly expressed external pressures are therefore coming into existence: organisations promoting interests are becoming (or at least are trying to become) the interlocutors of the productive system.
 - The attitude of consumers, albeit slowly, is starting to change: “it is no longer the idea of ‘I want it all and I want it now’, as during recent years of great abundance”, but there is now some tension towards global quality. In some niches of the population (young and/or highly educated and/or social workers or political segments) purchasing behaviour can already be seen that is determined by an awareness of the reputation of the producing firm (note: phenomena of boycotting).
- The appearance of an “existential” dimension in the working environment
- The reference model is no longer the super-paid social climber: today personalities are presented with interest and as positive models, who at a certain point get tired of solid positions and renounce such privileges in favour of other types of gratification.
 - The boundary between work and other types of activity in life is becoming increasingly imaginary: “today there is a desire to interpret and represent some ideals, which may definitely find expression even at work; there is a desire to realise ‘dreams’, that can coexist with society, without necessarily having a speculative vision”.
 - The need for *participation* is beginning to be felt at all levels: it comes from both the grass roots and top management; even managers accept the challenge and take part”; “and today management is more attentive than a few years ago: company management groups are increasingly younger and therefore they have been more contaminated in their studies by a series of themes that was once brought to the attention of only small communities”.
 - It is not by chance that large multinational enterprises, which could be an important goal for young people, have a hard time today finding qualified human resources if they have the deficit of a bad reputation to take into account.
- Changing “ages”, economic crises, changing market conditions
- The end of the ideological conflict between the socialist-communist model and the capitalist model focused attention on capitalism alone, allowing the awareness to emerge rapidly that it can no longer stand on the fallacy that “since there is the enemy, anything is possible”. The debate on the relationship between ethics and capitalism, after 70 years of darkness, has returned forcefully to the limelight, as a debate that is “extraordinarily important and useful”.
 - The current contingency of structural crisis (which is not cyclical!) is probably inducing companies to make somewhat deeper analyses of fundamental themes such as the nature of enterprise and the relationship between enterprise and the external world: “it is in moments of difficulty that one asks himself questions, like what he is doing, what prospects he has and what prospects he may offer”.
 - The exhaustion - at least in the West - of the *quantitative* dimension (note: saturation of mass consumption) has brought the awareness of the need to introduce *qualitative* elements, as the only road that is truly practicable if decline is to be avoided. “And the challenge of quality cannot be resolved without the reasoning of CSR”.

- Last but not least, the “discovery” that being socially responsible for enterprise *is convenient*: the tension towards global quality has also brought a leap in quality on the part of companies’ approach to marketing. It has given life to a “new system of competition”.
 - People have become aware that a company that is perceived as “behaving well”, and as “being committed” to the respect of certain rules, or in favouring certain values, is not only considered in a different manner by the final buyer (there is a good return in terms of image), but is also rewarded by consumers’ purchasing behaviour (there is a return in terms of competitiveness).
 - It has been seen therefore that CSR could “lead to considerable competitive advantages” or, according to other points of view, be “a great marketing business”, or the “right opportunity for companies who had had problems of image, to re-create a sort of virginity”.

Of course, it has also been seen that CSR

- Leads to competitive advantages even in terms of motivation and building trust in human resources.
- Triggers a cycle of “good relations” that can only benefit the enterprise.

But the most important element to stress, in terms of *convenience* and *attractiveness* for a company, is that – for better or worse – CSR provides possibilities to increase sales (see the evaluations in this connection here below).

- There is also a motivation tied to the actuality, and it is the above-cited intervention of the Italian Government on this theme: it is an intervention that at present is still a source of controversy, but which is definitely contributing to increasing interest around this theme.

The de-codification of the concept of Corporate Social Responsibility

The de-codification of the concept of CSR is the second preliminary reflection that cannot be disregarded. Indicative signals have already begun to emerge concerning to what extent, evidently, beyond the clamour recorded around CSR, Italy is actually still in the initial phases of CSR.

In the first place, the need is still felt to point out that:

- Corporate social responsibility does not mean simply (“as some think”) to be respectful of the law: this is an absolutely minimal level that has nothing to do with CSR. CSR is what is done beyond legal obligations.
- CSR is not to be confused with philanthropy, the distribution of benefits or intervention in favour of non-profit organisations. Philanthropy is “a good thing”, but is merely a part – something that Italian enterprise has always done, in any case (see later).

Concerning the first point – CSR is what is done beyond legal obligations – it is stressed that:

- Actions of CSR are configured on a voluntary basis.
 - Entrepreneurial associations and daily economic newspapers stringently defend the voluntary nature of corporate responsibility: “CSR is not the purpose of

enterprise. The purpose of enterprise is to generate income. Nobody requires or should require an enterprise to undertake actions of corporate responsibility”.

- The consumers’ union recognises the inevitability of an approach on the voluntary basis, but appears, so to speak, disturbed, by the fact that CSR is left exclusively to the sensitiveness of individual entrepreneurs (they therefore declare that they are committed to “overturning the logic, to ensure that companies that are not socially responsible feel like they are losing, so that the attractiveness of CSR would make it almost a “cultural obligation”).

With respect to the second point – CSR is not to be confused with philanthropy – there is widespread awareness that:

- CSR *should* belong to the deeper strategy of enterprise, it should therefore be directed outside the company and not inside, it should interact, that is to say, with all company processes, inspire relations with subjects who have an interest in correctness and transparency, and represent an all-round “commitment” of the enterprise. In this sense, there are “integralist” positions: “Either Corporate Responsibility is part of the strategy, or it is not CSR – because it is not a badge or a ribbon to wear...”

There is also another observation that can be made about the interesting plurality of terms spontaneously used by interviewees, at times even with some hesitation, to define or refer to CSR. As confirmation of the “still fluid” state of CSR in Italy, it is spoken of as a *phenomenon*, as a *movement*, a *common feeling*, an *approach*, a *practice*, a *project*, a *strategy*, a *discipline*, a *new current*, and a *new paradigm*...

The inclusion of Corporate Social Responsibility in the Italian Context

The last preliminary observation that emerges transversally throughout the interviews is that “we are translating CSR from English”, that is to say that we are dealing with a concept inherited from the Anglo-Saxon culture.

This induces us to make a series of considerations.

On one hand this serves to explain the relative delay with which Italy has been mobilised on this theme, the slow acknowledgement of certain concepts, the resistance that is recorded on the part of enterprise to becoming involved in welfare objectives. “In Anglo-Saxon countries, enterprise has historically been called upon to care for the local community and therefore to implement activities to provide assistance, education, medical care, etc., which have traditionally been entrusted to Public Institutions in Italy. In those countries, precisely because the State has never been responsible for these things, there is also an extremely well developed network of associations, with a long history behind them, which is still lacking here in Italy”; “It is a model that is effective there, because there is a culture that is accustomed to it, where the enterprise is accustomed to entertaining relations with the community and vice versa, because there are also some, shall we say ‘anti-viruses’. I am a bit afraid of implementing an Anglo-Saxon approach here in Italy, where nobody trusts anybody and everyone is cynically convinced that they are the cleverest, and that they will therefore succeed in avoiding

anyone pulling the wool over their eyes, which everyone else is continually trying to do. Here in Italy, there is a whole world of trusted relations to build, cultivate, try and test, which does not yet exist, however. It is a cultural problem that presides the problem” (then, however, it is stressed that “as long as one doesn’t say that it is a cultural problem as an alibi to do nothing, which often happens”).

On the other hand it is an opportunity to stress the presence of an Italian tradition of action, attitudes and realities that are not so far removed from the wavelength of CSR. The world of the Foundations of Public Pawn Agencies, the emblematic experience of Crespi d’Adda and Olivetti, the fact that the Italian industrial reality is made up prevalently of small and medium sized enterprise that have always paid a great deal of attention to the social fabric where they operate, experiences and realities that:

- for some interviewees (entrepreneurial associations, economic dailies, Regional government officials) “many actions have been implemented in the past that would today be ascribed to socially responsible behaviour” and they configure CSR – especially in Small and Medium Sized Industrial Associations today – a bit like “the discovery of hot water”;
- for other interviewees (consumers’ associations, the banking system) instead, these are experiences and realities that testify to a certain harmony on these themes, but which are limited to extremely isolated cases, albeit important ones (see Olivetti in the ‘60s) and actions of a prevalently philanthropic nature – philanthropy that is not contaminated with “being an enterprise” (as seen above, philanthropy must be considered only a part of CSR). “In this connection, we still have to make a leap forward here in Italy.”

Finally, this subject stimulates reflections that are somewhat “slippery” if you will, on the potential of Italian culture and temperament:

- “But the attention in Italy today is not casual: Italy has always been one of the countries that have truly expressed a greater degree of attention towards others. It is an Italian custom not to think only of ourselves, but also to give others a hand”;
- “It is true that our culture is more clever, but Italy also has resources in terms of the ability to manage relations that the Anglo-Saxons can only envy. It would be desirable to vehicle the Italian ability to conduct relations in the economic sphere, where purely formal relations have always prevailed.”

The current situation

To be extremely synthetic, it can be said that the Italian context still appears to be:

- Imbalanced, leaning more towards theory (and debate) than practice (concrete actions of CSR realised): which is deemed quite normal, since Italy, it is reiterated once again, is still in the initial and experimental phases on these themes;
- And imbalanced, attempting to reason on the practices, more towards so-called “good deeds” which are instrumental for a return in terms of image and competitiveness, than on initiatives of a larger scope, finalised towards becoming a “citizen-enterprise”: unfortunately in Italy, there is a great deal of trendiness in CSR, therefore there is definitely a lot more opportunism, things which are done for

mere convenience, and a great deal of instrumental use” with the risk of temporarily obscuring those who are working seriously in this direction.

The impression, expressed above all by the consumers’ union and by humanitarian associations, but also by research institutions, is that CSR in Italy is mostly a “convention business” for the moment, the prerogative of academics and large enterprise, a great “showcase” for companies to show that they are taking action in this sense, an opportunity to speak among themselves and to *some* of their interlocutors (the “weakest” stake-holders, as we shall see in greater detail later, are excluded to a great extent from this dialogue).

On the practical front, essentially two approaches can be identified, but with different weight and visibility (the banking system stakeholder is also aligned with this interpretation):

- Those who have understood that CSR is a “trendy” theme and therefore they take it into consideration because they hope to gain some advantage as a social marketing initiative: they attempt, that is to say, to position themselves in terms of image and offer, in a more attractive manner for their reference market;
- And those who instead interpret CSR as a key to re-interpreting the sense and function of enterprise, who take things much more seriously and who are analysing more deeply and seriously, even ferociously.

At least for the time being, the first type has great visibility. The impression is therefore that the idea prevails of a CSR that is limited to “good deeds”. What can be seen is mostly a social commitment that takes concrete form in financing or in any case support to associations that operate in the third sector: a definitely laudable commitment, but which is equally definitely an instrument to improve the image and sales of the company over the mid to long term.

- The legitimacy of these actions of social marketing is not denied (albeit they may personally be considered “a hairy sort of charity” or a “clever gadget”, it is agreed that companies are “private entities that must make a profit”).
- Nevertheless, the partiality of this intervention is stressed (see above “CSR is something else”) and the “aged” nature of this type of action (“what some attempt to pass off as CSR is something as old as the hills – see philanthropic initiatives – the novelty is having it become an instrument of marketing”).

“We are unaware of how much these companies examine their conscience in determining human resources policies, policies towards labour unions, the extent to which they have adopted transparent policies of Corporate Social Responsibility with respect to the local community of reference...”.

The second type, instead, is represented by those who are defined as “excellent cases”, the “finest few guiding elements”: the most farsighted industrialists and enterprises, who interpret CSR in a more strategic key, as being tied to their core business and their presence in the territory, to their ability to be transparent in supplying information. Enterprises committed to truly succeeding in becoming “citizen-enterprises” (“an idea that is still new in Italy”), which see in CSR the turning point to remain on the market in future.

To complete the picture, we also refer to the resistance to CSR, “tied in reality more to economic factors than to cultural ones: one form of resistance is not believing that greater involvement of other actors who are not closely tied to the productive process is important in itself as a development for enterprise, citing the fact that many companies have happily prospered until now without having to make this great paradigmatic leap forward. Perhaps they do not reflect, however, on the fact that these are enterprises that are quite detached from society, therefore they are experienced and perceived only as places where one must go to work. These entrepreneurs do not succeed in taking advantage of the opportunity for all of us to grow together. They do not understand the fact that there may also be various opportunities, even from the competitive point of view, that CSR is not a cost but a strategic approach, which must involve the entire organisation” [banking system].

In attempting to draw the bottom line, the union outlines a panorama in which “60% of Italian management has not yet become involved in this (but they are beginning to experience negative effects because of it: not being “à la page” is starting to provoke a sense of guilt). 20% pretend, and the remaining 20% are serious about it”.

The research institute, for its own account, points out that top management is in fact a fundamental driver – and that in several cases it is precisely top management that has the intuition to understand the implications and strengths of this theme from the managerial point of view, as an instrument for the creation of value – but “situations can also be seen in which things start from the base, where it is among the personnel where there is widespread feeling and therefore an extremely favourable climate, which management allows to develop with its blessing”.

A more optimistic interpretation of the current situation is provided by the economic daily newspaper, which states that “Italy is recuperating lost time and rapidly reaching the levels of other European countries who have preceded us, such as England and the Scandinavian countries. We are not so far behind.” In support of this interpretation:

- The initiative – “which was not undertaken casually” – of the Italian government, of including CSR among the priorities of their semester of European Commission Presidency;
- The fact that Italy is the second country in the world, as absolute number, but first by specific weight, in Ethic Certification SA8000 (definitely assisted by our quite advanced legislation on the protection of workers);
- The Italian industrial reality: made up mostly of small and medium sized enterprises, which have always had an extremely high level of attention towards the social fabric of the area where they operate.

There are diverging opinions on the validity of this latter point.

The Entrepreneurs Association and the Regional government, in agreement with the economic daily, greatly valorise the absolutely spontaneous and at times actually unaware commitment of Small and Medium Sized Industry Associations in socially responsible actions, and pose the question of the difference between large industry and small and medium sized industries as a key in interpreting CSR today in Italy. Substantially, as it seems to be posed today, CSR appears to Small and Medium Sized

Industry Associations as bearing the risk of being mostly for the benefit of large enterprise. Large enterprise, which has been speaking a lot lately of CSR, “seems to be spouting off too much about it.”

- “Large enterprises have abundant economic, human and management resources and need visibility, so it isn’t that they are more sensitive than Small and Medium Enterprise: it is simply a lot easier for them. They have more money, more time, more human resources to do things with (from the nursery school to training for employees and the restoration of monuments) and to write social balance sheets and ethical codes”: that is to say, they have more resources to “implement their CSR actions with”, to “formalise” them and “make them spectacular” (as well as to use for eventual certification – see below).

Small and Medium Enterprise originally reacted unfavourably to the Green Book, to the eventuality of certifications, to the prospect that everything could change into additional costs (see below) but then, in taking a closer look, they became aware that they were already doing many things spontaneously, which could be ascribed to socially responsible behaviour.

- The CSR of Small and Medium Enterprise has been called “submerged” CSR. It is claimed that Small and Medium Enterprise is more deeply rooted in the territory by definition, because it lives in the territory. The entrepreneur lives in the territory with his family and friends. The small entrepreneur has his finger on the pulse of the community, for example on the behaviour of suppliers, because he knows them personally. He is the one who can most easily realise what the needs of his employees are (for education and more generally to improve the quality of life), because he shares his working day with them”. To be socially responsible is in the DNA of Small and Medium Industry. The theme is not deeply felt because these are things that we have always done”.

The relationship between action taken and visibility is substantially a different matter:

- “What large enterprise boasts of, Small and Medium Enterprises do normally, and have done so for a long time, without waving flags about it”;
- “The problem is that the impression is that large industries have CSR and Small and Medium industries do not!

And the relation of costs and benefits is also different.

- As we have seen above, Small and Medium Industries have fewer resources (human, financial, time available) and whatever may be said about it, a minimum investment is necessary over the mid to long term in order to implement a programme of CSR, and Small and Medium Enterprises are not always able to afford it;
- Of course there are also returns for Small and Medium Enterprise in terms of good relations in the territory, building of trust among the personnel (which is fundamental to be competitive), of the company’s local reputation (“the perception of a *beneficial* presence of the company in the territory”);
- But the advantage that is currently perceived by many as the *most attractive*, the “most tangible and remunerative in relatively short time”, that is to say “the possibility that CSR may increase sales” (being socially responsible is rewarded by the consumer or final customer):
 - Is precluded for Small and Medium Industry because it rarely reaches the final customer;

- While it is exploited, at times in an almost cheeky manner, by large enterprise (in some cases, it is suspected, even with second ends that are not exactly in harmony with Corporate Social Responsibility – (see below, the risk of actions intended simply to gain new “virginity” or to cover or distract attention from other “blemishes” elsewhere).

The other stakeholders interviewed, as feared by Small and Medium Enterprise representatives, effectively recognise a somewhat weak role of Small and Medium Enterprise, in terms of CSR, due to their lower level of visibility, but also to other factors as well:

- The actions of Small and Medium Enterprises are seen from the outside to be more within a logic of isolated intervention based on the sensitiveness of individual entrepreneurs and attributed internally to more or less “paternalistic” attitudes, rather than to socially responsible ones: “these, too, are good things, of course, but CSR” – it is continuously repeated – is “something else”;
- Additionally, due to the very nature of Small and Medium Enterprise, which is inevitably concentrated on the short term, a CSR Project, that is to say one programmed over the mid to long term, is difficult to digest. A different logic of investment is required (on this, we agree with small entrepreneurs).

Finally, the current situation appears strongly characterised by a sense of waiting with respect to the positions that the Italian Government will take on the subject: with expectations for incentives and fears of certification (see paragraphs below on this subject).

Instruments to realise Corporate Social Responsibility

Concerning the formal means – social balance sheets, ethic codes of self-regulation, certification, etc. – the most widespread impression is that Italy is still rather far behind: “the experiences of social balance sheets are few, ethical codes are present only in a few contracts...”.

The most optimistic, again, is the Sole 24 Ore:

- Although the newspaper admits in other phases of the interview that “Italy is probably not yet at the vanguard with respect to other European countries, regarding the internal processes of companies, that is to say in drawing up ethical codes, etc.” (This is probably something that is more strongly felt in the Anglo-Saxon world or in central-northern Europe, which depends on different cultural habits...in Italy this is a bit less perceptible”);
- Then, on the basis of published research and surveys, they outline a panorama in which “almost all companies have in use or will adopt within a year or a year and a half at most, the instruments for CSR: ethical vision (almost 80% of the companies interviewed in a survey consider themselves as having an ethical vision), ethical code, certification, reporting, ethical training, the involvement of stake-holders...”.

The Small and Medium Industries, for their part, say they “still have a long way to go, that they are not ready yet” or are even decidedly contrary: “all of the formal modes are

wrong; there are none, nor should there be any, because their purpose is only to tell people about it, not to actuate policies". They are also configured as additional costs: The General Manager who draws up a normal balance sheet may not be able to draw up a social balance sheet. There should be intervention with special training, or the possibility to delegate the task to external third parties...".

It is seen as correct and proper, on the other hand for the Association to draw up a social balance sheet as a stimulus on these themes for associate firms, as the cutting edge of the entrepreneurial system that it represents.

Transversally, for all of the interviews, attention remains concentrated almost exclusively on the instrument of the *social balance sheet*, as it represents a sort of "first step". If done seriously, in the new awareness that develops in company behaviour (it is tirelessly repeated that we are still at the beginning): a "truly interesting and useful instrument, because they are not merely numbers...it is a more humanistic balance sheet, where the interaction of the enterprise with society can be interpreted. It is a description, a narrative, often a simple list of what the enterprise does and doesn't do: but when you start writing it, you often start to understand where we are...".

This said, the manner in which the social balance sheet is "used" always then depends on the motivations and approaches of the CSR that generated it:

- There are social balance sheets that are drawn up "because we have to do it now", which, however have no value whatsoever;
- Others, which are drawn up very seriously (where, for example, the stake-holders are not simply cited and seen exclusively from the point of view of the company, but are called upon and listened to beforehand, through questionnaires, which will later be used in drawing up the balance sheet);
- Other cases in which everything is done that lies behind the social balance sheet, but where nothing is published, because more value is given to the system that generates the balance sheet rather than to the balance sheet itself.

The ambits of application of Corporate Social Responsibility

Few interviewees feel up to expressing an opinion relative to the greater or lesser importance of the enterprise's commitment in the various possible ambits of application of CSR: the areas of intervention are such and so many, the experiences so different, that it seems difficult to proceed with generalisations or to create types.

Only the Institute of Research risks stating that: "according to their nature, history and activity, enterprises approach CSR from different directions; it depends a lot on the division in which the enterprise operates". According to this interpretation (and in reference actually more to the stake-holders directly involved than specifically to the ambits of application of CSR):

- The world of service interprets CSR as a theme through which to consolidate, above all, the relationship with employees, in the first place, and in part the relationship with customers. The most illuminated have understood that the quality of a services enterprise depends greatly upon the quality of their human capital,

and that human capital is not maintained by simply offering more money to employees, but by building a solid relationship of trust, based on shared values, styles of work, and not only on money. An employee, a worker stays with the company if there is empathy with the company, if there is a common vision, a perspective and also a style of work;

- For enterprises that produce consumer goods, initiatives appear mostly oriented towards customers, and the risk of an extremely instrumental approach appears higher: the theme of building a relationship of trust with customers is much more elusive, because it is quicker and more consumistic. “Marketing oriented policies lend themselves more easily perhaps to customers”;
- For industrial enterprises that have a direct environmental impact on the territory where they operate, the relationship with the territory - in fact - appears to take the priority. In particular, in the chemical and petroleum divisions are more traditionally and obviously oriented towards environmental themes. “Several enterprises have understood that they can no longer resolve situations of conflict with a slap in the face. The idea has taken root of building consensus around a project that is shared with the stake-holders”;
- In enterprises quoted on the stock market the theme of corporate governance, is seen a lot, therefore the relationship with the shareholders is of particular importance.

The industrialists' association, for its part, observes in general a greater awareness of associated firms (the majority of which, again, are small and medium industries) towards the closest stakeholders:

- “More than pushing ahead with *far away* works - such as intervention in the third world and the like - at this time, actions in the local community are favoured, especially actions addressed towards internal personnel - see the great sensitivity recorded towards our initiative for nursery schools and the initiatives for the training of personnel”. The company objective is to “keep valid human resources, to have employees who are loyal and attached to the firm” as a competitive plus.

But it is felt that awareness of environmental themes has been acquired transversally at this point (“from the ecological point of view, everyone is now socially responsible”).

The humanitarian association risks expressing an opinion only on intervention that it has great familiarity with, that is to say on intervention towards the third sector, stressing the greater sensitiveness of companies towards intervention involving children: “in the end, companies regard such intervention as actions of marketing and in communicating, plays heavily on the emotional impact: actions that have the most success are always tied to children...”.

Companies and the communication of Corporate Social Responsibility

The idea prevails that CSR does not necessarily have to be communicated, but experienced and realised, more than anything else.

The actions of communication that are seen are ascribed to “mere marketing strategies”,

therefore with all of the partiality already noted previously and with the risk, noted from several sources, that the investment in communications ends up being much more costly than the investment in the CSR action communicated.

Of course, the dissemination of information on CSR activities realised by enterprises is an open question; there is the risk of communicating a distorted and in any case partial vision: of making CSR seem limited to marketing actions as described above and making it appear as something that is limited only to large enterprise (see the claim for recognition of their CSR commitment on the part of Small and Medium Industry; definitely “unprepared” in communicating such action, but also objectively hindered – “they cannot afford it”).

The social balance sheet is indicated by some as an instrument of external communication, but it definitely requires excessive activation of the potential public. Substantially, it is felt that the weight of communication should be born by the world of associations – both on the entrepreneurial front and on the part of the stakeholders – the media and institutions (for greater details, see the paragraph on the role that individual stakeholders and enterprises will have to assume in future).

A couple of meaningful indications of activation on the front of communications have in any case been made:

- An institution of awards such as Sodalitas, the Italian leg of the European marathon of CSR: “an innovative way to communicate CSR activities underway”;
- The multiplication of ethical Internet sites (where information is available on the behaviour of several companies) and the publication of guides for responsible consumption.

The inclusion of Corporate Social Responsibility in the overall management of companies and in their fundamental strategic lines

It is a widespread opinion (given the panorama outlined above) that the so-called ‘model of separateness’ is much stronger, percentage-wise today, where Corporate Social Responsibility is seen as an additional, separate or marginal activity (“often entrusted to External Relations personnel – and that tells a long story...”) that is performed because *it has to be done*, because it *is like a feather in the company’s hat*, and not because it has any meaning from the point of view of company management. On the contrary, in this perspective it is something that must not involve the management level of the enterprise and which, inevitably bears the risk of isolating someone who preaches well and everyone else who practice something else”.

This does not mean that there are not cases that are contrary to this, and that all in all even the forecasts of the most critical persons interviewed are quite optimistic: “the model of separateness still prevails, but we are on the road to the model of integration”, “today, an increasing number of enterprises are examining their policies and feel that CSR must be a strategy that involves the entire organisation”. Because “top management is increasingly bound by the fact that it must be worthy of the trust of all of its stakeholders, of all of the people who work inside and around the enterprise”.

The “model of integration” – the CSR commitment as a pervasive, ordinary dimension of business management – is substantially configured as an irremissible objective; a point of arrival that is sought in the path undertaken by enterprise in our country.

Interaction between the world of enterprise and other social actors in the field of Corporate Social Responsibility

From the research institution, the labour union, the association of consumers and the humanitarian organisation’s point of view, dialogue, even prior to collaboration, between enterprise and stake-holders currently still seems “sour” “scarce” and “limited”, for a whole series of reasons, both cultural and related to the attitudes of the enterprises and stake-holders.

It is a widespread opinion that in Italy “an individualistic culture prevails; the idea that everyone must take care of themselves”:

“There are no consolidated forms of confrontation and ability to confront problems”

“There is not yet a participatory system, a system of true constructed dialogue”.

The role of associations (Confindustria, labour unions, consumers’ associations, environmental associations) is not yet sufficiently taken into consideration, when, instead “it is precisely the associations who could be the “accordion” capable of governing this process in the best possible manner”. If an effort is not made on this front, there is a risk of “solitude: of the individual worker or consumer, but also of the individual entrepreneur, who, left alone, risks finding himself in a situation of anxious respect of the picture of change underway”.

In this “unprepared” and/or “unfavourable” cultural context, the critical and self-critical evaluations of both enterprises and on stakeholders are inserted.

It is recognised, on one hand, that enterprises have taken initiatives, while on the other hand many accuse them of having an all too self-referential attitude.

- “If dialogue is scarce” – states the research institute – “this is not always the fault of enterprise: paradoxically, it was enterprise, long before the stakeholders, who began to worry about the stakeholders”; this said, however, it is recognised that...
- “Enterprise often speaks *about* the stakeholders, and not *with* them”.
 - In fact, - and this is again asserted by the research institute – “the stakeholders frequently cannot identify with social balance sheets, because these reflect the image that the enterprise has of the stakeholders, that is to say what the enterprise thinks the stakeholder is, thinks or wants”; this impression is also confirmed by the humanitarian association: “the social balance sheet is a description, a narrative of the balance where the stakeholders intervene, but it is always seen from the point of view of the company: it’s not that the stakeholders write part of the balance sheet... they are involved simply because they are cited”.
 - The current “convention business”, as seen above, appears to be almost the exclusive prerogative of academics and large enterprise, with the involvement of the stakeholders, or at least of some of them, which is too little: it is the opinion

of the humanitarian association that we are dealing with “a moment in which the companies speak between themselves and several other interlocutors” (the banking system and institutions: that is to say, the “strong” stake-holders), “more than they do the world of the third sector, the labour union and consumerism”; for their part, the association of consumers reports an involvement that is at least “formal”, but which in substance confirms this interpretation: “they now invite us to the conventions, because they can’t neglect to do it, and because now we have also become somewhat fashionable: in reality they have no interest in a true involvement of consumers”.

- The labour union speaks explicitly of an excess of “self-referential attitude, self-realisation and self-absorption” in the question of CSR on the part of enterprise: “quite often companies think they can make not only the product, but also the legislator, the unions, the social assistants *alone*. This cannot function, because in complex society intermediate structures are fundamental: an enterprise, a system of enterprises, an economy without collective social mediators could not succeed in finding adequate equilibrium.”

All of this, obviously does not mean that there are no examples, however rare they may be, of already structured dialogue with the stakeholders, or in any case interesting experiments, where the enterprise, for example, “attempts to understand what the real needs of the stakeholders are, instead of presuming to know it”, “they take into account the opinions expressed by the stakeholders in drawing up the social balance sheet”, “they work on dialogue, listening and intervention in favour of the territory, to create stable social relations... this also does not mean that – with a view to the need to build a network of trusted relations – there are not already examples of partnership between enterprise and stakeholders, based essentially on the trust that the leaders have in each other (“it is a matter of reputation and credibility, that is built through time”).

Even the world of interest groups, in any case, is not exempt from severe judgement, but there is also much self-criticism.

- For the research institute, the problem is that in the world of interest groups there is “not yet an organisation ready to face the challenge of CSR: environmentalists and consumers often have no aptitude for dialogue with enterprise: consumers’ associations, for example, have a contractual approach, which is often of a blackmailing nature (also because it is often the daughters of lawyers who have profited from law suits against companies, or daughters of labour union members). The labour union is often very much bound by older models of confrontation and negotiation, similar to a contractual platform”;
- The labour union seems to be aware of this criticism, and especially of the need for “recognition of equal dignity of all of the stake-holders” and of the need to “overcome the totalising visions of each of them”; currently, in fact, two excesses are noted: one on the part of the union – “we believe we are the fundamental overall representatives of labour, partly for good reasons, but we must take into account this new complexity” – another on the part of the “others” – “the other subjects often consider the union as something old, which cannot assume new sensibilities”. This problem is strictly related to the fact that the stake-holders too often have a totalising vision of the theme, according to the point of view they are looking from: “consumerists and environmentalists, for example, tend to have an

approach that takes only that aspect into consideration. In some ways, it is not important for them is employment is safeguarded or not by their actions. We labour unions may risk doing the contrary...”;

- The work of alphabetisation of the base by those who represent the “least important” stake-holders, is still far behind: according to the consumer protection exponent interviewed, “workers must still metabolise the concept of CSR, while the consumers still have no inkling of it. They have no information or awareness of these strategies: for certain initiatives of *solidarity*, either they are moved – since I have to buy this item, I’ll buy the brand that does good deeds – or they react with an attitude of “you’re not fooling me” and they buy the product that costs less”; this impression is confirmed by the research institute: “I don’t think the community of consumers is capable of understanding the seriousness/and competence of the approach of an enterprise to themes related to CSR” (The so-called informed consumption, of course, is starting to come out, but it is still very much a niche of the market...);
- The humanitarian association admits having a passive attitude at the moment, (and there are probably many others like the one interviewed on this occasion), they work with enterprise only upon request by the latter, with an interest for CSR at this moment that is purely instrumental for the collection of funds, and a role of stake-holder that is for now limited to vigilance (a vigilance, in any case, which is quite a commitment: the fear of being used instrumentally by companies that propose projects of collaboration obliges them to make extremely severe preventive controls on the activity of the enterprises and subsequently to monitor them constantly; the humanitarian association, in fact, when they become part of the CSR programme of an enterprise, also implicitly assume the role of “*guarantor*” of the overall ethical behaviour of the enterprise”);
- Finally, there is evidently a problem of “representation”, especially concerning the environment, but which is also latent in other ambits; it is a problem strictly related to the *contractual power* of the different stakeholders:
 - According to the institute of research, “a fundamental problem is that the environment is not represented by anyone. While other stakeholders are subjectively incarnated by someone, the environment is not. And that’s why, when there is a conflict in which those who can lose are the future generations, we are sure that they will in fact be the ones to lose. The environmental associations? It is a matter of discussion whether they represent the environment and the future generations: they represent above all themselves, and it is difficult to attribute them negotiating power. In virtue of what mandate? A labour union has its members, the investors have shareholders. The environment? Who knows?”;
 - In speaking of the community of consumers, the research institute always makes the premise: “admitted that this exists and that it is represented by the consumers’ association...”;
 - For their part, the humanitarian association wonders what recognised power of negotiation the consumers’ associations have (in effect the first national law that recognises the rights of consumers associations was emanated only at the end of ’98, and evidently, there is as yet no visible spin off from this); but it is above all the situation of the workers that appears particularly weak, inasmuch as they are scarcely represented (“over the last few years, the labour unions have completely lost their power”).

There is a prickly aspect in the relationship between enterprise and stake-holders, too, and between stakeholders as well: if on one hand we are rightly aware of the need for recognition of *equal dignity* of all of the stake-holders, on the other hand the research institute stresses as a matter of fact that the enterprises cannot, in taking concrete action, recognise *equal importance* to all of the interest group: “to pay attention to the needs of stakeholders does not mean that all of the stakeholders are the same: each sector of enterprise has one stakeholder that is more important than the others. The enterprises that say they are taking into account all stake holders in the same manner are lying! The interests of different stakeholders are often in contrast between each other, and the enterprise must choose: it is a question that is resolved every day”. This creates a series of difficulties:

- The difficulty for enterprise lies in the fact that they are not always in the condition to be able to state their policies openly (“it is not convenient, not politically correct to say that some stake-holders are more important than others”) and therefore they generally tend to make unassailable statements of principle on paper, but are inevitably over-promising when it comes to making concrete concessions (“environmental and social policies in the initial pages of social balance sheets always sound like the ten commandments”);
- For observers, the difficulty lies in the fact that they are dealing with assertions that must always be taken with great prudence: “the true problem is understanding the coherence between what companies declare and what they do, to understand, that is to say, from their behaviour, what their actual policies are”;
- For stakeholders – who are already aware of levels of contractual power and strength that are different within the body of groups of interest – lies in not falling into the trap of a war between stake-holders, but of seeking, instead, within the limits of possibilities, an adaptation between contrasting interest”.

The point of view on this theme of dialogue between enterprise and other social actors is less difficult, on the part of the entrepreneurial association, the daily economic newspaper, the banking system and the Regional government:

- It is acknowledged that it is a problem that “only a few enterprises have begun to present themselves with awareness”. Not that they were unaware before, but in the past it was extremely sporadic and related to unfortunate events that were reported in the newspapers;
- It is therefore stressed that “today, we tend to overcome this vision of the relationship with the outside world, with clients and consumers, with interested parties who act according to a logic of intervention or reaction following incidents and disputes. Today we tend to be open to dialogue, to listen in a much more general manner and follow through with specific items, sometimes actually activated by the enterprises themselves”;
- Enterprises are in fact attributed with the credit for the initiative: “it is the enterprises that decide to be open to dialogue and confrontation, precisely to attempt to be accompanied in the development of their activities”;
- We have outlined a panorama of progress in this connection: “we are increasingly attaining an approach where multiple stake-holders and all of the actors who undertake this type of action are not only involved, but participate, take part and collaborate in the CSR action” [economic daily]; “the relationships are very intense with respect to a few years ago: people know each other better and speak to each

other more; there is definitely more exchange. The association has divided our Province into 4 or 5 areas, in order to fall as much as possible within the surrounding territory, and then attempts to have the Small and Medium Industries connect up with large industry, inasmuch as the former, as suppliers, are stakeholders in the latter, in order to favour relationships between enterprise and the banking system as well" [entrepreneurial association]; "in the district areas, we have codified ambits within which relations with the subjects are consolidated and virtuous behaviour is encouraged for competitiveness". [Lombardy Region]; (then it is stressed once again, concerning Small and Medium Industries, that there is a pre-existing consolidated tradition of frequent and spontaneous relations with the territory and other social actors);

- A role as absolute protagonists for enterprise is brought out, especially within the ambit of the Small and Medium Industry: "each enterprise knows what their area of reference is for interest groups"; "for the moment, it is enterprise that speaks with everyone: in a more productive and richer manner, but not in a circular manner; the stakeholders speak little with each other: the Small and Medium Industries are not interested in this aspect" (the entrepreneurial association recognises, instead, that there may be a circular dialogue with large industry);
- In the Small and Medium Industries, non-structured and discretionary manners of operation by entrepreneurs are defended: "even in relations with stakeholders, there is nothing structured and action is taken according to what is most opportune or necessary. It depends upon the time, the area, the emotional charge".

The hot theme from this point of view (more on the side of entrepreneurial representation) is reconciliation between rights and duties: "otherwise, we risk having only one-way relations with enterprises committed to claiming a right to free initiative and the world of social actors committed only to claiming rights. Probably there are duties that must involve both of these worlds" (that is to say, not only enterprise!)

In establishing a dialogue with stakeholders, it is recognised, in any case, that there is a great opportunity:

- Of course opening up to the rest of the world means "sitting in a showcase" and inevitably entails the risk of confrontation right across the board - which requires the awareness of the presence of positions that are even very different among the various interest groups - ("but enterprises are by definition accustomed to confrontation with risk, every day");
- The opportunity is that this world with which the confrontation is taking place - "a world that is prepared and increasingly aware, which rightfully desires to have a say and to be listened to" - and a world that is extremely rich, which can help enterprise to grow - a confrontation that is an opportunity for enterprise to "develop a civil awareness within the company, precisely to recover the role that enterprise has in society" [banking system].

Concerning the subject of "banks", specifically, there emerges "the great implicit social responsibility of banks, as they collect the savings of families and finance enterprise, to favour growth".

At present, on themes related to CSR, the banking system is presented as a leopard-spot reality: "as in all processes of growth" there are more sensitive subjects that gradually

lead the others. But at the moment, even if several initiatives have been realised, a lot of things are still being debated.

Of course, “it is easy to imagine that badly managed savings and excessive or under-weighted financing of the enterprise it is desired to help grow could generate serious problems. The conditioning and role of an economic operator can perform from this point of view is substantial” [banking system]; “since we are halfway between the demand and offer of money (and money is a powerful vehicle of information) the bank succeeds to some extent in orienting models of relations: for example, the fact of exercising credit in an absolutely disinterested manner or in a careful manner with respect to the use that is made of the money by the enterprise, changes the relationship between the enterprise that is granted credit and the bank” [research institution].

At this point we open up the vast theme of responsible financing.

From the point of view of the observatory, the institute of research substantially identifies two approaches:

- One that departs from a purely ethical evaluation, underlying which there is the idea of just and unjust, and for which we are willing to give up a value because we do not agree;
- The other one departs from an evaluation that is more oriented towards the creation of value and therefore towards the evaluation of risk (“if I send you to prison, you will not give me back my money”); that is to say a form of credit risk management that is attentive to themes of environmental and social responsibility, because they are capable of influencing the creation of value for the bank, because they are capable of determining the success of a business; if, for example, we do not invest in petroleum products because it is felt they are destined to disappear within ten years, an ethical choice is not made, but on the prospects of creating value (under which therefore, there is a reading in terms of CSR, not as an ethical problem, but as a problem of value, that is as an element capable of determining the success for failure of an enterprise).

One approach does not exclude the other:

- Those who pose the problem of CSR in ethical terms may also hit on some value drivers, but this is not their motivation;
- But then the idea that in 10 years there will no longer be petroleum also depends on the fact that there is a political pressure movement that is pushing towards a less invasive production of energy. So in fact the ethical approach may influence the evaluations of value drivers.

For his part, the interviewee who represented the banking system, after having stated his reading of CSR for institutions of credit, stated:

- “We believe that being socially responsible obviously means adopting a series of coherent behaviour patterns: like being transparent, communicating, listening, not speculating on the client to gain more profit, especially generating sustainable value through time, therefore not looking at the short term, but the mid term, which today means not having profit as the only value of reference”.

The use of the adjective “ethical” is critical on the part of a certain type of funds:

- “To define a fund as *ethical* is improper, because it makes people think that all the others are not ethical. There are other funds (it should be all of them), which respond to certain prerequisites, such as transparency and the possibility to carry out operations of investment in absolute security. In reality the so-called ethical funds are a particular type of product (not necessarily better than others) with the characteristic of orienting their investment policies towards shares of companies that do not produce arms, alcohol, etc: these are funds that are addressed to a well-defined niche of savers, who have a high level of awareness of what they are looking for and of what they would like these funds to do. But we are definitely at the level of a niche!”

The sensitiveness of investors on themes of CSR is in fact very low right now. From a research to understand to what extent investors take themes related to CSR into consideration in making a choice of investment, “it emerged that they understand almost nothing and without thinking too hard, they have information available that is provided by the headlines of articles (not even by the articles themselves) in the newspaper Sole 24 Ore. They have the sensation that some enterprises manage things better than others, to the extent that they end up in the headlines of the newspapers: what is behind all of this is absolutely obscure to them” [research institute].

These latest observations introduce the theme of the role of media.

“Transparency is a rue requirement - comes the cry from several sources - “and transparency, as usual, is a problem related to the offer of information and the ability to read that information, therefore it is also a problem of the demand for information”.

The latter, as we have just seen, still appears rather scarce (with the exception of a few highly “evolved” niches), the cause and effect of the fact that the media, according to the majority of the parties interviewed, still deal very little with this theme, which is present with a certain weight and frequency only in the economic press, or deal with it in an insufficient manner.

While the journalist interviewed, in speaking of the economic daily for which he writes, reports “a work of continuous and constant monitoring of what occurs in Italy and abroad”, but above all “an investigative work and further research that assists readers and businessmen in acquiring a clearer idea of the set of problems that exist in relation to CSR”...

...For others our press “simply echoes enterprises who communicate their CSR actions, and does nothing in connection with the actual phenomenon”; or “provides absolutely inadequate coverage: the press understands nothing of these things and provides a somewhat boorish reading. Italian media has no ability to criticise; they should be a bit meaner. Currently, there are no ‘watchdogs’, but at most a few ‘pets’ (daily newspapers that have strong ties with industrialists will never attack their social balance sheet, for example). Therefore those who abuse of the common ‘innocence’ in connection with this subject matter are at an advantage”.

Concerning Institutions, everyone speaks of the recent Government initiative on the theme of CSR (see the relative evaluations, below), but the impression of some of the interviewees is that in any case, Public Institutions, overall, are “rather absent for the moment”, “they are absent or acquiescent, where there is instead a need for Institutions that can have a strong and active dialogue on this theme, a solid interlocutor that upholds principles, and effectively has the welfare of the community at heart”.

Aside from the Government initiative, nobody goes into detail concerning the various levels of the Public Administration.

The Lombardy Regional Government, for their part, states that they have taken no express initiative in this connection (“it is difficult for the Regional government to make any move to regulate CSR”), but stresses several programming choices that may be seen as generating actions that favour CSR – “our point of view is to orient policies and create the conditions”.

- The Regional Development Programme evaluates policies for enterprises in an absolutely balanced manner, between the need for excellence (which could induce enterprises to implement socially inequitable behaviour) and the needs for support and corrective action of enterprises: the tension is towards the balance between the need on one hand to ensure that Lombardy enterprises are competitive on the market and, on the other, to consolidate the valorisation of the territory, the family, labour and employment, in addition to the traditional entrepreneurial culture;
- “One of the reasons why we share CSR – but share it from the point of view of solving problems with respect to the overall picture – is the commitment of the Regional Government towards enterprise on the front of the activation of professional training as an instrument to maintain employment or re-employment, “definitely one of the most relevant/critical factors at this time”;
- On the front of policies in favour of women – CSR for the activation of equal opportunities – the Regional Government has not only achieved great success in announcements in harmony with national norms to support women entrepreneurs, but within the potential possibilities of Objective 2, has also realised a specific measure of intervention to support women entrepreneurs that has had extremely significant success”.

Again at the Regional level, we should also mention the fact that the labour union has also posed the question of the room given decentralised legislation on CSR: “for example, the Tuscany Regional Government is thinking of emanating legislation on codes of conduct for Corporate Social Responsibility, but this is still quite ambiguous: is it possible for only one Region to be active on this front? For its part, the Lombardy Regional Government, as seen above, states “it is difficult for the Region to take action to regulate CSR”.

On the central level, in any case, attention is concentrated on the recent Government initiative as stated above: with transversally positive evaluations on “the fact in itself”, but which are rather critical when it comes to the details of the proposal presented:

- Having placed CSR at the centre of attention, having placed in among the 5 priorities indicated for the semester of Italian Presidency of the European Commission, definitely appears to be “meritorious”.
 - “Because there had not yet been such a turn around in Italy, giving such a high level of reference to the question” [banking system];

- “Because it provides an incentive and invites distracted enterprises to make it known and visible to the public that enterprise also does some good things” [entrepreneurial association];
 - “Because it obliges us all to reflect, discuss and confront each other on this true, important and actual theme, which is a good thing, even though the Government intervention on the matter will probably be a great business” [labour union and humanitarian organisation].
- But the characteristics of the proposal presented still seem quite confused, in several rather unacceptable passages, and overall it inspires a great deal of perplexity.
- While there is substantial agreement on the opportunity of a legislative intervention to support CSR – in terms of fiscal incentives, facilitations, etc. – to assist and reward enterprises committed on the front of CSR and provide incentives to those who are still “distracted”;
 - Some very strong resistance emerges in connection with the eventuality that these incentives may depend on certifications – a sort of blue stamp “that is given from the top”: “I don’t think there can be a road, especially a government road, to clarify whether an enterprise is socially responsible or not...there would only be an absurd race on the part of all enterprises to obtain this stamp, with quite questionable results” (see the paragraph on audit mechanisms in detail);
 - Concerning the “Corporate Commitment” (a further level of certification), there are several more perplexities on the “efficacy of the instrument, especially given the proposed objective of requiring companies to share in reaching welfare objectives to some extent, which the Ministry would identify from time to time”. “Enterprises, over the years, have freely decided what projects to support and they should be left to continue doing so, without it becoming necessary to be recorded as part of a list” (a critical attitude towards the proposal that “our cultural inheritance is definitely not foreign to: we are still fond of the idea that it is the State that does things for the common good, not enterprise”).

Concerning reactions to the guidelines for responsible company conduct indicated recently by the UN, for example, with the “Global Compact”, and by the European Union, with the “Green Book”, there are different readings:

- For some, the problem is that these guidelines are “destined for all but reserved for the élite” [Lombardy Region]; the experience is of “something still a little far-fetched” especially for Small and Medium Enterprises [entrepreneurs’ association – Small Industry];
 - “In future, for cultural reasons, these indications” – according to the employers’ association – should come from the Small and Medium Industrialists’ association as a procedure of dissemination to their membership: translated from the Government, local administrations, category associations, etc...”;
 - According to the Region, they should be communicated “through the mass media”.
- According to the consumers’ association, on the other hand, “at present there is only a *framework* for this growing sensitiveness”. Acceptance of these guidelines appears to be “reductive”, discretionary: “the attitude of enterprise is: “we talk only about what interests us most and whatever disturbs us or commits us excessively, we ignore”;

- For the research institute, in any case, the Green Paper “did a lot of good” because it opened up prospects and focused the attention of decision-makers and opinion leaders: “This is an overall problem of economic policy for Europe”; but then it is also pointed out that if this should give rise to a directive governing behaviour in a specific manner “it would be a negative development, because, as is happening with the initiative of our Ministry of Welfare, in the end, enterprises oppose it. Therefore the Minister had to take a step back in order to avoid too strong an opposition...and in the end it levels off towards the base...”;
- Finally, the entrepreneurial association reads this as “mostly an ideological question”, definitely a very worthy one, but whose spin off must be carefully evaluated: “In my opinion, since this is the Old World, we must be the standard bearers of certain values, but I do realise that behind the ideological argument there is a practical argument, relative to industrial costs, which cannot be underestimated...at first sight, many reacted badly to this type of invitation: their first fear was: now the labour unions will be asking for more things” (a fear that turned out to be grossly unfounded); the second fear was that this all translates into costs [see the paragraph on costs for enterprise of CSR actions, below], with the consequence of an increase in the price of our product with respect to products manufactured a few meters outside the European Union, where they are not in the least concerned with these problems. The fact that these problems are posed should not become a disadvantage for us. Of course, there are also advantages in behaving in a socially responsible manner, but we are speaking of the long term... and digesting “long term” is not so easy...”;
- The most optimistic opinion, of the economic daily, is that these guidelines are already “quite concretely translated”. The faith expressed by this observatory on the opportunities related to the application of Corporate Social Responsibility and on Italian enterprises’ awareness of such opportunities is quite high: these guidelines, they continue, “are concretely translated on a voluntary basis and on the evidence - which will be increasingly decisive in future - of the fact that adopting CSR policies will become *convenient* for enterprises: that they will be re-positioned on their respective market, will earn market shares and gain positions in competitiveness with respect to their competitors and furthermore, actions will be implemented that benefit society and the company itself. Of course, multinationals and large enterprise are always, inevitably, more visible because of the means at their disposal and the importance of the actions undertaken, but small enterprises are also beginning to have a mentality that includes a vision of this phenomenon of CsR, which represents a challenge and an opportunity for everyone”.

Social performance auditing mechanisms (evaluation/control) for companies

This is definitely a very hotly debated theme, which is “vast and delicate” and in connection with which there is a great deal of confusion at the moment. It has come aggressively to the forefront since the Government presented their proposal last December, with the objective of submitting it to the European Union in the Italian semester of Presidency.

Beyond evaluations concerning the specific proposal (see above), the government has

definitely stimulated the debate on the opportunity of certification – of creating a so-called “stamp” of social responsibility given by the government. The climate is somewhat worrisome.

On one side, there is definitely a requirement for control and guarantee. The need is beginning to be felt, substantially “to put some markers in place” following the recent development of CSR in our country: it has been a rapid and generally positive development, but also somewhat “wild” and it is feared that there have been at times interpretations that are “not very limpid”.

From the point of view of the humanitarian association and the media (but not of the association of consumers), it would be desirable to have some authoritative certification, which guarantees consumers that they are not being defrauded (it is right and necessary to reassure them on the fact that the CSR actions publicised “effectively” correspond to truth), and which guarantees the associations of the third sector involved in CSR actions that they are not being used instrumentally (giving rise to the need for a heavy commitment to implement constant monitoring of the overall behaviour of partner enterprises).

On the other hand, the other stakeholders interviewed, although they understand these needs, stress a series of counter indications:

- CSR is an extremely vast and variegated theme, just as the cases in which it is applied and the implementing enterprises are extremely diverse: reducing all of this to a single parameter, however flexible it may be on papers, seems like an impossible and arbitrary undertaking: “CSR is not something that can be evaluated in the same manner as an ISO standard”;
- Experiences in other fields (environment, quality, balance sheets) testify to the fact that systems of certification:
 - Have a levelling off and sterilising effect towards the lower end of the scale, and tend to transform means and purposes: “in the end, if CSR is transformed into a stamp, the stamp will become the end in itself, instead of the means... This is very clear in the world of so-called quality guarantees, as well as in the world of environmental certification: if the objective is to have the “brass farthing”, we lose sight of the meaning of it because all of the energy is directed towards the objective of satisfying the need for certification. The certifier becomes the principle stakeholder”;
 - Small and Medium Industries tend to disincentivate this, because “more bureaucracy cannot be supported”: a procedure of certification would risk requiring a greater investment in time and money than has been earmarked for CSR actions to be carried out up to that time, and/or so great as to “discourage commitment on this front”. “If too many obligations are put into place, those who spontaneously perform CSR actions now would curtail them in future”; the impression, in substance, is that “certification would help only the richest companies”;
 - It would be easy to get around, or could actually become “a way to cover scoundrels”: “All you have to do is take a look at what happens with balance sheet or environmental certifications!” If there is no serious commitment, no consolidated entrepreneurial culture, “certifications are obtained anyway in the end, because you just put together a little paper, and when the certifier arrives

you polish up the factory, and when he leaves you start back up doing the same old “dirty business” that you had before...”;

- They end up being a great business for the accredited certification companies.

The certification substantially appears to be a formal approach – the “license to be good” – versus one of substance – that is building a world of relationships of trust – CSR should be something that society and the market recognise a company for, with no need for stamps and certificates: “It is not a matter of having a lot of titles to show in public... I think that at this time it is more important for people who believe in an enterprise – for various reasons and organised in various manners – to be able to express their faith on the basis of behaviour that may determine the success or failure of that enterprise”.

Definitively, we have a greater propensity to face the risk of abuse, that is that “enterprises may lie to people and take advantage of common good faith” (also because, as it was said earlier, it is felt that “the system has robust enough antibodies to distinguish between the good and bad...”) rather than the risk of sterilisation of the system with certification: “it would be like throwing salt in the field”.

The true requirement is for transparency, not certification”.

From the point of view of the consumers’ association, it makes little sense to speak of certification before the system has metabolised the concept of CSR as being “strictly connected to an idea of *global quality*, which truly involves all stake holders and has as its objective the recovery of the ability to manage all of the wide array of consequences generated by the productive process of goods or services”. If the Government initiative is successful over the short term, “what will the certification firms measure? Only segments of commitment in single areas... What role would the stakeholders have? None!”

To a greater or less extent, however, the Ministry of Welfare seems to have acknowledged these concerns: with a certain satisfaction on the part of some (Small and Medium Industries appear to be quite reassured with respect to how the subject had been presented in the beginning), with further worries on the part of others (“The Ministry has taken several steps backwards, to avoid encountering too heavy an opposition. In the end it is inevitable that things will level off further towards the bottom of the scale...”).

“We’ll wait and see...” [Upon closure of the interviews the definitive project had not yet been presented].

The cost of CSR actions for enterprises

On one hand, the term “costs” provokes a diffused reaction of near indignation, because sustaining a reading of CSR as a strategic approach that must involve the entire organisation “means sustaining a logic of investment – not of cost! – Which everyone is called upon to collaborate on”: “It is not a question of preparing new activities or organisational structures to preside over CSR”; “If the logic is that of cost, we are not going anywhere with it: everything must be seen with a view to the future...”

Beyond these, shall we say, statements of principle, and the different perspective at the base of the terms “cost” and “investment”, it is recognised by many, nevertheless, the fact that CSR implies a “commitment” on the part of the enterprise, and not only in terms of acceptance of values: “CSR requires a minimum of investment, and since the period is absolutely sad, this is not seen as an appetising prospect by companies or, in any case, there is a great deal of prudence” [research institute]; “the costs are variable, but CSR is definitely a cost: a cost that is remunerated sometimes in terms of image or in terms of market, but which could even not be remunerated. There are many companies who carry out CSR actions precisely because they wish to follow certain parameters” [economic daily].

The subject of remuneration versus a pure sensitiveness of individual companies is also taken up by the Small and Medium Enterprises:

- Even from the point of view of the small entrepreneur, in fact - but only if we remain within the logic of voluntary action - it seems improper to speak of costs: “if an enterprise publicises their intervention in the social sphere, they will consider CSR as an investment, because a return is expected; if they don’t publicise their intervention, I would consider these actions as a normal donation that depends on the sensitiveness, conscience and financial possibilities of the individual entrepreneur: questions of conscience cannot be included among a company’s costs”;
- If, in view of the eventual “blue stamp”, but also of “invitations” by the EU, CSR is regarded as something that a firm cannot fail to do, even though there are no explicit obligations, then the perspective changes. The extremely pragmatic point of view of the entrepreneurial association is that “unfortunately, following an initial stage of great humanitarian spirit and participation in a common social commitment, things must rightfully be placed within everyday reality: it is clear that the nursery school, training, the support of an association of the third sector, and the eventual procedure for certification, are all costs...”. Discussion is declined, with a certain amount of concern, especially as a function of competitiveness on the global market: “of course, these are all things that have a positive spin off on the quality of life, but the worst repercussion (especially for Small and Medium Enterprise) is an inevitable increase in the cost of the product. So we acknowledge these invitations contained in the EU Green Paper, but four meters outside Europe they continue to produce, in basements, underpaying people, throwing their refuse in the rivers: so it is clear that our product costs 100 and theirs will cost 10!”

Prospects and expectations for the future

A balance of the risks and opportunities related to CSR

In reconsidering what we have seen in the foregoing pages and attempting to draw the bottom line to some extent...

Risks are pointed out

- Part of the world of industry fears that everything will translate into costs, with the consequence of a further loss of competitiveness, in terms of prices, with respect to “our neighbours”;

- Eventual “blue stamps” could compromise the development of CSR, bringing a levelling towards the lower end of the scale, or actually act as a deterrent;
- There is fear that CSR may be ridden by the Government to implement the process of “Americanisation” that is underway, to attempt, that is, to make the Private Sector do what would normally be entrusted to the Public Sector; “one thing is to ask – and rightly so – companies to behave in a socially responsible manner. It is quite another to ask them to finance the third sector”.

And “deformities” are stressed, such as...

- Investments to publicise CSR actions are blatantly greater than the investments for the actions themselves: “if there is an investment of 10 on a CSR project and an investment of 100 to communicate it, then there is something wrong with the process”;
- CSR utilised as a “horse to ride to evade problems of image, to remake a company’s ‘virginity’”;
- Or as a “cover, to deviate attention from other problems elsewhere”: good deeds/”actions done as a spectacle” to cover actions or attitudes that are not socially responsible at all, or perhaps even illegal (towards suppliers, shareholders, employees and society): “It is true that CSR is not simply respecting rules. It is something that goes beyond this... but attention must be paid to the opposite, that CSR is not undertaken without respecting the rules: if an enterprise builds a nursery school in Burundi, but evades taxes or provokes the bankruptcy of a supplier because they fail to respect a contract, the system doesn’t work! In order to make a good show of it with CSR initiatives, it is necessary that everything in the company be done correctly according to the rules, civil and penal laws, which is not a foregone conclusion...”.

In any case, as stated in the opening premise, the prevailing reading given to CSR is that it is “a great opportunity that cannot be missed”, and this is perceived at various different levels:

- Starting from the more “material” and limited aspects.
 - “If this is a means of acquiring slices of market – to put it brutally – then CSR is a road to travel”;
- And continuing through the great “ideals”, where the prospects for CSR seem to grant true *feasibility* to the utopia of a better world and better quality of life for everyone.
 - “There is truly *convenience* in CSR for everyone – for enterprise, for suppliers, for workers, for consumers – and this is its great strength”;
 - “The great opportunity is to trigger a virtuous circle...wherein the challenge of quality is resolved and feeds itself, thanks to socially responsible behaviour that involves a circuit of rights and duties of enterprises and all stake-holders...”;
- And wherein CSR seems to determine a new system of references within which enterprises and society place themselves (a new form of individual and collective legitimisation?).
 - “This is the opportunity for the current managerial paradigm to make a leap forward, to start seeing a new way of being, not only of appearing...there is an internal push for all of us to be not only protagonists, but to be citizens, to be part of a whole: everyone must do their part. So let enterprise also do its part: where

organisation is concerned and precisely because it is made up of persons who interpret a little every day the objective of a participatory society”

But there is still a long way to go...

Priorities for the future

To be extremely synthetic, and reasoning on the interviews as a whole, the priorities for the future appear to be the following:

- A great cultural project: upon which to sensitise everyone, and which truly involves everyone: enterprise, stakeholders, civil society...
 - Therefore: education, sensitising on the theme, training and information;
 - In which everyone must collaborate: entrepreneurial associations, labour unions, environmental associations and consumers, the world of NGO and non-profit, media (not only economic media, but mass media as well), Public Institutions...;
 - With the objective of creating a widespread *conscience* on these themes (level of understanding and interest) starting from the base and going up to the top; a conscience which gradually changes to *culture* (“something that is part of our daily lives”);
 - To take action so that “in the end, those who are not socially responsible feel that they are loosing out”: “one must not feel *obliged*, but culturally oriented towards being socially responsible”.
- Transparency in information: this is an irremissible requirement for the correct development of CSR.
 - “If and only if there is transparency in information, will stakeholders (workers, consumers and the reference community, suppliers – who are also called upon to be socially responsible – the institutions, the third sector) be able to understand who they are dealing with, and therefore be able to make their own considerations and eventually advance their criticism and, if it is the case, to intervene”.

This is a theme closely related to that of “public accusation” (providing they in turn socially responsible!) of companies that boast of CSR in a certain field, but then have incorrect behaviour elsewhere.

- Public accusation is seen as a more efficient means of control than eventual certification.
 - The media would play an important role – as the “watchdog” and not as a “pet” – but not only that (see suggestions to the Government, below).
- Creation of a world of relations based on trust: “it is necessary that relations characterised by dialogue and trust be established between enterprises and the rest of the world, which go beyond commercial relations; the same type of relationship that binds individuals must be created, where in the end, one trusts another on the basis of shared values and faith”. This entails...
 - The acceptance on the part of enterprises of the risk connected with opening up to the rest of the world: “opening up to the world means accepting the confrontation as a whole, without limitations, being aware that it is an extremely

plural world, where the most disparate positions coexist, but it is also a world that is extremely rich and that can help the enterprise to grow”.

- The acceptance on the part of stakeholders (especially those who represent widespread interests) of the risk of becoming contaminated, of making some compromise. “It is necessary to make a bet with enterprise because it is there that the resources are generated, which will then be used to attain the well-being of the entire community...”.

- Identifying a “common margin”

- “Each of the actors – enterprises and stakeholders – must face the others with a new attitude: renouncing to a certain immediate claim, deeming it more convenient to promote a framework within which to realise the general good, but also capable of guaranteeing the essential good of each of the actors involved”.

In going deeper into detail concerning the different positions, efforts to implement and concrete initiatives to take...

For entrepreneurs interviewed (entrepreneurial association, economic daily, banking system) several items emerge that are stressed which, generally speaking however, outline in the end a sort of three-step roadmap...

- Eliminate resistance: help enterprises to understand (the role of the entrepreneurial associations) that:
 - They need not fear CSR;
 - Being socially responsible is possible, without “ruining your business”: there are forms of CSR that are not costly [employers association];
- Understand the advantages: develop awareness of CSR and help enterprise understand that being socially responsible “is convenient” [economic daily]:
 - With direct advantages in re-positioning on the market – acquisition of market shares, increasing competitiveness, etc. – and indirect advantages – positive impact on society, image, etc.;
 - In the short term – a return from the point of view of worker satisfaction and – over the long term: your name/trademark is valorised, identified and is posed as being socially responsible, and will be recognised in the future.
- Understand the *meaning*: “in order to feel like you are an active part of a system [banking system]; therefore...
 - Promote a cultural revolution within the enterprise;
 - Create rules for the internal management game, “which normally take the name of corporate governance, rules, however, which must go beyond the simple disposition of how to make the board of directors function properly...”;
 - Take up a mid-to-long-term logic and accept the concept that profit is a necessary condition, but is not sufficient (“this is indispensable if the commitment and objective is to generate sustainable value in time for the enterprise and all stakeholders”);
 - Establish a dialogue with the stakeholders, even a preventive one, which is therefore capable of identifying common roads of partnership. Choose to meet the interested parties “not simply out of a sense of duty, but start to establish relations of partnership, to share a roadmap that should evidently and definitely have as its objective the success of the enterprise, but also the well being of the stakeholders”;

- Find your “twin spirits” on the market. Increasingly seek partners with the same affinities, involve the chain of supply or group, trigger a virtuous cycle: “what is actually needed is this continuous contamination, the possibility to aggregate as many enterprises as possible around a representation of CSR”.

Concerning the banking system in particular;

- The banking system “has established a future programme of attention towards society that is quite innovative and takes into account that the world of banking has for many years been considered a “petrified forest”, that is scarcely sensitive, extremely closed, with its own rules, very impenetrable, and today there is the desire not only to open up towards the outside, but to...;
- Help people understand better the role that banks can play in society: within the ambit of the cultural revolution that is necessary in the world of entrepreneurs, banks may assist in orienting and addressing enterprise towards CSR. Banks, in fact, definitely orient and influences, with their behaviour, even the external world that surrounds them as a whole: this very awareness is important in itself”;
- Concerning the world of so-called ethical finance, the true contribution that it can make is in helping investors develop the awareness that an ethical investment - oriented towards a value that is sustainable over the long term - is necessary over the mid-term.... We have to grow from this point of view as well, otherwise it will always remain in a niche” [banking system].

For their part, labour unions, consumerism, humanitarian organisations and the research institute stress the following:

- The urgency of initiatives to generate a cultural of shared responsibility;
- The need to begin a new season, where all subjects, for different reasons, are involved in the life of the enterprise, must join together to seek a punctual and shared definition of the rationale, methods and objectives of CSR;
- The need, therefore, to imagine planning sites that face the problem of sustainability, uniting all actors involved, “a sort of round table where equal dignity is recognised and at the same time the specific responsibilities are safeguarded, in defining roles that the various subjects have in building CSR”.
 - For example, the new Chambers of Commerce could be the place where the stakeholders discuss and plan, where everyone has their responsibilities and economics [labour union].
- In connection with the need for stakeholders to always have a role not only of vigilance, but of active participation:
 - “A social balance sheet could be drawn up on occasion of the discussion: a place could be imagined where, at certain intervals, the various stakeholders (chosen, perhaps, taking into account the specific nature of the enterprise) meet to discuss the strategies of the enterprise. If the entrepreneur accepts this roadmap/risk, he could imagine, for example, to submit his choices to a sort of committee, which would express a final opinion, which is not of a decisional nature (it would be the entrepreneur who would make the investment and it must therefore be accepted that he is the one who will decide in the end... but why can he not risk accepting my judgement?) [Labour union].
 - The humanitarian and environmental organisations should increasingly assume an active role towards enterprises, which goes beyond preventive control and

- monitoring in function of fund-raising: they should make a commitment to increasingly influence the activity of the enterprise in their core business, and the enterprise should be willing to withstand confrontation in this sense - as happened, for example with IKEA and Green Peace, which succeeded in getting IKEA to stop using PVC internationally” [humanitarian organisation].
- Another, more controversial issue, is the participation as shareholders of employees: “if you want to influence behaviour significantly, you have to participate in the company’s risk, as one of the stockholders: this means participating in the assembly of shareholders as a small shareholder, and play your part as a minority shareholder and employee.” (It is noted however that there is a problem in this connection of adjusting Italian company law, which currently has a system of stock trade that is more favourable to the majority and the systems of control are substantially in the hands of only the majority) [Labour union].
 - Concerning the approach in the relationship between the enterprise and the stakeholders...
 - It is stressed once again that “the organisations that represent widespread interests - environmentalist associations, consumers associations - should become accustomed to a different type of relationship with enterprise, built on dialogue, risk and compromise, and to some extent made up also of the risk of trust: they should take risks to some extent, trusting the counterpart and therefore contaminate themselves a little” [research institute].
 - For their part, the labour union states, “we must imagine a contractual-negotiations approach, perhaps with non conflictual, participatory negotiations, given the subject. The rules should be agreed upon and shared, which make this a theme upon which the confrontation between labour unions and enterprise may have some points of reference. The labour union must succeed in seeing the company from the inside and from the outside, and also ask the other stakeholders to pay attention to this aspect. The quality of the process of work is an important piece of the CSR puzzle, and for this reason it requires a participatory culture. Therefore the training of workers, the adaptation of the environmental conditions, the “liveability” of the environment, are all things that can be arrived at by collaborating with each other”.

Finally, it is the common opinion that the Institutions cannot “remain outside “ of the panorama of common commitment outlined up to this point, but must assume a role “in terms of policy, not of creation of standards”, a role as guarantor, of stimulus and of making enterprise responsible, not of “passing the buck”, shall we say, to enterprise, of all the welfare activities that the Public sector no longer has the intention of assuming:

- The Government must do much to stimulate enterprise culturally on the theme of CSR”; but not only enterprise (“why not finance, for example, projects of education and training on CSR for consumers?”);
- “What the Government should do is probably stimulate and make companies responsible on CSR. In any case, the companies pay taxes; therefore they contribute to the well being or malady of the country. It is therefore necessary to attempt to reward companies that behave correctly - a legislative path of support is therefore to be considered useful - but at the same time it must be an interlocutor that is capable of intervening when there is a need for assistance... The government must be the first one to be socially responsible”;

- What the Government definitely must not do is to ask companies to assume the role of the Public in sectors of activity – assistance, social security, health, etc., from which it is attempting to withdraw”;
- “The role of Public institutions is to guarantee the respect of rules and transparency to these transactions between companies and stakeholders, and avoid situations of abuse – which does not mean creating further obligatory rules”.
 - Some suggest that “as with the internal revenue, the Government should make spot checks (you say you are carrying out this socially responsible action? O.K.: let me check to see if it’s true and especially to make sure that it is not a cover for incorrect or illegal behaviour. Otherwise I shall invite you publicly to stop it!) Or the Government should create an authority to receive complaints (publicising cases where incorrect behaviour has effectively been found. Substantially, we are outlining the public denouncement – with all of the imaginable repercussions in terms of loss of image and competitiveness – as an “exemplary punishment” and a particularly efficient deterrent for those who wish to take advantage of CSR only as a publicity testimonial, acting in their daily activity in a manner that is anything but socially responsible).

The labour union concludes “hopefully”: “If the semester of Italian Presidency translates into a series of ‘roadmaps’, if, within a few years we had started a process of negotiation, a cultural process and a legislative process of support (non-obligatory) then we would truly make a considerable leap forward in quality”.

PART 4 – ANALYSIS OF THE CASE STUDIES

INDICATIONS EMERGING FROM RESEARCH INTO LARGE COMPANIES

Fabio Cecchinato and Massimiliano Monaci

Our research into the practices of *Corporate Social Responsibility* sought to describe the “ways” of interpreting and translating, in practice, the concept of social responsibility, analysing the behaviour of 28 large multinationals operating in Italy, France, Germany and Switzerland. This research made it possible to reconstruct a kind of evocative and impressionistic fresco of how companies, today in Europe, operationally tackle a general question of such far-reaching implications.

The research analysed the actions carried out, investments made, roles involved, internal and external communication, control processes implemented, together with the symbolic strategies used by companies to reconcile apparent incongruences between idealistic and opportunistic dimensions in entrepreneurial actions.

The research was carried out between April 2002 and November 2003.

Those companies constituting the research sample, through the availability of approx. **150 managers** who agreed to be interviewed, comprised:

ABB Italia, Banca Popolare di Milano, BMW Group, Boehringer Ingelheim Italia, Citigroup, COMPRABENE, Cooperativa Regionale Migros Ticino, Credit Suisse Group, DATEV, Dr. R. Pflieger GmbH, HVB Group, Granarolo, IKEA Italia, illycaffè, INA Group, Italcementi, Medef Isère, Nürnberger Presse GmbH, Ortho-Clinical Diagnostics, Sabaf, Salomon, Schurter, Siemens, STMicroelectronics, UniCredito Italiano.

Entering more directly into the merits of the indications which emerged from the *case studies*, the analysis confirms one of the central working hypotheses regarding the research design, relative to the complexity and multidimensionality of CSR practice in organisational life and actions. In point of fact, the ‘processes’ (concrete initiatives and interventions, implemented or being carried out; together with more or less shared and routinised decisions, objectives, planning and interpretations) which we have been able to observe in the selected company settings - and discuss with their actors and privileged interviewees - suggest that the variability space within which the socially responsible action of a large company tends to be structured is very extensive. In the light of the said input datum, the meaning of any attempt to research *best practice* models in this field would appear to be significantly qualified.

The heterogeneity of the CSR mechanisms is linked to a multiplicity of elements that converge and combine in determining this area of organisational behaviour, which appears to be the result of the decisions and conduct *of* the company as a collective subject, of conduct and interactions *within* the company, as well as dynamics and transformations *around* the company. Of these intervening factors, the following are particularly worthy of note:

- Natural business strategies and the search for competitive advantages, consolidated or innovative, on the part of individual companies;
- Other *market-driven* aspects relative to the configuration and current evolution of the reference production sector (e.g. the chemical-pharmaceutical industry, banking and financial sector or mass consumption food production);
- The changes underway in the definition and practice of management, understood as a field of professional activity based on a distinctive set of competences, codes of significance and methodologies;
- The mechanisms of adaptation to growing pressures exercised, on CSR subjects, by actors in the reference social context, on a local, national and transnational level (public-institutional, civil society, media, public opinion and consumer representatives, academia and the intellectual community);
- History and those identity features which have already been accumulated or laid down over time by individual and specific companies i.e. that group of more 'natural' and socially distinctive components of organisational activity which are progressively developed through operativity and daily behaviour models, more or less critical and programmed changes and events in addition to the influence of particular key figures or organisational groups.

Furthermore - as will be specified more fully in the final part of the introduction - the data gathered demonstrates that the influence of these factors, and therefore CSR theory and practice models, tend to vary not only transversally between the sample companies (during the period we carried out observations) but also in a longitudinal direction, with respect to the same company reality, in conformity with different organisational life cycle phases. Evidently this aspect, ineluctable, and linked to change, identifies a further element within the complex of modalities and results that tangibly characterise CSR practice.

The following presents a brief comparative analysis of the indications which have emerged from the body of case studies, aimed at highlighting both the main common elements and those representing continuity, together with some significant differences in the modalities of CSR interpretation and implementation on the part of those company actors under consideration. An attempt will be made to try to carry out this operation by identifying a series of general dimensions along which, in all the contexts investigated, CSR tends to be expressed, and which, although on the one hand they may seem to point to areas of experience that are inevitably involved in the practice of responsibility (i.e. the 'fundamental dimensions' of socially responsible company conduct), on the other, and at the same time, they also constitute variability spaces within which one can primarily translate and express the plurality of conduct styles which we were able to register.

In line with the previous reflection on the complexity of the experiences studied, it should also be noted that the different positions (options, centres of attention, predispositions, action courses) defined by each of these central CSR dimensions must not be narrowly perceived as alternative or opposite conditions. Rather, they reflect specific situations which, although corresponding in a general sense to the distinctive way in which, in different types of company contexts, responsibility actions are conceived and realised, can coexist more or less explicitly (and contradictorily) within the context of the same organisation and even in the same phase of its evolution.

CSR as reactive and/or proactive conduct

Within the group of organisations studied orientations are present of a type that are both proactive and reactive with respect to the evolution of the competitive environment. Both these polarities appear, for the most part, to be present in the company's behaviour, which is progressively defined in a relationship of continual interaction between the expressive or original strategic drives and responses and changes within the context. However, it appears possible to locate the different experiences studied in a position that is nearer to one or the other extreme of a continuum identified by proactivity and reactivity polarities.

In those organisations that express conduct, in terms of CSR, that is characterised by a proactive attitude in their relations with the environment, the same appears to lie deep within the organisation's cultural fabric or its strategic structure.

Some of the organisations that have expressed social responsibility conduct in the period prior to the diffusion of this awareness among the public with the manifestation of resultant pressures on the part of stakeholder categories or groups are characterised by a strong and pervasive culture that is in turn characterised by values and convictions which sustain responsible conduct. One is often dealing with values and beliefs that are reinforced by those company myths that relate to the organisation's origins i.e. stories relative to the setting up of the company by the entrepreneur-founder, or the overcoming of grave crises under the guidance of charismatic and visionary figures. In some cases these elements, which are profoundly stratified within the history of the organisation, have given rise to regulatory artefacts which the organisation has committed itself to maintaining as a "living document", able to inspire everyday behaviour and guide choices and decisions. In these cases, responsible conduct appears to be profoundly rooted in the cultural identity and in the history of the organisation, and has often become an unconscious practice, seen as obvious and indisputable, typical of profoundly interiorised cultural assumptions, and therefore experienced on an unconscious, unreflective level. In such contexts one sometimes witnesses the rediscovery of these assumptions and the practices they express, thanks to the re-description which is carried out through Corporate Social Responsibility language resources and contemporary categories. The current debate on company responsibility makes it possible to rediscover and bring to light practices and values which have long been taken for granted, valorising them within the context of the current debate and thereby reinforcing their legitimation.

In some companies that can be classified as innovative and proactive subjects, responsible practices are profoundly co-penetrated with business strategy and the processes of value production. They are, for example, strictly correlated with some aspects which, from time to time, constitute fundamental elements in company strategy, such as capital retribution mechanisms, relationships with suppliers, production processes, research and development investment, pricing policies or environmental sustainability.

In some cases, though not in all proactive organisations, the features of both cultural coherence and the strategic relevance of responsible practices are present.

In a few cases, proactive behaviour in the expression of responsible practices is directly linked to the leadership role of managerial or entrepreneurial figures who testify to and sustain a valorial or strategic vision capable of mobilising the entire organisation.

Among the organisations that can be classified as reactive in the implementation of responsibility practices are those subjects that differ in their dimensions and organisational nature. External determinants of the introduction of responsibility policies are sometimes of a general character, such as the intensification of the debate and the level of public attention in regard to this aspect of company life or the increase in communication investment of competitors. However, in numerous cases they are constituted by specific events or circumstances, such as accidents or scandals that prejudice the image of a sector or an individual organisation. When responsibility practices have a reactive origin they display a more extrinsic nature with respect to value production processes and the experience of organisational actors, and are characterised by greater emphasis on external communication and the public visibility of initiatives.

CSR as instrumental and/or expressive conduct

As above, this dimension is directly related to one of the fundamental initial questions in the research: what are the main organisational motivations for CSR? And above all: apart from current rhetoric, does company conduct on this front reflect for the most part tactical approaches that are instrumentally finalised to achieve an increase in efficacy/efficiency in the management of the business and the constant search for competitive advantage, or is it also urged and oriented to a more or less consistent extent by factors of an extra-economic nature? As in the previous case, this is a dimension with respect to which the empirical data suggests that the reasons and motivations underlying responsibility are various and multiple. The combination of meanings and motivations which express the promotion of CSR strategies is usually present in each of the contexts examined, though with shifting borders and varying emphases, depending on the stage of development of social commitment and its degree and type of integration within ordinary company activity.

The interviewees of almost all our large companies recognise a virtuous and two-way relationship between market performance and social performance. On the one hand, the technical-competitive results and the profitability of the company (e.g. basic economic responsibilities: capacity to respond to market requests/changes/standards, capacity to invest, profitability and production of dividends) are regularly conceived as functional – and usually as a necessary prerequisite – with respect to investments in social responsibility. On the other hand, regardless of different emphases, the idea is commonly held that the insertion (or flanking) of CSR within management, commercial and production strategies is able to generate a direct economic advantage. The latter is a conviction which, in the majority of cases, is corroborated by quantitative and qualitative indicators regarding, for example, benefits in terms of market reputation (with a consequent impact on *market shares*); the level of satisfaction and legitimation in the community where the company is located; in terms of public perception (with increased possibilities of enjoying a supportive *business environment*); the degree of personnel *commitment* and the capacity to attract new human capital.

The primarily instrumental orientation of CSR generally appears more pronounced in two conditions: a) in companies operating in sectors with a high degree of social visibility, and therefore more subject to institutional pressures (first and foremost normative) as regards the subjects of sustainability of economic action, due to direct repercussions on the quality of life for citizens and/or natural environment equilibriums (typically, where the technological-production process involves clear costs and risks in terms of internal and external security/health, consumption of natural resources, production of refuse and pollutant emissions, as well as within contexts which, in the collective perception, are associated to a growing extent with the idea of social risk as a financial activity); b) in companies in which developments of this kind of attention and practices are in an initial phase or one of recent 'experimentation', not uncommonly reinforced by a drive which is at least in part adaptive and emulative in aligning itself to new *social-oriented* trends in the market and the economic policy of public actors, on the basis of which they can be accredited from the point of view of social performance, this approach increasingly represents a substantive or even formal requirement for accessing specific business opportunities. It is no coincidence that company contexts in which this action logic is mostly evident - particularly as regards the company's *corporate image*, level of satisfaction and ultimately its legitimation in operating among significant stakeholders - are also those where it is more easy to observe responsibility indicators which can be traced back to *reputation management* instruments: actions and interventions of considerable and immediate resonance, accompanied by communication activity - internal and external - that is highly developed and systematic, assigning a priority role to top management (as an initiatives mentor, in addition to being the decision-making body) and those structures or figures assigned to external relations.

Moreover, what has been said above does not mean that the competitive and pragmatic implications of CSR are secondary and poorly researched/evaluated in other types of company experience (where, however perceived advantages are more related to internal integration and organisation e.g. as regards company climate and coherence of strategic lines, rather than the management of external reputation) or that in these instrumentally oriented contexts the practice of responsibility cannot also assume - through the mechanisms of routinisation and socialisation (priorities, values, judgement criteria) initiated by a 'practice' - expressive valences i.e. more profoundly linked to the perception and expression of a distinctive way of being a company and doing business. For example, this seems to occur in more than one of our cases, in those sectors which we have defined as higher impact and visibility, when the control and activity monitoring procedures (like environmental management systems) adopted also or mainly in relation to the expectations or prescriptions of socio-institutional interlocutors, progressively tend to permeate daily operativity, spreading (albeit with different degrees of intensity and participation) among the top and *front-line* organisational actors, through hierarchical levels and functions, as an appropriate and per se significant way of doing things and remaining in the market.

The expressive - or, if one prefers, more autonomous and autopropulsive - dimension of responsible conduct is nevertheless more accentuated in those companies in which current CSR practices can embed themselves within a cultural fabric and historic background that is in some way already characterised by common reference to

principles of ethics and by shared and recurrent experiences of responsibility. This sort of genetic predisposition or trained capacity – to repeat the expressions of some interviewees – towards responsible action may have been variously affected by the specific modalities of the initial company creation and development (e.g. when the foundation process openly relates to certain needs of the community stakeholders), the guiding-role of some leading figures, determined events or critical passages in the company's history (e.g. response to social emergencies, whether provoked by its own activities or not), as well as the more silent and incremental processes of organisational life linked to the attribution, negotiation and reproduction over time, by organisational actors, of meanings relative to valences that are not strictly linked to the employment market. In these cases, two types of responsible action tend to arise and be consolidated. One is the direct nexus with company collective identity, in virtue of a more explicit and diffused participation – regarding roles and personnel – of employees within the social components of the company mission (with inevitable exceptions and oscillations due firstly to the intervention of the subjective variable and different degree of involvement of various organisational positions and professional duties). The second aspect consists in the direct nexus with the company's overall business strategies i.e. the continuity between CSR practices and the distinctive competence which is recognised and exercised in business management. It is perhaps no coincidence that it is precisely in these settings that we find a capacity for innovation in the more systematic business solutions. In addition, the more business ethics correspond to a rooted and shared feature regarding organisational character, the more one can perceive the traces (not necessarily of a procedural type but on a decisions/actions plane with respect to routine or extraordinary problems) within the entire organisational structure, while the influence of formal communication, especially that aimed at the public, is redimensioned with respect to the previous situations.

A further element that distinguishes this position has to do with the central and positive role of the core-business in the elaboration and orientation of CSR structures. As already seen in the more instrumental approaches, the nature of the organisational activity directly influences the development of CSR strategies. However, in these cases the reference business and the 'technical' and ordinary objectives/*tasks* involved (regardless of whether one is producing foodstuffs, financial services, furnishing articles or health equipment) seem to constitute, in the exercise of responsibility, more than a restriction which requires adaptation interventions (controls, 'corrections' etc.), an opportunity which generates original approaches in the practice of CSR and, even earlier, a more or less common and in-depth reflection on one's specific real or potential social role (e.g. contribution to local socio-economic development; citizens health service).

Finally, all of the conditions observed are subject to tension or contradictory elements, which appears to be entirely natural if one takes into account the fact that, for those companies which have for some time been oriented towards CSR, one is dealing with experiences that are undergoing constant evolution, continually subject to context transformations that are literally occurring before the eyes of operators. Thus, in prevalently instrumental approaches, the relatively limited, selective and contingent focus on CSR subjects tends to determine a certain distance (as has been seen, probably destined to be reduced with the consolidation of CSR practices) between the leading

edge – managerial or sectorial, normally situated in external relations or legal branches – involved on this front, and the rest of the organisation, which may initially prove to be more or less indifferent or even recalcitrant towards the adoption of new behavioural codes and priorities. On the other hand, where the expressive component, and therefore the institutionalisation of a sense of responsibility, are more marked problems of adaptation can arise. To the extent that the company ethos and culture which support responsibility practices are highly distinctive and shared, it is possible that the strength of the ‘organisational character’ comes to represent not only a resource but also a limit on the possibilities of action, through self-referentiality mechanisms and the protection of identity which can impede not only alignment but the very process of openness and comparison in relation to the dominant or emerging orientations as regards CSR (especially those perceived as homologating and undifferentiated with respect to the premises, methodologies and indicators of responsible action: social reporting layouts, formal standards for audit and certification etc.).

Orientation and internal/external impact of CSR

A third relevant area of variability among, and in, our companies regards the types of (a) stakeholders considered and (b) effects generated by CSR practices. On both these planes – that of interlocutors/privileged targets in the orientations and strategies and that of the concrete impact of responsible action – the most significant distinction suggested by the data is that between the internal and external dimension of responsibility.

In terms of the first aspect, while attention on the expression and needs of the shareholder is generally taken for granted and relates to ordinary economic responsibilities, the practices of CSR are essentially aimed at a company’s employees, involving action contexts that comprise:

- The classic and extensive field of human resources management, from professional qualification and continual training in technical and transversal *skills* to the valorisation of *high potentials*, from career structures (horizontal and vertical mobility) to positive actions, from material or more symbolic incentivisation initiatives (socialisation opportunities, *teamwork*) to personnel responsabilisation processes;
- Health and safety at work, in various cases organised and guaranteed well beyond the already rigorous measures prescribed by legal obligations;
- The context, more contingent and dependent on risk factors that are not particularly amenable to programming but equally decisive for short-medium term impacts (on personnel as well as on their families and the local community), company decisions relating to adaptation to transformations in the technical-economic conditions of the business (e.g. adopting responsible solutions, or at least involving the interests of workers and their representatives through consultation and information, in restructuring operations linked to productivity needs, costs containment, post-merger period).

From the external point of view, a front involving commitment and investment which is common to various companies examined concerns environmental performance. Measures and initiatives of this kind (again, not uncommonly greater than what is set

out in the current regulations) especially characterise the activity, along the entire production chain, of companies that are more 'exposed' from this point of view, but a significant and voluntary propensity for responsible exploitation of resources (e.g. through the reduction of energy costs and an increase in the consumption of recycled materials) can also be seen in companies that are active in less eco-sensitive sectors. In some cases, the contributions to sustainable development are justified with reference not only to collective 'natural', and in the final analysis, planetary environment stakeholders but also the legitimate interests of future generations. This involves, however, a conception which, although consistent with a sensitivity that can in effect be said to be widespread among the public, is directly applied to the interpretation of ordinary business activity by a circumscribed number of interviewees who are also involved in a personal sense in the public debate underway on CSR (typically, managers who represent their companies in networks like *Sodalitas*, or who collaborate in work tables with institutions and social organisations).

A second responsibility reference horizon, present to varying extents in the companies examined, involves collaboration relations with economic partners and suppliers, an orientation that becomes more significant - at least in terms of the awareness of interdependence networks in which one's activity is situated - in the case of companies included within global organisation circuits, for which, in other words, the transnational dimension of externalisation processes and commercial and production policies introduces further elements of complexity in the definition of the relevant stakeholders (see point 7 below).

Overall, however, what mostly orientates the development of external CSR strategies in our sample is the consideration of two specific interlocutors comprising clients/consumers and local communities.

With regard to the first stakeholder, especially in contexts in which the practice of responsibility is historically and culturally rooted, the commitment, and in particular the commitment perceived in regard to CSR, tends to overcome the level of expectations most closely connected to the commercialisation and use of products/services in regard to the user (quality, safety, access and availability, marketing transparency, complete information, after sales assistance), to incorporate meanings and implications of more extensive import, such as support for an improvement in health systems and medical-scientific development, the contribution to finalising purchasing techniques and sustainable energy distribution, education in food behaviour or contributing to creating an ethical national finance market able to satisfy the growing demand for spaces for socially responsible investment on the part of a specific category of savers. In these cases, the reference field defined by the 'client/consumer' stakeholder tends to be extended and almost decouple from direct relations and transactions with the company, coinciding more fully with the general public and therefore emphasising its social valency.

With respect to the initiatives conceived and implemented in regard to the community, in particular the local community (though not only - again, see point 7), the scenario which has emerged is rich and variegated. Beyond the basic contribution offered providing employment, salaries, tax income and market performances corresponding to

expectations, the range of *business in the community* actions involves – sometimes on the part of the same company – both contingent and limited time initiatives regarding sponsorship and financial support or support in kind (in the form of donations of equipment or free provision of consultation and competences), and true partnerships in social utility projects that presuppose and encourage a more active and substantial participation of the company in terms of the elaboration of guidelines and *project management*. What can vary is also the type of addressee, interlocutor or counterpart in regard to these interventions, which can coincide with non-profit organisations and associations, public administrations and specific institutions (e.g. schools) or intermediary and category organisms in the economic world (chambers of commerce, entrepreneurial associations etc.). In this regard, the tendency to dialogue with a plurality of social stakeholders seems to be directly correlated to the ability – or decision – to assume the role which we have defined as ‘project’ i.e. to create presence contexts in the community which by their nature are open to the integration of a number of actors and the action of the network.

It is also interesting to note that the relationship with the community represents one of the areas in which the social dimension is more clearly visible as regards company behaviour, not only in an ethical sense but also in that which is specifically sociological, relative to the way in which organisational conduct is influenced by specific socio-cultural contexts. In particular, in our cases, which with due reservations are to be considered as representative of the Italian experience, we do not find the orientation which, in the socio-institutional framework of Anglo-Saxon capitalism, assigns major significance to the personal involvement of employees – and first and foremost management – in concrete and systematic activities of company voluntary work, understood as an exemplary expression of good company citizenship. This is so, even though the majority of these companies operate in central-northern Italy, a territory with a high density of non-profit activities and in which the logic of solidarity action enjoys significant social legitimation, and despite the fact that a significant part of the stakeholders with whom they tend to be linked is constituted by tertiary sector concerns. This element of *culture-dependent* variety clearly surfaces in the subsidiaries of American multinationals, where company voluntary work is not a practiced and incentivised behaviour or, if emphasised by the management (American), does not appear to be easily interiorised.

The different forms of stakeholder orientation observed could also authorise certain hypotheses of regularity, to be understood in a flexible and relative sense. For example, there is a recurrent model that combines attention for the user with attention for the employee, on the basis of a view which is often rendered explicit, according to which an excellent service to consumers has its basis in the professionalism and satisfaction of the human resources that daily serve the same and are in contact with them (though the reasoning, as suggested by some interviews, can also be overturned: the capacity to constantly and, from various points of view, satisfy the public and have a good social reputation, in addition to that in the market, are functions of *commitment* and the gratification of motivations – professional efficacy, sense of identity and personal self-respect etc. – of human resources). If this bond, which effectively and for a number of our companies seems to be configured as a virtuous circle, distinguishes the most consolidated CSR experiences, it is more frequent where the attention on CSR is in the

initial or prevalently instrumental phase, with investments aimed at the community, which are translated into actions and 'signals' of greater external visibility. In this latter case, however, it would be misleading to establish correlations, even if conditional, given that it is the organisations which have an institutionalised and structural approach to CSR that generally provide the most coherent and reliable indicators of their social performance in regard to the community. This can be seen, for example, when social investment projects are not exhausted in simple philanthropy, comprising donations extended in relation to opportunities and requests ('make out a cheque'), but involve – if not programming, a design or a long-term unitary vision – participation and evaluation mechanisms (of instruments, costs, results) with respect to the initiatives sustained or promoted.

Moving on to the question of effective impacts and transformations produced by CSR interventions, we acknowledge the presence of a large number of cases, with their results, acquired and concluded or being developed (especially in the case of medium/long term projects and those involving the participation of the same stakeholders), which affect all the contexts, both internal and external, which we have just considered. With reference to the analysis of individual cases, for an overview of the effects concretely generated by initiatives in this field, it is worth noting knock-on effects and more evolved consequences – as one might put it – in the practice of responsibility. This refers to the different situations in which responsible commitment tends to stimulate those processes and changes (with repercussions on internal company organisation, the interests of stakeholders and the interdependencies that link them) which exceed programmed or agreed objectives in specific CSR strategies and activities. From the point of view of organisation and internal action/interaction models, the 'transformational' dimension of the practice of responsibility is probably as powerful a mechanism as the considered planning factors (strategic lines, audit/implementation procedures, self-regulation and *compliance* codes) in determining the transition towards positions in which the approach to CSR appears more structural, 'holistic' and culturally consolidated.

From the point of view of relations with the public, in the extended sense of two-way interactions with the relevant social interlocutors (and not in a strictly technical sense regarding company communication), a particularly interesting outcome of this evolutionary mechanism consists in the launch – distinguishable in at least a couple of cases – of experiences which we can define as *stakeholder engagement*: conditions i.e. in which the attention on *stakeholder management*, which implies the identification and to some extent unilateral management of the most critical counterparts for business competitiveness in a given phase of its existence (employee, consumer, public authority...), is combined with a certain commitment to knowledge and direct cooperation/comparison in regard to the reference stakeholders. In the manifestations which it was possible to note, this predisposition was essentially translated into a willingness to set up periodic round tables and opportunities for meeting, through which the company not only proposes but submits its lines of commitment, again not only communicating initiatives, decisions and results but opening up to the articulation and interests of its interlocutors, accepting and leaving space for uncertainties that this listening dimension inevitably involves.

A similar kind of practice seems to provide a significant indication of CSR, not so much if and to the extent in which it implies a willingness to conform with the variable requirements of stakeholders; but rather because it suggests that the eventual ability of the parties involved to achieve points of agreement, in terms of general guidelines or on specific questions, passes through concrete and recurrent interaction/negotiation/sharing conduct and above all presupposes a reciprocal orientation towards knowledge of respective interests, expectations and needs. In the cases analysed, the *stakeholder engagement* approach can be perceived – where present – in an embryonic stage. But the potential developments which these attempts allow one to glimpse are worthy of note. Looking to the future, it is reasonable to suppose that some of the primary transformational effects of CSR can be generated when its application fuels, beyond formal agreements, participatory structures in the field among business and stakeholder actors; transformational dynamics – and not just transactional ones (guarantees and additional performances in exchange for legitimation and positive market returns) – in that it is precisely through relationships that, over the medium-long term period, collective benefits and resources are created for the company and its interlocutors (typically in the form of social capital: trust, shared priorities and information, networks of alliances and competences in cooperation that can be activated in regard to new common problems etc.).

Both internal cultural and structural evolution, and the possible and gradual emergence of a more inclusive and participatory definition/implementation/evaluation model of responsible action, constitute basic CSR impacts that can play a significant role in changes to *corporate governance* systems. It is true that within our sample there are no indications of specific changes and innovations with respect to the formal consolidated modalities of representation and participation in company strategic guidance and control organs. And in one case, that of Banca Popolare, it is if anything the peculiar nature of the pre-existing company arrangement that is configured as a propulsive factor in the orientation towards CSR. Nevertheless it is reasonable to suppose that the functioning and substantial outcomes of the overall company *governance* system, apart from the fact that this is normally the level at which some basic CSR guidelines/instruments are defined and decided, are influenced by more incremental and evolutionary mechanisms in the practice of responsibility.

Furthermore, the image of the incremental process should not suggest the idea of linear routes, lacking tensions and contradictions. Similarly, it is not necessarily the case, even in ‘exemplary’ situations where the institutionalisation of CSR appears to be advanced, that it is easy to relate at the same time and in a balanced fashion with the entire spectrum of relevant stakeholders. The same pre-eminence set out above of users and human resources as constant and critical references in the use of responsibility can justify ambivalent interpretations, given that one is dealing with interlocutors who already coincide with targets that cannot be separated from management activity and the ordinary competitive strategy of companies. In these and other situations (e.g. those of eco-management for the reduction of negative environmental impact), responsibility initiatives can be actuated in a selective manner or in any case not discontinuously with the predominant logics of commercial and productive discourse and its technical requirements, starting from a linguistic level and the daily jargon (*eco-efficiency*, *social performance* techniques, *costs-benefits* evaluation, search for *win-win* solutions for the

parties involved). Moreover, especially in circumstances in which discretionality and the personal choices of managers and other organisational actors are involved (e.g. in marketing operations and business opportunities research/evaluation), this sort of technical 'appropriation' of the practice of CSR does not impede the emergence of real and ineluctable dilemmas, due to the divergence between priority orders, which render the responsible action not so much a given 'decision' or 'result' but a practice that is constantly *in progress*, reconstructed and problematic.

The evolutionary logic and heterogeneity of the practices towards stakeholders also encourage a more flexible consideration of some of the ideas proposed by the literature. One of these coincides with the notion according to which an 'authentic' orientation towards responsibility, able to give expression to declarations of intent (or facade) and have effective knock-on effects on the management of company social interdependencies, must also be accompanied, from the point of view of structural internal (in addition to cultural) impacts, by an integrated CSR model i.e. an approach to business management in which the latter is not practiced in an additional and separate form of activity, and therefore more or less marginal with respect to the core-business and company critical processes, but constitutes a pervasive dimension, if not ordinary, of organisational life. In the light of this indication, which is significantly confirmed here, an emblematic case relative to one of the multinationals in the sample suggests how, in a very different context, the model of separation between daily business and units (functional or even juridically autonomous, like foundations) dedicated to initiatives of a social kind can also be the outcome of well considered and aware decisions, dictated by what seems possible to define as an excess of scrupulosity in safeguarding company ethics. In short, this contributes to making the relationship already pointed out between commitment to responsibility and the nature of the reference business/market in company actions seem even more complex, not to say intriguing.

Formal and/or informal CSR practices and mechanisms

A fourth fundamental dimension of variability in the company experiences analysed involved the role of CSR expressions and instruments of a formal or more informal nature. In all the businesses considered we noted the presence of a twofold level:

- formal factors and processes, which comprise the creation of ad hoc departments/figures dedicated to business ethics or sustainability (often in a direct and privileged relationship with external relations or institutional communication functions); the elaboration of ethical codes and self-regulation/*compliance* (not infrequently in connection with similar sector initiatives); the production of socio-environmental statements or reports, as well as - in some cases - the pursuit of social certification; the adoption of multiple types of systems and procedures, internal and/or certified by third party organs, regarding control and auditing of the production chain (quality, environmental quality, individual and unit performance evaluation); on a more contingent level, the programming and implementation of specific CSR projects, which often involve the formalisation of agreements with stakeholders;

- more informal factors and processes, which substantially coincide – on an internal level – with the mechanisms already discussed concerning identification, sharing and socialisation (group, interpersonal and organisational) at the heart of CSR cultural consolidation and – on an external level – with participation dynamics of stakeholders in organisational proposals and strategies within this context, founded on reciprocal knowledge and frequency of contacts prior to agreements and joint-ventures.

From this point of view too, in the light of the research data, it is possible to hypothesise some more general value connections, albeit conditioned. In particular, in line with what has been observed previously, a basic indication seems indisputable. Formal practices and instruments prevail over the socio-cultural and informal dimension of CSR in those contexts characterised by an instrumental approach to the question or which are found in the launch phase of this approach. However, it is in relation to the companies in which CSR is more institutionalised and historically rooted that it is reproduced to a considerable extent, including through informal reinforcement and diffusion channels, in virtue of which responsible conduct tends to be conceived and practised as a distinctive and qualifying aspect of company activity by the management and, as far as possible, the employees. In other words, we can argue that in such situations the citizenship of the company in society is doubly linked to the citizenship of the company's human resources i.e. to the level of involvement and participation in its 'mission', going beyond the prescriptions of role and mere conformity with procedures.

The latter consideration must not, however, lead one to think of a weak relationship, or even inverse, between formalisation and the cultural rootedness of CSR. In point of fact, as far as we have been able to observe, in the same exemplary situations of CSR institutionalisation, one notes the centrality of the formal element, and in various ways. Above all, due to the very nature of the organisational action systems, a collective orientation towards the sphere of responsibility, and in particular towards the ordinary implications of company ethics, has its matrix and constant occasions for reinforcement (*new policies, re-assessment programmes* etc.) in those mechanisms that are exquisitely structural and *top-down* (e.g. leadership of certain guiding-figures in the company's evolution). This is true even though it is precisely in such cases that one can most easily perceive the significant presence of *bottom-up* dynamics in the support and articulation of the practices of responsibility, testified to, for example, by the transversal predisposition of organisational members – regardless of their functional collocation – to find and propose on their own initiative (including through their personal experiences and contacts in the social context e.g. voluntary work) new opportunities to implement CSR. In other words, the dissemination of CSR instances in the organisational community is not determined so much by a transition of channels and formal drives to those related to informal sharing and socialisation, but to the combination and tendency of these two levels of organisational life to reciprocally reinforce each other.

Secondly, and while taking the potential bond between proceduralisation and depersonalisation (or reduction to a prevalently technical question) of responsibility into account, it should be noted how various formal practices are functional in the company's effort to understand and monitor the impacts and interdependencies of its

business activity with respect to the reality of stakeholders. This predisposition towards knowledge, which we have already been able to point to among the most reliable CSR indicators, proves to be essential in the field of environmental management, due to its being more amenable to measurement (though with the possible technical implications mentioned above).

More generally, on the one hand all this suggests that it is important not to mythicise the experiences deriving from the cultural rootedness of CSR, and on the other, not to excessively emphasise the differences with those situations in which organisational conduct in this context appears to be superficial or even ambiguous. Moreover, even where CSR is more institutionalised there is no lack of contradictory indicators regarding its practice and management in the field: apart from the inevitable uncertainty related to the subjectivity of organisational actors, it is precisely in these contexts that there emerge with greater frequency those tensions due to a comparison with the imperatives of instrumental logic in market action (including the natural and daily 'fatigue' of responsibility), as well as a series of paradoxes linked to the cogency of the organisational character (e.g. as already mentioned, self-referentiality and rigidity in regard to contextual requirements). Nor can one forget the procedural character of the assumption of responsibility, as with any organisational change. Even when practice of CSR in its initial definition is prevalently or exclusively formal (or indeed, *tout court* facade), one cannot exclude a change over time in the collective motivations in support of an investment in responsibility. This is a possible evolution which we can summarise in the slogan 'you do it because you believe it, you can believe it because you do it'; and which, on the basis of the evidence from our study, can be glimpsed in those realities in which the organisational unit which is delegated with - or relegated to - the management of such questions (*business ethics*, sustainability, etc.) tends to be transformed, through the pursuit of its objectives, into a leading edge operation, able to create a training context that is favourable to the most extensive assimilation of CSR priorities.

CSR communication

In terms of communication significantly different behaviour emerges.

In some organisations the investment in communication regarding social responsibility subjects appears limited, in some cases almost absent and, where communication initiatives are present, they display a sporadic character, in the sense that they are not included within an organic and programmatic communication plan.

Companies that express a low level of investment in communication share some common features: they are organisations in which the practices of responsibility are profoundly rooted in company culture, are a direct expression of its characterising values and the corresponding actions belong not only to the recent history of the company but express its consolidated approach over time in its relations with its interlocutors.

In addition to the profound cultural rootedness in these organisations one frequently

notes a degree of strong co-penetration between the competitive strategy of the company and the responsibility actions, such that the latter assume a precise strategic relevance, becoming an integral part of the production formula characterising the organisation.

In this group of organisations the low level of investment in communications involves both external and internal communication, which often appears to be significantly neglected.

The reasons for this low level of attention to communication are, on the internal front, a conviction that any communication actions would only make explicit what the members of the organisation have already internalised as an integral part of their culture. On the external front, however, communication "abstinence" is in some ways linked to a philosophy marked by the principle, "deeds, not words" i.e. a conviction that intentionally rendering one's responsibility actions visible is a morally contradictory practice. In other companies there is a fear that communication actions might be the subject of instrumentalisation and misunderstandings on the part of sectors of public opinion who may be aware of facts that have compromised the image of the sector or the organisation itself.

In those organisations belonging to this group, however, the current widespread and high level of interest in social responsibility subjects is in some cases tending to call into question this "communication abstinence" model, provoking an evaluation of the planning of actions that render company practices more visible, valorising them both inside and outside the organisational boundaries.

Another group of companies is on the other hand characterised by the co-presence of a considerable level of coherence between responsible practices and cultural and strategic dimensions, together with a significant and intentional communication investment aimed at making explicit and valorising the company commitment in relation to all reference publics. For these organisations the external communication investment is justified, including as a result of a desire to "create culture" i.e. to contribute to the evolution of company management culture.

With regard to the prevalent subjects, among those organisations that invest in the communication of their CSR approach, communication mainly involves their identity and values. Sometimes individual initiatives are also communicated. However, there is almost never any emphasis on the costs involved in CSR.

Finally, there are some organisations which, coming from a history of commitment to CSR and assiduous communication of their activities within this context, feel the need to review their communication strategy, evaluating the possibility of reducing the emphasis on social responsibility. The current significant increase in social attention regarding this aspect of company behaviour and the corresponding general increase in the levels of communication investment made by companies are in some quarters considered as the cause of a loss of identification and differentiation power on the part of CSR practices.

Short and/or long term orientation

The prevailing temporal approach to the experiences of social responsibility we have studied is long term in its perspective. Commitment to responsibility practices is collocated within a time line over a long period, for the most part viewed as indeterminate continuity reaching into the future. This perspective of continuity and investment over the long term appears to be related to the conviction that social responsibility commitment on the part of the company is an investment that matures and proves to be remunerative over the long term and that a credible responsible company image is constructed through behaviour that is coherent over time.

This vision is widespread in both those contexts where commitment in responsibility practices constitutes a coherent and direct expression over time of organisational culture and is therefore rooted in the history and identity of the company, and in those in which responsibility constitutes a substantial strategic element. However, this vision is also present in those organisations that have pursued the company social responsibility approach in a more reactive and tactical way, as a response to changes in relations with the external environment or to events having an image impact on the company.

Global and/or local scale orientation

In organisations where the alternative is pertinent, multinationals or those companies with an international outlook, the prevailing orientation consists in coordinating local activities, attributing a significant degree of autonomy to them within a global strategy. The idea of reconciling global and local management of responsibility and the will to valorise the cultural and historic features of local organisational units, while inserting them within a context which makes them a global actor, is translated into a policy that integrates local autonomy with central guidelines, expressed both through choices and initiatives decided centrally and present in all national realities, and in local initiatives realised in total autonomy by the national organisations or by the individual units present in the territory.

The global dimension of responsibility practices is translated into different forms, such as the centralised definition of policies and approaches to be applied in all national and local realities, together with an elaboration of the relative normative documents; the participation or institution, on a *corporate* level, of beneficial international initiatives; the participation in networks and international category or sector associations in the reduction of negative environmental impact and sustainability of the exploitation of natural resources; the definition of universal standards in production quality and safety in those sites owned by the company or in those of its suppliers.

On a local level one notes different degrees of autonomy. The most significant forms of local initiative consist, for example, in the choice of an Italian organisation within a multinational to provide itself with an ethics code elaborated and diffused on its own initiative. However the foundations operating on the national territory also move with considerable autonomy, choosing the beneficiaries and partners in their activities at

their discretion. Decisions on a local scale are also taken with respect to the relationship with the territory and its institutional context, for example in managing environmental impact, as well as personnel hiring policies, or cooperation projects between the company and local institutions e.g. the construction and management of crèches, car parks, health assistance services and other resources of public interest.

A final element concerns a widespread awareness that the management of one's social responsibility has, for multinational and international companies, a global character. The global diffusion of information means that events which occur on a local level generate, within a very short period of time, global effects on opinion, on consumer preferences and on the overall image of a company and this risk factor is almost unanimously considered to be a compelling reason for exercising a high level of attention on social responsibility dimension in all those geographic areas in which the company is present.

CSR AND IMPACT ON THE ORGANISATION – TOWARDS A DEFINITION OF A CSR MATURITY CYCLE

Marella Caramazza and Caterina Carroli

Field research carried out within the organisations leads us to the conclusion that the question of ‘company social responsibility’ is now fully on the agenda and an inherent part of the language of today’s management. Public and private occasions have multiplied in which this subject is explored. It is discussed not only in the trade magazines but also in the general press, and numerous other elements create a perception that one is not dealing with simply another ‘managerial fashion’ but a trend, rooted and enduring, which places the relationship between the company and the social context in which the latter operates at the centre of collective reflection concerning the current role of companies.

The first important piece of evidence that emerges from the research concerns the complexity and heterogeneity of the practices implemented by companies. The strategies which companies adopt to translate this new way of interpreting the above relationship into concrete actions are not easily traceable to consolidated and institutionally legitimated models: on the other hand they testify to a drive towards exploration and experimentation, attentive to the multiple proposals of systems, models and standard procedures advanced by professional and institutional subjects, but above all guided by a firm desire to find their own unique and unrepeatable approaches, to interpret and translate the concept of social responsibility into effective practices.

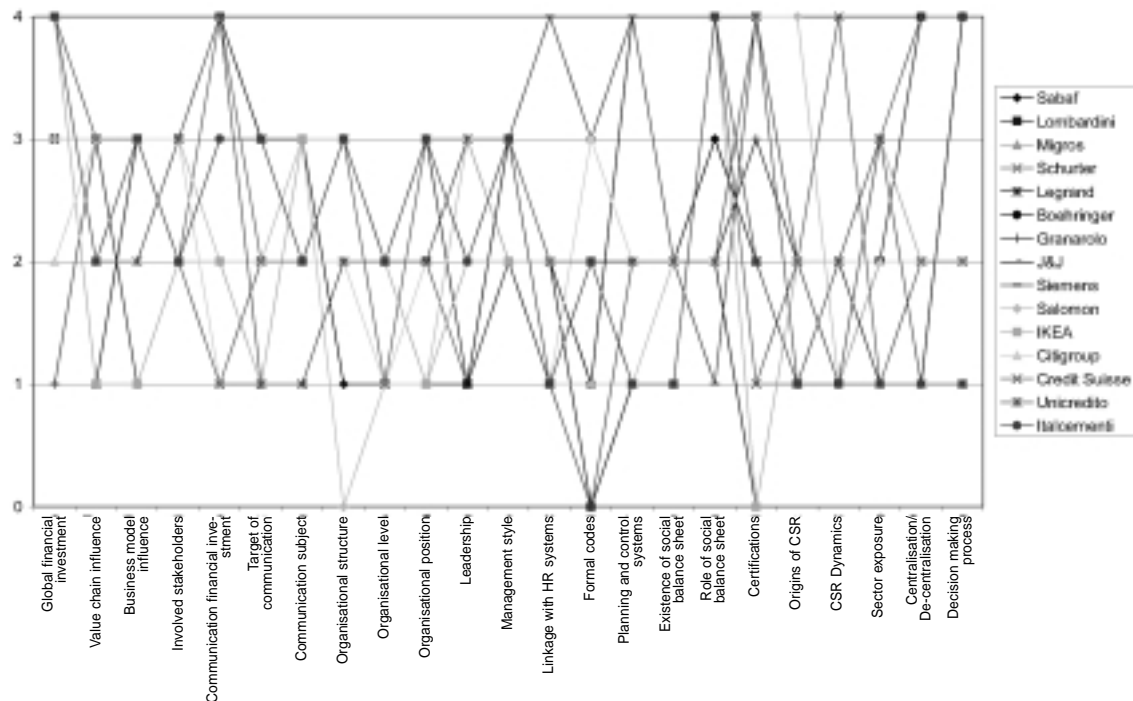
The greatest difficulty in the case analysis phase has undoubtedly been the impossibility of finding reference models. As an example, the graph set out below represents the result of an effort made at a certain point during elaboration work to find any dominant models. Once the elements on the abscissa axis were quantified, describing the CSR phenomenon, profiles were constructed of each of the companies studied.

Overlapping the various profiles did not make it possible to identify any prevalent model, testifying to the uniqueness of each company in dealing with this subject.

The analysis phase consisted in a search for regularity within such a variable and fragmented situation.

An initial element in this analysis was the reconstruction of those areas in which, when speaking about CSR, companies invest, and their most recurrent actions. The said reconstruction is articulated by category of stakeholders, since we observed in the research phase that the subdivision of actions per stakeholder is a criterion which the managers interviewed use when they talk about what their companies do as regards CSR. One is therefore dealing with an interpretational map that is present within the organisations.

The second interpretational approach was that of researching prevalent behavioural patterns, with the aim, not of delineating and suggesting models, but of describing the



trends underway in companies and the implications and managerial knock-on effects present as a result of adopting a socially responsible approach.

Finally, the analysis seeks to delineate an evolutionary forecast for the subject of CSR in companies and society in general, together with those drivers that can influence this evolution.

The variety of practices

The CSR actions tangibly implemented by companies are subdivided by category of stakeholder.

The stakeholders considered by the companies in implementing CSR programmes, as well as in relation to dialogue with the stakeholders themselves, are, in a recurrent manner, as follows:

- employees;
- clients/consumers;
- suppliers;
- collectivity;
- environment;
- shareholders/financial community.

Actions towards employees

Actions towards employees are very numerous and comprise a vast spectrum of activities, which range from the construction of a company crèche to the inclusion of the principles of social responsibility within human resources management policies.

The actions observed in the interviews carried out with the companies studied included the following:

- programme of participatory construction of ethics/values codes;
- training;
- diversity management programmes;
- work-life balance programmes;
- 'maternity' project;
- health and safety programmes;
- actions in favour of improvement in the work environment;
- prevention and medical care for employees and family members;
- accompanied outplacement;
- internal replacement services connected to personal motivations or organisational restructuring;
- criteria for planning work shifts;
- presence of infant crèche.

Actions towards clients/consumers

An interesting datum emerging from CSR actions towards clients/consumers which are mentioned is that many of these actions are not, objectively speaking, or at least univocally, pertinent to the subject of CSR, but are considered by the persons interviewed as social responsibility practices.

The most frequent CSR actions directed at client/consumer stakeholders are:

- actions in favour of the quality and safety of products;
- pricing policies that are favourable for consumers;
- packaging innovations;
- selection of 'active' and 'passive' products - understood on the one hand as a selection of specific products inspired by CSR criteria to be included in the products portfolio, and on the other, as a decision to renounce selling certain categories of products in that they are not felt to be in conformity with the CSR ideal;
- desire to create partnerships with clients;
- transparent information;
- promotion of dialogue tables;
- relationships with consumer associations;
- assistance in the use of products/services;
- rethinking in some cases of the contractual formula.

Actions towards suppliers

CSR policies in regard to suppliers are particularly critical in the case of a multinational, with production processes scattered in distant geographic areas and characterised by development conditions that are still uncertain. In these cases, the use of rating processes - environmental and social - for suppliers is very widespread.

When suppliers are part of the local entrepreneurial fabric, a social responsibility policy

in their regard is crystallised in a basically cooperative and integrative approach, which for example involves participation in investments and professional qualification, with the final objective of creating a positive business environment, characterised by the existence of long-term fiduciary relationships with the suppliers, actors who are often fundamental as regards the positioning of quality which some companies have adopted.

It is also interesting to note that certification (of quality, social and environmental) of suppliers increasingly represents a criterion of choice and discrimination in the selection of suppliers on the part of the companies analysed.

In general, the most recurrent CSR actions in regard to suppliers are:

- products and processes quality development;
- investments participation;
- suppliers environmental and social auditing and rating;
- construction of non distributive and integrative relations;
- assistance in certification processes;
- professional qualification.

Actions towards the collectivity

Within this category there emerge many initiatives which differ considerably from each other, also because the term 'collectivity' comprises different things, such as humanity in the widest sense, but also local collectivity, the territory, the community within which companies operate. This category also comprises actions in support of major development cooperation projects, such as integration initiatives between the company and the territory.

The numerous initiatives which have emerged in this field include:

- voluntary work of employees for the benefit of the local community;
- support for non government organisation programmes;
- cooperation with local institutions;
- promotion of the training of different categories of the population;
- cooperation with educational institutions;
- contribution to ongoing training for categories of doctors;
- social education projects ;
- participation in the creation-maintenance of social interest structures;
- promotion of art and culture;
- company-territory integration initiatives (open doors, etc.);
- viability services;
- philanthropic donations and actions.

Actions towards the environment

The companies analysed focus their efforts on the environment, particularly as regards the reduction of emissions and waste as a result of internal company policies, together with support for international campaigns and protocols concerning the exterior.

ISO 14000 environmental certification is very common in the companies analysed and the environmental sustainability criteria are sometimes at the heart of product development.

A general summary of the actions present includes:

- reduction of emissions;
- reduction of visual impact;
- development of low environmental impact products;
- employee car sharing incentives and programmes;
- logistics impact improvement;
- investments in rail transport;
- recycling and disposal of refuse;
- reduction of waste;
- adhesion to international protocols and initiatives;
- environmental certification.

Actions towards shareholders/financial community

It is interesting to note that the category of shareholders seems to be, from data provided in the interviews, the category of stakeholders towards whom the company's CSR actions are least focused. Public limited companies seem to more consistently analyse the nature of their relations with their shareholders, given that they have governance and transparency obligations in regard to all shareholders. In the other typologies of companies analysed this seems to be a question of secondary importance.

Transversal analysis of the cases

Once the different practices observed in the companies have been represented, it is appropriate to analyse the cases from a transversal point of view.

The said analysis was carried out with reference to some variables identified in order to embrace implications and knock-on effects in terms of managerial CSR actions and behaviour. In particular, the analysis took the following variables into consideration:

- relation with company strategy;
- communication;
- impact on the organisation;
- management style;
- planning and control.

CSR and company strategy

Analysis of the relationship between CSR and company strategy was carried out with respect to some variables, such as the impact of CSR on the chain of value, on business and product innovation, on the link with the stakeholders representing the reference

context. Finally, the dimension of quantification of economic investments in CSR made by the companies studied was also analysed.

With regard to the relationship between CSR and the chain of value, it emerges that in more than half the sample core activities are significantly influenced by CSR principles, while the influence of CSR on business and/or product innovation is much less present, observed in only a minority of the companies studied.

With regard to stakeholders, it is interesting to note that, although subdivision by category of stakeholders is a conceptual reference model which the managers interviewed often refer to in their analysis, in their daily practice there is a tendency to 'blur' the border between the internal and external dimension. Almost all the companies address themselves to a plethora of stakeholders, encouraging a synergy of actions to the advantage of different categories of stakeholders at the same time. This is the case, for example, with initiatives in favour of the community, which have then had positive knock-on effects among employees; or again initiatives with respect to the environment that have had positive knock-on effects on stakeholders in the territory and so on. This demonstrates that, although for the companies reasoning in terms of the stakeholders represents a useful simplification, in reality it does not constitute a real criterion of work organisation.

In relation to CSR economic-financial investments, it clearly emerges that there is a general tendency not to quantify the said investments. A low level of awareness of this dimension therefore emerges, testifying to the fact that for the moment it does not represent a priority for companies.

CSR and communication

With regard to the subject of communication, two basic philosophies, very different from each other, emerge from the sample studied.

The first privileges the dimension of action at the expense of that of communication. The basic motivations for this sort of underlying 'reserve' can be of varying character: from the conviction that it is important to carry out certain initiatives because they are right in themselves, and that therefore to communicate them would mean in some way ruining the authentic spirit with which they were carried out, together with a parallel and old company tradition of confidentiality. The second philosophy theorises the need to communicate CSR actions to a public that is as large as possible, with the fundamental aim of generating a culture around this subject and diffusing positive models of entrepreneurial activity.

Neither of the two trends noted prevails over the other, given that the two clusters just described divide the sample into equal groups.

The communication target is in the totality of cases an external target. The point which we wish to make in this regard is, however, that in half the cases the primary target of the communication is internal, testifying to the great importance enjoyed by this stakeholder in implementing CSR policies.

Further supporting the fact that in many cases the primary target of communication is internal, the subject of the communication which is carried out by companies mainly concerns company identity and values. In some cases, though less frequent, the individual initiatives undertaken are communicated, while any emphasis on the cost of CSR is totally absent from the communications, a further confirmation that economic quantification is not a priority.

CSR and impact on the organisation

Taking into account the impact of CSR on the organisation means analysing the modalities of CSR responsibility present within the organisation and the organisational levels involved in the implementation and diffusion of CSR practices.

Responsibility for CSR seems to be distributed along the structure: only in a few cases is a dedicated organisational unit present.

With regard to the levels involved, this is a phenomenon governed essentially by top management, which is helped in its ideation and realisation of initiatives by staff functions.

Top management, in this study, means not just the managing director and chief executive, but also the level immediately beneath them.

Quite surprisingly, there is a lot of talk about the involvement of top management and the need to involve the company base in CSR policies to create a feeling of belonging and a sharing of values. On the other hand, there is very little mention of middle levels, whose participation and involvement in CSR appears to be decidedly limited.

The low levels of middle management involvement appear to be a weak point in achieving a real transmission and diffusion of CSR and responsibility within the organisations.

CSR and management style

The presence of strong leadership is important, but not always decisive. It is fundamental and in a certain sense inescapable during change and innovation phases, i.e. when it is necessary to introduce radical changes to the organisation.

The prevalent approach in the implementation of CSR policies is for the most directive, with an involvement of top-down actors. There are therefore no cases present where research goes beyond the consensus and involves employees in the design and planning of the 'new' culture.

In line with the attention dedicated to the internal stakeholder, according to what emerged from the research, the connection between CSR principles and human resources management systems appears widely diffused. Photography of the practices relative to employees also provide a rich and variegated array of actions implemented in the field by the companies.

Among the formal artefacts present within the organisations, whose main function is to generate common knowledge and create commitment, as well as to circulate information that goes beyond the official declarations, ethical codes and charters of values appear to be widespread. In a certain sense, this fact too is absolutely consistent with the importance attributed to the internal stakeholder, given that these artefacts are mainly directed at the employees, with the aim of orienting their behaviour within a shared valorial universe. Only in a few cases, on the other hand, is there an explicit reference to CSR in the mission.

CSR and planning and control systems

In general terms, it is possible to state that the link between CSR and planning and control is rather weak. As with the absent quantification of CSR economic-financial investments, this subject too plays little part in the company's formal planning and control process. In the majority of cases, indeed, CSR is not treated as a specific planning and control subject at all.

In terms of instruments, the company report – with its various structures and contents – is present in three quarters of the sample studied. It is important to emphasise that there is a prevalence of those cases where the company report is used as an internal and external communication instrument. However, a trend emerges involving a 'management' use of the company report, according to which, specific CSR objectives and the modalities for implementing programmes are defined during the planning phase, with the same then subject to control. In such cases, the company report is not drafted solely at the conclusion of programmes, as part of a report to the company's interlocutors regarding the initiatives carried out, but becomes a true managerial instrument.

In almost all cases ISO 14000 and/or EMAS environmental certification is present. ISO 9000 is often cited as an origin and departure point for reflection on the subject of responsibility and on the revision of processes in terms of sustainability. SA 8000 ethical certification, on the other hand, is present in just two cases.

The “CSR maturity cycle”

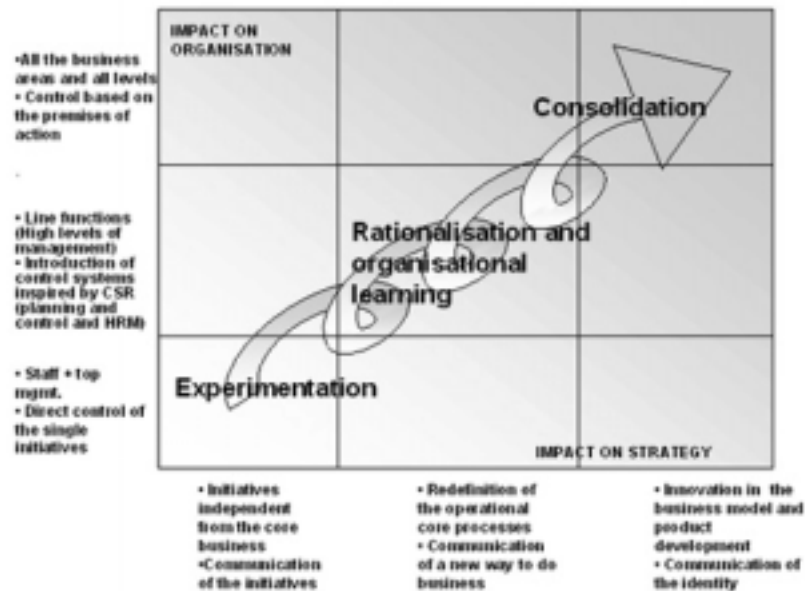
By further grouping the variables analysed, it is possible to identify two macro-dimensions: on the one hand, company strategy; on the other; the organisation.

The analysis carried out suggests the plausibility of the hypothesis that CSR has an evolutionary and dynamic character: it is possible to trace a “CSR cycle of maturity”, determined by the particular combination of modalities by which CSR influences, in each company, the following:

- the relationship with the external world i.e. *what* I do and *how* I communicate it;
- the processes of internal integration i.e. *how* I coordinate and control.

According to this hypothesis, the creation and diffusion of a CSR culture in companies

passes through a succession of phases in which CSR influences strategic options and organisational solutions and in turn produces, in the most positive though still rare cases, the harmonious and coherent development of both dimensions.



Relative to the impact on strategy, three different phases are hypothesised:

Experimentation

In this phase the initiatives undertaken are quite independent of the core business: this is the case in all those philanthropic situations and in the promotion and support of collective interest initiatives that are characterised by reduced proximity with respect to the core business.

The actions undertaken within the context of this phase are usually highly visible and such that they can be easily recognised in terms of their value and social impact for the relevant stakeholders identified. Typically, considerable energy is dedicated to the elaboration and publication of ethics and behaviour codes, understood for the most part as prescriptive behaviour norms to which employees must adapt themselves in the daily exercise of their functions and responsibilities. Another action context privileged by companies that adopt this strategy is represented by the support of causes that are socially relevant and particularly visible for those public targets that interest them. It is in this sense that “cause related marketing” is expressed, or that partnerships are set up with non-profit organisations that are particularly well known and accredited.

The actions realised can be sporadic – and even isolated – yet despite this they can enjoy considerable impact. They can also be translated into truly complex action programmes, which involve structured and coherent initiatives, with well defined objectives.

On an organisational level, these initiatives are usually assigned by top management, the internal sponsor of an initiative, to those functions which, under different names, focus on communications and external relations and rarely involve other units, unless indirectly.

The *control* mechanisms are limited to the project or to the individual action and have as their sole aim that of verifying correct progress with respect to planning. Rarely are systems instituted that relate the results of the said actions to company performance taken overall. The control exercised is of a direct type i.e. in line with the classic subdivision by Perrow (1975), a first level control.

In compliance with the objective of visibility, the communication of CSR initiatives is highly developed. Considerable emphasis is given to the publication of social reports, codes of conduct and ethics codes, especially of a divulgative character, and to their diffusion on the company internet site among various stakeholder publics. The targets of the said communication are for the most part external (non-profit organisations, territorial communities, pressure groups). Internal stakeholders are involved to a minimal extent, and the said involvement sometimes sees participation in the various initiatives on a voluntary basis by employees.

Organisational learning and rationalisation

In this phase CSR influences the redistribution of the company's core processes, in essence purchasing, production and sales. Companies tend to totally reformulate their action and processes in the light of CSR principles. In one company analysed, a manager declared: "CSR is part of our business... it is a way of doing business that influences everything you do." This orientation can be seen in many of the companies observed and sometimes different behaviour is even stigmatised. One manager explicitly affirmed: "I am against the 'markettaro' approach to CSR, which for me means "washing your conscience" with charity... what really matters is how I *produce* value, not how I *distribute* it".

The purchasing function starts to adopt criteria inspired by CSR principles in the selection and management of suppliers, with particular attention devoted to the provision of raw materials or semi-finished items. For example, through the formation and transfer of know-how to suppliers, companies tend to obtain, at the same time, a product of better quality and an improvement in the suppliers' internal and external working conditions. This becomes crucial where suppliers are in turn subject to the risk of social or environmental "accidents", or where the level of development in supplier countries is, as in some cases in the agro-alimentary industry, extremely backward.

R&D and production are profoundly influenced by CSR elements such as the reduction in environmental impact of products and processes, and the quality of both production process and the work environment (safety of machinery, reduction in acoustic pollution, comfortable environments...), and often go well beyond the prescriptions of national and international regulations regarding such matters.

Commercial processes are also modified by CSR principles. This phenomenon can be observed in both business to consumer and business to business. In the first case, the relationship is always more oriented towards the valorisation of product and the brand, which are enriched with social values, enjoying high symbolic content, in this way reinforcing the relationship with customers who increasingly wish to identify with products or brands that express a socially significant content. In the case of business to business, the accent is shifted to the technical quality of the product per se, and on the definition of commercial policies which are able to set market quality standards which are not damaging for the final consumer, especially in those cases where the product and its use can have an impact on the health or life of intermediary operators or final consumers.

As a direct consequence of these processes, on the *organisational* front, all the line functions, those directly implicated in core company processes, are responsabilised by the “conversion” of operational processes. In some rare cases a function specifically dedicated to CSR begins to make its appearance within the organisation chart.

Control systems become more common and are translated into procedures and standards that tend to be integrated with those usually adopted to control and monitor company performance. All attempts to adopt forms of control over company performance representation are moves in this direction, such as the social report or the application of the “triple bottom line” method. It is nevertheless interesting to note how in none of the companies analysed is there a clear and explicit mention of the contribution that CSR produces in terms of company economic performance, despite the fact that it is a strongly held conviction that CSR is an essential element in business and that it is therefore directly related to the creation of profit. CSR economic evaluation systems have not yet fully developed in the companies analysed and it seems that the “utility” of CSR is more a widespread “belief” than a hypothesis formulated on the basis of elements that are objectively linked to performance.

The forms of control also include certifications. In almost all companies that adopt the “strategic rationalisation” strategy, quality certifications have been obtained, together with that of ISO 14000 environmental certification. In these companies there is a sort of ‘leitmotif’ that links the route, usually initiated with quality certification, through to the social and environmental certifications. The certifications are sometimes considered to be an obligatory step by management, especially since: “...on the one hand they formalise the commitment taken by the company in regard to the surrounding community; and on the other, they involve an essential activity that allows us to achieve and maintain a certain image”.

The aim of *communication*, within the said strategy, is clearly that of affirming and reinforcing the internal and external reputation of the company as a socially responsible activity, with the conviction that today CSR represents an essential long term investment.

Investments in external communication – which are mainly expressed through the publication of the social report or the adoption of cause related marketing campaigns – are flanked, often equalling or exceeding the latter in terms of volume and intensity,

by investments in internal communication. CSR is starting to become an element in organisational identification and cohesion, and the introduction of CSR principles is becoming an opportunity to specify or redefine the company mission, thereby re-establishing the 'pact' between the company and its employees.

Consolidation

In this phase the principles of CSR implicitly inspire and orientate managerial decisions at all levels. In general, this strategy is matched by a long and rooted tradition of openness towards the social aspects of business, often accompanied by the presence of a 'mythical' founder figure who left the legacy of a mission that explicitly presupposes a concrete commitment to society.

Having experimented, at some time in the history of the company, the collective experience of success, following the adoption of socially compatible management practices, contributes to stabilising the values that underpin these practices and which, typically, are part of a managerial paradigm that differs from the strictly utilitarian type. There is almost never any explicit reference to a direct link with the achievement of objectives of a strategic or tactical nature, while, on the contrary, a socially responsible behaviour is declared to be right per se. As one interviewee remarked: "we have never even thought of measuring the costs of these actions. It is a question of faith rather than calculation: you have to do it because it is right".

The *actions* undertaken are no longer explained as such by the current management but are a profoundly inherent part of the company's action. In addition to core processes, support processes too appear to be oriented towards CSR principles, such as that of human resource management. In particular, in companies belonging to this group, initiatives and programmes have existed for some time, aimed at improving the quality of life inside and outside the company, with programmes such as diversity management, work-life balance, maternity management with a view to valorising the period of leave etc.

As a result, on an *organisational* level, all business areas are generally involved, including those that are less exposed to business and the market. In particular, social responsibility extends to those roles involved in human resources management.

Organisational *control* is not effected either through 'direct orders' or 'indirectly through programmes and procedures'. Rather, in this case, one notes modalities of implicit control which occurs on the basis of the 'ideological premises of the action' (Perrow, 1972).

Communication seems to be less of a priority than in the other strategies, probably due to the motivation of CSR itself: "...we do not carry out actions because they are communicated, but because we feel they are right". The formal artefacts that are found in these organisations relate back to the origin of the company and testify to the age of certain conceptions, present since the company was founded. These artefacts are often treated like a "Bible"; they are exhibited and celebrated; sometimes they are forgotten

and replaced by a system of principles that have been consolidated in memories and consciences, able to implicitly inspire and guide the taking of important decisions. “In those moments that require difficult decisions to be taken it is important to share the company values... otherwise it is difficult to take the right decision”.

Some companies are pursuing the opposite road: internally rediscovering the traces of a culture that was always inspired by CSR principles. Their problem is that of valorising the said culture to make it an element in communication and competition. This rediscovery phase has been encouraged by external pressures and by the behaviour of many competitors who are faster in communicating their CSR practices with respect to the above companies, in a period, like the present, in which the process of institutionalisation of CSR practices is requiring companies to make their choices and orientations both visible and explicit.

The companies studied are distributed within this matrix, in the sense that in each of the quadrants of the matrix it is possible to find one of the companies analysed.

The figure that diagonally divides the matrix is an ideal figure, one that represents an ideal of rationality and coherence. Being located above or below this diagonal can imply very different situations for companies. Being located in areas above the diagonal can mean, for example, being very visionary, or still having an organisation that is a long way from the goals of top management. On the other hand, being in areas below the diagonal can mean the company has made major internal investments in the construction of social responsibility values, but has not succeeded in valorising them, making them become an integral part of the company's strategic reasoning process. It is therefore important to succeed in achieving a point of balance and coherence between these two dimensions.

Research has made it clear that experimenting socially responsible practices helps members of the organisation to learn new ways of operating, of “doing business”, and subsequently of consolidating practices and values which were until that moment absent from the company culture, compatible with the expectations of those who represent, from various points of view, the external context within which the company operates.

Evolution of the maturity cycle: possible scenarios

The CSR “cycle of maturity” could evolve in various directions, depending on the influence of different factors, both in society at large and within the companies.

The most optimistic scenario involves the cycle of maturity assuming a virtuous trend as a result of which CSR will influence the creation of a new paradigm in company management, showing society a new way of doing business. Another scenario, less optimistic, will be expressed by CSR ceasing to be a significant question for companies, confirming those who say that it is just a managerial fashion, and therefore inevitably destined to decline in importance.

The drivers that will guide this evolution can be of varying kinds. Above all it is essential to consider the perception which companies will have of the degree of exposure of their company and the sector in general. It is clear that being in the financial sector is very different from operating in pharmaceuticals or manufacturing activities, or again in the agro-alimentary sector. Levels of risk and exposure are not however an objective criterion, since they depend to a considerable extent on the interpretation that the organisation applies to the said levels of risk and thus the consequential need or requirement to be socially responsible.

Intuitively, as well as on the basis of those observations made during the research, one can here affirm that the commitment to the creation of a CSR culture is today greater the more exposed a company is to the risk of “environmental accidents” or, more generally speaking, social accidents. In this sense it is no coincidence that many of the pharmaceutical or agro-alimentary companies, or those in the chemical industry, analysed here, are for the most part concentrated around the phase of strategic rationalisation and organisational learning, and are making enormous efforts to prevent the possibility of any such risks being translated into disastrous events. At the same time, companies for which the risk is lower seem to be concentrating more on research into, and reinforcement of, their role, more pronounced and developed, as “good citizens” alongside the collectivity, concentrating their energies on perfecting patterns of behaviour that are typical of the experimentation phase.

Another drive that has emerged in some interviews involves the persistence of the attention of the market towards this question, since, as we have seen, for many companies, especially in the initial phase of interest in social responsibility, the goal of CSR is linked to a search for greater legitimation on the market. Should a significant reduction occur, which cannot be excluded a priori, in social pressure regarding the CSR question, such companies could, at a certain point in their life, decide to reroute resources and energies towards more remunerative investments.

Finally, the last possible driver regards the general conception that every company enjoys relations between company, society and the state. The movement, or the combination of movements, which have sustained and nourished the CSR question with such vigour, have significantly influenced the system of expectations which society feels it is right to adopt in regard to companies. It cannot be excluded that in the future a need will arise for a re-dimensioning of such expectations, in relation to private economic business activities, with a redefinition of competences between the state and business: the latter, indeed, as a result of conspicuous investments made in areas typically within the state’s area of competence (health, territory, environment etc.) could find itself in financial difficulties as a result of having to continue to satisfy the very expectations it has created.

Moreover, in this regard there is a further risk, more remote but no less dangerous, namely the risk of being accused of manipulating the market. Through initiatives which, by acting on the primary needs of specific categories of the population, companies could be accused of attempting to render significant parts of the developing markets more loyal to themselves, and thereby implicitly reducing the degree of consumer freedom.

In this regard we feel that the reflections of one manager of a company we interviewed are particularly pertinent in appearing to perceive some of these risks: "every action in this field must be measured and deliberate, otherwise there is the risk of a boomerang effect... communication too must be measured and balanced. Subjects such as child labour, pay conditions, Third World exploitation are all very delicate matters. One could run the risk of generating misunderstandings and be accused of only carrying out CSR for images reasons and to increase sales. Moreover, subjects like health or justice must be an integral part of a social agreement between the state and its citizens and should not become a matter for companies, generating a de-responsibilisation of the collectivity in those nations that have still not fully 'matured'."

**PART 5 – THE RESEARCH IN THE LARGE COMPANIES:
THE ITALIAN CASE HISTORIES**

ABB ITALIA^(*) (**)

An Incremental Structure in Sustainability

Massimiliano Monaci

Introduction

The ABB Italia case, which concerns a company within the multinational Group, ABB Ltd., essentially makes it possible to focus on a business structure that is characterised by an all-round involvement in so-called sustainable action. To this, one can generally add two further elements of considerable interest:

- the combination, within the range of business conduct examined, of processes of a heterogeneous nature (e.g. formal and informal, *top-down* and more participatory); reconciling these is probably a product of the peculiar configuration of this transnational company;
- the fact that this study was carried out during the course of a particularly delicate phase in the history of the Group, a contingent condition which for the purposes of this analysis seems to have proved, more than a disturbance, a precious element in focusing on some distinctive features of the company's RSI activity.

Portrait of the company

ABB Ltd. is a multinational Group with its *headquarters* in Switzerland (Zurich), a leader in energy and automation technologies that make it possible - as can be read in the company's current *mission statements* - "for the clients of utilities and industries to improve their performances while at the same time reducing their environmental impact"²¹.

Worldwide ABB currently employs approx. 120,000 employees in 100 countries. Overall revenues for 2002 were 18,295 million dollars, with a negative net income of some hundreds of millions of dollars (due to contingent matters which will be referred to in 2.2). The Group has been quoted on the New York Stock Exchange (NYSE) since 2001, as well as on the stock exchanges of London and Zurich, Stockholm and Frankfurt. Its current organisational structure, the result of a series of significant modifications in recent years, comprises three divisions called Power Technologies (PT), Automation

^(*) Massimiliano Monaci prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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^(**) We thank ABB ITALIA for their willingness to participate in the project, in particular: Gian Franco Imperiali, Antonio Giacomucci, Massimiliano Di Torrice, Nicoletta Chiucci, Giuseppe Tommassetti, Michele Pintus, Lucio Peri

²¹ ABB Ltd., *Welcome to ABB*, Zürich, 2002; ABB Ltd, *ABB Group Sustainability Report 2002*, Zürich, 2003.

Technologies (AT) and Oil, Gas & Petrochemicals. While the majority of services and lines of activity belonging to the last division are being divested through sales on the market, the first two constitute today's *core-areas* on which the Group has focused its strategic activity and business. In particular, PT offers a complete range of products, services and solutions for the transmission and distribution of electrical energy (systems for energy generation, medium and high voltage products, power and distribution transformers etc.), aimed at clients operating in industry, the tertiary sector and in public services in the electrical energy, gas and water resources compartment. Through its AT division, ABB provides a complete range of process automation and control products for industry and the tertiary and civil sector, comprising measurement and adjustment devices, instrumentation, process analysis, power electronics, actionings and motors, robotics, software, low voltage products and maintenance engineering services. Here the main clients served are in the manufacturing, automobile, electronics, chemical and petrochemical, naval, metallurgical, mining, paper, turbocompressors and *utilities* compartments.

In Italy the Group is present with both its PT and AT divisions, employing approx. 8,000 people in various production units that are especially concentrated in Lombardy and Lazio. In 2002 the revenues of ABB's Italian companies, with management and central offices at the headquarters in Sesto S. Giovanni (Mi), came to 1,743 million euro, with orders for a value of 1,607 million euro. The Italian companies in the Group are active both in Italy itself and abroad, where they make approx. 45% of their turnover. Within the ABB world, the Italian subsidiary has global responsibility for technological innovation in low and medium voltage distribution systems. It is a centre of excellence, together with its German counterpart, in the field of industrial transformers. It has acquired a leading role in engineering activities for the realisation of major plants abroad and in the supply of complete automation systems in industrial applications. Finally, it is one of the most important *contractors* in the world in the realisation of electricity lines, having installed approx. 35,000 km of lines since 1970, both inside and outside Italy's borders.

The case study presented here therefore takes into consideration, within the context of the current evolution of the entire Group, the reality - and the RSI practices - of ABB Italia. The data and indications for the analysis were provided, apart from the gathering of internal and institutional documentation and from observation in the field, by a number of interviews carried out with the following company management figures: the *country manager* (President of the Board of Directors of ABB SpA and Country Manager for the Group); the Sustainability Affairs Manager; the Finance and Control Local Function Manager; the Communications and Institutional Relations Local Function Manager, the Human Resources Local Function Manager and a member of his staff; a member of the Legal Affairs Local Function Staff.

A History of Success

The ABB Group was founded in 1988, as the result of a merger between the Swedish Asea (Allmänna Svenska Elektriska Aktiebolaget, founded under another name in 1883) and the Swiss BBC (Brown, Boveri & Cie, founded in 1891).

Both components of the new internationalised company came from a long and significant history in the electronics sector, studded with numerous successes in terms of both their presence on the market and their technological innovation. Among the latter, one may cite, with regard to Asea, the invention of the tri-phase system for generators, transformers and engines (1889), a primary role in domestic and industrial electrification in Sweden (1900-10), expansion through subsidiaries in Central-Western Europe (since 1910), constant growth as a reference supplier in the energy, mining and transport industries (1940s and 1950s), the construction of the first plant for nuclear energy production in Sweden, followed by a further ten (1960s), the invention and launch of one of the first industrial robots (1974), consolidation as one of the top ten companies in the world in energy technologies (1980s). As for BBC, its milestones include its supply of the first large scale European plant for the production of alternating current (1893), the creation of its first subsidiaries in Europe (1900-10), its construction of the first steam turbine in Europe (1901), further expansion in Europe and the Americas (1920-40), and subsequently in South-Africa and India (1946-63), the construction of the most powerful transformer in the world, at 1300 MVA (1969), the creation of the control systems for various motorway tunnels (1970s), the installation of generators in the world's largest hydroelectric power station in South America (1980s). Starting from this platform of business experience (and culture), which in many ways is quite similar, in the immediate post-merger period (1989-1995) ABB pursued and realised a continual growth strategy in Europe (especially in the ex-communist countries), in Asia and the Americas. In 1999 it definitively abandoned its branch relative to nuclear energy, reinforcing its research and production investments in alternative energies, from then on consolidating its position in the field of small-medium scale solutions linked to new energy sources and channels.

Present uncertainties and challenges

The last part of the two year period 2002-03 was, as the current president and CEO of the Group states in his presentation letter for the most recent *Sustainability Report*²², one of the most difficult in ABB's history. Apart from the "normal" difficulties in the sector and market, relative to the socio-economic scenarios of the current international situation, during the course of 2002 the Group had to deal with an urgent matter – entirely unexpected in its proportions – due to an accumulation of thousands of compensation cases pursued against one its United States companies, divested years earlier, which for a certain period (long before acquisition) had produced equipment containing asbestos insulation materials. To date this situation has cost ABB approximately 1 billion dollars, and is now moving towards a definitive solution before a United States court which will protect the Group from future legal action. However, it has clearly had a considerable impact on the company's current financial health and organisational management. Alongside the usual investments in innovation and research, aimed at an increase in product operational competitiveness, three fundamental strategic lines were adopted, as of the last months of 2002, to reduce some of the pressure on share prices (thereby recovering some investor confidence), gradually

²² ABB Ltd., *ABB Group Sustainability Report 2002*, Zürich, 2003, pp. 2-3.

reduce company debt and finally return the Group, over the medium-term, to positive profit figures:

- Obtaining or renewing loans from various banks;
- Divestment and sale of services and entire business lines, through a reorganisation that has quickly brought the number of divisions from six to two (PT and AT), and which is understood not just as an appropriate solution for an economically sustainable recovery but also as an opportunity to improve *customer-oriented* focus and internal coordination of activity and user segments;
- A rigorous programme to contain the costs base (aimed at reducing it by 800 million dollars by mid 2004), which has also been translated into a reduction in personnel of approx. 30,000 units (from 150,000 to 120,000) - mainly through transfer to other companies - and which involves achieving a total number of less than 100,000 by mid 2004.

This last measure, which is part of the “Business improvement plan” to increase market competitiveness, and which clearly involves sensitive social questions, is managed - according to ABB’s social policy lines - through an approach which the last sustainability report does not hesitate to define as “socially responsible restructuring”:

“In carrying out this program, we are meeting social and contractual commitments, and complying with national labour laws, trade union and employee agreements. We are ensuring that updated social benefit plans exist at a country level and that employees and their representatives are fully aware of their rights”²³.

In the case of the Italian associate company, the current reorganisation plan for the Group has not produced any traumatic results or impact. In line with a tradition of high quality in its relationship with trade union organisations, in the summer of 2003 a draft agreement was signed - with the participation of Assolombarda and Lombardy Region - aimed at reorganising and at the same time relaunching ABB activities in the country. The hypothesis essentially contemplates, on the one hand, approximately 300 redundant persons (linked above all to the closure of a single production line), who will be relocated at the same site which is the subject of the restructuring, at other production sites in the company, or will be encouraged to take early retirement; and on the other hand, there is the construction of a new factory at Lodi for the production of high voltage systems and further investments in the realisation of a centre of excellence in the field of differential gears. More generally, the undoubted critical aspects in the present period do not seem to have compromised the substantial relationship of trust between the multinational and its employees, including those of Italian nationality, both in regard to transparency and style, oriented towards sharing (not least, of all information regarding the development of the situation), with which the Group has tackled this critical phase, and more indirectly, in virtue of the positive reaction displayed by other crucial stakeholders in the company, such as clients, and based on a relationship and background of trust:

²³ ABB Ltd., *ABB Group Sustainability Report 2002*, Zürich, 2003, p. 23.

“We are clearly all under pressure, very focused now on business operations that should help us to recover financial competitiveness. However, one could have expected a very different situation, with stress conditions, agitation and worry among personnel. There was obviously a number of meetings where problems were placed on the table, but without any tension. The reaction was very composed. There was a general understanding of the terms of the question, of its causes and its possible evolution. In keeping calm we were also helped by the direct presence of the Group. It is very much appreciated that the CEO has now for some months been sending out a weekly personal communication via intranet to all employees round the world, every Friday evening, informing them about what he is doing and how the company intends to move. Absolutely anybody can read it, because anyone in the world can access this or that terminal, including those who do not have their own computer position. And a direct channel has been created and shared which supplies and disseminates this key idea that everyone is in the same boat, a vessel that has to be kept afloat so that we can definitively leave the crisis behind us and relaunch. In short, that we are all rowing in the same direction. It certainly helps to concentrate energies in this delicate phase, but above all it offers security, providing employees with a conviction that they are not the mere plaything of events” (Sustainability Affairs Manager).

“To me it seems that there are some things that are certainly clear to everyone, inside here and outside. The first is that this rock which has fallen out of the sky on our heads, suddenly, and without any real responsibility on our part, due a situation that is not only distant in time but which does not in effect concern ABB, given that the Group did not control that infamous little American company at the time the incidents happened, and therefore could not have known anything about them when it acquired the company. The other thing is that we are facing a crisis – if a crisis is what it is – that is exclusively financial, which does not have anything to do with the competences inside the company, its innovation, the quality of its services, which are de facto the things that really change the assessment made those who take a closer look at a company. As opposed, I would like to add, to the problems which affect other well known Groups in this period, both in the sector and outside it, including ours. In ABB this second problem does not exist: we do not have any warehouses full of products because we do not buy them; we have not lost one order. As regards our clients, relations remain absolutely unchanged: on the one side clients are literally incredulous – ‘what’s all this talk about crisis, where does it come?’ they ask – while on the other they believe in what we have said about this matter; they believe us as a result of our business and technological ability, which they are familiar with, and because they know that ABB represents value” (Human Resources Manager).

Value creator: the bridge between business vision and stakeholders

From the strategic-structural profile, ABB approaches what management experts define as the form par excellence, and more competitively equipped, of an internationalised company in the globalisation market scenario: the so-called transnational organisation, able to combine the advantages of centralised integration (standardisation of processes,

exploitation of various production economies, etc.) with the advantages of local differentiation (e.g. the ability to adapt to conditions – stimuli, resources, opportunities – in the different areas of activity localisation). The role of local differentiation was and remains a primary one for ABB, which only developed its current Group configuration at the end of the 1980s, as a “multidomestic” reality i.e. constructed through the assimilation of pre-existing national production units which were often previously autonomous. This holds to a considerable extent for the Italian associate, whose network of companies still comprises a series of firms (such as Sace di Bergamo, or the ex-Marelli in the Milan area) with a distinctive history of socio-economic traditions within the territorial fabric around them. The not insignificant impact of local elements on development and operativity, including current, of ABB Italia, in addition to having a major influence (as will be noted) in regard to CSR practices, above all makes it possible to combine those tangible and intangible *assets* that derive from belonging to an internationalised network with the possibility of operating and being perceived in those most immediate contexts of action as a “genuine” Italian activity:

“Precisely on a Group level, there is for us a historical element which was entirely prevalent until a short time ago and which today has been only slightly attenuated due to the need to more globally manage strategies and redundancies in production sites. And it is this fact, that of leaving considerable autonomy to the peripheral sites, technically encouraged by a model based on the parcelisation of production units: this is not a multinational that establishes itself in a territory by overlapping, by basing itself with an initial unit of a few thousand people who quickly come to represent a kind of citadel within the city, dialoguing at most with only the highest functionaries in the local administration. As can still be seen today in the new sites created abroad, ABB usually start with small units, 100 or 200 employees. With this approach you cannot isolate yourself. You are in some way necessarily submerged within the territory. In my opinion, despite the greater recent centralisation, this feature remains – this strong local valency – one that continues to distinguish ABB from the majority of other international Groups. As far as I can see, as a manager of ABB Italia, the associate companies, here or elsewhere, of various other multinationals, operate in the narrow sense as no more than “branches”, held on leads of varying lengths but firmly in the hands of the centre. Our network, even at the present time, has no remote control model: free local initiative is not compromised, at least in terms of application and interpretation” (Country Manager).

“Participation in a large Group like ABB gives us innumerable strengths. A basic one is research and development activity, the great weakness within the Italian system, where last year too, despite all the difficulties, more than a billion and a half dollars were invested, some 7% of turnover. A second fundamental aspect, which especially regards levels of responsibility, is involvement within a multicultural climate. Certainly during the present period, as regards all the functions, there have been some reductions, for reasons of cost, in the number of trips – 3 or 4 a year – to Group conventions, but direct international contacts remain intense through *round tables* in teleconference. Then, certainly, belonging to a multinational organisation creates a series of restrictions and recently, although not on the levels of an American Group, there has been a drive towards greater integration. For

example, whereas before we concentrated in particular on the sales of ABB Italia products, the priority now – as for others – is to promote and represent ABB's overall offer. But with all this, even despite certain new guiding principles, we want to be perceived as the Italian expression of a multinational. We are and we present ourselves, in relation to the rest of the ABB world, as the prime players in this Italian engineering and production reality. And I would say that we have also succeeded at an institutional level, if it is true – as it is true – that our *Country Manager* often carries out national missions with foreign governments, side by side with some of our Italian competitors, who may grind their teeth but have to accept it” (Communications Manager).

Having said that, it is important to add that in its short history the Group seems to have nevertheless succeeded in creating a *framework* which is generally shared, as regards priorities and principles of contextualisation/orientation of market action. A vision and a series of guidelines that are explicitly codified – in the form of organisational mission – within internal and institutional communication, but which we were also able find concretely reflected in the contents and basic tone of the majority of the interviews held with our interviewees. The essential idea, though not original, which this culture exploits, albeit while still being consolidated, is that of ‘*value creators*’, experienced as self-perception of one’s past and present, and at the same time as a commitment and a ‘common compass’, pointing the way to continual improvement. In particular, current ABB company philosophy proceeds from presuppositions that mainly refer to aspects of change, understood as the predominant tendency within the evolution of business (and ultimately of all contemporary reality) and – as a result – as a constant basic requirement for company action:

“The direction of our efforts must be continually reviewed, examined, enriched with challenges and, if necessary, adapted to an environment that is subject to ever more rapid change. This drive towards change is stronger than ever in our business world. Globalisation, liberalisation, privatisation, mergers, new technologies. These forces are guiding a silent revolution which profoundly influences our lives. What is ABB’s response? We place our trust in the strength of value creation, in an ability to find ways to offer benefits to all our interlocutors. Of these, clients are at the heart of our mission. Their success will underline our ability to satisfy the aspirations of our people and our shareholders. Their success will make it possible to strengthen our commitment towards sustainability. It is for this reason that we have decided to organise our business for market channels and clients”²⁴.

The second part of this platform appears to be consistent with the way in which the response of customers is permitting the Group to manage, in relative tranquillity, everyday difficulties (and making it possible, in brief, to provide a similarly consistent interpretation of the radical organisational simplification carried out during this last period). From this it follows that:

“*We create value*: rendering our clients more competitive in a world connected online; offering our people an opportunity to learn, grow and share in the value

²⁴ ‘Mission & values’, in www.it.abb.com.

created by their efforts; realising economic returns that satisfy or surpass the expectations of our shareholders; embodying our commitment to sustainability”²⁵.

This vision/mission is then expressed in accordance with background values and collective behaviour principles which, again, are relatively common in the world of large companies: action oriented towards results and guided by customer needs; company unity as a crucial resource to ensure, within a fundamentally decentred structure, the prevalence of Group interests over those of individual units (through common integrated strategic lines, language and currency, provided by English and the United States dollar, and naturally the diffusion of the said vision/mission); communication – again referring to some sections of the mission – that is ‘ready, open, honest and propulsive’, inside as outside, to guarantee the transparency of the information and an understanding of opinions, ‘including when the truth proves to be unpleasant’ (and in this area the conduct of ABB during the course of the latest situations would appear to testify to the fact that one is dealing with a value that is not merely declared but firmly espoused). Moreover, the direct and articulated connection to the various constituents of the composite Group of business stakeholders²⁶ is proving to be particularly interesting within this business culture.

Values for clients

ABB and its Italian associate company essentially operate in the *business to business* world, offering products and solutions that have considerable impact on the everyday life of citizens-consumers, but without interacting directly with the final customer market. The company considers the success of its clients – other industries and *utilities* – to be a maximum priority, focusing on the excellence of quality (conformity with sector standards or exceeding them, assistance and information on systems) and on innovation (technological, in the modalities of collaboration with suppliers/users) in the entire business process, from research and development, to orders, through to final delivery and use of the products. In concrete terms, the level and quality of the *customer-oriented* approach in the everyday activity of the company are also expressed through a wide range of additional and supplementary services, which include:

- Making a team of environmental consultants available for clients, who provide assistance and collaboration in areas like IPPC (*Integrated Pollution Prevention and Control*), BAT development (*Best Available Techniques*), the development of environmental management systems (EMS, *Environmental Management Systems*), EHR evaluations (*Environmental Hazard Risk*) and minimisation of waste and refuse;
- Making available some tens of specific portals per industrial category, accessible from the global site, containing product information and subjects of interest for individual sectors, such as events and trade fairs (the said service is replicated in a

²⁵ Ibidem.

²⁶ In the current phase this remains valid for the shareholders, in regard to whom the Group is clearly striving to recover its customary profitability, in line with the commitment to create financial value over the long term.

- specific-country manner by the Italian ABB Sace, with its portal, 'Business on line', aimed at professionals in the electrics sector);
- The integration of all ABB solutions in a single architecture called Industrial IT, aimed at improving operational efficiency and reciprocal compatibility of systems, designed and commercialised through assimilation within products of a standard set of technical features ('aspects') relative, for example, to instruction manuals, electrics layouts, control procedures and configuration instruments.

Values for employees

With regard to company conduct and orientation with respect to 'employee' stakeholders, reference has already been made to the attention which the Group dedicated to managing the impact on personnel of the current phase involving restructuring and rigorous costs containment. It may also be added that in Italy this action seems to have achieved a degree of excellence, probably due to the intervention of aspects linked to the more specifically national elements of ABB Italia; in this case, a legacy of collaboration with trade union organisations, undoubtedly encouraged by the Italian model of industrial relations but also by the value of the associate company's experience and understanding of local roots:

"Belonging to specific category organisations, we clearly cannot exempt ourselves on a national level from following the lines agreed at certain negotiating tables, be it Confindustria or Federmeccanica. Moreover, when one comes down to the specific problematics that affect the life of our company, I can tranquilly say that relationships with worker representatives are excellent, but historically speaking one has to add: honourable agreements have always been stipulated for both parties and perhaps having based our dialogue on transparency and correctness - without falling into those traps laid by 'opposition on principle' - this has sometimes made it possible to get the trade unions to accept industrial decisions which were far from easy to digest" (Country Manager).

"There has been some pain involved, if only due to continual reorganisations, but we have been able to count on credibility accumulated here in more than a decade, given that a negative case involving ABB on these matters has never emerged. Even when, some years ago, we closed a factory at Pomezia, an area with very high unemployment levels, before doing so we found ourselves around a table with the various parties involved, together with the President of the Province and the Region, since the case quite rightly had a certain public profile. Agreement was reached, arranging for all the people involved to be provided with the available social security and unemployment benefits. Certainly there was no cause for jubilation, but the dialogue carried out involved listening and negotiating, with no toe-to-toe conflictuality, no blind 'foreign capitalist against the worker and families' in the area. Overall, when one hears the name of ABB mentioned in Italy - on an administrative level, or in the press or the community - the attitude is not that of dealing with a difficult protagonist, but with a subject which, with all its difficulties, has always succeeded in playing a positive role within the environment in which it operates. And for me this is social responsibility, even if five years ago they didn't

call it by this term. Of course, if you ask me whether the same thing would have happened in a United States factory, I don't know; I might have some doubts. But certainly the Group is not American; we have a central interlocutor who understands the importance of diversity; who is willing to accept, within the context of minimum objectives, flexibility which allows people to operate effectively in the territory" (Communications Manager).

The constructive climate of industrial relations seems to be matched (again, despite the latest events) by an internal company climate which is just as positive. In the words of someone who occupies a privileged observatory in personnel relations:

"Apart from what I, or anyone else in the old guard, make think, there are at least two indicators that confirm an unchanged perception of how things are going in our company. The first is that I continue to receive hundreds of employment applications, more than 5,000 during last year. The other is that the new employees who are being trained, who I keep a close eye on, provide flattering feedback, people - and I am not exaggerating - who say that for them it feels like they were born in ABB. There has been no change of climate due to the financial situation; the two elements travel absolutely separately" (Human Resources Manager).

Looking at things in greater detail, there are at least two central aspects in relation to which ABB - apart from its natural legal and contractual obligations - ensures a significant contribution for its personnel. The first involves the extensive range of development of human resources, on the basis of those mission lines that emphasise the goal of "providing all employees with an opportunity to use and develop their abilities, their knowledge and creative potential, for their advantage and that of the company, offering them a stimulating and gratifying working environment"²⁷. This commitment and investment is translated into practices that - apart from recruiting - tend to look for and, even more, to encourage diversity (equal opportunities and action against discrimination are a key feature of the *social policy*; cf. 4.2), an ability to learn and express leadership, personal initiative and an aptitude for change (an ability considered all the more necessary in a high technology sector within a company that is constitutionally on the move, quite apart from the latest events, from the point of view of products and organisational structure).

ABB's training activity has a significant role to play within this picture, as regards both training/updating of work technical contents and, above all, managerial development. From this point of view, apart from the *international training* services, periodically provided by the central *Academy* in Zurich to mixed Groups of senior management, throughout the ABB world, the intense and autonomous activity of the Italian associate also has to be pointed out. Its annual training offer is expressed first and foremost in a series of thematic seminars, focusing on the development of professional competences (*account management*, national and international contractual matters, *project management*, financial-economic management, human resources management, language courses etc.) and more transversal and social *skills* (e.g. negotiating,

²⁷ 'Mission & values', in www.it.abb.com.

communication and emotional competence abilities, team leadership, time management, problem solving, 'overcoming stress', 'living for the company'). Within ABB Italia's *Learning programs* two initiatives stand out, institutionalised for more than a decade, and which have in many ways created a trend within the national panorama of company training, carried out in partnership – as regards teaching – with the SDA of the Bocconi University of Milan: Passport, a Master's qualification lasting one year and which each year involves full time training (with lecture theatre teaching, company project and *international assignment*) for 20-30 newly-hired personnel in defined management positions; and Lean Passport, an annual course that provides for a partial attendance, alternating with company work, reserved for highly promising young managers who are already at work within the company.

A second significant commitment context in relation to *employee welfare* involves the health and safety policy. On this level, apart from the "Zero target" programme, launched in 2002 to achieve a drastic reduction in accidents at work in Group sites²⁸, the recent launch of the programme should be emphasised as regards the implementation in Group production sites of safety requirements provided for (in addition to the latest guidelines of the ILO, *International Labour Organization*) by OSHA 18001²⁹ international standards. In Italy there are some tens of sites provided with management systems for health and safety that have been certified in conformity with this standard, from many points of view involving principles that are more rigorous than those set out in national Legislative Decree 626/94, with reference to which every ABB company in Italy has, in any case, been provided for some time with a Prevention and Protection Service (PPS)³⁰.

The faces of sustainability in ABB's action

It can certainly be said that, since the period immediately subsequent to its foundation (in the late 1980s), the ABB Group has developed a significant permanent sustainability programme, conceived as an integral part of its overall business activity. A journey which, in the final analysis, can be defined as 'incremental', in that on one side it is undoubtedly consolidated, and almost a matter of routine, within the entire structure (especially as regards the area of environmental performance), and on the other, it is constantly subject to evolutions which are also important (especially with respect to implementation of social performance and its integration with the other sustainable conduct guidelines).

In line with the most accredited current visions, ABB understands sustainability in line with the concept of *triple bottom line*, which covers and integrates the economic, environmental and social performance of the company. This fundamental approach is,

²⁸ And with good results, given the figures set out in the last sustainability report.

²⁹ In accordance with the guidelines laid down by the Occupational Safety and Health Administration of the US Department of Labour.

³⁰ The SPP service provides, in all sites (as in the project or service locations), a manager for work health and safety, a competent doctor, the workers' representative for safety and a variable number of employees assigned to safety.

in addition, combined with the organisational mission's emphasis on the goal and ability to create value for company interlocutors:

“Sustainability for ABB is about ensuring long-term business success while contributing towards economic and social development, a healthy environment and stable society, and helping our customers and suppliers to achieve the same”³¹.

As anticipated, ABB's road towards sustainability – and more specifically its presence in regard to CSR matters – stretches back a long way. In this process what is striking, in general, is above all the Group's level of participation in the initiatives, the more 'institutional' work tables and opportunities involving – one might say – greater public implications, which has accompanied the growth of sustainability over the last decade in the international political-economic world in regard to such questions. In particular, ABB was among the first to sign the ICC (*International Chamber of Commerce*) Charter for Sustainable Development in 1992. It was among the promoter subjects for the launch of the UN Global Compact in 2000, for which the ABB CEO at the time, Göran Lindahl, worked as special secretary to Kofi Annan. Indeed, he actively took part, with the launch of a specific programme of common action, in the UN World Summit on Sustainable Development in Johannesburg in 2002 and adheres to the CSR Europe network. In addition, ABB currently occupies second place in the sector Group in the Dow Jones Sustainability Index (which, as is well-known, constructs global classifications of companies on the basis of their sustainability indicators), after occupying first position for three consecutive years.

From the point of view of structural innovations and internal procedures, numerous stages have marked this continual journey: the adoption of a Group environmental policy (*Environmental policy*), directly inspired by the 16 principles of the ICC Charter for sustainability, and the constitution of an *environmental affairs* central staff (1992); the appointment of country and factory *environmental controllers* (1993); the launch of the publication of the 'Group Environmental Report' (1994); certification of more than fifty sites on the basis of the BS 7750 (1995) environmental management standard; certification of more than fifty sites in compliance with ISO 14001 (1996) standard; the adoption of a first edition of a Group ethical code (1998); the introduction of the 'Environmental Management Awards' to promote and reward those results and initiatives of particular significance in environmental performance within the ABB world network (1999); the transformation of the *environmental affairs* function into the broader one of *sustainability affairs*, and its replication in functions at a local level (1999-2001); the revision of the company *business ethics* (2000-2001) on the basis of the fundamental principles of ICC conduct rules (in the updated 1999 version) and those of the OECD Convention of 1997, to which ABB formally adheres; the adoption of a Group social policy (*Social policy*, 2001), formulated on the basis of four reference sources comprising (a) the UN Declaration of Human Rights, (b) ILO fundamental principles on employment rights, (c) OECD guidelines for multinational companies (d) criteria for the protection of workers' rights provided by certifiable SA 8000 standard; publication of the 'Group Sustainability Report' (2001), which replaces and

³¹ ABB Ltd., *Summary of the ABB Group Sustainability Report 2002*, Zürich, 2003, p. 2.

supplements the previous Group environmental report, drafted on the basis of the GRI (Global Reporting Initiative³²) guidelines and verified/signed by the Det Norske Veritas accreditation entity; certified implementation of ISO 14001 standard in almost 100% of sites (2002).

Clearly, this sequence of developments has also had an important impact on the Italian associate, which today presides over the social responsibility and sustainability context through the activity of four structures: 1) the *sustainability affairs* function, comprising a central staff of five people, with a manager who functionally answers to the Group manager (and to the Italian *country manager* in terms of administration-hierarchy), who head approximately forty local factory referents, in various cases carrying out this activity full time; 2) the communication function, whose manager works in close coordination with his sustainability colleague in planning/promoting initiatives and events and from which are frequently taken those resources required for their realisation; 3) a 'cell' of three components, situated in the human resources central function and in particular in the management development area (where these people carry out their main organisational activity), focusing on the social activities aimed at the community, in close coordination with the sustainability manager (who remains the referent of the entire spectrum of RSI actions: environment, employee safety, social initiatives); 4) the central function of legal affairs, which takes care, in a relatively autonomous manner, of the entire *business ethics* area. The country sustainability manager is also the source of interpretations that help to characterise and understand the particular route ABB has taken in relation to these problematics. This is true, above all, with regard to the cultural profile and matrix of the company's approach to sustainability, with respect to which our interviewee confirmed a series of impressions that were also expressed by others:

"Ours is a Group with its *headquarters* in Zurich, but its culture has always been influenced by the Swedish component, which has to date provided the great majority of its CEOs. Essentially, our commitment to RSI began ten years ago with a Swedish CEO who took a very *long-term* approach to these problems and who was very active both within the company world and outside it, in the institutional offices where he began to work on sustainability. Now some of his convictions have become commonplaces: that over the long term a business can thrive and succeed in operational terms only if it systematically adopts certain conduct principles; that with globalisation there is a shift in responsibility - for better or for worse, with the possibility of excellence but also of causing great damage - from the leading protagonists in large companies and especially in the multinationals, which objectively speaking have enormous economic power... A recent projection by Price Waterhouse states that within the next 5-10 years all the major multinationals will move towards a sustainability organisation model, very similar, moreover, to what we have provided ourselves with. But I also remain convinced that in our case Scandinavian culture has played a significant role, with its congenital focus on environmental subjects - because it was from this subject that we started -

³² International non-profit entity founded, among others, by the UN and the US Environmental Protection Agency.

together with an advanced and aware vision of welfare systems alongside worker safety and interests. When we began to seriously involve ourselves it seemed entirely natural to them, with immediate pilot studies, proposals concerning operational management... All things that probably have been supported by the climate in other national contexts, such as that in Germany and Switzerland. But the fundamental input, true decision-making, was certainly Scandinavian in origin” (Sustainability Affairs Manager).

In second place, an interesting justification is provided – and can perhaps be shared – as to why at this point ABB preferred to ‘audit’ its sustainability conduct through a report³³, however accurate and documented, rather than by means of an instrument which technically is called a company financial statement:

“We use the *report* because a financial statement should show as clearly as possible the costs and revenues of certain interventions. Now, in the case of safety and the environment – monitoring, prevention etc. – the costs can be evident, but it becomes more arduous to quantify the results and outputs, especially over the long term. In a financial statement that is carried out seriously, we could therefore indicate only some costs which are in point of fact already set out in the statement of operations. Everything is enormously complicated as regards the social aspect, if one seeks to seriously speak about costs and revenues, of commitments sustained and results generated. How does one truly report on a context in which, due to the heterogeneity of its contributions and effects, very little can be measured? Moreover, it is obvious that I have a budget for safety; every year there are cost indications, very flexible, for the social aspect ... Furthermore, we would like to avoid a paradox which has occurred in other companies when an investment is made and then ten times more money is spent publicising it. Apart from the consideration as to whether this involves pure marketing or real CSR, what sense does it make to speak about social accounting in such situations?” (Sustainability Affairs Manager).

As regards sustainability, ABB Italia has just concluded (in mid 2003) a significant and autonomous³⁴ phase in SA8000 certification, which has been obtained by the Group Service Centre company of Sesto S. Giovanni. Explicitly suggested by the social interlocutors of ABB Italia, within the context of a previous meeting with the stakeholders, and oriented towards the finalisation of an organised company system for CSR management, certification is the fruit of experimentation work which, especially in its definition of indicators, has involved a team of some twenty members of both AT and PT divisions, as well as constant collaboration with institutions such as the Milan Chamber of Commerce and the Institute for the Environment. The next stage in the project – which ultimately looks at the possibility of progressive extension of SA 8000 certification to the

³³ Currently, alongside the *Group Sustainability Report*, ABB publishes a further two group reports: the *Group Annual Report*, focusing on the market and economic indicators; and the *Group Technology Report*, relative to process and product innovations.

³⁴ The multinational, which has used references taken from the SA 8000 standard as a *benchmark* for its *social policy*, has not yet launched or stimulated a policy in this sense. Within the ABB world, a similar experiment is still underway only in Poland.

other companies of the associate – provides for an internal ‘socialisation’ and communication process, as far as possible capillary, regarding the contents and meaning of the results achieved, through instruments that range from the diffusion of a summary of the manual used in ABB GSC (integrally available on the intranet network) to initiatives which, in the near future, will involve internal training (which in general is being redesigned so as to systematically include, once operational equilibrium has been re-established, conditioned by current situations, subjects relating to sustainability. Even now, in any case, training modules of this kind – e.g. *business ethics* – and coordinated by company personnel, are part of packets like the above-mentioned Passport and Lean Passport).

The subject of internal communication aimed at the sharing of knowledge on CSR dimensions of company action and the involvement of employees is, on the other hand, a critical and strategic point, today, in ABB Italia. To sustainability are dedicated not only numerous sections of the local and Group intranet but also a fixed column of information and comment, prepared by the *Sustainability* manager of *SpazioABB*, a bimonthly for all Italian employees in the Group (all questions related to RSI also enjoy a certain space, in addition to Italian and global versions of the internet site, in the other periodical prepared by the communications management, the four-monthly *Mondo ABB*, sent to Italian public stakeholders such as clients, media, associations and public authorities). In addition, and again within a context of awareness enhancement and promotion of internal participation – above all in terms of common knowledge – in relation to this aspect of the company business, the function of sustainability has recently promoted campaigns urging involvement, such as the *Beaver* competition (a database to which employees can send their indications and proposals in relation to social and environmental responsibility, subsequently selected and rewarded) or an itinerant exhibition in all the offices of the associate company, with illustration posters and pictures of local and Group action in sustainability. A body of interventions – as with the others which will presumably follow – carried out according to the Group slogan, ‘ABB can never be better than its employees’, which perhaps has never before so well encapsulated an entire programme.

In point of fact, on the basis of our conversations, the culture map of sustainability in the ABB Italian organisation can currently be defined using the metaphor of the “hour-glass”: a relatively extended awareness in both the upper stratum of *top management* and among functional managements (undoubtedly influenced by the attention devoted to RSI by the top management of the entire Group), and in that of the *ground-floor*, provided by personnel in the production sites (especially in terms of the environmental policy, but also as regards voluntary work in the territory), with a significant restriction at an intermediary level of *middle-management*, and personnel employed in areas not directly in contact with these aspects of the activity, or more subject to operational pressures on achieving economic results (e.g. sales offices).

All this – also bearing in mind the dimensions and complexity of the organisation – implies a situation, in the present and even more so in the immediate future, distinctly in line with that incremental approach which we have defined:

“As far as I am concerned, the commitment to sustainability is a personal value, in addition to that for the company that pays me. I like to work on things in which, if

you like, I firmly believe. I feel proud when I can express this added value in conversations with friends-colleagues in other companies, when I also see – let it be said without arrogance – in circuits dedicated to RSI, like Sodalitas, that perhaps we have more to give than to learn. Then again, as a result of my training, I am an expert in technologies and am therefore absolutely delighted to carry forward something that is innovative, at the leading edge within the general panorama: if tomorrow, as I believe, the majority of multinationals adopt structures like ours, I will be able to say I have contributed in some way to the development of this type of company figure and function. And I am convinced that in our company, especially among those who interface more with the exterior, or experience certain implications in everyday practice, this sense of satisfaction and pride is quite widespread. Then, if you consider all 8,000 people in ABB Italia, the music obviously changes: yes, apart from the reference standards and procedures, there is the site, there are the campaigns, there are the newsletters, but how many really look at them? This is one of the points on which we are working carefully, but with the knowledge that you cannot impose anything and that changes cannot be brought about over the short term; the aim is to encourage, using all available instruments, sensitivity and then watch the results mature over time” (Sustainability Affairs Manager).

“It seems that here everyone is aware of these aspects and they know that there is an awareness about them. And for many it is certainly important to work for a multinational that can lose or make money, but which is never in the news for negative reasons and which, on the contrary, is perceived as a business that has a social role. Then, if we look at the individual situations, there are perhaps some fifty people who are aware, in an informed sense, of our SA 8000; and perhaps very few are aware that ABB took part in Johannesburg 2002, or would find it difficult to say, in specific terms, just what the sustainability function does. The programme, or the challenge, is precisely that of internalising, to a greater extent, the concepts within the company, especially as regards its social commitment, to make it clear – without hounding people – that RSI is an ABB activity in and of itself. As soon as greater investment possibilities are available to us, in addition to what we already do, this goal will be a priority” (Communications Manager).

Another nodal point for the sustainability action of the Italian associate, on the other hand, is related to the external context, with the receptivity of the latter in relation to the road pursued by the company. To this end, one can identify a circumscribed segment of interlocutors, given substantially by other large businesses that are ABB clients, whose *modus operandi* – in particular, in environmental performance – appears ever more in harmony with ABB’s structural standards of sustainability, thanks not least to the exhibition and direct relationship with the company’s innovations in the field (in this one may note a distinctive tendency on ABB’s part, in its involvement and *networking* with stakeholders to whom we will return below). Overall, however, and within the context of a general overview of sustainability in the organisational structure and the business, as well as that of its operational impact, our interviewees do not hesitate to point to a certain misalignment between the practice of CSR and today’s tendencies within the immediate reference context i.e. in Italy. A misconnection which is revealed at a surface level in conduct that is still largely prevalent in the Italian

business world, and which is rooted – once again – in deeper lying elements of a cultural and institutional nature, and which ultimately seems to give rise to a curious paradox as regards the current position of ABB i.e. that of representing an anomalous link within the normal production chain:

“There are signals of an increase in attention; various companies with whom we work have their ISO and their CSR guidelines, but if everyone did their bit of work in the chain in which we are involved, the latter would certainly be less arduous. For us there remains the problem of finding ourselves in the very middle of a process in which we have to promote sustainability both prior to our processes and after them, in regard to both suppliers and clients. We have to convince the first to contribute their part to the sustainable product we make, and communicate to the second the presence of this added value. Let’s take the requirements of the SA 8000. Some have already been exceeded with respect to the management system that we have; then there are requirements already contemplated in our environmental quality; but when we come to the suppliers I am a little worried: beyond their formal adhesion, which we insist they sign up to as regards the principles involved, one has to train them rather than inform them; then comes our audit of their structures to verify their conformity... It almost seems that in other countries there are only certified suppliers though perhaps this is a rather distorted view, but certainly the situation is different here. We would be delighted if it were our own clients who launched evaluatory and inspection structures of this kind in relation to our performance, but it is a very occasional circumstance. We are willing to comply, we are open to sustainability, but the point is that we must also create it. As far as I know, these standards are not even significant for the public authorities. Having ISO 14001 certification is not a substantial criterion for accessing a bid for tender. At most it can, in some cases, be a preferred option. Our factory at Frosinone, the largest in Italy, received from ASL a declaration that it is “a not unhealthy company”, and of course we were delighted with this because no one has received such a validation to date. But, after all... There is certainly a question of cultural sensibility: this is not Scandinavia. Here CSR is a new concept, there is resistance, there is perhaps a trend towards voluntary work, to promote initiatives that have nothing to do with a more or less systematic project approach, and which are also easier since anyone – medium or large companies – can set them up immediately, without having to sign up to a more consistent and continuous commitment” (Sustainability Affairs Manager).

Environmental management: at the leading edge of “obligatory” development

From the early 1990s the ABB Group has pursued and implemented an environmental policy aimed at offering its clients (and the company) eco-efficient products with reduced environmental impact in their entire life cycle, as well as encouraging among its suppliers the adoption of similar environmental management systems (EMS). This commitment – which if, on the one hand, it has comprised an almost inevitable route, given the nature of the reference sector, on the other has constantly seen the Group at the leading edge of solutions and innovations – is directly inspired by the principles of the 1992 ICC Charter on sustainable development, which the company signed and

adopted in its structure and business strategies. The 16 principles of the charter, which the Group has entirely assimilated within its *environmental policy*, cover the following areas:

1. COMPANY PRIORITIES (recognition of environmental management as a key priority in sustainable development and therefore its operational activity);
2. INTEGRATED MANAGEMENT (full integration of the environment, practices and programmes in management, in all its functions);
3. IMPROVEMENT PROCESSES (constant development of environmental performance in addition to legislative conformity, on the basis of scientific-technological evolution, the needs of consumers, common expectations);
4. EDUCATION OF EMPLOYEES (training and motivation of human resources in accordance with the principles of environmental responsibility);
5. PRIOR VERIFICATION (evaluation of environmental impact prior to the launch of new activities/projects or their divestment);
6. PRODUCTS AND SERVICES (development and commercialisation of solutions without any unsustainable environmental effects, safe to use, eco-efficient with respect to the consumption of energy and natural resources, recyclable and safe to dispose of);
7. COMMUNICATION TO USERS (transparent and complete information to clients, distributors and public for safe use, transport and disposal of products);
8. STRUCTURES AND OPERATIONS (design and implementation of operational structures and processes taking into account the efficient use of renewable resources, minimisation of adverse environmental impact and the production of waste products, safe and responsible management of residual waste);
9. RESEARCH (direct contribution to research into environmental impact of materials, products, processes and emissions associated with company activity and on instruments that reduce adverse impact);
10. PRECAUTIONAL APPROACH (constant and coherent intervention with the results of technological innovation and scientific research, in production, service and commercialisation processes, in order to prevent any serious or irreversible environmental degradation effects);
11. CLIENTS AND SUPPLIERS (promotion of environmental principles among clients and suppliers that work with the company and, where indicated, requests for improvement and alignment with company standards);
12. PREPARATION FOR EMERGENCY (development and maintenance, where there are significant risks, of emergency plans agreed with the public authorities and local communities);
13. TRANSFER OF TECHNOLOGY (contribution to sustainable environmental transfer in the relevant industrial field, in other fields and in the public sector);
14. CONTRIBUTION TO COMMON COMMITMENTS (promotion and support of public policies, of company, government and international programmes, in addition to educational interventions aimed at increasing awareness and protecting the environment);
15. OPENNESS AND LISTENING (promotion of dialogue with employees, public subjects and citizens, anticipating their anxieties or indications regarding the impact or risks associated with activities, products and services, creation of waste, including that of a transversal nature and global in its implications);
16. CONFORMITY AND *REPORTING* (measurement of environmental performance, execution of regular environmental *audits* in compliance with legal and business

requirements, periodic information to company management committees, employees, shareholders, authorities and the public).

After adhering in the early 1990s to the previous reference standard (BS 7750, also adopted in various Italian sites), the ABB Group has adopted as its reference – since the year of its introduction (1996) – the ISO 14001 international standard for implementation of environmental management systems in its companies round the world and obtaining the relative certification through third party organisations. Today there are approximately 480 ABB sites managed and certified in accordance with the requirements of this standard, and over recent years added value has been made available for these systems through the contribution – among others – of two significant supplements. The first consisted in the adoption of *Life Cycle Assessment* or LCA. This came to the fore in the early 1990s in the American context. LCA analysis makes it possible to explore those environmental problems that may be associated with a specific product, providing instruments to improve its performance and render it more eco-compatible, in accordance with a continual improvement process. In particular, the LCA is an objective evaluation procedure of energetic and environmental contents relative to a product or an activity, realised through the identification and qualification of energy, of the materials used and the emissions released to the environment, so as to evaluate their impact and improve their environmental performance. The qualifying aspect of this environmental³⁵ *assessment* is provided by its overall and systematic character, which comprises the entire life cycle of a product or process, starting from the extraction and transformation of raw materials, through manufacturing, assembly, transport and distribution, to use, re-use, storage and recycling, and concluding with final disposal. The second important innovation which has been adopted for some years comprises the system of *Environmental Product Declarations* or EPDs. Created in 1999, in Sweden, the work of the local environmental protection agency, now based on the international standards of the ISO 14020 series for ecological labelling, EPDs are information documents on individual products aimed at encouraging the evaluation of data among users and its comparability, including outside specific national contexts. Certified by independent third party accreditation entities, EPDs today represent an international instrument – whose success will depend on their diffusion and still more on their future market indications – to activate eco-competition mechanisms among companies that pursue sustainable development, to address the choices of eco-sensitive consumers and to orient the same choices of the public administration in terms of socially responsible purchasing. Alongside the drafting of other product documents that are more detailed and functional than the LCA (such as ‘product specific requirements’ or PSR), ABB has completed, or is currently realising, tens of EPDs relative to the products in its *core business*.

The presence and role of ABB Italia in terms of environmental sustainability appears entirely in line with the high global standards of the Group. There are, at the moment, more than ten units of the associate company with ISO 14001 accreditation, one of

³⁵ According to the lines of intervention launched in 2000, and jointly coordinated, by UNEP (United Nations Environment Programme) and by SETAC (Society of Environmental Toxicology and Chemistry).

which was the first company in Italy to pursue this certification (1996). Similarly, it was a company belonging to ABB's AT division that was the first company in the country to obtain (1998), from the Italian Naval Register, ISO 14040 certification (a series that codifies the LCA standards) for the study of the life cycle of a product or a system (in this case pressure transmitters for industrial use). In October 2003, moreover, the company had 10 EPDs certified by the international controller SEMC, while in 2002 it registered more than 50% (4 out of 7) of the total of Italian EPDs. In confirmation of these results, which can undoubtedly be defined as excellent, ABB Italia received in 2002 the award for environmental communication in the first edition of 'Eco Ambiente Laigneglia', reserved for significant and original business conduct in the field of sustainable development and the protection of the environment, and which in this case mainly sought to recognise, in the company programme for EPDs diffusion, the ability to create a supply (and provoke a demand) of information able to contribute to the activation of a market for sustainable products. As a result of all this, it is no surprise that the first referent for environmental performance, called upon to draft a sort of provisional financial statement regarding this area of RSI action, expressed a positive and encouraging evaluation of the current situation:

“Environmental policies is an area in continual evolution due to all the inputs that concern it. Hence there is always something to learn, transform, improve. However, it is certainly a commitment that has been metabolised at all levels of our structure, in an operational sense i.e. for the large numbers who are affected by it everyday, or at least in principle” (Sustainability Affairs Manager).

Social policy: the world and territory system

If the environmental part of the CSR displays another level of pervasiveness in our company, such that it is almost a matter of routine in everyday activity, it is more difficult to apply this evaluation to the third component of sustainability i.e. the social aspect. This corresponds to the same perception on the part of the majority of interviewees (among whom there is a recurrent idea of being only at the start of a systematic approach within this context), but above all it is consistent with a wider context trend which has seen an intensification of environmental problems related to the activity of companies, with a certain anticipation with respect to the question, in a strict sense, of their social responsibility. Nevertheless, in first place, on a global plane, but also - and with decidedly significant aspects - within the Italian associate, numerous indicators emerge that allow one to see, in the conduct of ABB, an active role in society.

As anticipated, as of 2001 the Group has formally provided itself with a social policy codified in accordance with the indications of the most authoritative and up to date international sources (UN, ILO, OECD, SA 8000). The 13 principles within this policy involve, in particular, the following areas:

- 1 'ABB IN SOCIETY' (contributing, as far as possible, to an improvement in economic, environmental and social conditions through the promotion of dialogue with stakeholders and active participation in the common efforts in this field);
- 2 HUMAN RIGHTS (promoting and respecting internationally recognised human rights);
- 3 CHILDREN AND CHILD EMPLOYMENT (guaranteeing an adequate protection for children,

- not hiring children or encouraging child labour, apart from in the context of training programmes approved by public authorities);
- 4 LIBERTY OF EMPLOYMENT (insisting that all employees are hired in accordance with their spontaneous free will, without any coercion, refusing to support any form of forced labour);
 - 5 HEALTH AND SAFETY (ensure a world of work that is healthy and safe in all production and administrative sites, providing adequate preventive measures for a reduction in the risk of accidents and injuries, minimising the causes of the said risks);
 - 6 CONSULTATION AND COMMUNICATION WITH EMPLOYEES (facilitate dialogue with employees on critical subjects; respect their right to form trade union organisations of their own choice, to subscribe to the same and negotiate collectively; ensure that trade union representatives are not subject to any discrimination; guarantee, where there is significant company restructuring, timely information for personnel representatives and the provision of social benefits);
 - 7 EQUAL OPPORTUNITY (offer equal opportunities to all employees with no implementation or encouragement of discriminations in the assumption, remuneration, access to training, career development and retirement on the basis of ethnic, national, social status, religion, physical handicap, age, gender or sexual orientation);
 - 8 MOBBING AND DISCIPLINARY PRACTICES (no implementation or support in any shape, manner or form of physical or mental coercion, corporal punishment, physical or verbal abuse; develop/maintain fair procedures for managing disciplinary matters and complaints on the part of employees);
 - 9 WORKING HOURS (respect the legislation in force and industrial standards in terms of working hours, including overtime);
 - 10 REMUNERATION (ensure retributions equal or greater than the legal or contractual minimum and adequate for satisfying more than just fundamental needs of the person; guarantee transparency and legality of the 'extra' benefits; ensure that agreements are not adopted involving fake apprenticeships, aimed at allowing companies to evade their legal obligations in regard to employment and social security);
 - 11 SUPPLIERS (develop and maintain appropriate procedures to evaluate the main suppliers on the basis of their ability to satisfy the social standards of the company and to reasonably verify that such criteria are respected);
 - 12 RELATIONS WITH THE COMMUNITY (promoting, actively participating, in the commitment of settlement communities in order to encourage economic, environmental, social and educational development);
 - 13 *BUSINESS ETHICS* (develop the highest ethical standards in business, supporting government and international authorities in the creation and actuation of the said business conduct criteria).

Obviously for ABB, as for many other multinationals, respect for some of these principles (fundamental human rights, child or forced labour etc.) is – one might say – morally right and automatically given. As regards other principles, a considerable amount of work has already been carried forward, as in the case of equal opportunities and the monitoring of suppliers (already provided for in the Group environmental management system and strengthened where, as in Italy, people have begun to reason in more applicational terms, in accordance with the SA 8000 standard). Still others – as in the

case of work safety and business ethics – see ABB in the front line in developing high procedural and programming standards.

With regard to the wider commitment and involvement of ABB in the company and therefore in the local settlement communities, it is important to above all point out the ‘research work, development and networking’, carried out by the central sustainability function and directly by its current manager (Swedish, and coming from work experience in environmentalism). In line with what has already been noted in regard to the particular inclination of the Group to dialogue with stakeholders who operate in world tables dedicated to sustainable development and CSR, the Group took part – with a delegation that also comprises the Italian manager for sustainability – in the UN World Summit on sustainable development held in Johannesburg (2002), with three main objectives:

“To participate in the dialogue and in the whole process to move sustainable development forward to address the new challenges the world now faces, building on the sustainability platform that ABB and many of our peer companies have built in the 10 years since Rio 1992; to learn from the inputs and experiences brought to the summit by the other participants; to be part of a new partnership and to launch our common effort initiative ‘Access to Electricity’”³⁶.

The launch of the new world ABB initiative, ‘Access to electricity’, expresses the current focus of the Group in an attempt to operate responsibly in the poor regions of the world where there is a strong local presence (Central, East and South Africa; Northern Asia) and where NGOs and international development agencies are already concentrated. The Group intends to contribute with its technological, experience and network resources to bring the benefits of electricity (from health uses to other crucial impacts for development) to some of the two billion people in the world who are still without a supply. To this end, during the South African summit, the company established and reinforced contact with partners – companies, institutions and non government associations – who were interested in the project, which moreover is just one of the most recent initiatives in which ABB has participated or which it has directly activated. These especially include, among others, two interventions:

- the construction and opening of the Kruger National Park Airport in South Africa (2002), a project that was also designed to act as a locomotive for local socio-economic development through collaboration between international investors and stakeholders on site (at the moment ABB is seeking to reduce its shareholding to 90% in order to involve other investors);
- participation (in a financial sense, and as regards *fund-raising* but above all supporting the voluntary work of its employees) in the preparation of individual nations and the realisation of the Special Olympics, an event which was held in Germany and Ireland in 2003 and which is promoted by the largest international sports organisation for the mentally disabled³⁷.

³⁶ Christian Kornevall, director of the ABB Group Function for Sustainability Affairs, in www.abb.com.

³⁷ Conceived by Eunice Kennedy Shriver, sister of John F. Kennedy, the Special Olympics are recognised by the International Olympic Committee.

Other programmes worthy of note which bear the signature or involve the participation of ABB are set out in its annual sustainability report (e.g. in 2002: assistance for the elderly in Rumania; the creation of a fund for community development in India).

A general feature which characterises the social policy of the Group, and which has already been referred to on a number of occasions, is its tendency to carry out the design and implementation of RSI commitments according to a model of involvement and participation. On a Group level, this is indicated by at least three practices that have assumed almost the nature of procedural aspects:

- annual consultation, by the CEO of ABB and his staff, with a *Sustainability Advisory Board*, for the most part involving external experts (academics etc.), in order to identify Group programmatic lines for CSR;
- constant dialogue, including through periodic meetings in rotating locations, between the central manager for sustainability and local function referents, in order to gather inputs and focus on common problems;
- dialogue with stakeholders, formally implemented since 2001 in the majority of associates through annual round tables with the representatives of social interlocutors (from public entities to non-profit organisations and to associations of citizens, from the academy to the media and company employees), which are held at ABB company offices in the individual countries where the company is present and from which shareholders are rigorously excluded.

In terms of *social policy* too, the action of ABB Italia is fully included and often (as for environmental performance) occupies a leading position in the guidelines suggested and activated by the Zurich *headquarters*, for example, on the management of human resources, (cf. the programme for safety based on OHS 18001 standards), transparency and management of the chain of suppliers. In terms of a dialogue with stakeholders, the Italian associate company is part of a select number of Group companies that have already passed on to a second phase in the implementation of a programme involving social interlocutors. The decision to adopt the SA8000 standard as the basis for the company CSR system came from precisely this periodic opportunity for direct comparison, which in the last edition (Spring of 2003) registered the participation of public administrations, NGOs, entities in the tertiary sector, certification organisms, students, exponents of the academic world, other companies and employees.

The system for social policy which ABB Italia is progressively putting together, under the supervision of the manager for sustainability, today embraces three main themes: 1) the activities of the team committed, in the last two years, to the SA 8000 certification adoption plan for the ABB company of shared services; 2) 'initiative and reflection Group' activities, committed to the coordination and implementation of initiatives linked to voluntary work and collaboration with non-profit organisations; 3) activities promoted within the context of the CSR Europe network, and more specifically within the Italian Sodalitas, an association for the development of entrepreneurial activity within the social world, created in 1996 and an initiative of Assolombarda to which ABB is a party, together with more than ten other companies. On this last front, the company adheres to the Marathon for Business Social Responsibility, a campaign of collective events and awareness enhancement (congresses, etc.) organised by CSR Europe - and

in Italy by Sodalitas³⁸ – aimed at promoting the subject of RSI and ensuring that by 2005 it is an integrated part of the *core business* in the majority of European countries. Another national network in which ABB takes part is the ‘Gruppo di Frascati per la CSR’, founded in 1999, at the initiative of the CittadinanzaAttiva association for promoting the concept of business social citizenship through interventions and the sharing of *best practices* among companies (members include, among others, companies such as Legacoop, Barilla, Unicredit and Unipol Assicurazioni).

Within the field of relations with the territory and local communities, especially developed through collaboration with the heterogeneous non-profit world, ABB Italia has over the years sustained a wide number of initiatives, projects and activities of significant social content, which include:

- collaboration with the Francesca Rava Foundation (Italian onlus NPH, Nuestros Pequeños Hermanos, providing help to children and long distance adoption), promoting its activity within the Group and providing concrete help for an electrification project for an orphanage in San Salvador;
- the support for the Duchenne Parent Project, a project created – as a result of the communication of an employee directly involved in the experience – to diffuse knowledge and create networks of support for families with children affected by Duchenne muscular dystrophy;
- the implementation of free training courses on management subjects, given by ABB personnel, for managers and instructors in the Bergamo Italian Red Cross and its local committees;
- the promotion of the Euridice Project, a long-term programme dealing with drug addiction in the world of work, which after its initial application (in the late 1980s) and subsequent relaunch (in the late 1990s) in ABB Italia sites, is now being redefined with reference to a wider range of problems linked to the quality of life in employment environments and their psychological, social and organisational impact (other forms of dependency, disability, etc.);
- the promotion of the “Waste Disposal” project, launched in the Bergamo company, Sace, through an agreement (1999) with the Cooperativa Sociale Ecosviluppo di Stezzano (Bg), which has made it possible to re-introduce into the world of work some people who belonged to socially disadvantaged categories (invalids, ex-drug addicts, those with slight mental handicaps).

Some of the most recent and still ongoing initiatives include the following:

- the participation, with the “Gruppo di Frascati per la CSR” and some social stakeholders (such as CittadinanzaAttiva and the ‘Quelli per il 118’ Committee), in the ‘Obiettivo barriere’ campaign, launched in 2003, on the occasion of the European Year of the Disabled, to promote greater public awareness and contribute to the material elimination of architectonic barriers that hinder physical mobility. More specifically, ABB is committed to involving its employees, clients and suppliers through training and information opportunities, to spread the campaign by means of its direct and indirect communication instruments (site, newsletters, pay slips, etc.), and to identify in its own sites those residual barriers, drawing up plans for their removal, contributing to the organisation of the 20 stages in the campaign,

³⁸ For the Italian stage of the Marathon, ABB was indicated as a finalist in the ‘Sodalitas Social Award’.

- collaborating in the initiative, 'I'm getting rid of barriers', to eliminate any barriers pointed out by citizens in buildings and public spaces;
- on an autonomous platform (and prior to public mobilisation for the European year of the disabled), promotion within the context of the participation of Sodalitas in the DAIA ('Diversamente Abili in Azienda' - Differently Able in the Company) project, to which the coordination of the Province of Milan has subsequently entered (at the moment ABB is the only company in the technical-directive committee). The programme aims at encouraging the active insertion in the world of work of the weakest category of the disabled³⁹ by putting together and subsequently diffusing among those companies willing to take part in the experiment (at the moment, 4-5) targeted interventions that range from adapting structures to training both disabled subjects and their future colleagues and supervisors;
 - support, since 2002, for the national Special Olympics Italia events, supporting the commitment of a team of voluntary employees (which today total some 20 persons) in organising competitions and collateral events and making it possible for some special athletes to take part in the world games in Dublin 2003.

This composite line of action in the social sphere is consistent, on the one hand, with the general principles of *community involvement* codified by the multinational Group, and on the other, with entrepreneurial network guidelines such as Sodalitas, with its double objective of transferring professionalism and managerial competences in the non-profit sector and involving the business world in the activities and goals of the latter. On the other hand, with regard to ABB Italia, there seems to be more. One notes, in this model of responsible action in the territory, the significant influence that is also exercised by some distinctive features in the history and the experience of the Italian associate. More specifically:

- the profound roots in the local context, usually prior to joining ABB, of various units in the Group (especially in some areas of Lombardy and Lazio);
- related to the previous aspect, the tendency to develop relations and collaborations within the territories in which one is present (especially those already characterised by a strong incidence of voluntary and participation activity), in line with a *grass-roots* mechanism i.e. mainly through the involvement and even more the autonomous initiative of employees, starting with their experiences, personal needs and social contacts;
- already in the mid 1990s (before the multinational focused on the social component of sustainability), the launch - although not structured and in essentially informal terms - of a recognisable company *social policy*, receptive of the applications deriving from local sites and their communities, under the guidance of the central director of human resources at the time (one of the promoters of Sodalitas).

It is no coincidence that the "historical" referent of the social activities is still located in

³⁹ Those who, that is, having serious handicaps, and lacking specific preparation or competences, are less attractive for companies, tendentially oriented towards employing subjects with less serious disabilities which have already received some training, while at the same time allowing them to comply with legal obligations on disadvantaged categories.

the human resource function, which - with the help of a pair of collaborators - manages the partnership with Sodalitas (research into opportunities for involvement in non-profit activities, finalisation and accompaniment of interventions) and coordinates both the 'initiative and reflection Group' (with the representatives of local ABB offices), and the network of more than a hundred company volunteers, distributed among sites which in the past have been able to communicate their availability through an internal survey. From this questionnaire it has been possible to create a data base containing individual sheets relative to competences, personal activities in voluntary work, the aspirations and causes that they intend to support (support and modalities of its use are currently in the redefinition phase to ensure it complies with national regulations regarding privacy). The *modus operandi* of this transversal network within the company structure involves a general style of action based on four principles: relationships (contacts of a personal nature, within the company and outside it, constitute the primary capital of resources and a catalysing channel, to which, in the implementation phases, one may add the professionalism and multifunctional competences of the employees involved); participation with stakeholders (donations are sporadic, priority is given to direct involvement of personnel in the promotion and organisation of activities); spontaneity (interventions are normally communicated "from below", an expression of the autonomous initiative of members of the reflection Group or volunteers network); voluntary work (the main motivation of the participants in the activities is, once again, personal, based on choices and drives which are in essence subjective). The scenario that follows in effect approaches to a considerable extent the typical process of true voluntary work action, which in this case is also positively supported - if not facilitated - by the climate and basic guidelines in the company and Group. In the words of the coordinator for this intervention field:

"These activities are taken for granted, they come naturally to us: we believe in them, we check if they are feasible; we convince those managers who in some way could be involved and obtain their permission to proceed; and then we implement them. For the Special Olympics the input came from a colleague in a factory where there are two disabled people who played in a football team in the association circuit. We found a team of volunteers prepared to participate in the national games last summer. They took holidays which the company was happy to concede, together with expenses for food and lodging. The same thing applies to collaboration with the NPH onlus in relation to long distance adoptions: I knew the American father who created this association, thanks to a colleague who is the founder of the Italian branch, and everything started from there. They are all things linked to our reality, to our persons, our relations. A volunteer in our network has just called me. He collaborates with I don't know which entity at Genoa where they want to construct an electrified well. He quite rightly immediately thought of us, but ABB does not construct solar panels, so I got the information and will transmit it to Sodalitas or perhaps to Siemens, who I happen to know do manufacture panels. Sometimes we activate our institutional partners. Some time ago a request was put to American Express - which provides us with our *corporate* cards - to include information on our Parent Project within their clients' account statements and they were more than willing to oblige. Even our competitors contact us: another well known multinational in the electrotechnical branch came to us and asked for our consultancy on these matters, on how to organise them. Okay, it was

a *competitor*, but how can you say no? We encouraged it to take part in projects which we are no longer involved in and, apart from business competition, a collaboration of this kind really helps to valorise our work and our objectives. Certainly, it really is a voluntary activity: we all of us have other functions here; we do not have a predefined budget for social work and to finance ourselves we have applied a *mark-up* on Christmas cards for employees. You have to be smart, ask for help from various managers. But I have seen that these efforts, if you really believe in them, can be carried forward: you find a solution. And then certainly the general company context supports us. Here, people listen, they feel what we are doing is important. Initially, we used meet up with the Group outside working hours but now we also meet during the working day. Management has understood and approved this, it supports us. Even those who do not take part know what we are doing and respect it. There are messages on the notice boards, there is space in the newsletters. Conversely, it seems to me that the commitment in the non-profit area has contributed to reinforcing loyalty towards the company, there is a sense of gratification and team spirit. The current *corporate* climate also drives us forward: we started on our own account, but when people saw that Zurich was also interested in the idea of sustainability, we felt all the more secure. We know that – regardless of any contingent limits – our initiatives will certainly be favourably welcomed and in fact they increasingly ask us to make our “cases” available to the entire ABB world” (Human Resources Staff).

From other interviewees we obtained further comments that highlight the originality of this model of presence in social sustainability. For example, from the point of view of integration with other sustainability subjects:

“Our effort now is starting to focus on holding together all these contexts without forcing matters. We continually dialogue with the non-profit Group referent. We will try to slowly perfect a global programme of social policy which will be located within the sustainability concept. We are adjusting our aim, we have the ideas, moreover we have dedicated ten years to put ourselves in line with the environment. But the entire situation of non-profit activity simply confirms that sustainability is a complex business, that organising it does not mean refusing to recognise the heterogeneity of its components. These social activities, as we have carried them out, are functional but difficult to certify. A system can often be certified which carries out far fewer activities but leaves traces, which involves making out tens of meeting reports to promote one initiative every ten meetings. Here, however, we hold countless informal meetings, activate contacts. There is a volume of activity whose added value lies in personal and emotional involvement” (Sustainability Affairs Manager).

And perhaps also from the point of view of consistency with specific everyday management guidelines:

“Why are we often the first to do something innovative in the social sphere? I don’t believe it is because we make a dash to get there first with our little flag. On the contrary, I think that many subjects contact us immediately because they know there is a proven willingness on our part to do this kind of thing. We have a very

open attitude, a willingness to collaborate which does not primarily involve money but a culture of participation. Of course, it cannot be denied that money is also necessary and it is positive that others think primarily about providing it. In this field people, our people, grow when they are interested in something; they speak, exchange experiences, factually demonstrating that the company is on the move. For me, the fact that many initiatives start at the bottom simply confirms an idea that other personnel directors, in a friendly fashion, dispute with me i.e. that personal aspects are not left outside the company gates. A split that could be criticised not only in terms of sensitivity or for humanistic reasons, but one that is simply impossible. And here there seems to me a quite widespread perception that if someone has personal problems, he can voice them, find people who will listen, in addition to what can be done in tangible terms. It seems to me that the conditions exist which make it possible for people to express themselves in their everyday activity and not only as professionals and performers of specific work activities” (Human Resources Manager).

Business ethics: organisation and socialisation of compliance

In 2000 the ABB Group provided itself with a new *business ethics* code, which follows on from that of 1998 together with the business ethics guidelines already set out in ‘Mission & Values’ of 1992. As anticipated, the code is fundamentally based on the guidelines laid down for the area by the OECD (1997) and the ICC (1999), establishing general principles and rules of conduct in the following areas: conflict of interest; confidentiality and protection of company assets, *insider trading*; corruption; intermediaries; contributions to political parties; respect for antitrust rules; divulgation and registration; state and assimilated financing and contributions; violation of company directives; responsibility and actuation. The reference standards code is in addition accompanied by the ‘ABB Business Ethics Guidelines’ and by the ‘ABB Group Directives & Instructions’, regulations of an operative kind for the application of *business ethics* in practical situations.

These two last supplements are fully covered by the ‘ABB Compliance Program’, again launched in 2000 to strengthen and diffuse both the knowledge and observance of ethical standards of business within the entire Group context. According to company communications, there are various reasons in support of this effort, aimed at ensuring that ‘all ABB companies and all ABB employees observe the laws and regulations of the countries in which they operate, with behaviour codes that are informed by honesty and correctness in all aspects of their work activity and demand the same standard of behaviour from their interlocutors⁴⁰:

“ABB’s reputation is our most precious asset and a high level of ethics and integrity in business conduct ensures our credibility. Our reputation is also affected by the smallest violations...

Business ethics without compromising is an integral part of ABB values and our way of doing business...

⁴⁰ www.it.abb.com.

Business ethics is a fundamental aspect of the global economy. “Global companies” are expected to behave in a manner that complies with the laws...

In a strongly competitive economic world, investors, young, qualified personnel and clients all choose the best companies with a good reputation”⁴¹.

The points particularly emphasised by the new *compliance* programme are as follows:

- application of the ‘zero tolerance’ principle in ensuring strict observance of local and international rules and laws, together with ethical standards;
- accounting and administrative transparency in registering all business transactions;
- *whistle blowing*, i.e. making available to employees a system outside the hierarchical structure for communicating ethical violations in business or presumed/potential infractions;
- information and training, adequate and continuous, to all employees on company *business ethics* and their actuation model;
- regular and periodic verification of ethical conduct performance, comprising accessibility for employees or others to the communication systems regarding any violations.

ABB has instituted a world organisation to safeguard *compliance* through the constitution of a *compliance team* in each country where the Group is present. For Italy, this structure – with an intermediary supervisor as reference point (responsible for Europe, Africa, the Middle East and South America) – is presided over by the *country manager* and comprises another four persons: the communications director, the control and finance function director, the legal affairs division director and a member of staff (to whom are assigned the monitoring and implementation of *back-office* activity, in line with a Group model which assigns a central role in implementing *business ethics* to the legal function). This involves, among other things, specific lines of definition and finalisation of the business ethics system in the various national companies which must also take into account the references and variables that are specific to their particular contexts. In the case of the Italian associate, these additional restrictions and orientations mainly arise from: the European Union conventions of 1995-97 (on corruption and transparency, improper use of community and state funds, non-deductibility of performances rendered by particular subjects); the regulatory codes of Italian associations and organisms (the Breda Code for companies quoted on the stock exchange; the organisation model for companies belonging to Confindustria); and naturally, Italian legislation with its significant recent supplements (law 300/2000 ratifying OECD and EU conventions, law 231/2001⁴² on the administrative responsibility of companies, law 61/2002 on new company crimes, Legislative Decree of 17/1/2003 on reform of company law).

Formally speaking, for ABB the management of company business ethics constitutes one of the Group social policy components. As far as one has been able to observe and note,

⁴¹ www.it.abb.com; ABB SpA ‘ABB Compliance Program’, Sesto S. Giovanni, 2003, p. 2.

⁴² This regulation is specifically relevant in providing, as is generally known, a form of exoneration from responsibility if the company is able to demonstrate that it adopted and effectively implemented and maintained ‘models of organisation, management and control’, suitable for preventing the perpetration of illicit acts by individuals.

and perhaps to a quite obvious extent, given the contents and implications of the subject matter, the ordinary action in the Italian associate of the organisational 'cell' involved - within the legal function - in implementation and company diffusion of *business ethics* proceeds on a parallel and relatively autonomous course with respect to the *mainstream* of company and environmental practices carried out within the sustainability context. However, in the opinion of one of the front line managers regarding these problems, this does not prevent the company from conducting itself with a sense of continuity:

“Clearly what we are doing is also influenced by a whole series of very specific restrictions and pressures, which render our detailed work on *compliance a sui generis* guideline, seemingly almost detached and somewhat distant from the rest of the attention of those who are involved in RSI within the company. However, I see some basic convergences with the work of others. First, the principles from which we have started have an intrinsic social valency, they are absolutely shared. In other words, I would be amazed if we did not - as a matter of principle - have the agreement of our colleagues. Second, it is important to establish rigorous behavioural procedures, able to inspire everyday concrete action, which is what we want to achieve with our environmental management systems or certification. Third, there is an attempt to create a common vision, to socialise the same, to such a degree that we even talk about these things in meetings with the company stakeholders” (Legal Affairs Staff).

CSR equilibriums

In conclusion, repeating an observation already made, ABB Italia's experience in the practice of CSR can be defined as an incremental route: a process that is still *under construction* - as is quite natural, given the complexity and changeableness of the questions involved - but at the same time at a decidedly advanced stage.

From, the outside, what immediately strikes an observer is in general the attention focused all-round on 'quality' in its various areas of sustainability, which covers environmental performance, social responsibility and business ethics through a direct reference, systematic and updated via the most accredited international instruments and sources in this area (declarations and policies, management systems, standards and criteria). On the inside, one may add the perception of having constructed an CSR model based 'more on facts than words', a result achieved through both the contribution of an active communication policy, which has at the same time avoided any overexposure, and the eminently technical business sector, which in turn has meant that the company does not occupy a primary position in the public eye. It was indeed the communications manager who most lucidly attributed to these aspects ABB's 'discrete' style and presence in CSR:

“Purely facade operations are not part of our repertoire. We were promoters of these aspects before it became fashionable to be so, and our communications have always been regulated on the basis of this principle of substance as opposed to mere appearance. We do not promote above the line campaigns; we do not invest

in mere superficial activities, and perhaps in this sense, at times, we communicate less than we actually do. We seek to differentiate ourselves in terms of facts, on how our focus on CSR can be translated into something that we produce and offer in concrete terms, e.g. eco-efficient services. This is a matter of conviction and because we have, for good and ill, an engineering mentality, accustomed as we are to dealing with the substance of issues. We are not interested in eye-catching special effects. In business, certainly, we carry out publicity, but first of all we ensure we have developed an innovative product. In sustainability too, this style is to the fore: when I give you a project, this has and must have the features which I outline. In addition, we do not seek to exploit a business image among ordinary people in our attempts to persuade them to do this or that. In point of fact, the general public has a somewhat vague, confused perception of our activity. This under exposure can be very useful because it means we can avoid being subject to intrusive attention. We are not one of those large Groups which, when they so much as sneeze, everyone is immediately there, hanging on to their every word, though we may sometimes complain about it. We simply do not have a direct relationship with our final users; we do not make consumer goods; we are not diversified like Siemens, which operates in our sector but also makes cell phones. Even today I can come across a taxi driver who will say to me, "Ah, yes, ABB - they make electricity power stations and trains" - business lines we actually withdrew from years ago" (Communications Manager).

A second point on which, with variable emphases, the interviewees agree is the positive and bi-directional nexus between economic performance and responsible conduct, which is considered or evaluated with a quite detached attitude:

"Looking at the research on this subject, it can be seen that the companies that do not know anything about, and do not intend to involve themselves in, CSR will not have much of a future: there is the will of the institutions, the attention of citizens, the *commitment* of managers... In point of fact, if today one looks for a concrete and objective proof of a competitive advantage linked to CSR, I would not be so sure of finding it. It seems to me to be still a niche market, albeit an emerging one, as with equitable and joint commerce. However, I am sure that it will constitute an advantage and an essential requirement for sustainability - i.e. the very feasibility - of business over the long-term. In this I am fully in agreement with ABB's vision" (Sustainability Affairs Manager).

"Honestly, I don't know if the top management of the Group expects to have economically significant returns from all this. There are positive effects - in terms of market reputation, internal satisfaction levels - but if that were the motive I think that over the course of time people would have begun to ask just what is the relationship between giving and receiving, between what has been invested and what has been obtained. Instead, I don't think there has ever been an analysis of this kind. Clearly, it is something that can be thought of as useful but which is above all simply carried out; at least that is my impression" (Human Resources Manager).

"The only thing that I feel I can say is that the CSR initiatives - I am thinking here about the non-profit aspects - seem to me to be decidedly more emphatic in those

production units that perform better. We have never concerned ourselves with carrying out a comparative analysis, but I am convinced that if we did verify the situation there would be an almost direct proportional connection between them” (Country Manager).

More specifically, it is worth repeating that the response of the Group in this delicate restructuring and financial management phase seems to have offered and overcome an important ‘verification test’ of the solidity of the commitments undertaken by ABB with regard to sustainability. Of this proof of reliability and consistency, the Italian managers, in varying ways, are convinced:

“Frankly, I didn’t expect it. The focus on these questions has remained unchanged, in certain cases it has been reinforced. I feared that some things might have been modified, perhaps in an informal way. It would not have been anything scandalous - I don’t mean the activities of the company’s sustainability functions would have been reduced but that, for example, they might have chosen to suspend for a year interventions like meetings with stakeholders. Instead, nothing of the kind. And now it is even clearer that in regard to this matter no backward steps are being taken, not even when faced with difficult moments. Obviously it is easier to work when the economy is booming, but I have an impression that continuing with CSR could be a vital element in terms of our recovery at other levels. Among other things, no one, in Italy or elsewhere, has dreamed of speculating on our difficulties - for our competitors it could have been a strong temptation - due to our underlying strength in regard to not just product competitiveness but also the wider credibility we have acquired through CSR” (Communications Manager).

“I don’t know if in concrete terms this moment of focusing on vital priorities will mean there will then be a moment of apnoea; perhaps in the individual associate companies, and as far as we are concerned too, a series of more contingent CSR initiatives could be slightly postponed. From a certain point of view this would even be logical, encouraging an overall alignment of the structures in regard to more urgent questions. Certainly, the implicit message in the Group’s conduct, which is also in circulation here, is that none of the company situations justifies a change of direction or even a pause; that CSR as such cannot be viewed as a mere convenience. What is provisional - doing something tomorrow, but not the day after, rather than tomorrow - is one thing, but what is now an immanent presence cannot be changed due to this or that circumstance” (Human Resources Manager).

More generally, on the basis of the entire appraisal carried out up to this point, we can highlight some individual equilibriums in ABB Italia’s CSR practice.

Formal implementation and dissemination

The weight of structural and procedural formalisation is undeniably significant in the sustainability action of the ABB Group and its Italian associate. As has been seen, it is possible to identify practically all the organisational traces that play an important role

in this sense: the constitution of an ad hoc company function; the routinisation of complex management systems, based on international accreditation standards; the finalisation, diffusion and *enforcement* of ethical code policies; and the processing of accounts registration by means of *reporting*. In the Italian management vision, the systematic structuring commitment – as far as possible – of sustainability constitutes an effective instrument in RSI actions, as well as a reliable index of the degree of seriousness of the commitments assumed:

“I am the first to realise the risks of rigidity and cumbersomeness which procedures and planning can involve. But they also provide an essential and systematic base for ordering, managing and above all maintaining or improving, over time, the same responsibility performances. This is especially the case in the environmental field, though it also applies to the social field too: spontaneous initiatives are a strong element in our structure, but in a direct or indirect way they avail themselves of the support of an overall framework. The extemporary nature of any initiative can quickly be exhausted at the very start or just after unless it is supported by a system; for example if it fails to find the right channel to express itself” (Manager of Sustainability Affairs).

“The Italian context in general does not seem to me to be well disposed towards the diffusion of CSR evaluation and rationalisation parameters. From what I have been able to see in Confindustria, or in the meetings for the European Marathon on CSR, there is a certain diffidence towards the idea of certification, or the adoption of similar instruments. I understand their fears as regards the red tape syndrome, but at the same time I think it would be positive to agree and diffuse formulas that are not excessively paralysing for companies and which also make it possible to have reference criteria, and this is certainly the approach that ABB has adopted. Otherwise, if we remain on a level of pure voluntarism, there is a real risk that those companies which are not structured – in the sense of ‘orientated’ – in this direction will use the sustainability label as a marketing and self-promotion device without any contents. The damage caused would not affect the competition so much as the idea of CSR itself, because there would be great deal of confusion, there would be mixture of those who really consider it important, and try to implement it, and those who only talk about it” (Communications Manager).

For the phase subsequent to achieving SA 8000 certification, further interventions are prepared involving company dissemination of CSR principles and priorities, which will presumably touch first and foremost on the organisational development and training context. On the other hand, especially as regards *social policy*, it is already possible to perceive a series of specifically informal processes, at right angles to the entire functional structure, able to encourage the diffusion of collective awareness in relation to responsibility commitments, as well as the concrete support conditions for the direct and personal involvement of employees.

Top-down mechanisms and participation

It has also been noted that the development of this sustainability organisation architecture has been significantly directed by the company's top management strategic level. Nevertheless, in parallel with what has just been said with respect to the formal-informal dimension, for the Italian associate the consolidation of a climate oriented towards CSR does not seem to be founded solely on *top-down* mechanisms (which naturally tend to be powerful in such a complex organisational structure). The latter, in fact, also leave recognisable and significant spaces for input and variations regarding this matter (proposals, initiatives, accelerations, etc.) of a more spontaneous and *bottom-up* type. It must also be pointed out that the management of this more voluntary approach – and therefore by definition less amenable to systematisation and, one might add, less controllable – to the company's sustainability action is not perceived as being in contradiction with its more rationalised, planned or even “engineered” aspects:

“Here CSR is seen as a commitment of principle in regard to all the effort, including strategic, expressed by the Group, but it is not only experienced in the control room. Perhaps it also depends on the fact that the commitment to the social sphere is not carried out with major allocations in terms of financial help but through direct participation, and in this there is for me a great difference between industrial companies like ourselves and financial companies, which have great monetary wealth available but may lag behind in other kinds of resources. Above all I would say that CSR, in concrete terms, is realised starting from the bottom, through individual units, their employees, the specific social situations in which they are immersed. On this level the hierarchy is entirely absent: one of our most well-known animators of social interventions – in our company at Bergamo – is an employee who serenely carries forward whatever seems worthy of merit to him and who agrees with his interlocutors inside and outside the company” (Country Manager).

“We are absolutely aware of one fact: here social activities started ten or even twenty years before the rest, they are carried out well, are cultivated in autonomy and with passion by internal Groups which over time have become almost kinds of associations. The company supports – offers contributions, provides material space, time and communications – but does not manage. And we do not intend to do so for two reasons. First, because all this does not interfere with the other components, which emerge reinforced in terms of motivation and drive towards collaboration. And secondly, and above all, because these Groups function just as they should in line with their goals. It is such a consolidated aspect that direct and formal management by the company would at the very least be extraneous to it” (Human Resources Manager).

Global centralisation and local differentiation

It is true that on the basis of these equilibriums – which would appear to be virtuous – it is possible to find some that are more complex and profound i.e. there is a capacity

on the part of the ABB transnational Group to effectively combine the two ‘imperatives’ of global standardisation/centralisation and local differentiation/adaptation, so as to transfer this model from the business field in the strict sense to that of sustainability⁴³. To this end, the top manager of the Italian associate provides an emblematic interpretation of the ABB Italia approach to CSR:

“At heart we have perhaps succeeded in achieving strengths which are usually found, separate from each other, in large and small companies: the framework provided by a structure or a political organisation and the vitality, flexibility and personal involvement that is only possible with informal and direct initiatives” (Country manager).

Towards a stakeholder engagement model

However, to be extremely concise, the most significant and original element which emerges from the ABB Italia and *worldwide* experience is the gradual construction of a sustainability model in which the practice of *stakeholder engagement* tends to assume a central role, rather than the strategy of *stakeholder management* (the usual expression in the RSI debate but which implies – and often in fact reflects – the substantially unilateral management of the more critical interlocutors for business: clients, public subjects etc.). We were able to indicate various forms of this propensity of ABB for openness, comparison and, ultimately, listening (and not just communication):

- the presence round the most influential and authoritative tables on the international agenda regarding sustainable development; at the same time, participation in intermediary network activities and those that are more focused (CSR Europe, entities for environmental management and research etc.) and in the work of local or even micro-territorial level associations;
- the internal consultation practices (from the CEO, to coordination between sustainability functions, to employees in production units) in the definition of RSI policies;
- the institutionalisation of national meetings with reference stakeholders.

In terms of the future, this participatory model, despite any restrictions and rigidities related to its organisational management (formalisation, strategies alignment etc.), seems to offer interesting scenarios for company dialogue – and this does not refer to only ABB – with social forces within its extensive activities context, including in relation to the promotion and creation of social capital to the advantage of all the parties involved.

⁴³ Thus, it does not appear incidental that ABB Italia’s specific initiatives in RSI are viewed with growing attention by the Group sustainability central function, also receiving attention in the latest *Sustainability Report*.

“Business in the community”: Rooted values and social proposals within
financial companies

Massimiliano Monaci

Introduction

The case of the Banca Popolare di Milano (hereafter referred to as BPM) offers, in its overall complexity, a series of extremely interesting stimuli regarding the way in which the practice of the “Corporate Social Responsibility” can be developed and implemented in relation to the stakeholder as regards the action of the company arising from the local territory in which the production and/service activities are carried out.

More specifically, analysis in the field has made it possible to emphasise the presence and impact of two dynamics which seem to be virtuously combined - as will be seen, not without some elements of possible and perhaps inevitable tension, especially in regard to the future - in the current orientation and definition of responsibility practices:

- on the one hand, what could be defined as ‘aware inspiration from the past’, understood as an institutionalised reference (constant and relatively diffused among organisational subjects) to a company historical-cultural background, based on a strong and singular link deriving from reciprocally belonging to a settlement community, which in this case essentially consists in the territorial area that extends from the city (Milano) to the regional level (Lombardy);
- on the other hand, what we like to call ‘openness to the future’ and more specifically to the challenges as well as uncertainties in terms of individual existence and collective life in relation to the socio-economic scenarios being defined, a predisposition which, as it relates to our company, is being translated above all in an ability to process and propose solutions and structures in regard to financial activity founded in some way on the coming together of competitive and strictly business oriented evaluations with a privileged and more extensive attention devoted to development models, first and foremost on a local level, implicit or required as a result of the changes underway within the said social context.

(*) Massimiliano Monaci prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.
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(**) We thank BANCA POPOLARE DI MILANO for their willingness to participate in the project, in particular: Giulio Zanaboni, Roberto Peronaglio, Aldo Castelli, Alessandra Croci, and Raffaella Cavioni.

Portrait of the company

Currently BPM, a limited liability cooperative founded in Milan in 1865, constitutes one of the main Italian people's banks, focusing its activity on *retail* customers (family and private individual saving and credit) and small and medium sized businesses. Starting in the 1950s, the institute extended its presence to other Italian regions, through the acquisition of other credit companies such as the Banca Popolare di Roma, Banca Briantea, Banca Agricola Milanese, Banca Popolare Cooperativa Vogherese, Banca popolare di Bologna e Ferrara and the Banca di Legnano. Today, BPM has therefore now definitively assumed a banking⁴⁴ group configuration, developed on an inter-Regional basis, called the Bipiemme Group, which overall comprises more than 65,000 partners and more than 8,000 employees (with approximately 6,500 in the parent company). From the financial point of view, as of 31/12/2002 the total savings administered reached a figure of 11,148 million euro, with direct customer funds at 16,302 million euro. The financial statement results for the first six months of 2003 indicate a net profit of 66 million euro for the parent company and 56.1 million euro for the consolidated section.

The group territorial network is mainly located in Lombardy, especially in the Province of Milan and in the north-west area (Province of Como, Varese and Lecco), where some 70% of branches operate. To this one may add a not insignificant presence in the Rome area and in Puglia. Within the context of the continuous development of distribution structures, the branch circuit may be viewed within a multichannel business approach, which also comprises the network for financial promoters, the telephonic bank and the *We@bank banking* and *trading on line* service. The main companies controlled by the Bipiemme Group are as follows:

- Banca di Legnano SpA, acquired in 2001, with its network of 94 branches in the Milan, Varese and Novara Provinces;
- Banca Akros SpA, focusing on *investment* and *private banking* activities with Italian and foreign institutional counterparts, as well as with high profile private clients and businesses; in 1999 it set up a company in the USA (Akros Securities Inc.) for *broker/dealer* operations on the American financial market;
- Bipiemme Gestioni SGR SpA, savings management company for the group, which is active in relation to various product lines (common investment funds, open pension funds, individual patrimony management);
- Bipiemme Vita SpA, insurance company that operates in the life and illnesses/accidents branches;
- Bipiemme Real Estate SGR SpA; since 1999 it has managed an ethical closed-end property fund;
- BPM Ireland Plc, a financial company governed by Irish law, with registered office in Dublin, operating in the management of multicompartiment investment common funds;
- We@service SpA, which develops *virtual/remote banking* initiatives for the group from a technical, commercial and consultancy point of view;

⁴⁴ The last stage in terms of timing for this evolution is given by the recent outline agreement (September 2003), aimed at the acquisition of control of Cassa di Risparmio di Alessandria on the part of BPM.

- Bipiemme Private Banking SIM SpA, founded at the end of 2001 for global consultancy and distribution activities regarding financial products aimed at high patrimonial profile clients;
- Bipiemme Private Equity SGR SpA; as with the previous company, this was founded recently (late 2002) and carries out closed-end property fund management.

Our survey in the field, apart from gathering documentation and observing settings, concentrated on managerial figures working in the parent company head offices. In particular, three members of the marketing department were interviewed (strategic marketing service area chief, plus two staff managers), together with the *investor relations* area manager in the general management department, the training manager in the personnel department and the 'events and sponsorisations' area manager in the external relations sector.

The framework of responsibility: roots in the territory and mutual assistance

“Since its foundation in 1865, BPM’s history has been interwoven with that of Milan and the more economically developed areas of Lombardy, sustaining its growth and accompanying the development of industrial and civil society. In a continuous relationship that has lasted over a century with Milan, there are numerous links which BPM has established with the major municipal institutions, in particular with those which were active during the company’s foundation and which, with their vitality in the present day, are promoters of its future”.

“Our Bank’s advantages have always resided in its civil commitment which it can boast as its specific character since its origins: its mutual assistance and cooperative spirit continues to help maintain an awareness that economic development must never renounce encouraging human and social progress”.

These two excerpts taken from company communication⁴⁵ faithfully reflect and summarise the tendency of almost all those who spoke about the company to identify a common matrix for current CSR commitment subjects in a twofold aspect that is an inherent part, from both a cultural and a structural and organisational point of view, of the company’s historic experience: its roots in the territory and its constantly evolving fabric in terms of expectations, needs, life styles, relationship and development models, relative not only to the economic-production field but more extensively to social organisation; and a complex system of *corporate governance*, still in force, together with all the relevant supplements and updates⁴⁶, based, in accordance with the traditional model of people’s banks, on principles of mutual cooperation and participation in the social life of a large base of partners, comprising the majority of employees.

⁴⁵ Banca Popolare di Milano, *I doni di BPM alla cultura - 2002*, pag. 3 and 5.

⁴⁶ On the basis of its banking nature and as a quoted company, the institute is obviously committed to monitoring and adapting, where necessary, its management and control system with respect to the provisions and recommendations set out, among others, by the Bank of Italy, Consob and Self-regulatory Code for Quoted Companies (entirely assimilated by the Board decision of February 2001).

From the first point of view, the history of BPM is that of an institute which was founded just after the mid nineteenth century – as one can read in the articles of association of 1865 – ‘to spread the benefits of credit among the working classes and small industrialists’⁴⁷. In line with the idea of its founder, Luigi Luzzatti, the purpose of the new bank comprised, in addition to the operational goal of providing a concrete reference point for Milan’s small industrialists and artisans, lacking access to credit, or desiring to obtain financing from other sources besides more local networks, an attempt to create effective relationships with both the production forces and the mutual assistance associations in a territory that was undergoing rapid transformation (with many opportunities, but also grey areas in relation to social costs, linked to industrialisation)⁴⁸. In point of fact, from the early decades of its existence, the institute rapidly consolidated its position as one of the largest people’s banks in the country, demonstrating that it knew how to draw closer to more dynamic production strata while at the same time also succeeding in dialoguing with other categories of the population. A front line role in the economy and in Milan life which over the course of a century and a half has been consolidated through critical passages in Italy’s history such as post-war reconstruction and the economic boom.

This historical-cultural patrimony which has been transmitted from the past and, reformulating an expression that is frequently repeated by the interviewees, almost genetic in the action of the company is nowadays expressed through two main strategy lines. Above all, it provides a body of “acquired” materials and *assets* (values, priorities, relational competences and social capital, representations shared in the financial sector and its distinctive location within the same) which, unlike what can happen for other operators in the field, repeat and define quite clearly the key-characteristics of the company’s identity, and as a result of the business strategies and positioning in the face of the changes and uncertainties at the present time:

“The territorial vocation has remained. BPM is still close to the local economies even if these are no longer the community of its birth, the municipal one of the artisans and small industrialists, but Milan in its extensive sense, which stretches from Malpensa to Bergamo. These roots in the territory are still a factor in terms of responsibility and a mark of identity. We have no problem asking ourselves ‘but who are we?’, unlike other businesses which, especially after major restructuring and concentrations, are perhaps, entirely legitimately, using instruments like the financial statement to create a reputation, sharing and belonging” (Marketing Department Staff).

⁴⁷ Reported in Banca Popolare di Milano, *I doni della BPM alla cultura - 2000*, pag. 72.

⁴⁸ The legacy of thought and initiative of Luigi Luzzatti, Director until 1870, then President, appears to be decisive in understanding the subsequent development of the institute as a bank – in name and in reality – which was ‘of the people’. Among the leading representatives in Italy, as regards liberal cooperation and reforming progressivism, and with a politico-economic strategy inspired, among other things, by his direct relationship with the German co-operator, Herman Schultze (founder of the first *Volksbank*), Luzzatti was constantly committed in the 1860s and 1870s to diffusing, within the Milan territory, cooperative and mutual assistance ideas. The proposal to create BPM was advanced by him, within the context of a series of meetings with the Associazione Generale di Mutuo Soccorso of workers in Milan. Subsequent to the foundation of the institute, his activity as an ‘enlightened’ co-operator was mainly directed at strengthening the solidarity and coordination links between existing cooperative people’s banks, as well as those then being set up in Italy.

“We have a history, that of a cooperative bank that carries with it the sign of a very strong relationship with the city and all that surrounds it. It is in virtue of this history that our reference interlocutors are now as in the past families and medium-small businesses. I do not know to what extent it is due to our merit, but I am realising that precisely today our institute is identified with the greater intensity as the bank in Milan. One is almost tempted to say ‘*nomen omen*’, the name as destiny, but in a banal sense having and conserving the reference name of the city suggests the strength of the connection, in a period in which other institutes, perhaps just as rooted in the world of Milan have lost it” (External Relations Manager).

In second place, and within a more problematic perspective, the awareness of the proximity to the territory is employed as a key not only to interpreting but also for research, openness and elaboration of thinking with respect to the trends – and above all the needs – of the local socio-economic within the credit field:

“Being close to the local economies and communities means not only having a diffused and rooted base among the clientele, but being able to also be responsible in interpreting the dynamics of development and the needs of the relative subjects, both traditional and modern and innovative.

There is the change of employed work: we cannot continue to look only at the open ended full time contract employee in factories and offices when today half of the newly hired are precarious and flexible workers. If an atypical person asks a bank for a house mortgage he may meet some difficulties since he often does not have clear continuity of income.

There is self-employment, the new watchword which is also culturally influencing an entire generation of youngsters, young men and women who need 20/30,000 Euro to launch their entrepreneurial project and who often lack the guarantees normally required to access credit.

To be near to the territory means therefore being close to both the business systems that need to become more competitive and to the more vulnerable economic subjects. In any process of development there are those who forge ahead and those who lag behind: looking solely to those who are ahead means forgetting that those who lag behind today could be tomorrow’s front runners” (Marketing Department Staff).

A second feature of the architecture that supports BPM’s CSR conduct refers, as anticipated, to the cooperative for *governance* and the organisation system. By definition, in this model – in Italy characteristic of people’s banks and the cooperative credit circuit – there is an attenuation of the relationship of substantially direct proportionality which we find in the Public Limited Companies (in Italy, SpA) between the capital owned by the partners in the company and voting rights to elect the management organs and in particular the Board of Directors. As is well known, and going beyond other variable restrictions and delegation mechanisms, in the cooperative form the fundamental principle in representing the base of the members in the policy and control organs corresponds to the formula, ‘one head, one vote’, regardless of the number of shares owned, a peculiarity that often, including recently, has been at the centre of criticism by part of the Italian financial world due to its presumed

disadvantages in terms of the stability and efficiency of the company's resulting strategic management. The cooperative nature of the organisation model, intrinsically oriented towards diffused and active participation of the members (employees and non) in company life, seems to constitute another important propulsive factor regarding the company's responsibility commitments:

“Belonging to a cooperative bank is different from working in another type of institute. It may be more or less satisfying, but it is certainly different. There is more attention devoted to the safeguarding of rights; the principle of co-determination of the employee, however minimal it may be and without forgetting that in our company the 6-7,000 employees constitute less than 10% of the partners. But this binomial naturally causes a greater sense of responsibility in what is done and decided. If you like, and without any ideological strain, it also marks a point of resistance in a line of thinking that might be excessively liberalist in the capital markets” (Investor Relations Manager).

In BPM's case, the previous outline is enriched by an aspect of distinctiveness given by the recent introduction (December 2002) of the 'list vote' in the Board of Directors appointment modalities on the part of the components of the Partners General Meeting. This new mechanism for representation in the company organs essentially establishes the possibility of presentation of the lists of candidates on the part of at least 300 members⁴⁹ and determines a fixed number of directors designated by the General Meeting majority (numbering 16) and, taken overall, by the minorities (numbering 4, with a representation quorum for the lists set at 10% of the votes cast). The novelty therefore sanctions a more direct participation of the general meeting minorities in the running of the company, which modifies a historical trend marked by the capacity of the group of partners-employees to organise themselves and constitute a general meeting majority, thereby influencing the choice of the composition of the entire *Board*. This variant on the subject of cooperative *corporate governance* - unique to date in the said panorama of people's banks, although still perhaps underestimated from the outside - represents for our interviewees a further peculiarity in support of the principles of routinised sustainability and democracy in the company organisation model, without placing oneself in contrast with the requirements of efficiency and consistency deriving from business policies:

“In truth, even previously the BPM Boards of Directors were among the most representative and balanced, numbering exponents from the academic and entrepreneurial world of proven authority. However, the new approach provides space - and is formally set out in the articles of association - to different items. The positive dialectic is raised for comparison, the correct operational tension. One can discuss the numbers for an eternity, if the more appropriate quota of minority participation is 4 or 6 members, but in my opinion the outstanding factor is that the principle has been developed spontaneously from within, without constrictions or pressures. There have been no crises or astonishing events that

⁴⁹ Recorded in the Register of Shareholders for at least three months and with the right to intervene and vote in the General Meeting.

have led to this, but simply an evolution: a common realisation that there are various different 'voices' in the general meetings and that it is right that they are taken into account, that they enjoy a certain formal presence. Moreover, another important step with this adaptation is that the Board of Directors remains in office for a three year period, with a new operational horizon, whereas previously it was renewed every two years with potential problems regarding cohesion and stability. Overall, it seems to me an important reform which, as far as we are concerned and as far as possible, seeks to combine *governance* operativity and democracy" (Investor Relations Manager).

"The list vote concept introduces, in a transparent and objective manner, an extra possibility for change in company management when a significant number of partners feels it is essential to introduce modifications into the top management group. I am only sorry that in the present financial context this change has passed almost without comment, perhaps due to the perplexity of some regarding the functioning of people's banks or also due to a certain not particularly positive attitude towards the capacity of the BPM partners-employees organised group to influence the direction of company policy and decision-making. Those who have grasped the difference (to date only a few), are possibly those analysts who have medium-long term investment horizons, for example, pension-funds, which are less affected by six monthly profit evaluation and the oscillations in financial instruments" (External Relations Manager).

The cultural levers of business: importance of people and development models

Taking into account the territorial roots and vocation, the way in which the institute has developed its business in recent years could in a certain sense be surprising, including along strategic lines that are not dissimilar from those that characterise the major Italian groups in the sector. The policy of acquisitions, the progressive expansion into other areas of the country, and the constant innovation regarding products and distribution channels, have all rendered today's Bipiemme a Group that is - one might say - "global" and entirely involved in the current and incessant evolution in the financial field. The exposition or, if one prefers, the alignment with the most advanced trends in the sector, though on the one hand it might be related to system and competitive factors which are considered unavoidable, on the other does not seem to contravene the essential character of the people's bank on an inter-regional level of the company, or cause any particular interference with its historic mission. With respect to the latter, and restating an interpretation in regard to which the current company management seems to explicitly insist, a series of underlying consistencies and opportunities can be perceived:

"We are fully in this market, proof of which can be found in the fact that today, like everyone to an extent, we are suffering somewhat from a climate of uncertainty and a decline in trust on the part of savers and investors due to an entire series of social and economic situations. And being in Lombardy and Milan, the most financial of Italian markets, certainly pushes us to ensure the quality of the services complies with the standards of the *best Italian competitors*, like Intesa or

Unicredit. But even if Milan obliges us to embrace wider horizons, this does not damage territoriality, it does not make us forget – it would be disastrous if it happened – the link we have with our segments of historic clientele. In my opinion this ability to reconcile local and global and not to sacrifice the strength on the territory can be seen in our agencies spread throughout the provincial towns and villages: where our branch is often the reference bank for the village, just as – to cite a famous example – the branches of Credito Valtellinese or Popolare di Sondrio are in the valleys in their area” (Investor Relations Manager).

“The switch to a larger dimension has been quite natural and inevitable: we continue to serve our privileged interlocutors, like families and SME, but doing it today, in the most developed region in the nation, means putting instruments and processes in the field that have been profoundly modified over recent years, from insurance cover, to innovative finance, to banking on-line services” (External Relations Manager).

“There is no contradiction between having roots and expanding. Our management continually underlines the need to valorise the three concepts characterising our bank: cooperative, everyday people (partners, shareholders and general clients) and territoriality” (Marketing Department Staff).

Reading between the lines in the conversations with the interviewees, at least two central values of BPM company culture emerge, which in some way appear directly correlated with aspects already discussed regarding socio-territorial roots and the role of the principles of mutual assistance and participation implicit in the cooperative tradition. The first is the attention devoted to the person, both in internal management and in relations with the public:

“When in our training plan we make young members of staff work, at the start of their managerial career, on their perception of society, the image arises of a business that is not only strongly oriented towards results but which is above all attentive in regard to persons, with human aspects having priority over professional roles. Indeed, this feature tends to prevail even over the value of competences as the key element in company life. This does not surprise me, and is in line with what I have noted, in so far as it is possible for me to do so, in the relations with clients. I see a market hungry for personal relations, for what the small-medium peripheral banks do, or used to do, welcoming individual requests, including of very small entity, from clients, and attributing great value to them. The credit aggregation trend, globalisation of finance, have considerably penalised this need and, paradoxically, this has occurred at precisely the moment when the need for individual recognition is undergoing an exponential increase. In this context it seems to me that we maintain a significant middle way position, between the aseptic world of large banks and the cooperative credit circuit, in the strict sense, operating on a micro-territorial scale” (Training Manager).

“Before starting here I worked for some time in an agency and, in terms of what I saw there, the human factor continues to make the difference for us. It would be an injustice to the sensitivity and intelligence of clients to think that they are

obsessed by a euro more or less on commissions or in minimum differences in interest rates. The important thing is how the bank serves the client, the overall answers it is able to give. Certainly some discontent is always present. I was not particularly surprised when, from a recent piece of ABI-Eurisko research, it emerged that BPM enjoys second position in the perception of clients, out of a sample of ten or more front rank institutes” (Investor Relations Manager).

It should be strongly emphasised that this orientation, in a general sense, towards clients/citizens, and the personalisation of the relationship which puts them in contact with the bank, represents the fundamental link between ordinary business activity and the same autonomous CSR initiatives towards the community (in the field of culture and solidarity) which from business are, in appearance, more separate. More precisely, the objective – particularly present for those involved in marketing strategies – seems to be that of drawing closer to the stakeholder, comprising users/citizens (clients and potential clients) via a circular approach, based on the amplification of messages and opportunities for meeting and partnership:

“All the other interventions that we carry out would have little sense if they were not sustained and flanked by the capacity of the bank to offer the service that the user expects. The last thing that I would like to hear a client say to me at the counter is: ‘What’s this – you spend millions on a Modigliani exhibition and then the systems here don’t work?’ The investments that are made for citizens must be carried out keeping them in line with the quality of the service and business, so as to make them a single entity, providing credibility for both, otherwise one does no more than produce a short-term image. So the organisation of a Modigliani exhibition is absolutely welcome, but we also need to make a service of it that is directly connected to the bank, including vouchers in all statements of account, offering access to the exhibition with advantageous conditions for those who are interested” (External Relations Manager).

Within this context, the CSR commitment therefore assumes a primary relevance which is more directly expressed in the offer of services and in everyday *customer care*. Exemplary expressions of this sort of daily, or targeted, responsibility are proposed as the Extrà initiative, aimed at students and non EU workers. Launched a decade ago, and currently being redefined to better comply with the changing needs of these users, Extrà is a services plan that seeks to facilitate the management of savings (savings book with attractive conditions, current account with debit/credit services), sending money to countries of origin, responses by means of telephonic assistance to particular personal and family needs (reimbursement of travelling expenses for extended hospital admissions, information on municipal services etc.), access to dedicated financing (projects for reuniting families, enrolment in professional courses, household expenses, start-up of commercial activities etc.). In addition, the offer provides for a current account with facilitations for associations that operate in various ways to encourage the social inclusion of immigrants within the territory. Of the same tenor is the package of services offered some time ago to support women users (“Donna” account) which subsequently, contrary to the previous initiative, was widely adopted in many other credit companies.

This attention – one is tempted to say – for the “person in flesh and blood” (i.e. viewed within the concrete reality of his various requirements), goes together with, and is ultimately combined with, a second value, to some extent institutionalised in BPM, which regards an aspect that has already been mentioned: the attention devoted to development models underway in the settlement communities. In general, the focus on the variegated universe of Milan and Lombardy SME already almost naturally leads the company to cultivate, in its ordinary management, a fertile network of relations with functional autonomies and intermediary organisms representing the productive categories (associations of entrepreneurs and artisans, chambers of commerce, cooperative consortiums etc.). In relation to this consolidated base of connectivity with the local socio-economic forces, there is also a distinct tendency to create a network with the territory on the basis of what appears to be a peculiar capacity – or at least a willingness – to listen to its components, to interpret its lines of evolution and to redesign one’s activity in order to participate, as far as possible, in the orientation of the said developments. The opportunities and types of action in which this sort of vocation can be rendered concrete, in terms of social presence, are of various kinds: information interventions in the territory (typically, in schools) which involve the *know-how* of personnel (e.g. in regard to the implementation of the European single currency); the promotion of conventions on currently relevant subjects, coordinated with other protagonists (consultancy companies, development/training agencies like the Formaper entity), for which rooms in the company training centre are often made available (e.g. recently, in regard to the “glass ceiling” phenomenon in women’s working careers); participation in projects financed with European funds which involve the active inclusion in collaboration networks, and which have recently concerned the activity of awareness enhancement and experimentation on subjects having strong, if not urgent, collective impact such as female entrepreneurial activity, or microcredit as an instrument in support of microcompanies (project proposed to us by Formaper/Milan). All initiatives and opportunities that arise and are conducted through a process of “relating with others” and which, according to our interviewees, are able to generate effects that go beyond their important contingent goals. For example, the elaboration of an aware approach – which could be shared and explored within the wider context of the community of operators in the sector – to the role of credit companies in the current risk society, as well as more direct and concrete impacts on the functional modalities of the bank:

“This microcredit project starts from the idea that only by networking is it possible to construct responses to complicated problems that cannot be resolved with traditional instruments. A particular need that is especially felt is that of microcompanies which often have need of both small credit and with consultancy services. There are women that delay their maternity in order not to ‘abandon’ their small shop or their entrepreneurial activity. Here, perhaps a loan would be help, permitting them to hire a part-time assistant and above all a Confidi system that participates in the credit risk. Hence, putting together various competencies, involving credit, accompaniment, monitoring, to tackle situations where a flexible and innovative banking and credit presence is required” (Marketing Management Staff).

“The handicap project, and we as a company – including as a result of hiring

regulations – have different persons so affected, has allowed us to discover that a more complex and subtle phenomenon of company misalignment can exist, e.g. from a psychological point of view. As a result of this realisation, we have trained functionaries in human resources, with the creation of a listening function dedicated to support for classic functions, comprising that of personnel. The outcome of the project has been, certainly, the diffusion, through a specific site and conferences, of *best practices*, but also the construction of a monitoring system, with methodologies and management that can influence daily activity and which, within the bank, after a quiet start, is now being consolidated” (Training Manager).

Investments in the local community

For BPM the profound identification and ability to intervene, starting with credit system mechanisms, in regard to the collectivity in which it operates, is revealed in two lines of commitment in the culture and world of solidarity. These types of investment in the community have been significantly refined over the course of time, giving rise to a BPM presence which has now been institutionalised, alongside other social forces that are active in such areas. This has been achieved, moreover, through a style of participation in which the logic of relationships is combined, with a certain consistency, with that of donations to a territory ‘from which, in over a century, we have received a great deal’ (External Relations Manager). As has been suggested in a dedicated part of the company site, which now constitutes, together with the elegant annual publication in *Doni di BPM alla cultura* (‘BPM’s donations to culture’), a primary vehicle used by the Bank to present to the public a sort of ‘report’ on its CSR activities:

“Donating in order to undertake and create. At the heart of BPM investments there is the commitment to sustain defined social and cultural projects, helping them to be born and consolidated, so that they grow and generate others. As always, BPM is appropriate for companies. But with an important difference: in the logic of donations, what is given back is different from what has been received. The rules in giving, receiving and exchanging are intended to reinforce social links”.

Donations to culture

From company communications and from our conversations, the contribution of BPM to the cultural life of the city and its hinterland is understood as a form of socialisation, but also of transmission, of knowledge and collective patrimony in continual evolution. The social activities in favour of culture are more precisely concentrated on three sectors: investments in institutions and musical initiatives; safeguarding artistic patrimony; the promotion and patronage of events of a national or international profile. In regard to the first, BPM above all sustains the activity of what could be defined as a symbol of Milanese culture throughout the world: La Scala Opera House. In particular, the bank has been among the first supporters of the Scala Theatre Foundation and takes part, the sole private entity to do so, in the Philharmonic Chorus Association. BPM is also the founding partner in the “Giuseppe Verdi” Milan Symphonic Chorus and Symphonic Orchestra Foundation, one of the most dynamic of Italian musical scenes

which, with its home in the Milan Auditorium, not only produces a symphonic season of great prestige but also disseminates the culture of music among the young and schools of various kinds and levels. The collaboration activity with the Auditorium was intensified in 2002 through various initiatives, not least – in line with what has already been seen regarding continuity between business activities and social presence – the decision to allow bank clients to purchase subscriptions at advantageous conditions. Another of BPM's privileged interlocutors in the musical field is the Milan Quartet Society, the oldest Italian musical society, founded in 1864 by 'lovers of good music', such as Arrigo Boito and Tito Ricordi. In particular, within the context of the society activities, and in collaboration with the Municipality of Milan, the bank supports the 'Bach Weeks' (since 1994), a monumental and comprehensive performance project involving the famous composer's sacred and profane cantatas, and the 'Musica e poesia a San Maurizio' ('Music and Poetry in San Maurizio') event (since 1998), dedicated to ancient and baroque music. Although mainly committed to supporting classical music, BPM does not neglect the role of new forms of expression, especially those that tend to combine innovation with tradition. Hence the bank's support, over many editions, for the annual Festival di Villa Arconati, a musical event dedicated to ethnic music which attracts a young and not exclusively Lombard audience.

Switching from the musical field to the wider artistic arena, it is important to point out the bank's active contribution in regard to other prestigious Milan institutions. The Fondazione Piccolo Teatro is a case in point. Since 1998 BPM allocates funds to support a programme of continual evolution and openness to all forms of art, as urged by Giorgio Strehler; or the Fondazione Pier Lombardo, of which BPM is one of the main private members. The latter was created in 1996 with the aim of creating a fertile meeting place for theatre, art cinema, music and literature – and ultimately to experiment new ways of achieving culture in one of the most receptive cities in Europe – in connection with the activities of the Franco Parenti Theatre (formerly the Salone Pier Lombardo, and subsequently rebaptised with the name of the famous co-founder, after his death). In the artistic field, a distinctive area of commitment by the bank concerns the protection of Lombardy's artistic heritage while at the same time making it more widely known. From this point of view, one of the most significant recent contributions comprises a body of research (stratigraphic measurements, chemical-physical analyses, studies for subsequent conservation interventions etc.) on the Basilica of San Lorenzo Maggiore in Milan, one of the most important buildings in the history of paleo-Christian architecture, together with the conclusion of restoration work on the sixteenth century frescoes of part of another Milan church, that of San Maurizio al Monastero Maggiore, financed by BPM for more than five years. The bank has also financed significant interventions in the restoration of Viboldone Abbey and that of Chiaravalle, together with, in Milan, the Church of San Marco and Piazza Fontana. As stated in BPM's institutional communication:

“What links all these initiatives aimed at protecting our artistic heritage is a single theme: Lombardy art is one of the fundamental elements in the identity of the region and one of the aspects by means of which its civic culture is known round the world”⁵⁰.

⁵⁰ Banca Popolare di Milano, I doni di BPM alla cultura – 2002, pag. 71.

What one can certainly note is that these investments, in addition to having assumed a consistency and constancy over time, combine a distinctly operational level of support, aimed at recovery interventions with those that seek to valorise artistic assets in terms of knowledge dissemination, or their “rediscovery” on the part of the public (as well as that of the most authoritative experts – historians, art experts etc. – who in any case are generally involved in the development of the projects). Evidence of this is provided by the conventions and editorial initiatives produced by the research and restoration projects, as in the case of the monograph and study day on the Church of San Maurizio (2001), which are flanked by other recent promotion activities involving Lombardy and other art: the publication of volumes on the Church of San Marco and its paintings by Masolino da Panicale a Castiglione Olona; the support (2001) given to the national and international profile exhibition, “Il Cinquecento lombardo. Da Leonardo a Caravaggio”, promoted by the Municipality of Milan and the Lombardy Region; organisation (2002) of the exhibition, ‘Dalla Scapigliatura al Futurismo’, based on the collection of works by late nineteenth century Italian artists owned by the bank and which, not by chance, focused on extending the level of knowledge about a period, that of post-unification Italy, which coincided with the foundation of BPM and the start of its business activity; support for the retrospective exhibition, ‘Amedeo Modigliani. L’angelo dal volto severo’, held at Palazzo Reale – the second stage in the event, after Paris – between March and July 2003 and promoted by Milan City Council.

The latest initiatives border on the third extensive area of cultural commitment, provided by the annual organisation of a series of meetings and *lectures* given by speakers (academics, artists, “witnesses of our times”) of national and international standing⁵¹, on subjects that are of crucial significance for contemporary culture. The three latest cycles have involved, respectively, ‘The Holy Book. Jewish, Christian and Islamic readings and interpretations (2001)⁵², ‘Feelings, A reasoned catalogue of human impulses and drives’ (2002) and “Intelligent emotions. How artistic fiction reveals what we are” (2003). These meetings, together with other monothematic appointments, on subjects of currently relevant or public interest⁵³, are held in the Sala delle Colonne, BPM’s traditional convention-centre. What has been happening now for some time in this meeting place between the city and the public has been interpreted by some as a sign of the times, but also as a positive confirmation of the significance of the initiatives that are being proposed:

“All of which is food for serious thought: a bank that organises cycles of meetings with artists, musicians and intellectuals, and a city which responds with the participation of hundreds of people. It seems to me that transforming the petrified

⁵¹ For example, with reference to the latest editions: Gianfranco Ravasi, Giorgio Celli, Paolo Crepet, Pierangelo Schiera, Silvia Vegetti Finzi, José Luis Goyena, Gabriele Salvatores, Riccardo Muti, Giuseppe Pontiggia, Luis Bacalov.

⁵² The initiative was documented, according to an ideas dissemination cliché – as has been said – that is dear to BPM, in the volume published in 2002 by Bruno Mondadori.

⁵³ It is particularly worth recalling the international conventions of 1999 and 2000 regarding Europe’s beginnings and the origins of writing. Among the initiatives of this period, one may cite a meeting on ‘Economy, security and ethics in the globalisation era’ and a three day seminar on ‘Neurological urgencies: from diagnosis to therapy’.

forests of some BPM premises into locations open to the city has been an intuitively correct idea. Locations people go to, not to sell a product, but to explore the territory and its expressions, which in this case involves intellectual curiosity. There is a hunger not just for bread but also for emotions and culture. In my opinion, if we can succeed in putting together bread and roses, it will also be good for the banks” (Marketing Management Staff).

Support for solidarity

A significant front on which BPM, as a cooperative bank, with its roots in the territory, has developed a culture of responsibility, founded on the combination of economic and social progress, is certainly that of attention to more fragile and less protected subjects. The company articles of association state that a quota of 3% of net profits (calculated after allocation to ordinary and extraordinary reserves) must be destined for the support of particularly worthy activities in the area of poverty, suffering and social problems. As has been seen, initiatives aimed at support for categories of persons with specific needs are directly included in the ordinary offer of services. In this sense, one must mention – alongside the already considered Extrà line – the Freely line, a package aimed at all those who live and work in the world of the handicapped (disabled, families, associations, rehabilitation operators), which offers, at very advantageous conditions, a current account and further supplements (loans with preferential rates, savings plans and personalised insurance policies, account statements in Braille etc.). Again, among the services offered to clients, there is Servizio Etico, by which BPM makes available to its current account holders a simple and concrete way of expressing their civil commitment, by means of a withdrawal (from 5 to 100%) of the net interest matured on the current account or on deposit certificates; contributions devolved to the Fondazione San Carlo (an entity within the Caritas Ambrosiana and the Diocese of Milano that is active in providing assistance to the young unemployed, to immigrants and to elderly people who live alone or find themselves in difficulty) and the Associazione Progetto Arcobaleno (an expression of Florentine voluntary work which operates in various contexts, such as the initial hospitality, education and recovery of those suffering from drug addiction).

This latter initiative also reflects the deliberate intention to offer oneself as a direct partner of non-profit organisations (voluntary, onlus, foundations) in Lombardy, as well as further afield. The construction, or better still, the reinforcement, of this privileged channel, passes first and foremost, through the offer of traditional or innovative bank performances, from the opening of facilitated current accounts to an automated service involving the extraction of association quotas, to economic consultancy for a remunerative management of one’s property.

An innovative vehicle for collaboration with the tertiary sector is provided by BPM Solidarietà, which reformulates but also simplifies the model of the already cited Servizio Etico. Launched some time ago, BPM Solidarietà is an on-line service, created to provide an interface between numerous associations⁵⁴ committed to safeguarding

⁵⁴ The associations that have adhered to the initiative operate in international cooperation (e.g. CESVI,

human rights and the quality of life and those people – not just customers – who seek to sustain the projects of the said associations, and who, more specifically, are able to make donations through the company site.

Apart from all this, BPM is involved in what are now historic collaborations with projects defined with entities like the Opera di San Francesco, the Associazione Italiana Sclerosi Multipla, the Centro Dino Ferrari, for the development of research into neuromuscular illnesses and, naturally, the Fondazione San Carlo. Within this context of ‘company volunteer work’, the current presence of the bank is particularly noteworthy as regards two solidarity activities. One coincides with the participation in the initiatives of the Banco Alimentare, the foundation created in 1989 to collect and distribute, free of charge, to approx. three thousand voluntary associations involved in social hospitality and assistance, foodstuffs which for various reasons can no longer be offered for sale; the annual ‘National Food Collection Day’, organised by the Banco in more than 1500 supermarkets, starting in 1997, is also carried out with BPM’s help. Secondly, BPM is a founder member – and to date the only private member – of the Emergency Foundation, set up in 1999 in Milan to support, through awareness enhancement and gathering of funds, the activity of the Emergency Association, committed (with a team of doctors led by Gino Strada) to bring help and medical assistance to civilian victims of conflicts that are raging in many countries in the Third World, and provide support for the international campaign to ban the use of antipersonnel mines.

The bank as an institution? The fiduciary relationship with public institutions

A distinctive feature in the repertory of BPM’s CSR actions is its recurrent collaboration with public institutions, especially – looking at the concrete aspect of initiatives (for example, in the cultural area) – with Milan City Council. This privileged partnership reflects a strong relationship of reciprocal trust, which has been consolidated and on various occasions tested over time, and would appear to be based on a double recognition: on the one hand, on the part of the public administration, a recognition that the bank’s historical roots and ‘attachment’ to the territory and its citizens (from the dynamic protagonists of economic development to the less advantaged categories of the population) renders it in some way a particularly reliable interlocutor, an organisation which is, yes, private – and therefore, for example, having a legitimate interest in returns as regards its reputation from sponsorships – but at the same time provided with a distinct tendency to act while taking the public interest into account; and on the other, on the part of the bank, an awareness that the public administration is, by its very nature, the best guarantor of results and value for the collectivity, regarding the initiatives which are promoted, or to which the bank subscribes:

Emergency), the juvenile sector (e.g. ABIO - Associazione per il Bambino in Ospedale, Missioni Estere Cappuccini), initial hospitality (e.g. Fondazione San Carlo), and the socio-health sector (e.g. Amici di Villa Marelli, Associazione Italiana Studio Malformazioni).

“Yes, we work a great deal with the public administration, where there is, to use company jargon, a guarantee of quality. Especially with Milan City Council, from major initiatives to other niche activities that receive less attention. In both cases we feel protected by the presence at our side of this institution. It provides us with a feeling of confidence that, due to its public function, our contribution will effectively reach everyone” (External Relations Manager).

On the basis of our interviews, it is likely that this close and frequent collaboration with the public administration, usually conducted on an equal footing (with the direct involvement of the top administration management and BPM managers in events elaboration, promotion and management phases), further strengthens the internal and external perception of the wider role of BPM within the community as that of a - de facto - institution in the territory.

Moreover, once again, the position, competences and advantages achieved through routinisation and familiarity over time with certain experiences are a stimulus - and not a brake - on project planning and openness to change i.e. the constant adaptation and renewal of these acquired *assets*, starting from an understanding of the changes underway in the social, political and economic context. Changes at the centre of which, significantly, there is a profound evolution underway in the local public administration sector:

“The federalist process has now shifted from the centre to peripheral functions, responsibilities and financial resources. Ever more local councils, provinces, regions and functionally autonomous areas will become subjects that determine the models and quality of development in individual territories and business systems. Moreover, local entities are becoming modern and complex companies, with considerable investments in technology and know-how” (Marketing Management Staff).

It does not therefore appear to be a coincidence that one of the most recent lines for reflection and discussion within the institute (and with other interlocutors, starting with the habitual visitors to the company web site), concerns the changed or desired role of the credit system in the reform of municipal welfare and in qualified and balanced research and development as regards territorial economies. A new form of attention which is situated within the overall and pre-existing interest of BPM in regard to the relationship between social innovation and economy; and which, while it is continuous with the more concrete thinking (cf. the previous point) already launched with respect to the work of the network, between the non-profit world and for-profit businesses, is being translated into the finalisation of a series of intuitions and possible initiatives, in partnership with the local administrations, and not just those of Milan, which are currently being defined.

The internal community

So far we have looked at the relationships, and support in terms of various forms of contributions, which connect BPM with the ‘external’ stakeholders, constituted by the

various subjects in its territorial community: citizens-clients, users with particular requirements, public protagonists and intermediary institutions, the tertiary sector. On the other hand, the type of restriction, which is just as distinctive, tying the bank to 'internal' stakeholders, constituted by the personnel of the bank, must also be emphasised. On this level, an initial characteristic element leads us to a question which has already been touched upon - the cooperative structure and consequent form of business *governance* most diffused and participated in with respect to the majority of *competitors*. This peculiarity ensures - to use CSR vocabulary - that the 'employee' stakeholder normally also has the status of a 'partner' stakeholder (in addition to that of 'client' stakeholder), and in general terms tends to generate a sense of belonging and identification with the institute and its policies:

“Speaking for myself, and listening to others, there can be no doubt that it makes a difference working for a company where, whether to a greater or lesser extent, you are a partner. There is a twofold link: you work for something which, at least to a small extent, you feel is really yours, and to which you can in some measure contribute to shaping. I don't have, unlike the majority of my colleagues employed elsewhere, a company interlocutor who represents the sum of the capital of “others”, and with respect to which I find myself in a relationship which is essentially, in one sense, contractual, and as regards the rest, extraneous” (External Relations Manager).

In reality, the majority of interviewees, including those who occupy a privileged observatory in the management of personnel, clearly recognise an attenuation of this close relationship of reciprocal employee-company sense of belonging among the younger generations, who also have to deal with wider changes in the socio-economic context (the loosening of traditional restrictions, the decline of 'jobs for life' within the same organisational context, in favour of provisional careers and changing employment prospects). There is also, however, a shared perception that the historic features of the organisational 'character' of BPM - attention devoted to people, territorial roots, promotion of participatory spaces and behaviour - are still able to encourage a quality of life and a company climate that is decidedly positive, not to say clearly different from the everyday relations and work conditions found in most companies, in both banking and other sectors.

Current personnel management strategies mainly proceed from a recognition of this *invisible asset*, provided by the role of the human factor, which appears to be an integral part of BPM's socio-cultural 'pedigree', patrimonialising and revitalising it with respect to both the new generations of hired personnel (especially human resources that are critical for the launch or middle of a managerial structure), and the new group dimension of the company during a phase in which, having completed the organisation chart aggregations, it is concentrating on the delicate process of cultural and business integration of the subsidiaries within the Bipiemme world (it is no coincidence that the BPM internal training function is being progressively transformed into a service entity for all group components). In particular, the personnel development model recently put together, but also subject to constant adjustments (the declared intention is to draw inspiration from some indications offered for the most part by consultancy companies in order to arrive at a 'genuine' BPM solution), is centred on the organisational role of

employees conceived as a bridge between internal personnel/clients that those that are external:

“We hope that the mechanism which we are constructing will ensure that each person in his specific role – even before the reference function – will connect and compare himself with other people, inside and outside the company, starting with an ability to understand their needs, including contingent ones. All personnel management and motivation effort is aimed at maintaining this role/person consistency. Thus learning and role behaviour, certainly understood as technical-specialist knowledge and overall as an ability to ascribe value to persons and to the relationship between people, with the knowledge that the latter attitude should not be so difficult for those that work inside here but also that – despite appearance or prejudices – the reference to persons does not mean abdicating efficiency. In other words, we are convinced that this value is such, not just on an emotional and ethical level, but as a lever for success in business, because ultimately it promotes an orientation towards both internal and external clients” (Training Manager).

On the basis of these presuppositions, the plan and catalogue of personnel training/updating courses – usually held at the company training centre by internal staff members and external consultancy experts – comprise both managerial training initiatives (leadership, etc.), and ‘behavioural’ and technical training interventions (*teamwork*, communication, etc.), aimed at all structural levels. In any case, according to the interpretation of the area manager, the aim is that of starting from role models and professional competences so as to articulate, as far as possible, individual training courses oriented towards the growth of individual persons in their respective roles through the detection of, and constant intervention with respect to, specific *gaps* in both social and technical abilities.

Within the context of CSR, BPM’s action in terms of human-professional growth is flanked by other significant contributions in regard to employee stakeholders. In a very general sense, an initial contribution involves employment: contrary to the different unlike other groups that have actuated or announced significant workforce reductions, the company policy over the last decade – confirmed and emphasised by the current presidency – has not only not undertaken any more or less painful restructuring but has also maintained a certain constant commitment in regard to hiring new personnel. In second place, it is important to highlight BPM’s extensive company welfare system, which includes an internal supplementary pension fund, a cooperative organised in various sectors for socio-cultural and recreational activities (sport, voluntary work, summer camps, etc.) and which accounts for more than 30,000 members, comprising both employees and their families, as well as the Cassa Mutua Assistenza, a non-profit voluntary association, involving personnel still working for the bank and those that have gone into retirement, with various aid and support goals in the health field (assistance through doctors and special arrangement structures, geriatric assistance, supplementary economic assistance, health education actions and promotion of research and early diagnosis). Finally, the system of industrial relations cannot be ignored either. In line with the principle and mechanisms of participation and cooperation, including the more complex and

dialectical ones, this involves a substantial presence of the trade unions in management offices:

“Ours is a trade union focusing on participation, and negotiation is naturally more arduous, often tending to slow down the decision-making process. For some years now we have seen this in discussions on the internal incentives system, where the trade unions constantly argue for a solution in which the individual incentive is related to group incentives, distributed, albeit with different quotas, between the central office and the distribution network. However, the undeniable advantage of this situation is that when a solution is finally arrived at, there is a real consensus, and it is possible to have a very effective internal team of communicators” (Training Manager).

In more overall terms, the impression is that the construction of BPM's 'internal community', which involves - as we have seen - factors of various kinds, and to varying extents, that are characteristic of the BPM world (the more or less linear mechanisms of participation, a shared cultural inheritance, the emphasis on, and practice of, relationality), is in some way the other and undeniable face of the relationship which the company enjoys with the 'external community'. As one interviewee put it:

“It seems that sharing different things between us, having a cooperative spirit and experiencing a certain identification with the company also facilitates our relationship with, and responsibility towards, other communities. The sense of sharing a project and being almost a community makes it possible to transfer the same attitude towards what is external to the company. It is now clear to all companies that having motivated collaborators, with initiative and a sense of responsibility, represents a decisive factor in positively tackling the competitive challenges that lie ahead. Even more so in the finance and credit area where the product is essentially language, knowledge and reputation” (Marketing Management Staff).

The values of ethical finance

Since the foundation in the late 1990s of Banca Popolare Etica (BPE), BPM has established intense and privileged relations with this cooperative, which constitutes the only Italian bank operating in the credit sector with a specific *mission* to promote the new civil economy market and which, during its first five year period of life, has now become an operation with 20,000 partners. Collaboration with BPE was recently sealed by an outline agreement that devotes ample space to strategic and, at the same time, idealistic considerations, on the basis of this partnership. Among other things, the said agreement states that:

“BPM and BPE agree that lasting and sustainable development of the economy, and equitable and joint renewal of welfare policies, require the growth of a plural market economy which, alongside the traditional subjects of private and public companies, will involve the active role of social business subjects. They therefore

feel that the growth of a social market economy, with autonomous and independent subjects, requires the support of finance, as a resource, to assist development of the 'tertiary sector' and the social economy".

In concrete terms, since 1999 BPM has promoted subscription, among its clients and partners, of BPE shares and savings and deposit products (deposit certificates and bonds). Nevertheless, a significant leap forward in collaboration occurred with the switch from the common "finance ethic" profile (being rooted in local territories to help develop the relative economies and communities, with *governance* marked by participation of partners and employees, transparency in relationships with citizens-users, forms of support for growth and the protagonism of the tertiary sector) to the decision to experiment and give expression to "ethics in finance", i.e. the ability - as the protocol again states - to "manage financial resources made available by savers who also expressly require guarantees on the use of their savings to support socio-economic activities aimed at maximising their social utility".

The response to new sensibilities in saving behaviour

The main result of this common research work was the launch, in the first months of 2003, of an offer of ethical funds, called 'Responsible values', which comprises a monetary fund, a balanced fund and a mixed bond fund. More precisely, this line is promoted by Etica SGR, a savings management company which, initially set up with 51% of its capital from BPE and 49% from BPM, has enlarged its shareholding to include two other components - Banca Popolare di Sondrio and Iccrea/Federkasse - chosen, in so far as they are consistent partners from the cultural point of view with the spirit of initiative, to ensure a more robust product distribution front. In the current configuration, BPM remains the second capital partner within Etica SGR, formally belonging to the BPE group though autonomous from an organisational point of view (as an interviewee keenly pointed out, one is not dealing 'with an empty box but a real structure, with an operational office, a workforce of five persons and its own business model).

This long process appears decidedly significant, covering a two year period and leading first to the birth of Etica SGR, and subsequently to the launch of the entire line of "responsible Values", whose funds can now be subscribed by the public through all the bank's branches comprising company axis of SGR. Within this structure, in fact, it is possible to recognise the role of aspects that seem to very much reflect BPM's repertoire, inspired by being rooted in the territory and with a predisposition for networking with economic and social partners, together with an ability to exercise these 'learned competences' in accordance with the continual indications or requirements of social innovation. This can be quite clearly seen in the comments made by the person who, within the context of the marketing function, was most directly involved in coordinating the BPM working group in regard to the project:

"I believe that BPE identified us as a partner for this venture due to our reputation as a bank that pays a lot of attention to the territory and its social dynamics. They came along and told us: "We have an entire series of partners and clients who ask

us not just for credit and savings deposits, but want to start to think bigger, especially as regards investment in ethical funds". BPE, due to its dimensions, could not by itself construct the entire ethical savings management structure, and given that realisation we began to work together on what model would be most appropriate. During the course of this entire organisational-project phase we were organised as a composite and variable group in line with the questions to be tackled: informatics, marketing personnel, then above all the managers of our SGR Bipiemme Gestioni with their legal, technical and financial professionalism" (Marketing Management Staff).

Just as significant would appear to be the lucid (in the sense of being balanced and realistic) understanding of the social needs that this offer is intended to intercept and satisfy and their knock-on effects:

"There is a growing sensibility among citizens (as can also be seen in the demand for biological products or sustainable tourism services) which is now focusing on the need for a more critical employment of money (i.e. the use of savings in compliance with cultural and valorial attitudes). It is not a question of a "moral" use of money, but of a new and alternative financial culture which privileges (in addition to an expectation of a good return) greater awareness in regard to the destination of one's savings. Then too, there is another point to be considered: in Italy today the assets managed using ethical funds represent some 0.5 or 0.6% of traditional asset funds, whereas in Europe they already stand at 3-5 % and in the USA 7-8%. One may therefore reasonably expect an Italian trend towards progressive alignment with these indices, though this will depend to a considerable extent on the decisions made in the future by institutional investors (pension funds, foundations, etc.).

For BPM, this initiative constitutes a quantitatively reduced part of its managed savings business, in regard to which, however, an innovative and original decision has been made. We know we have an excellent and distinctive product that can be directed at the entire non-profit sector, including religious structures and clients who feel social and civil commitment is important" (Marketing Management Staff).

This would involve an orientation that combines a sense of importance (and the value of responsibility) with caution towards one's presence in ethical investment, which seems to more globally reflect both a 'discrete' and *below the line* style in the promotion of SRB commitments and to the orientation towards the client - in a very extended sense - to which we have already referred.

The proposal of a distinctive model

From a technical point of view, which at the same time, however, reflects a 'courageous choice' (Marketing Management Staff), the offer of ethical funds by Etica SGR, and therefore also by BPM, comprises at least two unique characteristics. The first is that of exclusivity. Through its proposal of 'Responsible values', Etica Sgr, unlike the other (and small number of) Italian companies which promote the rest of the approximately thirty

ethical funds on the national market, dedicates its energies solely to this line of business. This strategy, which on the one hand may affect the entity of the investment carried out in organisational and programming terms, has on the other given rise to a model that seems difficult to imitate, precisely due to the mixture of ingredients which have contributed to its formation:

“All things considered it would have cost us a lot less to simply add an ethical fund to our range of traditional funds, profiting from the consequent operative advantages guaranteed by our excellent Sgr. Moreover, we were not entirely absent in the sector since we had previously created an ethical property fund called Investietico. But what we obtained with Etica Sgr seems to me a quite unique result in Italy, perhaps even in Europe, one that cannot be easily replicated because it arises from relationships and reciprocal fiduciary agreements, all of which are things that cannot be copied or easily acquired on the market” (Marketing Management Staff).

Secondly, “Responsible values” constitute the first Italian ethical funds certified with the ethical quality trademark of Ethibel, a Belgian company which – on the basis of a system of data collation and international accreditation indicators – produces periodic selections of companies which, in various countries, comply with standards not only as regards the production of value and wealth but also socio-environmental responsibility. Ethibel thereby provides lists, which are continually updated, of those capital companies in which ethical investments can be made by financial managers with a credible guarantee as to their use. Furthermore, the Board of Directors of Etica SGR, which avails itself of the collaboration of BPE’s ethical Committee, also tends to use, with a certain critical freedom, Ethibel’s indications, deciding on the basis of its own evaluations – as happened recently in regard to an Italian company – not to consider companies even though they are on the international list.

Ultimately, therefore, there are no lack of indicators – qualitative and quantitative – which justify one in defining this experience as an excellent sustainable finance structure:

“I think that for the moment we can consider ourselves satisfied: the model and the network that sustains Etica Sgr have their own specificity, which the market can appreciate. There is also the competence and experience of BPM; the reputation of BPE as a leading subject in the civil economy; professionalism of Bipiemme Gestioni, which is the tenth Italian SGR; the recognised rigour of Ethibel... In terms of numbers, and taking into account that this is still a niche market, the results just a few months from the launch are by definition provisional but, I believe, encouraging” (Marketing Management Staff).

Networking in sustainable finance workshops

The evaluation of the manager who, on behalf of BPM, was primarily responsible for the Etica SGR project reinforces the idea that this result more generally represents the tip of the iceberg in terms of the significant participation of *backstage* work – networking,

reflection, the search for convergences - which in recent times is involving protagonists in the economic and financial world as regards the subject of CSR, sustainable finance and local development. From this point of view, BPM is present at various sector tables, such as Sodalitas/Milano, and the ABI working group dedicated to CSR. In addition, participation in the 'Sustainable Finance Forum' is particularly significant, a place for elaboration and discussion (and in turn included within a European network) which brings together heterogeneous stakeholders - like ABI, ANIA, Federcasse, CISL nazionale, the Mani Tese association, Lega delle Cooperative and individual banks and Sgr - and which is also assuming a more decisive indication and proposal role in regard to public authorities and regulators on general or more specific subjects linked to the sustainable economy (e.g. recently, the Forum hearing at the Ministry of Welfare concerning pension funds). Moreover, adherence to this network seems to be in line, once again, with a BPM style of action which - in a succinct and rather evocative manner - could be expressed by the three concepts of "relationship", "experimentation" and "innovation":

"The Sustainable Finance Forum is an interesting table for discussion precisely because it is composite, being a multistakeholder. One finds oneself within an atmosphere that gives a sense of what is happening in the world of sustainable finance, creating culture and common experience. Then too replies and solutions come to the fore, and we are in fact now concluding an analysis of the transparency of ethical funds. Not least because people are quick to use the term 'ethical fund', though there are at least four generations of them, in accordance with the style of financial management involved, and not all of them permit the subscriber to easily evaluate and understand them. Having closed this phase we are now looking for an SGR that is prepared to apply the resulting indications, with our Ethical SGR acting as pilot-experience" (Marketing Management Staff).

Social design as pluralism and strategy: from elaboration of thought to structuring of the CSR process

A feature that seems to globally distinguish BPM's commitment to CSR consists in the reciprocal implication and fertilisation between the internal and external aspects of its organisational action. This can be seen in a sort of virtuous circle involving construction of the internal community and the care (in business as in other initiatives) devoted to the external community. From what has been seen above, it can be repeated with respect to the research and experimentation plan in the field of the new (possible, hoped for, practicable) models of sustainable socio-economic development, primarily on a local scale. In this field there is a decidedly advanced level of elaboration of thought and 'vision', which clearly emerges from the numerous pages of the site dedicated to the subject of 'economy and society':

"Bipiemme's commitment towards civil society goes back a long way in that it was a founding value of the original cooperative bank, closely connected to the destinies and needs of local territorial development. Over time we have reinforced our conviction that furthering the economy and society correspond represents an intelligent strategy. The competitive capacity of companies depends on context

variables (regulations, restrictions, incentives, structures, opportunities, compatibility, interconnections), together with the quality of the context (infrastructures and services, administrative and organisational efficiency, human capital, social and environmental quality), all of which represents a crucial condition for the flow of investments and the production and distribution of value. The competitiveness of a territory and a local economy is ever more affected by the level its social cohesion, its organised service networks and structures, the security of social interaction and the degree of collaboration between socio-economic representatives and institutions. Hence our attention devoted to, and collaboration with, the many subjects in the social and civil economy which, in their solidarity and business activities, increasingly need to combined generosity and the spirit of donations with a new managerial culture and an innovative exploitation of the credit system in order to liberate courageous capital in the support of economic, social and environmental quality”.

It has been possible to consider how this distinctive project work, undoubtedly sustained by an exquisitely internal matrix comprising history, experience and values, can be translated in an evolutionary but constant manner into concrete linkage modalities with other subjects committed to the promotion and, even more so, the elaboration of sustainable economic approaches (from sector discussion tables on ethical finance, to the tertiary sector and the protagonists in future municipal welfare).

A third level in which in which it is possible to perceive syntony and specularity between internal and external dimensions of the composite practice of responsibility involves the pluralistic style that characterises BPM's commitment in this context. With respect to the exterior, pluralism can be seen in openness to a wide variety of subjects and interlocutors, with which the company dialogues on these matters, and with which (or for the benefit of which) it concretely realises its market or social value interventions. This heterogeneity is matched on the internal front by a disseminated, dispersed and even destructured approach in the way the company manages its presence and its CSR investments. For the moment, there are no channels and formal instruments in BPM like those that elsewhere accompany and organise social responsibility behaviour, such as ethical codes, ad hoc organisational figures/functions, or the drafting of a social report. There is not even a unified observatory to more or less systematically (if not hierarchically) superintend this operational and decision-making field. In point of fact, there are a large number of organisational channels through which CSR commitments can arise, flow and be coordinated, which range - depending on factors such as the field of intervention or consolidated relationships of particular representatives or work groups with social interlocutors - from senior general management, to the presidency, to the various functions and their committees, with a distinctly propositive role played by marketing and external relations management. One of our interviewees provided us with a telling metaphor to convey an idea of the situation regarding CSR praxis in BPM, an image that is couched in positive terms while not excluding the possibility of further developments in the current situation:

“I would define our presence as an archipelago of responsibility, where different people, in different functions and roles, do not feel indifferent and neutral with respect to an awareness of the social effects of their banking activities. But they are

not islands that remain separate from each other, because there are harbours and places where they can meet and relate to each other, within the bank and outside. In all this, it would not perhaps be inconsistent to introduce a lighter and leaner structure, one that creates more order and which above all is functional in creating a still greater circulation of experiences, but without any hierarchical cumbersomeness that would, in my opinion, put at risk the very creativity which has to date allowed us to gain some highly significant experiences. The same can be said as regards the social report: We have already carried out some sporadic analyses, and I would not at all exclude the possibility that over the short term serious thought begins to be directed to auditing our activities in a more articulated fashion. Then too, there are so many instruments available and we do not, on principle, have any obsessions or preclusions” (Marketing Management Staff).

In effect, an indication of a possible slight re-orientation in the near future, in the sense of greater ‘rationalisation’ of the company’s various CSR subjects, is provided by the inclusion and consideration of this field of action within the strategic marketing plan for 2006, and probably for years to come.

“Past years saw the foundations being laid for our specific approach to CSR: elaboration of concept, relations with internal and external stakeholders, production innovation and experimentation etc. There has been the creation of a climate, a sensitivity, including in regard to competences which just a few years ago would have been unthinkable within the banking sector. It could now be the case that we have reached a moment when it is time to reorder our design and commitment themes, to reduce the risk of excessive dispersion and limit any disadvantages – while maintaining all the advantages – that may arise as a result of ‘spontaneism’” (Marketing Management Staff).

In conclusion, various scenarios have opened up in the current phase, motivated and sustained by different logics and priorities. But perhaps this is precisely the effective meaning (and destiny) of pluralism and experiential cross-fertilisation.

BOEHRINGER INGELHEIM ITALIA^{(*) (**)}

Economic value and ethical value: the assertion of a necessary reconciliation

Fabio Cecchinato and Marco Leonzio

Introduction

Actions of Social Responsibility realised by Boehringer Ingelheim Italia - and the conditions that have permitted that realisation - provide many points to reflect upon. Interviews with the top management of the company and analysis of official documents, in fact, have permitted us to reconstruct an overview of the complex modes of intervention and their meaning in the eyes of organisational protagonists.

Boehringer Ingelheim, a German multinational of family property, with 33,000 employees throughout the world and 6 billion Euro of turnover, is the 17th largest pharmaceuticals company in the world and has been present in Italy for over thirty years. The case presented takes into consideration the practices of social responsibility realised by Boehringer Ingelheim Italia, which are ascribed to three types of intervention: The Ethical Charter, actions towards employees - for professional development, valorisation of diversity, the quality of life - and initiatives towards society, which include medical prevention in the territory, beneficial initiatives and the dissemination of information.

We were particularly interested in a series of organisational aspects of social responsibility practice; while the types of intervention mentioned constitute articulation of the analytical part of this case study, these organisational aspects are the keys to interpretation that we built during the work, and which were utilised as instruments to re-examine and discuss practices. In order to make them explicit and accompany reading of the case study, we felt it was opportune to provide a list of these keys of interpretation in this Introduction:

- The balance between autonomy and centralisation in the organisation of responsibilities in a multinational firm;
- The connection between social responsibility and business strategy;
- The role of the structure of ownership;
- The relationship between social responsibility and organisational culture;
- Expression and instrumentality: the meaning of responsible action;
- "Modesty" and narcissism: the communication of responsible action;

^(*) Fabio Cecchinato and Marco Leonzio prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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^(**) We thank Boehringer Ingelheim Italia for their willingness to participate in the project, in particular: Silvano Berio, Sergio Daniotti, Enrico Fazzini, Christian Fechner and Wilson Salemme.

- The role of the formalisation of codes of conduct in the organisation of responsibility;
- Individual freedom and organisational control: the attribution of responsibility;
- Permeation and outward appearance: the persuasiveness of ethics.

The Company

Origins and evolution

In 1885 Albert Boehringer founded a company with 28 employees at Ingelheim, in the Rhineland. The original entrepreneurial idea was to exploit in an innovative manner resources to which there was easy access - the numerous vineyards in the area - in order to produce substances for the foodstuffs industry.

A few years later, however, the company began to develop chemical and pharmaceutical research, orienting their development towards the division in which the Group was to continue to operate, down to our own day. In addition to the continuous attention towards research, another characteristic connotation of the endeavours of BI since their inception has been their attention towards the workers. The health fund, pension fund and 14 days of paid vacation per year were instituted at the beginning of the last century.

BI continued its development between the 1920s and 40s, succeeding in surviving both the war and the New York stock market crash, becoming one of the largest German pharmaceutical companies, with over a thousand employees. The growth of business beyond the national borders began in the fifties: a period of formidable development led BI to reach 7,100 employees worldwide in 1966.

The beginning of the 1970s marks the birth of another area of business: alongside products oriented towards the healthcare and well being of humans, the veterinary area was created. Bohringer Ingelheim Italia was also constituted at this time: in 1972 the productive facility in Reggello, near Florence was inaugurated. In 1973 the first share participation was purchased in the De Angeli Institute (completed in 1991) while in 1981 in Fornovo S. Giovanni, in the Province of Bergamo, Bidachem S.p.A. was opened, with the objective of producing fine chemistry products and active principles for the pharmaceutical industry.

The development of the Group, drawn forward continuously by research and the synthesis of new products, reached global dimensions in the 1990s: at the end of 2001, the firm was present in 140 countries and employed almost 28,000 persons.

The need to face increasingly complex situations and contexts has spurred Bohringer Ingelheim towards a cultural and organisational evolution. The policies and initiatives discussed below are an expression of this, as is the changing of hands of operational management of the business from the family to a Board of Managing Directors.

Currently, the size of the Group worldwide has reached some 33,000 employees and about 6 billion Euro of turnover, as already stated in the introduction. The company is also among the first 10 companies in the world in terms of growth; BI Italia reached a turnover of 270 million Euros, with about 500 employees, during the last business year.

Activity and markets

Boehringer Ingelheim's activity involves the production and marketing of chemical and pharmaceutical products for human or animal use. The Group's legal home office in Italy is at the productive facilities in Reggello (Florence); the central staff and commercial management offices are in Milan, while administrative activities are divided between the two locations.

Research

The new research centre in Milan began operation on the first of January 2000. Having inherited the experience of the Istituto de Angeli, whose roots go back to the 1930s, the Milan chemical centre is dedicated to molecular research, on the basis of which new medicines are created or existing products are improved. Italian research is developed in close collaboration with the Biberach centre in southern Germany, which uses molecules selected in Italy to perform biological research in important therapeutic areas and to start development and clinical experimentation.

Productive activities

The production of pharmaceutical active principles is realised at BIDACHEM in Fornovo S. Giovanni (Bergamo), one of the four chemical centres of the Group in the world; in Italy they deal with fine chemistry, especially the production of pharmaceutical active principles. Their activity, for which they avail themselves of the collaboration of about 90 persons, is directed towards pharmaceutical companies in the Group and towards third parties.

Pharmaceutical production in Italy, instead, has been located in Reggello, near Florence, since 1972. Following thorough restructuring between 1995 and 1998, the Reggello site has become one of the five productive poles in Europe. The facility, which employs approximately 300 persons, produces half of the total volume of packaged medicines for export and like BIDACHEM, is capable of producing for third party industrial clients.

Markets

Three different commercial divisions in the company refer to the following three markets:

a) Prescription and hospital drugs division

Articulated in 7 product areas (analgesic/anti-inflammatory, cardiovascular, gastroenterology, infective diseases, neurology, pneumology, urology) the prescription drugs division is the area where the firm's greatest efforts towards innovation and production are made.

Reference clients are first of all the medical class and hospital administrators, towards which the direct action of about 70 Scientific Pharmacy Informers is directed.

b) Self-medication and well-being products division

Born in 1982, this division proposes two distinct lines of products:

1- Over the counter medicines that can be purchased and utilised directly by patients for small, easily diagnosable and curable pathologies. This group includes, among others, cough medicines, influenza medicines, laxatives, etc.

2 - Products for well being and top of the line natural integrators, distributed exclusively in pharmacies under the trademark *Pharmaton*.

c) Veterinary division

Part of the research carried out by the company is directed towards well being, health and prevention in animals, including pets, sports animals and animals that produce income. The division has a special network of Medical-Scientific Informers in the territory.

From *Constitution* to forms of responsible action

The ethical charter or constitution, in 63 articles

The responsible action most commonly cited by the managers interviewed, which best expresses the meanings they associate with Corporate Social Responsibility is the “Boehringer Ingelheim Italia Ethical Charter”, which was drawn up by the Italian management and officially disseminated within the company on occasion of the 2003 VTI⁵⁵.

“The ethical charter is like a constitution”, explained one of the managers during the interview, and its structure in 63 points effectively resembles the constitutional charters of western tradition. Nevertheless, this manager clarified, it is not a “code”, as the dimension of prescription is definitely lacking. Not only this, but there is also no detailed description of what is permissible and what is not. In this sense, the Ethical Charter rather assumes the form of a series of commitments that the company makes and that they ask all of their collaborators to make, formulated in a series of brief assertions, having a maximum length of two phrases. The commitment and tension of individual and organisational action foreseen by the Charter therefore have the value of a form of orientation, with respect to which alignment is requested in everyday operations: “All of us, from the Scientific Informer to those whose work entails international responsibilities, must have clearly in mind what can and cannot be done”, even if the lines of conduct are not regulated in detail, but through the personal elaboration of the general orientation provided by the Charter. The calling of individuals to responsible action is explicit in the material utilised during presentation of the Ethical Charter during VTI 2003, which requests each individual to make their

⁵⁵ Il VTI, the acronym for Value Trough Innovation, is the annual appointment dedicated to communication between employees and top management. It normally lasts one day, and represents a moment of communication of information on the present and future of the company, but also of aggregation and a gesture of institutional attention. Value Trough Innovation is the motto utilised at the corporate level in institutional communications.

own free, personal contribution, not determined by awards or punishment, but by the willingness to be in harmony with oneself and others, and to submit to the control of one's own conscience”.

Comparison with another corporate document that has been present in the company for some time, whose contents have been translated into Italian, but whose title - the *Leitbild* - the “guiding image” of the organisation, has remained in the original language, may be interesting in order to understand the meaning of the Charter. It is a short text of about seven pages, which demonstrates at least two typical connotations of the communication of a valid *vision* for the entire organisation, starting from the careful selection of vocabulary, typical of this type of document: the assertions contained in it often have “we” as the subject, with the clear intention of not only encouraging readers to share the statements, but to involve persons and create a sense of belonging; there is also the frequent use of verbs in the future tense, which creates tension towards a desired situation. As a synthesis of the characteristics of the organisation, its business and values, the *Leitbild* is an extremely condensed profile of the Boehringer Ingelheim company as it is today and as it will be tomorrow, whose primary intent is to show *what we are* and what we would like to be or to do, leaving in the background the dimension of *what can be decided today* in order to attain this, as opposed to a different future. A brief reconnaissance will allow us to bring out the difference between the *Leitbild* and the Ethical Charter.

The document is divided into four brief chapters and a preamble, which contains a historical note on the company, its mission and several distinctive traits of the firm, such as being a family owned business and the focus on maintaining the Group's profitability rather than on optimisation of profits over the short term. The four chapters are dedicated to the description of the divisions of activity (1), the close relationship between Research and Development and technological innovation (2), the essential traits of the organisation and its managerial style (3) and, finally, the company culture (4); the latter describes several key characteristics of Boehringer Ingelheim employees - being mobile, self-confident, creative, ready to accept responsibility and capable of global thinking, just to cite a few - and the relationship between the company and employees, based on recognition of commitment, responsibilities accepted and objectives reached.

“The *Leitbild* is the shareholder's vision” recounts a manager. “With the Ethical Charter, we want to make our thoughts available in written form”, intending with “our thoughts”, the set of commitments the Italian management makes for itself and its employees. The Charter is therefore presented as an articulated instrument of support for decision making and orientation for daily behaviour; the primary objective is not to inform in this case, to create *commitment* around the present or desired future image, but to guide individual behaviour towards the creation of value through action that is not only compatible with, but directly inspired by a set of values that define the concept of Corporate Social Responsibility - cited explicitly among the inspiring principles - in a shared instrument regulating a single network of relations, which includes the totality of internal protagonists and external stakeholders, whether they are clients, health institutions, associations, suppliers or competitors, etc..

The first of the Inspiring Principles that precede the chapters of the Charter is precisely the creation of value: “Boehringer Ingelheim Italia means *“staying together to create value”*. The glossary attached to the Ethical Charter helps us understand that *staying together to...* is “conviviality for the purpose of reaching a result”, therefore it is a goal that is “determined and programmed”; the dimension of collective professional collaboration within the company is, on the other hand, taken up by another of the inspiring principles, which asserts that: “the company’s activity valorises and favours collaboration and reciprocal learning”; and the importance of this conviction in the system of meanings that sustain the Ethical Charter is such that “*Staying together to...*” is the title of the entire document.

The meaning of the term *value* instead, is made explicit by the assertion that “ethical value is economic value” and by another of the inspiring principles: “Boehringer Ingelheim Italia is a witness of the concordance possible between economic and ethical value”. The management’s conviction of the fundamental possibility of reconciling conduct that is considered ethical with the logic of profit is taken up here with great emphasis and becomes the subtitle of the entire document: the fundamental indication is that action is oriented by several commitments and by particular values, with the conviction that this is the company’s duty in the world, but that this – directly or indirectly, in the short or mid term – will end up having a positive spin off in terms of the economic value of the organisation.

Following the premise on the inspiring principles, the Ethical Charter is articulated in eight chapters. The first two chapters are dedicated to the internal life of the organisation; the next four chapters deal with relations with external stakeholders, while the last two deal with the Charter itself, dissemination of its values through communication and the forms of control and evolution of its commitment.

The first and longest chapter of the Ethical Charter – “The organisational and management model” – is a list of commitments that regulate relations between the company and its employees. These commitments are in fact dedicated to the company’s managerial style, and involve questions of security, listening, involvement, error as an opportunity for improvement, the values of participation and exchange, as well as consideration towards the themes of diversity and professional realisation. The style of management is not limited to regulating the system of internal relations in the company, but is also enlarged to the systems of management and organisation of activities directed externally; point 12, in fact, states that: “Productive and commercial practices are not neutral with respect to the ethical commitment”. The indication, therefore, is to adopt behaviour inspired by the involvement and respect of persons who occupy any position in the network of relations that unites managers, collaborators, clients and suppliers. The commitment in this direction – which we shall deal with in greater detail in the following paragraph – has historical roots in BI Italia and has precise references in the company’s managerial training and orientation.

The second chapter is dedicated to the “Lifestyle of the company and the internal climate”. It is centred on the creation of meanings that can in turn build up the commitment and sense of belonging of the persons, with respect to the company

identity. The reflection on leaders is interesting. Four of the 12 points of this chapter are dedicated to this subject. A leader is defined in the glossary as a person who “indicates the road to follow in advance, and traces it out for the benefit of the group”. The leader is therefore a person who testifies to the identity and commitment of the company, who assumes responsibility and “takes it upon himself” to ensure the professional development of collaborators, favouring their “responsible commitment” and “freedom of proposal”. The themes of involvement and participation therefore come up again at this point, but also the theme of testimony; the individual who represents the company is a question that comes up frequently in the interviews realised with managers, in the form of attention towards each individual employee, who – in the words of a manager – “recount the story of Boehringer Ingelheim in the eyes of the outside world, in their own words” both during their professional activity and in private life.

The other fundamental component in building a company climate and lifestyle centres on the aspects of the production and dissemination of knowledge. If “each person produces ideas and acquires ideas from others, competition in the generation of new ideas” and willingness to listen actively become motors in the promotion of knowledge, while the processes tied to the collection and dissemination of ideas within the ambit of the activity of internal communication become the instruments of its assertion. The tension towards continuous improvement and building a climate that favours it, typical of organisations with a strong research component, are identified with these words.

The following three chapters of the Ethical Charter define the concept of responsibility in relations between the company and the social subjects that are interested in its action. The intent of the third chapter, in fact, is to include environmental protection and the respect of men and animals among the values of Boehringer Ingelheim, and to indicate institutions and associations as points of reference for the company’s action in the field of environmental protection. With the four points of this chapter the Ethical Charter includes two new elements. The first concerns the consideration of social actors who are formally outside the company, who interact with the company in roles of control or collaboration on initiatives to safeguard the environment. For a chemical-pharmaceutical company, a stable reputation as a company that pays attention to environmental themes guaranteed by clear and stable relations of collaboration, may be of great importance. The second new element is that with this chapter, the potential audience of actors interested in reading the Ethical Charter is also consequently enlarged: although we may presume that there is a particularly attentive reading of the first two chapters of the charter by internal organisational protagonists, the chapter dedicated to “Enterprise, society and environment” seems to be addressed to institutional readers, external stakeholders and those who, inside the organisation, plan or realise initiatives that have a spin off in terms of the environment; with this, the charter enlarges the objective of its communication, from a reference for daily action for Boehringer Ingelheim personnel, it has also become a document providing an institutional guarantee for a greater number of stakeholders, and in this function, it may be compared to the Leitbild.

Chapter four is dedicated to the commitments that Boehringer Ingelheim has made towards consumers, and all of the ambits of company responsibility are defined, which concern distribution, correct use, the manner of promotion, communication and information on the characteristics of medicines. Among the social actors explicitly cited in the Ethical Charter, clients are therefore also mentioned. Clients' health becomes the object of attention of a network of organised actors - the locations of research and scientific documentation" are cited here, as well as "specialised institutions" - whom the company promotes and coordinates. The health and well being of clients, the overall quality of products and services supplied to clients and client satisfaction are therefore the centre of attention in this chapter.

The relationship with the market is the subject of the fifth chapter. The map of stakeholders taken into consideration in the Ethical Charter is enriched with other actors in this chapter: suppliers, partners and competitors. Although the commitment towards competitors is to build loyal competition towards a common commitment in the creation of a socially accepted image of the division, realised through "the respect and implementation of deontological shared behaviour", the proposal of collaboration becomes more stringent towards suppliers and partners, with whom it is desired to instil a relationship of "negotiation, but also of collaboration", and that "pursuing mission objectives must be associated with the company strategy".

"Boehringer Ingelheim Italia's social responsibility" - states the title of the sixth chapter - completes the set of actions that the company intends to take within the ambit of corporate responsibility. Among these, the commitment towards health education, support of pharmacological cultural development and the willingness to take action in the event of health emergencies, but also support through expert opinions or other professional contributions. A dialogue is therefore opened with stakeholders involved in such initiatives, which include, in addition to institutions, organisations in civil society, associations of the sick and health workers.

The last two chapters have as their subject the commitment in promotion of the Ethical Charter itself and monitoring of results with respect to its observance. The seventh - made up of only two assertions - contains the commitment to implement clear, constant and stably oriented communication of the values contained in the charter. The last chapter, instead, contains explicit references to responsibilities with respect to the manner of development of actions in relation to the commitments made with the document; the "developing commitment" - which concerns the internal dissemination of the knowledge and observance of the Ethical Charter at Boehringer Ingelheim Italia, the instruments for its communication - internal communication, training, active testimony of managers and collaborators - while control of observance of the charter is entrusted to an external organ. The Independent External Committee of Control, in fact, "periodically verifies observance of the Ethical Charter and expresses an articulated judgement of approval, criticism or stimulus in relation to concordant or discordant findings"; on the basis of the observations made, the responsible party will "adopt opportune initiatives of information, training and testimony to correct non-conformities".

The Ethical Charter therefore concludes with a system of monitoring of its actual

efficacy in orienting behaviour and with a brief but incisive glossary, which we mentioned previously. After its official presentation at the VTI 2003, the document was distributed to all employees; to increase its diffusion – and the collective understanding of its contents – division directors were invited to create moments of meeting and debate with their collaborators. “Everything will be progressively aligned with the Ethical Charter” they explained, first of all the methods of Human Resources management. In the light of its principles, for example, the profiles of competence expected and the system of evaluation based on competence, the planning of training (several seminars will be dedicated to the “Ethical Charter”) and pay schemes, while a balance scorecard is also being studied.

The challenge, according to managers interviewed, remains dissemination of the Ethical Charter and its effective adoption as a reference in behaviour. There are no illusions in this connection, and the time foreseen for widespread alignment is approximately three years. Investments in view of this objective amount to 200,000 Euro, to which the costs of the campaign for external dissemination must be added (space in the press, press conferences, perhaps a foundation); “I don’t think we will be selling very many medicines in exchange for these costs – one of the managers interviewed sustained – but I do think there will be a return in terms of competence”. There is widespread awareness among the management that the road to travel will be long, but it is an equally radicated conviction that the assertion of the principles of the Ethical Charter is a point of no return. Two thirds of the *statements* in the charter at this time are mere desires, but this is not a worry. On the contrary, this assertion sounds rather like a challenge that has been launched for some time now.

Forms of attention towards employees: the quality of relations, possibilities for growth, health care

The order of appearance of recipients of social action in the Ethical Charter coincides with analogous priorities encountered in interviews with managers, during which employees and their families were cited as primary recipients of ethical initiatives.

Many shared the idea that “The first stakeholders [of ethical actions] are our own employees; corporate responsibility means first of all attention towards how you manage people”, with explicit reference to the relationship between managers and collaborators, to the quality of communication and the style of management in general. For many years, Boehringer Ingelheim Italia has invested in managerial training, in the conviction that listening, involvement and information are key elements in the development of a shared leadership and the authoritativeness of a manager, which “is recognised by the help he is requested to provide”.

Since 1994 and until the present Boehringer has realised a series of intervention in favour of managerial development, of a particularly advanced conception. The first step was the realisation of a series of seminars on leadership, of considerable intensity and duration, in which many employees with management responsibility towards people participated. The model of leadership developed by Boehringer and disseminated on an

international level was presented in a document entitled *Leadership and Vision*, of which we reproduce following herewith the main points:

- *Realising our vision* is our purpose;
- *Improvement* is our ambition;
- *Teamwork* is our duty;
- *Tenacity* is our character;
- *Communications* is our key;
- *Delegation* is our duty;
- *Producing results* is our objective.

It is an intervention realised on the international level, in all national Boehringer organisations, in a manner that was in conformity with the requirements of coherency and homogeneity, with the willingness to consider and valorise national differences. The work of initial planning, in collaboration with the Top Management, was performed by the prestigious Business School of Ashridge, after which a school of training was selected in the various nations for the realisation of the project, and an edition of the programme designed for trainers for socialisation of the basic idea of the project, in view of its executive planning in the various national versions.

At the end of this programme, a project of consultancy was started regarding individual roles, directed towards a group of top managers, after which they were called upon to be mentors of other, second line managers. In 1998 a training project that was to last several years started on coaching on managerial style for most persons with a managerial role.

This investment in the development of management corresponds to organisational and strategic requirements, such as the need to favour horizontal and inter-functional working processes, transversal with respect to the vertical functional divisions that had traditionally characterised the company and the need to start processes of individual and professional development in a context characterised by a high level of company seniority and extremely long internal careers.

This had contributed to the assertion of a widespread sentiment of responsibility, not only towards the quality of relationships, but also towards the development of persons, which passes through important pathways of training, but also through the direct involvement of everyone in sharing information and projects for the future. An example of this attention is VTI Day. It was not by chance that the event was used as an opportunity to launch the Ethical Charter.

Consideration for people is today complete not only in terms of quality in the field of the relationships that unite collaborator, manager and company, but also in the form of attention towards the life of the individual, inside and outside the company. The concept of responsibility therefore assumes an enlarged dimension in the historical evolution of Boehringer Ingelheim Italia, towards interest for the professional realisation and quality of life of individual collaborators and their families.

Forms of attention towards diversity come under this heading, as do actions towards

effective concession of equal opportunities for men and women. In this direction, policies of *diversity management* have been instituted, which express first of all the numerical relationship between men and women in the company: although only 4 out of 45 managers are women, among clerical personnel the number is balanced and among the ISF the percentage of women is 60%. The 10% percentage of women directors can also be traced to management development policies, which privilege internal growth: within the intermediate fabric that privileged men in recent decades and in the context that by tradition insertion from the outside is not favoured, a lower number of women could aspire to management positions; where instead – as in the clerical category and among commercial collaborators – the original insertion was not imbalanced, nor did turnover permit policies of attention towards the possibility of insertion and growth of women to be realised more quickly.

Nevertheless the numerical relationship between men and women in the company is neither the only nor the most interesting element in policies of *diversity management*. To facilitate the entry and development of women would not have much value, in fact – as it was explained in the interviews – unless women were permitted to conduct a professional life compatible with their family life, in particular, with the role of mother. In this direction the possibility of utilisation of part time was instituted in the company, first of all, and later the possibility to work at home through tele-work (with the consequent reduction of part-time); an even more complex challenge in this direction is the attempt, currently underway, to reconcile the need for flexible hours with rhythms of production and therefore introduction of working hours favourable to people working in the productive sites of Reggello and Bergamo.

A coherent initiative with respect to other facilitations for women employed at Boehringer Ingelheim is the institution of two nursery schools in the Milan and Reggello offices. In both cases, an important aspect of the initiative is constituted with the integration of requirements of employees and the objectives of the company with those of the territory.

- In Milan, the nursery school is capable of hosting some 30 children and is managed by an external contractor. It was realised inside the company structure and is simultaneously open to the territory: in fact 6/8 places are reserved for families from the surrounding area. The expenses for this are also shared. The annual cost for management is 240,000 Euro, of which 90,000 are reimbursed by the City of Milan.
- In Reggello, the situation is partly different because of the more limited number of requests for the service within the company. In this case it was chosen to sponsor the costs of restructuring the city nursery school and of doubling the possibility of hosting up to 20 places, of which 7/8 are reserved for Boehringer Ingelheim employees and the others are reserved for the citizens of the City of Reggello. The company contribution in this case was 50,000 Euro.

The success of the initiative – which can be verified by the number of participants among the employees in the service offered – is accompanied in the account of managers not only by the gratification of having effectively made life simpler for several people, but also the pride of having been “the first” in Europe to have realised a nursery school inside the company premises of Boehringer Ingelheim.

Although in the latter case attention towards employees assumed a form of support in the organisation of the daily life of those who have families, this attention was expressed – in another case through tried and tested forms – by making a series of free diagnostic examinations available for the prevention of oncological pathologies. During 2002, the campaign was for prevention of breast, uterus, prostate gland, and skin pathologies. Between the two facilities in Milan and Reggello, 180 pap tests, 210 gynaecological and breast examinations, 55 PSAs and 400 dermatological examinations were performed. Following the initiative further examinations were performed for persons at risk, in 73 cases in Milan and 79 cases in Reggello.

Initiatives towards society: widespread prevention and beneficial initiatives

The interpretation of the concept of Corporate Responsibility enacted by Boehringer Ingelheim Italia foresees, alongside initiatives in favour of employees, widespread action to provide assistance and prevention in favour of social actors outside the organisation. Although individual employees remain the main object of consideration by the management in this phase of evolution of the concept of Corporate Responsibility, other recipients of initiatives realised in Italy and throughout the world are also included alongside them.

While Italy was proposed as an innovative country in the international panorama with the development of BI Italia's Ethical Charter, in realising beneficial initiatives, Boehringer followed a consolidate practice within the group. Alongside the direct commitment in making donations – the parent company disbursed a total of 5 million dollars in favour of a variety of subjects – projects for facilitated access to the company's pharmaceutical products were also realised. "The compassionate use of medicines – they explained – may be realised when a qualified actor (for example a University) is carrying out important research, or when, faced with a serious illness, existing medicines turn out to be inefficient or unavailable". The example cited most often by managers interviewed was the donation of Viramune on an international level, in favour of the project *Prevention of Mother to Child Transmission*. The project envisioned unlimited diffusion in 39 countries for a period of 5 years of this medicine, which is capable of preventing maternal-fetal transmission of HIV. In addition to a wide geographical articulation and the deployment of considerable resources, realisation of this initiative required the company to face various types of obstacles: from problems of an organisational nature – the utilisation of the medicine required the management of complex protocols and direct action in villages of competent persons – to cultural obstacles – a mother who does not breast feed her child may be refused by the village but, if she does breast feed, it is extremely probable that the child will die.

Initiatives directly organised by Boehringer Ingelheim Italian have also involved organisations of various types operating in Italy and abroad and have taken the form of both direct contributions of economical resources and fund raising. During 2002, for example, 10,000 euro were contributed to projects for social development in Mozambique, through the association Onlus AS.SO.MO, while a project in Zambia realised by the Association of Friends of Monsignor E. Patriarca received benefits for

37,000 euro. Initiatives involving less commitment of funds, for example, involved the purchase of instruments for the Intensive Therapy Unit of the Santa Maria alla Guccia Hospital of Valdarno, maintenance works for the Masaccio Museum of Sacred Art, or contributions to several health projects realised by the Africa Solidarity Group. Some projects of the African Medical and Research Foundation (AMREF) were financed indirectly, through the purchase of 5,000 copies of the book by Giobbe Covatta entitled *“L'incontinente bianco”*, which was given to infectious disease specialists and health workers instead of the traditional Christmas gadget; while 10,000 euro were raised in favour of the Lega del Filo d'Oro, through a gesture of attention on the part of doctors: if the doctors returned the coupon delivered to them by B.I. Italia in lieu of the gadgets, the firm would contribute a sum in favour of the League. The common trait of the last two initiatives cited – the substitution of gadgets – brings to the centre of attention the ethical dimension of the choice made, which is shown to be not only the objective of sustaining initiatives of philanthropic value, but also promotion of new and more professional habits in the relationship between doctors and the company.

From dissemination of information to development of the professional community

Another form of Corporate Responsibility frequently cited by managers interviewed was the commitment in organising opportunities and channels of training and dissemination of information, especially towards two categories of stakeholders: the patient and the professional community of doctors and pharmacists. Scientific meetings and symposiums addressed to the medical class are included in this commitment – such as the “Top Seminar”, which has been organised in Reggello for the last two years and will soon be held in Milan as well – involving various themes. Doctors may participate virtually through a special Internet site⁵⁶. The company has long organised initiatives at hospital sites for the training of doctors and nurses, and supplies ECM training credits even in fields outside its range of products.

Alongside utilisation of traditional means of training and information, the Internet sites created through direct initiatives or sponsorship by the company were frequently cited. The Institutional website supplies a list of links to numerous other sites, which we can divide into four categories⁵⁷:

- I. Sites dedicated to the dissemination of information relative to particular BI products. Each site is dedicated to a single product and presents, alongside the characteristics of the product, information on pathologies, a glossary, a section dedicated to the most frequently asked questions on the theme, useful advice and forms of sensitisation on the theme (often in the form of short “tests” or simple games).
- II. Sites dedicated to single subjects, such as AIDS or heart attacks. These are differentiated from the previously mentioned sites in that they have a greater

⁵⁶ The address of the website is <http://www.med-solve.it>

⁵⁷ You may consult the complete list of links from the web page: <http://www.boehringer-ingelheim.it/Links/bionweb.html>

availability and depth of scientific content: not only do they present BI initiatives and products, but also the status of scientific research on the subject, and include a learning centre with filmed lessons and didactic materials on different aspects. The addressees of the initiative change as well: while the sites dedicated to products are designed to offer complete information to the patient, these sites are dedicated prevalently to physicians.

- III. Sites dedicated to professional training and updating. These do not address single themes, but entire professional categories, and are presented as specialised portals, dedicated to the training of doctors (articles, recorded lessons and study materials) and pharmacists, with analogous possibilities. This type of communications channel is extremely important, especially for general practitioners in the territory.
- IV. Sites dedicated to temporary initiatives. The website www.benesseredellegambe.it is dedicated to the dissemination of information relative to the prevention of problems related to venous insufficiency and to booking of free preventive examinations at the hospital of S. Raffaele in Milan, or in an especially equipped camper, and will remain available for the duration of the initiative.

Conclusion: Responsibility as widespread attention and reconciliation of ethical and economic values as a necessity

The responsibility of pharmaceuticals division businesses

According to many of the managers interviewed reflection on the meaning of Corporate Social Responsibility cannot ignore the deeper meanings related to the intrinsic difficulties that must be faced in dealing with the subject of ethical behaviour in the pharmaceuticals division. The intrinsic nature of the products and the needs to which the pharmaceutical companies respond place the division in a particularly delicate position: at the beginning of the interviews we were told that “we are dealing with the health and life of persons”, and that “the upshot is that our business is sickness”, and this places the company in a peculiar situation of “enormous responsibility”. Patients grant pharmaceutical companies a great amount of trust every time they take a medicine: “when faced with sickness, a person seeks relief or healing from a medicine, and allows the medicine to become part of his body; this is usually done with high expectations of improvement of one’s situation, even though the patient is not capable in most cases of exercising direct control over what takes place, or of evaluating the effects correctly”. The pharmaceuticals industry – continues the reflection – has “as its mission, the human relationship with suffering”, and assumes responsibility in a dimension of human existence that is extremely delicate, that places the company in a particularly vulnerable position in relation to a discussion on the ethical correctness of its conduct. The managers involved therefore perceive that it is the division itself that intrinsically solicits responsibility and ethical reflection, in a much more urgent manner than in other cases.

The theme of corporate responsibility is thus connected to the theme of trust that the patient, current or potential, must be able to place in a product or trademark: the

construction of a relationship of trust with the patient is for the company a question that is made complex not only by the play of expectations, hopes and subjective perceptions of individuals, but depends – beyond the individual case this time – even on the public image of the company and the division as a whole.

The not quite limpid opinion that the public has of the pharmaceuticals division, produced by a series of serious scandals that have taken place in recent years, constitutes an important element with which to test a company's mettle. The apparent paradox constituted by the intrinsic ethical value of the business, together with the negative public image of the division, are the premises that many of our interlocutors start from to identify the "unique" character and the "difference" between Boehringer and other competitors on the market. Boehringer, it is stated, has always remained outside involvement in these serious episodes and has always managed communications with the outside world in an extremely prudent manner, to avoid foreseeable instrumental use of information by the media.

The contribution of the ownership structure and strategic choices

Another element that differentiates BI within the pharmaceutical division is doubtlessly its structure of ownership: BI, in fact, is not a *public company*, but the property of the Boehringer family. This ownership structure is recognised as the origin of profound implications, both from the cultural and strategic standpoints.

From the cultural point of view, several values, considered the most deeply rooted and characterising traits of the company, appear to be witnessed with continuity and coherence by the owners: the trait of "seriousness" with its ethical implications, and the tension towards innovation, are recognised as the fundamental axes of the company culture. The value of "seriousness", traditionally defended and rewarded by the family, is identified in an extreme sense of responsibility in connection with quality and the safety of the company's products, "which has profound operational implications in the processes and company decisions and has often led to prudent choices, which were not convenient from an economic and strategic point of view".

From the strategic point of view the family ownership is recognised as being at the origin of long term management orientation possibilities, that take concrete form in the constant investment of a considerable share (15-20%) of the company's profits in Research and Development. The focus on this investment in research constitutes the basis for the strategic positioning of the company, centred on innovation, product quality and safety; a choice that has permitted the firm to maintain its position and expand its share of the market, while keeping the company away from processes of merger and acquisition that are characterising the division on the global level.

The question of the "ethics" of the pharmaceuticals industry may therefore be resolved in these terms: "doing business through medicines may be ethical, if the sale of the products on the market makes it possible to maintain research: in this sense profit and ethics go hand in hand"; to say it differently, according to another manager, the conviction is deeply shared that "it is possible to provide "ethical service" while

simultaneously providing “economic service”, and that this starts in the first place with quality in study and research, which precede and support the life of the medicine”. From this point of view, the assertion of favour towards general medicines that are mature products, which have paid for the research that led to their discovery, appears coherent.

The family property, in the final analysis, is considered to be at the origin of “a different way of running an enterprise”, guided by a “particular concept of the role of enterprise in society”, willing to limit remuneration of the capital to pursue long term continuity and the production of social, as well as economic value.

This nucleus, which bears both values and strategy, is considered one of the deepest and original aspects of the organisation’s identity and is seen as the source of a radical difference between Boehringer and other multinational *corporations* in the division; it translates into concrete practices and initiatives, because “everything has a cost, and to understand who we are and what we do, we must look not at mottos, but at the balance sheet: where does the money go?” This strategic address therefore supports “a certain way of competing and of being on the market”, which is the fruit not only of the control and will of a family, but also of the choices of the Italian company, defined as “elegant” during a recent market research.

The Ethical Charter and communication of guiding values

The idea of drawing up a document like the Ethical Charter was born following a change in the top management of the company. The previous General Manager and the new one were described as representing two significantly different styles of communication and management: the first being extremely managerial, explicit and having a propensity for intense communications activity; the second having a greater propensity to delegate, being less explicit, more measured in communications processes, less direct in the communication of criteria and reference values supporting the management action. This change of management style in the upper echelons of the company initially produced some disorientation, and was assimilated in particular by the top management with some difficulty, caused also by the change in the reciprocal perception of roles. During the phase of managing this process of change at the top, the idea emerged of drawing up a document, which was later defined as the Ethical Charter. One of the original instances that led to creation of the Charter is therefore the integration and reinforcement of the process of communication of criteria and reference values of the new top management of the company, making the cultural universe of reference and its action more explicit and comprehensible.

The initiative of drawing up and communicating the Ethical Charter in this sense, is an instrument of managerial leadership, a concrete expression of the idea of *management by values*, according to which the action of control and governance is more efficient if it is entrusted to the influence of decision-making premises rather than to directive mechanisms of command, control and reward and punishment.

The Ethical Charter is interpreted by the protagonists as being simultaneously a

descriptive document of the culture and organisational practices and as a normative and programming document. It is seen as both a description of the effective situation and as a programming statement of future goals.

On one hand, the Ethical Charter is represented as a descriptive rendering of the existing company culture. The step towards explicit formalisation that it represents is seen as the latest act of “a history that started long ago”, and is posed as a matter of absolute continuity with the nucleus of values witnessed by the family since the foundation of the enterprise.

The language and ethical categories, introduced in such a clear and pervasive manner only with the dissemination of the Charter, are for the first time utilised to re-interpret and clarify the meaning of several initiatives and events that have marked the recent history of the company’s management evolution.

In fact, the entire, significant investment in processes of managerial development started during the first half of the nineties and continuing throughout the decade, is given an ethical value today that does not pertain to the language with which these initiatives were represented and communicated during their realisation.

In the recent past, the organisation has started making heavy investments in the development of its management, to support it in the face of the challenge of strategic and cultural change, from a strong product-oriented strategy to the need for greater orientation towards the market. It is an indispensable strategic and cultural change for the survival of the organisation, which has required a strong evolution in the style of management and leadership, from a more directive, hierarchy-type of management that corresponds to a rigidly functional logic, to a more participatory model, capable of stimulating change, decision-making and entrepreneurial autonomy, creativity and the acceptance of responsibility at all levels, as well as cooperation in transversal processes.

The drawing up of the Ethical Charter marks the introduction of the language and ethical categories as an interpretive filter through which even the recent history of intervention for development is recuperated, which can thus be re-interpreted *a posteriori* as an emblematic expression of the company’s ethical commitment towards a more participatory and gratifying style of management of collaborators, which expresses the ethical tension towards the continuous development of employees and interest in their satisfaction. It is not by chance that employees are presented as the first stakeholders and the investment in training is seen as a primary response to their needs and a contribution to their satisfaction. The introduction of the Charter therefore does not represent discontinuity with the past for the management, either from the point of view of practice or language. Not even the new language introduced, which seems rather significant for an external observer, is considered as being particularly important.

Drawing up the charter of values is, on the other hand, represented by the entire management as being not only testimony of a present identity, but also as a normative, prescriptive and expressive document for the desired form of management. All of the interviewees recognise that the system of values and convictions presented in the

charter has an ideal meaning, of a desired reality that does not entirely correspond to the effective situation: “we are in any case quite far away from the ideal represented by the charter”; and: “we should be satisfied if we succeed in putting 20-30% of what is written in the Charter into effective practice”. The awareness of the management that they must make a change in several aspects of their managerial style and in the organisational solutions implemented is widespread, but nevertheless tempered by a substantial satisfaction with regard to the current situation: “of course we all have to make changes in our behaviour, but with moderation. Change is difficult and we have already done a lot”.

Despite this gratification, the perception of the distance between reality and the regulatory ideal represented by the Charter remains an important and shared question; it opens of problem of how to “materially implement” the values and convictions stated, or how to influence the organisational protagonists, to ensure that their practices are effectively inspired by the principles stated in the document, in a greater measure with respect to the present; this naturally discloses the area for planning actions to reduce this gap. The objective of such action is “alignment” in the dual sense of production of a wider conformity in behaviour to what is stated in the charter, but also greater homogeneity in the behaviour of members of the organisation.

The Ethical Charter thus assumes an instrumental meaning with respect to the purpose of producing “alignment” and is conceived as a sort of meta-instrument, in the sense that it becomes the inspiring conceptual nucleus for all of the practices and organisational systems that have the power to influence the behaviour of the protagonists, such as training, evaluation and remuneration, development, etc. The Ethical Charter is presented as the centre from which all company initiatives and systems emanate, “the polar star of management” as one of the interviewees metaphorically defined it.

In the near future training will be redesigned in terms of its conformity to what is stated in the Charter, and training initiatives will be given an “ethical stamp of approval” within a system of training credits, while the systems of selection, evaluation, remuneration and career will incorporate the contents of the Charter in their operational logic. Therefore the production of company “alignment” is pursued with the institution of training practices and the introduction of systems to reward conformity in economic and career terms.

The requirement for “alignment” is considered a priority by Personnel Management and poses questions concerning, for example, the practical evaluation of conformity, the alignment of persons with the statements made in the Charter. This problem is posed concretely in the face of requirements for planning and the utilisation of Human Resources Management (HRM) systems, to select and evaluate personnel, for example. How can values and principles become operational criteria of organisational systems? Nevertheless, the problem also concerns the entire organisation: how can the organisation be evaluated with respect to its alignment with its own ethical code?

The company’s solution is to have evaluation performed by an external authority,

through the institution of an independent college of *Probatory Counsellors*, to whom the task is entrusted of producing an evaluation of the coherency of organisational conduct with respect to the Ethical Charter. But the question remains, and the challenge that management faces in upcoming years will require parallel and coherent action on several levels: on one hand the problem will be how to effectively produce alignment, on the other the question will be represented by the criteria used to institute instruments of “measurement” to evaluate that alignment (the latter is a problem that the *probatory council* must face at the outset) and their operational utilisation within HRM systems.

The internal orientation

Boehringer Ingelheim Italia’s approach to corporate social responsibility appears to be characterised by a strong emphasis on internal stakeholders, the employees. They are the first on the company list of stakeholders, and a significant part of the initiatives taken into consideration in the company as actions of corporate social responsibility are directed towards them.

The identification of the most important stakeholders as the employees translates not only into specific actions or initiatives in their favour, but also into the awareness that the ethical dimension of corporate responsibility towards employees plays out first of all on the level of daily managerial action in the management of persons carrying out their roles within the company.

This vision is explicit in the words of the CEO, for whom “personnel management is the first and foremost ambit of corporate responsibility for the management of the company”, because “its fundamental ambit is in daily relations with people, in the relationship that we succeed in establishing between people, their work and the organisation as a whole”.

Coherently with this orientation, which favours attention to quality in relations with employees, the company has to date invested very little in the communication of its initiatives of corporate responsibility, both towards the outside and, surprisingly, even internally. The initiatives were realised as expressions of this privileged attention and as a constitutional trait of the company culture, but did not appear as the subject of an organic and intentional communications strategy.

The recent emergence of awareness of this reduced investment in communication was considered as an opportunity that has not been valorised, to build up the company image, and this inspired a communications plan to make BI’s activity and approach more visible both externally and internally.

A conciliatory vision

The Boehringer experience appears to express a conciliatory vision between the requirements of ethics and those of economics and organisation, starting from the basic

statement of the Ethical Charter, according to which “ethical value is economic value”. In this organisation’s approach, it appears possible and not problematic, for example, to interpret some practices or initiatives, such as investment in research and employee training, as being instrumental to both business and actions expressing ethical intentions, just as an interpretation of the Ethical Charter as both a descriptive and prescriptive document is accepted. This substantially harmonising and conciliatory vision of possible contradictions or dilemmas that are disclosed in the attempt to reconcile ethics and organised economics also appears in the plurality of forms that corporate social responsibility takes in this organisation, from the most “intrinsic” to the most “extrinsic”: from profoundly penetrating practices in the strategic model of business, such as research or scientific information, or in requirements for organisational operations, such as training, to the development of an ethical code and initiatives of a philanthropic nature.

The value of the Ethical charter appears integrated in this vision, which reconciles its instrumental usefulness with its intrinsic ethical value, its descriptive nature with its prescriptive nature, the search for “alignment” with the search for moral responsibility.

Even the very concept of ethics underlying these practices appears to be an attempt to reduce and recompose potential antinomies: on one hand the development of a normative document and the systematic search for conformity to it, on the other the refusal of a legalistic-deontological approach in the name of awareness. In the words of the CEO “it makes sense to speak of ethics only if you recognise individual freedom and responsibility, in the face of which every normative code or influencing instrument is irrelevant”.

CITIGROUP (*) (**)

Marella Caramazza and Caterina Carroli

Introduction

The goal of the case study is to analyse the social responsibility actions of Citigroup, the leading global financial services company. The group is currently present in more than 100 countries and serves 200 million clients (private and corporate) with a net income of 15 billion dollars in 2002. It employs approximately 250,000 people round the world.

This case study seeks to describe a number of initiatives underway on both a global and local level, focusing in particular on Citigroup's presence in Italy, where Citigroup has been present since 1962 and today which employs roughly 1200 people.

The guiding philosophy behind Citigroup's actions is that leadership in business creates a special responsibility to play a leadership role also in the life of the community. Accordingly, the company commits to try to participate in and improve each community in which it is present. Community activities are realised through partnerships on various levels, with the organisations present within the territorial communities, non-governmental organisations, local government, employee volunteer programmes.

On a global level, some of the company's main areas of social responsibility are corporate governance, the work environment and employees, the environment and, more generally, sustainable business and finally support for the community.

On a local level, for the past two years Citigroup has been creating a structured programme of community commitment in Italy. The focus area chosen by Citigroup in Italy is that of education, in accordance with one of the main priorities of the Citigroup Foundation - the Foundation that finances many projects on a global level - and also based upon findings from a survey carried out among Citigroup employees in Italy. The Italian program focuses on projects that seek to train young people, helping them to realize their potential and improve their future. Citigroup has also taken an innovative decision to integrate, where possible, financing with the contribution of employee time during the working day.

(*) Marella Caramazza and Caterina Carroli prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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This case study has a number of innovative aspects such as the relationship between the company's global and local Corporate Social Responsibility (CSR) activities, the creation of an employee volunteer programme and the promotion of partnerships with other companies to further the realisation of ambitious social responsibility programmes. The case study also seeks to examine the different ways of organizing the relationship between CSR and core business (i.e. an integrated versus parallel approaches) and the way – complex and brimming with implications – that one of the world's largest financial companies is putting this into practice in Italy.

Citigroup – history and background

The history of Citigroup, the world's leading financial services company, dates back to the moment when Citibank was founded in the United States in 1812. Other brands belonging to Citigroup are also historical: Travelers was created in 1864, Smith Barney in 1873 and Banamex in 1884.

Citigroup, in its current form, came into being in 1998 through the merger of Citicorp, Citibank's "parent company", with the Travelers group. Citigroup was the first financial services company to unite, under a single business umbrella, various business activities such as banking, insurance and investment. Other brands belonging to the group, in addition to those already cited, include: Citi Cards, CitiFinancial, CitiMortgage, CitiInsurance, Primerica, Diners Club, Citigroup Asset Management, The Citigroup Private Bank and CitiCapital.

The group is currently present in more than 100 countries and serves 200 million customers (private and corporate) with a net income of 15 billion dollars in 2002. It employs approx. 250,000 people around the world.

“Notwithstanding its American origins, Citigroup is more a global company than an American company. Roughly 98% of its employees are local to the country in which they work and the remaining 2% are often non-American foreigners”.

The Citigroup business model is based upon diversification both in terms of geography and product. To this end Citigroup is organised in five business units: Global Consumer Group; Global Corporate & Investment Bank; Global Investment Management; Smith Barney; and Citigroup International.

The first four business units focus their activities on nine different global product areas. Citigroup International, on the other hand, operates on a geographical level and coordinates with global businesses in the management of Citigroup's activities outside North America.

Citigroup International operates in more than 100 countries in North and South America, Asia and the Pacific, Europe, the Middle East and Africa.

Citigroup's diversification allowed the group to increase profits by 6% in 2002 making it one of the very few financial institutions – given the difficult conditions faced by the financial industry – to improve results in that period.

“Our diversified business model has allowed us to obtain good results despite an economic crisis which has affected all sectors and especially the financial sector. Citigroup is committed to continual improvement in all its business areas, with the aim of increasing its market share and reducing costs, with rigorous risk management and a strong focus on technology and the development of economies of scale”.

One feature of Citigroup’s operating philosophy is its so-called “*Embedded Bank Strategy*”, according to which Citigroup develops strategies and policies at a global level that it then implements in each country based upon specific local needs. On an organisational level, the company has a matrix structure and business lines are managed on a global level in coordination with the various geographic areas.

“The challenge for Citigroup today is to succeed in balancing global needs with local requirements. A global presence creates the advantage of wider ideas and horizons but, on the other hand, it also can create difficulties when implementing global initiatives on a local level. It also requires a considerable amount of coordination and communication”.

Citigroup shares a strong and formalised set of values at group level (cfr. Annex 2). As one of the managers who was interviewed states:

“in Citigroup there are values about the way one should behave in day-to-day business. They have to do with respect for colleagues, customers and the community and the focus on the importance of each individual. I have been in Citigroup for ten years but I have never heard of managers expressing themselves in a way that could damage the dignity of an individual. Another very important guiding value is that of seeking to be a leader in business as well as in corporate citizenship”.

Citigroup’s social responsibility actions globally

Citigroup’s social responsibility initiatives have a double dimension: global and local.

“For social responsibility policies on a local level, the same philosophy as that of the ‘embedded bank’ applies. That’s to say that overarching values and focus areas created on a global level are then applied to specific local programmes based upon the respective country’s needs and resources available”.

On a global level Citigroup engages in so many types of initiatives in so many spheres and locations that it would be difficult to provide an exhaustive description. Accordingly, this document will highlight some particularly significant initiatives.

Citigroup engages in its CSR activity largely through partnerships with local organisations, non-governmental organisations, local governments, and through employee volunteer work. As the Vice Chairman of Citigroup stated in the Citizenship Report 2002,

“Citigroup has a long and rich tradition of contributing to the social, economic, and educational development of the communities we serve. We do this in many ways: through our hiring and employment practices, educational outreach, grants, volunteerism, and our lending practices, including microfinance. As an employer, we embrace people of all cultures, races, and religions; we promote equal treatment for women; we believe in equal opportunity for all. These principles have served us well over many years and are intrinsic to our business success”.

Citigroup’s social responsibility actions fall broadly into the categories of corporate governance, the work environment and employees, the environment and, more generally, sustainable business and finally support for the community.

Corporate Governance

“Citizenship begins with ethical behaviour.”

The Corporate Governance Guide Lines start with this mission:

“Citigroup aspires to the highest standards of ethical conduct; doing what we say; reporting results with accuracy and transparency; and maintaining full compliance with the laws, rules and regulations that govern the Company’s businesses”.

Citigroup declares that it wants to affirm its leadership role in promoting reforms that raise the company’s business practice standards and those in the financial sector in particular, as also declared in the Citizenship Report,

“Citigroup recognizes the benefit from operating in open economies with clear rules and regulations and strict standards of good governance for all participants. The year 2002 was challenging in many ways for the financial services industries. Citigroup faced these challenges and reaffirmed its commitment to leadership through a series of business practice initiatives and corporate governance initiatives”.

The following examples are representative of Citigroup’s commitment in this area:

May 2002: Citigroup was the first company to voluntarily accept the principles laid down by the New York Public Prosecutor which have involved a separation of the connections between analyst payments and those of investment bankers.

August 2002: Citigroup introduced new transparency policies for structured finance transactions on the basis of which the company will carry out a transaction only if the client company agrees to publicly informing its investors of the effect the said operation will have on its financial situation.

October 2002: with the creation of the independent Smith Barney unit, Citigroup was the first company to separate research from investment banking.

The reforms implemented by Citigroup (all of them are public and can be found on the Citigroup web site under 'Corporate Governance') have often created positive precedents for the entire financial industry.

In March 2003 a respected independent institute - Institutional Shareholder Services - specialising in the evaluation of corporate governance policies, judged Citigroup superior to 97.1% of the companies in the S&P 500 index and to all those companies in the diversified financial services sector.

Among the instruments adopted within this context there is also a code of conduct for all employees. Moreover, there are also more specific codes that are created for some business units.

The Citigroup-wide Code of Conduct covers important questions such as: responsibility towards the community and the workplace, fair treatment, commitment towards the environment, fair and free markets, antitrust regulations, anti-money laundering regulations, anti-boycotting laws, the privacy of customer information, political activities and contributions, lobbying activities. It is perceived as a document that orientates the way of doing things within the company:

“The Code of Conduct formalises the values of belonging to Citigroup. This is a document that is distributed to all employees and is reviewed periodically. It formalises policies and behaviour but it also has a lot to do with the concept of company culture”.

Citigroup's commitment on a global level to the promotion of clear and transparent rules for the benefit of the entire financial sector is recognised and also encouraged by local management, which is committed to adapting centrally defined ethical standards and codes of conduct to local situations.

“Corporate citizenship for Citigroup in Italy is important... Citigroup first and foremost is recognised as an economic-financial concern that operates within Italy according to high ethical standards ... ethical behaviour for us means respecting laws and rules also means taking an active role in the community... the point is not only to produce profits in a healthy way... On a global level Citigroup works hard to continually improve the level of transparency in the financial sector. The ethical standards of Citigroup on a group level are public and can be evaluated. The higher these standards are the easier it is to ensure that social responsibility activities are consistent”.

Work Environment and Employee

Citigroup carries out a wide range of initiatives that aim to improve the work environment for its employees around the world. As per Citigroup's corporate literature:

“Citigroup aspires to be known as a company where the best people want to work, where they are given opportunities to develop, and where a healthy balance is

struck between work and family. We value and embrace the diversity of thought, background, and experience that is the cornerstone of our global business”.

Work life balance programmes, for instance, have been created, especially in the United States. Many of these aim to help employees with children by providing, for example, the creation of day care centres, help in accessing private structures and also the organisation of summer recreational centres. To help employees solve everyday life problems, Citigroup has created a free phone number that offers information and resources on a large variety of subjects ranging from children’s education to basic legal assistance.

In line with the company’s global make up, diversity is an important aspect of the company’s human resources management policies. Since 2002 Citigroup has recognised the creation of employee networks (for example women or parents) who meet and formalize initiatives based upon the group’s specific needs.

“The subject of diversity is a strongly felt issue that assumes different connotations depending on the countries in question. Managing diversity as a value is very important and embraced on a group level because it also makes it possible to recruit and hold on to the best people... in this sense it becomes a strategic factor...”

Citigroup supports several organisations promoting diversity within society offering educational and professional opportunities to ethnic minorities.

Environment and sustainable business

“Citigroup is committed to conducting business in an environmentally responsible manner that protects human health, natural resources and the global environment”.
(Taken from Citigroup’s Code of Conduct)

The most salient aspect of Citigroup’s environmental commitment is the integration of sustainability principles within daily business operations on a global level. In particular, environmental and socially responsible criteria have been inserted within the group’s risk management procedures. On the basis of these procedures some transactions, if judged to be too risky from the environmental point of view, are rejected. In other cases, however, Citigroup actively supports its clients in situations in which environmental risk is present but manageable.

In terms of initiatives third party initiatives, Citigroup has signed the United Nations Environmental Programme for the environment and sustainable development and supports, through partnerships with non-governmental and non-profit associations that are recognised on an international level, projects that promote sustainable development.

Support for the local community

Citigroup declares that it wants to be:

“...a company dedicated to community service, taking a leadership role in every local community around the world in which we operate and making each community a better place because we are there”.

On a global level, support for the community is pursued through various projects, of a prevalently philanthropic nature, aimed at “improving the life of communities in which Citigroup operates.”

Citigroup Foundation, which in 2002 alone financed more than 4,000 projects in 83 countries for a total value of more than 70 million dollars, plays a key role in Citigroup’s implementation of its social responsibility initiatives. The Foundation offers its financial support to projects in three main sectors: a) Financial Education, b) Educating the Next Generation and c) Building Communities and Entrepreneurs.

“Citigroup’s decision to focus its attention on specific themes is linked to its goal of maximising the impact of initiative. Concentrating resources in certain areas helps improve their overall effectiveness”.

Within the various initiatives promoted we quote:

Microfinance

Starting with the observation that only 5% of more than 500 million entrepreneurs on low income throughout the world have access to the kind of financial services required to make their business grow, Citigroup has over the years developed a variety of microcredit programmes. The said commitment, which began in 1965, has led the Foundation over the last four years to support, with approx. 11 million dollars, 145 microcredit partners in more than 50 countries. The approach pursued is that of supporting the development of microfinance institutions in real and effective financial institutions with an orientation towards the market. To this end, the employees of Citigroup participate free of charge on the boards of these institutions, providing them with their skills.

Lending with high community impact

Through this programme Citigroup offers to serve those communities and individuals within the United States that do not normally have any access to the kind of financial services and products which they need.

Capacity building and leadership development in the communities

Citigroup supports NGOs and non profit organisations around the globe by developing individualized financial programmes and offering them customized financial products and services. Furthermore, besides providing funding, Citigroup works to assist its community partners – often through time dedicated by Citigroup managers – to hone important skills and to increase their operational “capacity” and improve their overall performance.

Financial Education

The financial education programmes set themselves as an objective the task of ensuring that people have an opportunity to learn to manage their own finances. In addition to financial education programmes promoted by Citigroup itself, Citigroup also sets up partnerships with non profit organisations such as, for example, Junior Achievement International, specialising in the financial training of youngsters. In 2002 Citigroup supported Junior Achievement in 40 countries with a total of 1.3 million dollars in donations.

Educating the next generation

Citigroup promotes programmes in more than 26 countries with the aim of facilitating access to higher education among disadvantaged populations. In this regard partnership programmes are financed together with the schools to encourage the use of technology, or to create on line libraries. All these programmes also provide training and the active participation of teachers.

Employees and voluntary work

Citigroup employees round the world donate thousands of hours of voluntary work to the community each year. In 2002 Citigroup inaugurated an internal web site with the aim of providing employees with information on all programmes sponsored by the company and information for those who wish to commit their energies in the community, including on an individual basis. In addition, again in 2002, the “Citigroup International Corporate Citizenship” site was introduced and provides examples of best practices that can be chosen and adapted by countries as they create or grow their local community programmes.

Community initiatives in Italy

Citigroup has been present in Italy since 1962, the year it reopened after closure during the Second World War, and today employs roughly 1200 people.

“We are the Italian branch of a global financial services company. Although we are small in Italy compared to the large Italian banks, we are one of the largest foreign banks in Italy”.

Citigroup applies the same logic to community initiatives as the one it applies to business: i.e. broad strategies and policies are developed on a global level and are then implemented locally based upon specific local requirements.

“These values, which are shared on a global level, are put into practice locally, on the basis of local resources and needs. Local management is therefore responsible for the fact that Citigroup exhibits leadership in commitment to the community in the country it is responsible for... Citigroup’s culture, given its presence in more than 100 countries, has historically always been that of openness towards the problems of local communities”.

In Italy Citigroup began creating a structured Community programme approximately

two years ago, although it had always been involved in some sporadic initiatives within the territory.

“There has always been involvement of some sort in specific initiatives, motivated more than anything by a desire to ‘do something useful’. This wasn’t based, though, on a structured approach.... Over the last two years, however, we have adopted a more planned approach, which has consisted in analysing the programmes implemented at a group level and in trying to understand which initiatives would make sense in a local context”.

Before launching actual initiatives, Citigroup assigned a planning period for the definition of objectives, focus area, available resources and the type of activity that would be carried out.

Citigroup in Italy chose a focus area of Education, in line with the priorities of Citigroup Foundation.

Through its community program, Citigroup in Italy decided that it intends to achieve three objectives, which are shown below in order of priority:

1. improving the communities in which Italian employees live and work;
2. improving Citigroup’s company culture in Italy through corporate citizenship programmes;
3. exhibit leadership as a “corporate citizen” (through the involvement of both the company and employees).

The choice of Education as the focus area received confirmation by employees who responded to an internal survey meant to gauge areas of interest and potential willingness of employees to take part in a pilot employee volunteer programme. Thanks to the survey – which was carried out prior to the launch of the community programme – it became clear that employees would be interested in participating in volunteer activities arranged by the bank: nearly 200 out of 900 employees involved expressed their willingness.

“In line with one of Citigroup Foundation’s main priorities, and also on the basis of the results which have emerged from a survey carried out among employees, we chose Education; i.e. projects linked to providing education opportunities to young people... the theme of education makes it possible to achieve a strong impact within the community – our ultimate aim is to provide educational opportunities to help young people build a better future for themselves– and to actively involve employees in the process”.

Citigroup Italy worked with the company’s global network to identify “best practices” in other countries that could be adapted and introduced in Italy.

Five main initiatives were undertaken in Italy in 2002: the creation in Italy of a local branch of Junior Achievement International, a Day Challenge, the educational programmes in Palazzo Reale in Milan, after-school programmes and the promotion of the Journalistic Excellence Award.

Junior Achievement International (JAI) and Junior Achievement Italia (JA Italia)

Junior Achievement International is a non profit organisation which has been active since 1919 and is now present in 112 countries as a private initiative supported by a group of companies. The association's mission is to provide training in business, economy and entrepreneurship to youngsters between 5 and 20 years of age. The association aims to help students leave school with a greater awareness regarding the functioning of the economy and the world of employment. JAI seeks to achieve this by providing schools with programmes that are complementary and yet synchronized with those provided by the scholastic system.

“Junior Achievement has a very marked innovative character, especially in Italy, where nothing of this sort exists. Its model hinges upon the support of a partnership of companies that work together to provide something of value to the community. In Italy, companies tend to take a more ‘individualist’ approach, with each company creating its own signature initiatives”.

The creation of JAI in Italy was promoted and sponsored by Citigroup, which already supports JAI in nearly 40 other countries through both Foundation grants and employee volunteer programmes in the given countries. Citigroup dedicated significant resources – both financial and managerial – to the creation of JAI in Italy and did so because of the importance the company places on bringing enterprise education to the young.

“It is important that youngsters are exposed in school and learn a bit about the working world and how they can fit in. In Italy the school system is not yet able to provide this sort of preparation to students. The Ministry of Education is only now beginning to consider the matter. JA Italia seeks to act as a bridge between the world of education and the working world”.

Besides the external aspects, JA Italia's initiatives also have considerable impact inside Citigroup as the company offers the opportunity to employees to volunteer teach JA Italia programmes during the work day. In 2002, for example, Citigroup in Italy donated roughly 600 hours of employee work time to community initiatives.

“This initiative is entirely consistent with the objectives of social responsibility which Citigroup sets itself in that it focuses on education and gets employees directly and actively involved through volunteering”.

For the moment JA Italia, to which ABI, Burson Marsteller, Cassa di Risparmio di Firenze, Computer Associates, Gucci and Manpower also adhere, offer Italian schools two programmes: Personal Economics (middle schools) and The Company Program (upper schools).

At the end of a pilot of Personal Economics – funded by Citigroup Foundation and staffed by Citigroup volunteers in Milan – the programme was then rolled out to three Italian cities (Milan, Florence and Rome) with the support of the group of partner companies.

The most valuable and unique aspect of the Junior Achievement experience is that of the direct involvement of employees and various partners, thus bringing together the world of business and the non-profit sector. As they told us in the company:

“Involving employees and other partner companies in the initiatives creates ‘high impact philanthropy’. Where possible, Citigroup constructs medium-long term partnerships with non-profit associations to help them – not only with financial resources but also with management time and involvement – to achieve their objectives”.

JA Italia’s medium-term objectives are to involve a growing number of companies and to provide programs on a national level. Partner companies are asked to actively support Junior Achievement on a number of different fronts: they are asked not only to provide economic resources but also their employees’ and management’s time. The association in turn supports the companies by structuring courses for the schools and training employee volunteers.

“Junior Achievement represents a major community commitment for Citigroup in Italy. In addition to promoting the launch of Junior Achievement in Italy, and financing its first project in Italy, Citigroup is helping Junior Achievement to create a group of partner companies who will support the extension of its programme offering, both in terms of geographical coverage and the age groups and number of students involved”.

The words of Citigroup’s Country Officer, who is also the President of JA Italia, emphasise the importance of this initiative within the spectrum of citizenship activities implemented by Citigroup.

“We have allocated a considerable sum to help Junior Achievement get itself up and running in Italy and we are now carrying out fund raising, not just of capital, but also as regards human resources. In launching JA Italia we drew inspiration from numerous experiences in other countries. We chose this initiative because it combines the features that we like most: strategic vision and employee involvement. With this initiative we set ourselves the objective of acquiring a leadership role in the social responsibility actions in the Education area and think the objective achievable as JA is a high impact initiative that over time can grow and be replicated, thus allowing it to become something very significant in Italy”.

Day Challenge

A Day Challenge is a volunteer event in which a group of employees work together for a day to realize a concrete project arranged by their company in support of the local community.

Citigroup has for some time organised Day Challenges in many countries round the world. The first Italian Day Challenge involved fifty Citigroup employees, from all business areas and all levels, who helped complete a day care centre in the

Fatebenefratelli Hospital in Milan. As an indication of how novel a Day Challenge type event is in Italy, Citigroup tells of the *“difficulties encountered in finding an entity that understood and was willing to be the beneficiary of the initiative”*.

The comments of employees who took part in the initiative were very positive, as one employee volunteer told us:

“The Day Challenge was a very positive experience... it allowed me to see my colleagues in another light... you see each other with other values and this in turn makes it easier to establish good relations... moreover, there is also the personal satisfaction that comes from helping other people...”

“Citigroup continues to combine strategic initiatives, such as promoting the creation of JAI in Italy, with programmes that have a more short-term timeline, like Day Challenge. The latter could also be defined as a team building initiative... participating in these community projects creates a lot of team spirit ...”

Educational programmes at Palazzo Reale

Within the educational programmes aimed at young people, Citigroup also dedicates attention to cultural programmes,

“based upon the conviction that art and culture are important tools for children’s learning and growth”.

Citigroup has financed the creation of interactive programmes for children, supporting educational projects arranged by the City of Milan Education Department in conjunction with Palazzo Reale exhibitions dedicated to Picasso (in 2001), the New York Renaissance (in 2002) and Modigliani (in 2003).

The initiatives aim to bring students closer to art by creating opportunities for contact with culture. Students come to the exhibits as field trips and the interactive programmes are designed to allow students to come into contact with the works of great artists and to do so in a fun, engaging and educational way.

“Encouraging awareness and knowledge of art and culture is a particularly important and appropriate initiative within the Italy given the country’s unsurpassed artistic heritage”.

After-school programmes

Through the Foundation, Citigroup financed during 2003 some Milan and Rome after-school programmes aimed at helping “at risk” adolescents who are having difficulty finishing their compulsory school studies.

The programmes provide after-school scholastic support and also constructive after-

school activities that aimed to helping these adolescents improve self- confidence and ability to integrate themselves in group activities.

The after-school programmes financed in 2003 did not involve employee volunteer activity but Citigroup is considering adding this sort of involvement in 2004 as it could be a way to strengthen the impact of and commitment towards this initiative.

Journalistic Excellence Award

The Journalistic Excellence Award is an international journalistic prize created in 1982 to promote economic-financial journalism and to recognize the best professionals in this field round the world. Since its creation, the Citigroup Journalistic Excellence Award has involved more than 200 journalists from some 30 or more countries in Latin America, Asia, Africa and Europe.

The journalists who win the Award, selected by a Jury set up in each participating country, take part together in two-week journalism seminar at the Columbia Graduate School of Journalism in New York, cradle of the Pulitzer Prize.

In Italy the Award was launched in 2002.

“The Journalistic Excellence Award seeks to contribute to the quality of information in Italy, promoting high level journalism and creating, for financial journalism professionals, an opportunity to establish a network of professional contacts on an international level. Another important aspect to be underlined is the Award’s fairness and transparency: to guarantee impartiality of judgement, all participating articles are presented to the Jury in anonymous form. The members of the jury learn of the name of the winner and respective publication only at the moment the winner of the award is announced. As with Citigroup’s other initiatives, The Award focuses on providing educational opportunities - in this case it provides an enriching and significant educational experience to those journalists who win the Award”.

An innovative approach to citizen programmes: employee involvement

Employees are a fundamental resource within Citigroup’s CSR activities as the success of volunteer programmes pursued by Citigroup in favour of the local community depends on them. Moreover, employees are also indirect beneficiaries of these activities.

Citigroup encourages employee involvement and sees employee volunteering as a crucial aspect in helping the company achieve the social responsibility goals it has set for itself.

“Involving employees in projects allows us to simultaneously achieve two goals: doing something positive for the community while also having a positive impact internally, in terms of our corporate culture”.

The idea of a link between the employee volunteering and reinforcement of company culture is recurrent in management.

“The involvement of employees is important because they should be the first to ‘rebel’ against any non ethical behaviour that might occur in everyday life... involving employees directly makes it possible to create a strong, cohesive company culture in which employees feel they belong to Citigroup as a whole rather than to merely this sector or that specific function ... through the involvement of employees we ultimately try to promote a socially responsible approach to life, not just to company activity”.

Human resources management encourages and provides incentives for this type of initiative, even if ultimately line managers are those most directly involved in employees’ participation in volunteer programmes.

“Citigroup believes in this type of initiative and anyone who discourages participation goes against company culture...for this reason Human Resources Management supports and encourages employee volunteering, although employees involved must obviously negotiate their time away with their managers to ensure the normal functioning of the office... To date there has never been a problem, no manager has ever placed any obstacles in the way of an employee...”

It is true that business managers could potentially find themselves in a situation where they have to oppose the participation of employees in volunteer programmes for purely business reasons, providing a clear example of the typical dilemma involved in attempting to achieve what is often a difficult reconciliation between profit and social responsibility. As one business manager reported:

“It is possible that certain circumstances could create a problem in reconciling business and community priorities but so far this seems to be the exception rather than the rule. When the Junior Achievement pilot programme started, for example, teaching staff was required... members of my staff expressed interest in getting involved and I tried to facilitate this process by not imposing any obstacles... this approach is shared across the businesses... it does not require an exceptional effort. I consider this sort of activity equivalent to normal business activity which a group like ours must carry out because it is an inherent part of our DNA...”

The importance and added value created by employee involvement in community support projects is expressly mentioned:

“Combining financing with employee involvement ensures that the initiatives create much more value for the projects and the organisations that are supported. Impact is very high, both in the direction of external associations and in regard to employees themselves, who are rendered true participants in the company’s community efforts. Certainly, from an organisational point of view, it is more difficult and onerous, however, we feel it is worth the effort, especially in the light of the positive feedback we regularly receive”.

The Junior Achievement Italy Manager confirmed the importance of employee contribution and the innovative character of the approach adopted by Citigroup in this area:

“Our association’s model is based upon the contribution of employees’ time from our partner companies and thus, without this, we would be unable to run our programmes. For Italy, this is undoubtedly a very innovative approach, which introduces the concept of reciprocity and two-way exchanges between the association and its partners. The experience also has a significant, positive impact on the employee volunteers themselves”.

On a more individual level, volunteers who have taken part in these projects recognize that they have been enriched from a personal and professional point of view, and state that these in turn have increased their level of personal satisfaction.

“CSR is good for everyone, those who benefit directly and employees... these projects are useful in mobilising brains and also make a significant contribution to improving participating employees’ personal satisfaction ...”

Moreover, these projects also help employees to discover that their values are more aligned with their company’s values than they previously expected. From the point of view of management it is a declared objective to

“create a Citigroup culture committed to helping the community and to directly involve anyone who is interested in furthering this”.

From the point of view of employees this approach has proved in some ways *‘unexpected’*, as employees perceived the financial business and have been pleasantly surprised by the development of opportunities for employee volunteers in community-focused activities.

“As soon as I heard about the possibility of taking part in Junior Achievement I enrolled myself immediately...I was interested in trying to ‘teach’ some youngsters in lower secondary school...it was like going back to the times when I was a lead scout...a position I held for sixteen years... this project has given me so much on a personal level... above all the human and ethical side of finance was really a great discovery ... The attention Citigroup has devoted to helping the community is very important – especially since in the financial industry this sort of activity is underdeveloped or unexpected. I have to say that our activity has really impressed me... I didn’t think there was any place for this sort of activity within company values...as an employee the volunteering opportunity increased my esteem for Citigroup... for me, supporting the company’s commitment to the community is something I regard as a duty, like arriving on time every morning...”

Final considerations

The Citigroup case presents some new elements with respect to other cases included in this study.

First, it is interesting to point out the role that the parent company plays, especially as regards the Foundation, with respect to the many countries in which Citigroup is present. The Foundation seems to function as a sort of “laboratory” in which programmes and innovative approaches to corporate citizenship are created and tested and then shared among countries who subsequently select programmes that they find applicable – perhaps with some adaptations – to meet local needs and objectives.

Second, the important emphasis on employee volunteer programmes seems promising in that it allows the company to meet its community objectives while also increasing employee commitment and identification with the company itself and with the community.

Another significant element seems to be the use of partnerships between companies to realize social responsibility programmes. The Junior Achievement programme is an example of an initiative made possible thanks to a collaborative effort of a group of companies; Junior Achievement’s programmes, carried out by a single company, would be much less effective than what can be achieved by the group of partner companies.

The roots of social responsibility in Citigroup go back many years. According to a view that was widely shared among the managers interviewed, the roots are linked to Citigroup’s history and to extensive presence around the world.

“The fact of having long been present in more than one hundred countries helps develop an awareness of one’s responsibilities towards the community and the impact of one’s actions on many types of stakeholders”.

As Sandy Weill, Chairman of Citigroup, says

“with this shared history comes a special responsibility to play a leadership role in the life of the community and the marketplace, part of our commitment to make each community better because we are there”.

In this sense, management speaks not just about social responsibility but more particularly about *corporate citizenship*.

“Corporate citizenship for us means improving the local community... being citizens of the world... it is a wider concept than philanthropy. Philanthropy refers to specific projects, for the most part funded by the Foundation... philanthropy certainly represents an aspect of citizenship but it does not represent its totality”.

This wide-reaching approach creates numerous important initiatives with undoubted CSR value and impact. The Code of Conduct and numerous codes of ethics are clear examples as is the support Citigroup provided for the creation of Junior Achievement in Italy, an initiative with a strong impact on the community.

In Italy the initiatives that have been undertaken fit within a planned and structured programme, that is managed by the Corporate Affairs unit, which has a person who guides all corporate citizenship activities. The role of this unit is to provide a strategic

approach to the company's local initiatives and managing them as a programme that is integrated and coherent with group's objectives. The creation of this unit:

“allowed the Group to create an incisive and structured programme in a short period of time”.

Citigroup in Italy has passed through, and in part is still passing through, different phases in its approach to social responsibility. As the manager of Corporate Affairs states:

“Until two years ago, Citigroup in Italy undertook some initiatives but they were somewhat sporadic and random. They were for the most part decentralised and based upon a short term approach... So while we were already active in some ways, we might call this phase one of ‘unstructured philanthropy’... In 2002 there was a change in our local approach. This change of approach coincided with the creation of a Corporate Affairs office whose mandate includes the management of Community Affairs. Thus in what we could term a second phase of development the initiatives carried out begin to be linked by a common theme and begin to be centralised, although they remain essentially short term in character. It is in the third phase of development that the initiatives have become medium-term and have blended into a coherent programme that is managed in a relatively centralised way and involves quite a high number of employees... as of today we are in phase three. However, what can carry us towards a fourth phase of our programme are initiatives like Junior Achievement... in this phase we foresee planning initiatives with a long term perspective (say three years), working within consolidated non-profit partnerships, extensively involving employees which helps to make the initiatives concrete and also helps us share our values with our employees...”.

Citigroup uses in a wide range of communication and evaluation instruments in conjunction with its CSR activities. One of the main communication tools on a global level is the publication of the Annual Global Corporate Citizenship Report. This report is also published on-line in a dedicated section within Citigroup's website where it is also possible to download various reports, presentations and press releases on this topic. On a local level, most communication efforts to date have been internal with the intention of creating general awareness among employees and seeking participation in specific volunteer initiatives.

A crucial aspect for understanding this case study is the relationship between CSR and business – and whether or not it can function in an integrated manner or as a parallel activity at some distance from the company's core business. The relationship has very important implications, especially if one contemplates the pressure that has been put on the financial services industry in the last few years and when one thinks of some of the industry's responses such as ethical finance and ethical funds. In the management's opinion:

“the link between business and CSR is made possible thanks to the employees' volunteer work in the community”.

In this regard, the impression gained from the interviews is somewhat complex and suggests that social responsibility is seen as an activity that runs in parallel to the business and yet at the same time is a functional part of it, considering Citigroup's long tradition in this field.

“On an organisational level there has been the creation of a group which organises these activities. Nevertheless it is not an activity that is removed or separate from the business, as our approach relies on employee involvement on a voluntary basis. In our case it is in the implementation of socially responsible initiatives that we see an impact on the business as time (during office hours) is dedicated by employee volunteers to community programmes...it is important that we be aware that these activities are not a facade but are functional to the business itself... they are not programmes disconnected from the rest, but a natural way of doing things, which is ongoing and does not stop, even in the face of difficulties because they form an integral part of our DNA ...”.

Although the sponsor and driving force behind the creation of the social responsibility programme has been management - and with a significant number of employees only recently becoming more closely involved - the enthusiasm shown by employees for the initiatives undertaken suggests that the approach adopted is creating a 'culture' within the company. As an employee volunteer stated:

“I honestly do not know whether on a global level certain initiatives are done to bolster the image, but I do not think so... I think that there is real passion within our management... within Italy it certainly has not arisen due to image reasons; i.e. to create a facade. On the contrary our Italian programme was built based upon the energy and determination of a single person who then succeeded in passing on this enthusiasm to the rest of the management team... and now it is becoming an inherent part of our company culture...”

COMPRABENE (*) (**)

A Cause-Related Marketing Project in Support of Romanian Children

Caterina Carroli

Introduction

The purpose of this case history is to recount the successful experience of partnership between the private and non-profit sectors in support of a project of solidarity.

The main protagonists of this project are the Gruppo Lombardini, which operates in the field of large-scale distribution in Italy, and the CESVI, an organisation of cooperation and development, which works in favour of world solidarity.

The project, dubbed “Children in Romania”, was created with the objective of intervening in the Romanian reality, which is dramatically marked by the abandonment of children in orphanages, where they grow up in a context of marginalization, incapable of socialising and interacting with the external world.

History and Profile of the Lombardini Group

The origins of the Gruppo Lombardini go back to 1929, when Emilio Lombardini founded a wholesale commerce business.

Today the group operates with strong commercial penetration in Northern Italy, through five different channels of distribution:

- cash and carry;
- “hyper” markets;
- supermarkets;
- discount stores;
- specialty stores.

Every year the Lombardini Group records some 45 million customers at the cash register and guarantees the daily arrival of merchandise to more than 500 sales outlets, through five regional distribution centres, which move 35 million packages yearly.

The commercial experience of the group has been characterised from the beginning by attention towards consumers’ requirements, a factor that even today constitutes a

(*) Caterina Carroli prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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(**) We thank Comprabene for their willingness to participate in the project, in particular: Gianluca Di Venanzo e Giangi Milesi.

fundamental pillar in the Group's marketing strategy. The dynamism and constant challenge of commercial innovation have been the elements upon which the Lombardini Group has founded their growth, diversifying distribution activities and continually seeking formulas capable of improving service to clients.

As asserted by a manager of the Group, "our reality is a sort of balance between attention towards the client, the sales formula and the desire to undertake and do things".

The group, made up of 4,500 persons who work in many different regions of Italy, is halfway between pure management and the logic of the family enterprise.

Lombardini Holding of Dalmine is at the helm of the group. Tito Lombardini is President and his three sons, Emilio, Giulio and Andrea are members of the board of directors. All three of them have been working at the company for at least a dozen years or so, and each of them has precise strategic responsibilities of a general nature. The oldest brother handles investments and development, the second deals with organisation, processes and logistics, and the third handles purchasing and sales.

The group leader acts as an operational and financial centre for several companies, which represent the internal divisions, according to the type of sales in which the Bergamo group has been articulated over the years. These companies represent just as many opportunities, with which the group may perform purchasing, create alliances or undertake joint ventures with specialised businesses in the various distribution "channels".

In particular, the firms that belong to the group are Gesco (which operates in the sector of hypermarkets), Comprabene (which manages the network of supermarkets that go by the same name), LD (the discount network that represents the sector with the highest performance and a growth rate of ten percent in the month of January of this year, against a stable commercial profile, and which at the end of the year should ensure invoicing of some 175 million euro), FMItalia (wholesale centres) and Compranet (which manages the on-line channel of Volendo.com).

CESVI – The History and Profile of a Non-Profit Organisation

CESVI - an acronym that means Cooperation and Development - is an independent humanitarian organisation, founded in 1985 in Bergamo, which operates for world solidarity. Within the system of values that guide CESVI, the moral precept of human solidarity and the ideal of social justice are transformed into humanitarian assistance and aid for development, for the purpose of contributing to the assertion of universal human rights. CESVI works with the conviction that assistance to populations that have been disinherited due to underdevelopment, or which are more unfortunate due to wars, natural calamities and environmental disasters, not only alleviates the suffering of those directly involved, but also contributes to the well-being of everyone on the planet, the "common home" to conserve for future generations.

The words cooperation and development in the acronym stress the fact that CESVI founds their philosophy of action on the promotion of proactive collective mobilisation of the beneficiaries, to favour their progress. For this reason, CESVI is strongly committed to ensure that international assistance is not reduced to mere benefit money, and is not influenced by the egotism of donors.

The activities of humanitarian assistance that CESVI implements throughout the world in favour of needy populations are placed in the areas of:

- aid to ensure survival and overcome emergencies;
- rehabilitation and rebuilding of structures destroyed by wars or calamities;
- programmes and projects of cooperation for development of social groups and poor communities.

In Italy and Europe, CESVI carries out educational activities to develop the culture of world solidarity, to enlarge the base of donors and volunteers and to influence private enterprise and public institutions in the support of projects of cooperation for development.

CESVI is inspired by the following guiding principles in achieving their mission:

1. Recognition of the needs and aspirations of **local communities**; to respect their culture, traditions and customs; to seek dialogue and collaboration with their organisations (**partnership**);
2. To operate with **impartiality** to satisfy the needs of others, without distinction of sex, race, culture or religion, but dedicating great attention to the weak: children, women, the elderly and those living on the margins of society;
3. To promote forms of development for the purpose of attaining economic **self-sufficiency**, environmental **sustainability** and the respect of **human rights**;
4. To act with a **pragmatic approach** under all circumstances, and critically evaluate the suitability and efficacy of their efforts to achieve the objectives defined, also evaluating the satisfaction of the beneficiaries and of all persons involved;
5. The organisation will solicit donations from private parties, ensuring the utmost transparency with respect to fund raising and the results attained (**self-financing**);
6. The organisation will administrate funds prudently, keeping the costs of management and operations within acceptable levels, in order to confer to beneficiaries the greatest amount of resources possible (**efficiency**);
7. The organisation will **certify** balance sheet **results** in their economic management, reporting with transparency on the objectives pursued, on results attained and on corrective action decided upon (**transparency**);
8. To valorise volunteer work and supply information and training services to ensure that collaborators and volunteers are sufficiently prepared to fully develop their potential (**motivation**);
9. The organisation will evaluate their collaborators on the basis of criteria of **responsibility** and **merits**.

From 1st January to 31st December 2002, CESVI initiatives in poor countries cost 10,364,048 euro in the field and directly benefited 1,031,799 persons, involving some 715 local collaborators, with the intervention of 83 expatriates.

In 2002 the central staff was made up of 29 persons, assisted by hundreds of volunteers in Italy. During 2002 CESVI collected 53,675 private donations.

The “Children in Romania” Project

“Children in Romania” is a project born of a partnership between different protagonists in the world of non-profit and cooperation for development. It was created with the objective of intervening in a reality such as Romania’s, which is dramatically marked by the abandonment of children in orphanages, where they grow up in a context of marginalization, incapable of socialising and interacting with the external world.

The project was created in 1998 on the initiative of don Gino Rigoldi, one of the most renowned experts on youth marginalization, who is chaplain of the I.P.M. “Carlo Beccaria” of Milan. In order to strengthen the project, don Gino Rigoldi enlisted the assistance of:

- CESVI;
- New Community: this association, presided over by don Gino Rigoldi, has been involved since 1973 in overcoming situations of serious youth hardship;
- The Milanese Martinitt Institute - Stelline: one of the oldest orphanages of Milan, founded in 1500;
- Intercampus: a soccer association that is an emanation of Inter Calcio, to carry out educational sports activities among children of thirty countries, including Romania;
- Antea - National Association of the Elderly: The purpose of Antea is to valorise the experience and availability of pensioners in favour of volunteer work;
- Ipsia - The Institute for Peace, Development and Innovation of the ACLI (Catholic Laymen’s’ Action Group) of Milan: the local ACLI office of the national group, committed in the field of cooperation and volunteer work on the international level;
- The “Inima pentru Inima” Foundation, presided over by Lidia Dobre, is the Romanian Partner of the Children in Romania Project.

The purpose of Children in Romania is to improve living conditions of orphans and abandoned children, promoting and providing incentives for the realisation of structures for education, cultural development and professional training of minors.

The basic intuition of the project, as recounted by Giangi Milesi, Director of CESVI’s Fund Raising Unit, Communications and Education, are:

“the ‘houses of smiles’, an idea that originated with Milud, of creating structures for children who are experiencing hardships. The basic concept of this idea is to develop emancipation and not marginalization. In fact, these are small houses, capable of hosting thirty or so children, which make it possible for them to undertake an itinerary of social recovery”.

The projects realised by Children in Romania to date include:

- The construction of four “house of smiles” communities in the city of Vâlcea, for the social recovery of boys and girls discharged from institutions;

- Support for scores of boys and girls in economic difficulty to permit them to continue studying;
- Re-integration of children in their natural families through economic and psychological support of the family;
- Activity for the prevention of abandonment for families in difficulty through educational and economic support;
- Structured emergency intervention at institutions to guarantee children live in dignified hygienic and health conditions;
- Dispatch of Italian social workers assigned to train educational and assistance personnel;
- 200 volunteers trained in Italy rotate for 15-day periods, in summer, at Christmas and Easter, at Institutes in Braila, Tulcea and Vâlcea, with play and recreational intervention designed to allow exchange of affection, human and cultural relations with the children.

Comprabene and CESVI for Children in Romania

Comprabene intervened in the project to provide effective social assistance through the support of concrete projects. As we were told by the General Manager:

“A private enterprise cannot provide for its development without reflecting on the fact that 60% of the population of the world lives under the level of subsistence... as a pragmatic Bergamo company, we thought it would be better to adopt this project in Romania instead of participating in conferences and contributing to a ‘small piece’ of activity...”.

Collaboration on the project started when the company joined forces, first of all, with CESVI, as related by the organisation:

“The Lombardini Group wanted to work with Romania for their internal reasons and they contacted us to have a serious interlocutor that could guarantee a long term relationship”.

The project “Give a smile to abandoned children in Romania”

“Give a smile to children in Romania” is one of the numerous initiatives planned by CESVI within the scope of the wider “Children in Romania” campaign. Realisation of the project called for the institution of four “houses of smiles”. The Lombardini Group trademarks Comprabene, Pellicano and Blu contributed to the project in 2002 and 2003, with six consumer goods companies as sponsors, including Rana, Mulino Bianco, Bistefani, Rauch Bravo, Coca Cola and Scotti.

The initiative the Lombardi Group participated in to promote fund raising in favour of CESVI is a composite one, articulated in various activities and phases.

The original nucleus of the initiative is represented by contribution to a benefit fund of

the cost of an entry ticket to a series of shows given by the Togni Circus, especially realised in various cities in Northern Italy. In particular, 75 special shows were organised in 20 cities, where there are Lombardini sales outlets (about 260 supermarkets). The Circus tickets could be purchased at Comprabene, Pellicano and Blu sales outlets. There were 18,500 spectators at the shows.

The story of how this idea originated was related to us by the General Manager:

“We had the idea of the itinerant media event because our enterprise is not spread throughout the national territory. The Circus, moreover, is a type of show that has a great experience and important history, especially in provincial realities, where most of our sales outlets are concentrated... the Circus, finally, has the characteristics of the event that moves towards clients, contrary to the sales outlets, which are immobile...”

Thus, the Circus becomes the animator and place of sharing participation in this humanitarian cause: in fact, the Circus is not only art and entertainment, but also an opportunity of intercultural integration and recovery of marginalized youth...”

“Capire Aiutare” (n.t.: Understanding Helping”) is another educational itinerary included in the initiative, created by the communications agency “La Fabbrica”, which is specialised in the educational sector; addressed to elementary and middle schools, the itinerary foresees conferral of a didactic kit to teachers to accompany classes towards greater awareness in their participation at the Circus shows and in the humanitarian initiative.

The following sectors are therefore involved in the project:

Solidarity: construction of homes for socialisation to offer support to over 100,000 Romanian children, who are living in precarious structures, under extremely poor conditions.

Entertainment: organisation of 75 Oscar Togni Circus shows in 20 cities where there are Lombardini sales outlets. In particular, 41 evening shows for families and 34 daytime shows for elementary and middle school students, for a total of 18,500 spectators.

Culture: Photographic Show “Romania: the country, the people and many children”, at the Sforzesco Castle in Milan. Denis Curti is Curator of the Show.

Education: preparation and distribution of didactic kits and other materials for deeper knowledge on the subject, to over 300 schools in Northern Italy, involving some 3,000 teachers and 60,000 students.

Communications:

- advertising: the Leo Burnett agency realised an advertising campaign through the primary television and radio broadcasters;
- in stores: information points were created at each of Lombardini’s 260 supermarkets, for the projection of a film and sale of Circus tickets.

Final Considerations

This case history recounts the experience of a successful partnership between the private sector and the non-profit sector, which is becoming increasingly widespread in Italy, albeit with some delay with respect to Anglo-Saxon countries.

This type of partnership, also known as cause-related marketing (CRM), is a strategic instrument that ties a company or trademark to an important social cause or to a non-profit organisation, for their mutual benefit. The element that distinguishes CRM is the direct involvement of the consumer-buyer, who provides the donation.

The partnership between the Lombardini Group and CESVI is exemplary of the instrument of CRM, fully valorising its potential and amplifying its resonance as much as possible, and therefore the positive spin off of the initiative for society as a whole. The involvement of other protagonists is in fact quite marked, both on the front of private enterprise and non-profit organisations. The activities are also varied, thereby reaching the objective of amplifying the message.

The Lombardini Group's commitment in the project was made possible thanks to the active involvement of all personnel at sales outlets and was born of the management's desire to implement an incisive and pragmatic initiative, through a concrete project that would provide measurable results.

As testimony of this, the company's commitment is not limited to sporadic action; the partnership will also continue in 2004, with a view to planning and implementing a long-term project.

GRANAROLO (*) (**)

Caterina Carroli and Fabio Cecchinato

Introduction

The present case analyses the itinerary that brought Granarolo, a leading brand of fresh milk and second largest player on the long-conservation milk market, in orienting their business strategies towards sustainable development.

The entrepreneurial vision at the root of Granarolo's recent history, developed around the concept of quality, intrinsically embodies both the strategic and economic dimension and the dimension of social responsibility. The challenge that Granarolo faces today is to transform a natural vocation into a strategic business model. In this sense, Granarolo has chosen the model of sustainable development, whose founding concept is the ability to build value, together with one's interlocutors, instead of in competition with them.

The strategy of sustainable development that Granarolo has adopted is profoundly tied to and interrelated with the very mechanisms that generate economic value. In this sense, the pivot of Granarolo's business and development strategy, the chain of production, is a point that coincides with the economic dimension and the guiding idea of a socially responsible enterprise. It is a different way of building an enterprise, founded on the systematic search for quality, which gives unequivocal meaning to all of the Group's operations.

Starting from this concept of sustainability, the case takes into consideration Granarolo's socially responsible actions, divided by stakeholder category. The case also dwells on the crucial challenge that Granarolo faces today: the ability to involve and confer responsibility to the entire management on themes of sustainability and social responsibility. Actual acceptance by the entire organisation of this management philosophy, so that it becomes a widespread cultural patrimony, solidly absorbed in collective culture and practices, depends on how the Group faces this challenge.

Granarolo: History and Development

Granarolo is brand leader in fresh milk and second player in the long life milk market. With a turnover of 666 million euro, 12 production factories and more than 100

(*) Caterina Carroli and Fabio Cecchinato prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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distribution centres it employs a total of 1350 people. Granarolo was founded at the end of the 50s, starting as a small cooperative - the Consorzio Bolognese Produttori Latte - located near Bologna, which soon came to be called "la Granarolo", like the trademark applied to its bottles of milk. In 1972 Granarolo created a unitary regional Consortium, Cerpi (nowadays called Consorzio Granlatte). During the 80s it achieved national dimensions, acquiring various local companies that were scattered across the national territory. The Consortium immediately began to focus its strategy on a policy of quality: in 1984 it instituted payment for raw materials conferred by partners on the basis of quality, a decision that led to the first High Quality milk in 1992.

The thinking behind the decision to take the quality road was highly significant in terms of company history, not to say fundamental. In the early 90s the company experienced a period of serious economic-financial crisis. "When I arrived the business was declining, the business model at the heart of everything was no longer functioning, we were about to place the accounts books before the court ... it was a difficult but challenging moment. We had to change everything, start again from scratch". According to the story that emerges from the interviews this crisis represented a strong catalyst for change: "Today's Granarolo began to be built from that moment. People were sacked and the old management group replaced with people characterised by a culture that was much more market oriented". Management change was also accompanied by company restructuring which led to the division between the agricultural section, Consorzio Granlatte, which concentrates on collecting the raw materials, and the industrial section, Granarolo S.p.A., which operates in accordance with market rules and concentrates on product transformation and commercialisation. The Consortium, in addition to being Granarolo's main supplier, is also its main shareholder. "At the start of the 90s all brand patrimonies were assigned to a single company, which made it possible to carry out a division between a market oriented company and a manufacturing company". The company structure is an expression of this strategic decision to pursue high quality, ensured by a close relationship with its dairy farmers. The entrepreneurial idea at the heart of these decisions was related to us as follows: "in that period we took some risky but essential decisions. Above all we defined our core business i.e. fresh milk. Thanks to our multi-regional cover we were able to become a national player on the fresh milk market. We then implemented product policies which were consistent with the company structure that we had provided ourselves with. We pursued a line of development that proved highly satisfactory to the farmers, who are both our shareholders and our suppliers. In short: High Quality is quite simply being differentiated on the market through improvements in the quality of one's farm produce".

In the second half of the 90s Granarolo began to make its first acquisitions, which continued through to the end of 2000, with 2001 dedicated to consolidating the recent acquisitions. Granarolo's approach in the management of acquisitions pursued a logic of valorising the companies acquired, in both cultural and professional terms, as well as seeking to establish good relations with the territory. The underlying idea, although sometimes pursued with a rather 'heavy' managerial logic, was that of providing the territory with a future thanks to a sound long-term business. Two acquisition stories, which were told to us during the interviews, are particularly emblematic in understanding Granarolo's approach: "...the process we are speaking about began in

1994 with major and painful restructuring ...in 1998 we purchased the Gioia del Colle factory, comprising 140 units, to which must be added another 30 units in Foggia. It is now a single factory with 88 units. Despite this major intervention, the current experience and perception of the factory is satisfactory. This is because the workforce has understood that our approach seeks to valorise their experiences and improve their professionalism, creating virtuous supplier processes. Unlike the past, Gioia del Colle is now a company with a real future ahead of it. For this reason we now receive expressions of respect from our employees." Still ongoing, but inspired by the same logic, is our purchase of the Centrale del Latte di Milano, a company which had first been taken over by the municipal authorities. "The climate which accompanied the purchase was one of strong suspicion flanked by intense trade union opposition since they were convinced that we were going to break up the company. In this case too there was, and still is, enormous room for improvements in efficiency, due not least to a cultural inheritance exhibiting features that are very different from those of Granarolo. The strategy we have pursued is that of understanding the specific nature of the Milan market while focusing on specific products and valorising them. The company is now making profits well in advance of forecasts and the internal climate is gradually calming down, though there remains a fairly intense trade union presence".

The Group's activity rests on three main businesses: milk and cream (70%), yoghurt and cheeses (26.6%) and industrial gastronomy (3.4%). Fresh milk represents the company's core business and is present on the shelves in a varied range. In addition to fresh pasteurised milk and High Quality milk, over recent years there has also been an affirmation of milk obtained using ultra high temperature treatment, which guarantees the product a longer life. These have recently been joined by the Prima Natura Bio line, a range of milk-cheese products derived from biological agriculture. The Granarolo trademark is the only fresh milk trade mark that enjoys national distribution. However, given the fact that in this market brands have historically enjoyed a strong local character and close links with the territory to which they belong, the Group has strategically chosen to actively retain the trademarks it has acquired. In this regard, within the company one speaks of the "Granarolisation" of products, a practice that seeks to valorise the potentialities that local brands express within their respective historical territories while at the same time maximising the efficacy of national communication campaigns that have Granarolo as their protagonist. "Through this 'granarolisation' of brands we have pursued a strategy aimed at making us the major player on the market. This is a non-homologating strategy by means of which Granarolo acts as an umbrella brand aimed at constructing the overall Granarolo fresh milk brand while at the same time maintaining and valorising the specific character of local brands".

Quality represents the group's strategic orientation, one that is able to assure it a clear and differentiated position on the market. All Granarolo's constitutive elements, from its company to its organisational structure, were created to achieve this high quality goal. An orientation that finds concrete expression and fundamental value in its network structure and in its control over its supplier chain. Supervision of the entire production chain has allowed Granarolo to orient its business culture towards quality. Thanks to this supervision, Granarolo has also achieved certification of its production chain thereby ensuring traceability of its milk produce.

“Quality is nowadays a commodity, taken for granted by the consumer, especially as regards ourselves since we have made quality a question of image and brand. With production chain certification, however, we can communicate to the consumer something much more than simply ‘our milk is good’”.

Vision and mission

The entrepreneurial vision which has so influenced Granarolo’s recent history has centred on the concept of quality, embracing both its strategic and economic dimension as well as that of social responsibility.

It is a company that was originally defined as a “people company” and is structured around the fundamental idea of “indivisible accumulation” i.e. the accumulation of resources in order to achieve continuity over the long-term “for future generations”. It is an approach that has been part of the organisation culture from its very beginnings and which was further refined at the start of the 90s in relation to the economic crisis and subsequent reorganisation carried out by the current top management. The strategic and organisational decisions in those years, in producing consent among partners, had to respond to some basic questions, such as raising the producers’ quality of life, constrained by the low value attributed to their product on the market and by the absence of any integration within the production chain, with a working life made up of great sacrifices and commitment as regards production. In response to this need “we tried to define values and identity that were capable of expressing distinctiveness”, starting along the road that has subsequently so distinguished Granarolo’s development, characterised by its commitment “to a different quality” achieved by “attributing greater value to farm production”. This result could be obtained only with the very close involvement of partners, justified by the prospect of a satisfactory resolution of their requirements. In this sense, Granarolo’s distinctive identity arose through the sharing of a “social vision commitment”, centred on the involvement and participation of all the actors within the local contexts, with their strong traditions within the territory.

Starting from these premises, the challenge which Granarolo has had to face in recent years is that of transforming a natural vocation into a strategic business model. In this sense, Granarolo has chosen the sustainability model, whose basic concept embraces an ability to construct value together with one’s interlocutors rather than in competition with them.

The sustainable development strategy adopted by Granarolo is profoundly connected and interrelated with the mechanisms of generating economic value. In this sense, the essence of Genarolo’s business and development strategy, its chain of production, constitutes a point of intersection between the economic dimension and the central idea of a socially responsible company. This is a different way of doing business, founded on a systematic search for quality, which gives a sense and univocity to all the Group’s work. The main strategic principles which guide Granarolo’s sustainability strategy are essentially two in number:

- A production chain project replicated across the territory, by means of collaboration with the zootechnical companies present on the territory, transfer of

- know-how, advanced production methods and economic incentives for reconversion to biological and High Quality production;
- Quality that starts in the cowshed: total control over the chain of production, making it possible to control the entire milk production cycle, from the cowshed to the final consumer's kitchen table, allows Granarolo to affirm its claim to top quality that starts in the cowshed.

Today the original entrepreneurial vision of the early 90s, which led to the success and growth of the Group, has become a more consciously essential strategic approach for survival in a globally competitive context: "in the face of international competition there is no alternative: we must confer value on the product", the President declares.

Over time the original entrepreneurial vision and its implicit values have been progressively rendered more explicit, formalised in official company documents and hence articulated in a more analytic manner as part of a vision, a mission, a social mission and a code of values.

The vision

"To be the first in quality, freshness and goodness for the pleasure and well-being of people": Granarolo's vision, which first saw the light of day in 1999, was elaborated by means of an ideative route which involved the entire Group over the course of a year.

The elaboration of the vision, mission and the company's valorial coordinates can be placed chronologically within a period of change and profound transformations from both a company and an organisational point of view. Subsequent to its restructuring, and prior to its season of acquisitions, the company experienced a deterioration in its internal climate due to personnel cuts. As a reaction to this difficult moment Senior Management decided to launch an organisational development intervention that mobilised a large part of its managerial and staff population with the aim of encouraging the diffusion of a homogenous managerial culture, giving substance to Granarolo's basic intention to be *"a people company"*. The creation of the so-called "Archimedes Workshops", interfunctional working groups, made it possible to gather ideas and contributions on various themes, in this way encouraging involvement and participation within the life of the company.

The mission

The process which led to the definition of the company mission, what has been defined as the *Granarolo Way*, can also be placed in this organisational intervention centred on creativity and took place in accordance with the same participatory logic and extended period of reflection, involving some 94% of the company population. The basic idea expressed by the mission involves the desire to impose a leadership on the market based on values and the capacity to create value "together" and in the end *"win together"*. Assimilating this basic vision, the mission is structured around various points, all focused to give expression to what is perceived within the company as an

ineluctable destiny: to transform alimentation into an interface where the well-being of the consumer meets a love of the environment.

1. To create value for the actors in the production chain process and work to develop the following objectives:
 - Customer satisfaction - capacity for listening and dialogue, quality of service and products, innovation;
 - Consumer satisfaction - healthy, fresh, natural, typical and genuine products;
 - Partner producer satisfaction - valorisation of the production of quality and commitment to achieve the same;
 - Personnel satisfaction - recognition of competences and responsabilisation with a dynamic delegation model;
 - Shareholder satisfaction - increase in the value of capital invested together with equitable remuneration.
2. To express, through a strong company culture and concrete actions, a commitment to protect and defend the environment and to adhere to the ethics of social and economic relations.

The Charter of Values

The values which have inspired Granarolo in its pursuit of its mission represent a sort of compass that serves to orient its choices and decisions, including the most everyday and banal ones. This is also the form used to visually represent the various values involved: at the entrance to the company there is, clearly visible to everyone, a large poster depicting this compass of values. Words like customer satisfaction, creativity and innovation, personal growth, participation, positive climate and quality of life, ethics, professional growth and team spirit all serve to provoke thought and represent the cardinal points upon which Granarolo wishes to base and define its identity.

The social mission

In 2001 the mission was enriched by the social mission, which makes explicit “the modalities according to which Granarolo acts as a socio-economic subject”. Granarolo’s social mission can be structured in line with the following points:

- Art.1 Raison d’être - to have a “High Quality” company and production chain, to offer fresh and natural products while respecting the environment and people;
- Art.2 Style - to consolidate and diffuse, within the Group and among partners, the “High Quality” company and production chain model, valorising the contribution of each element;
- Art.3 Relationship with the market - to be the expression of an ethical business culture within the market. To operate to satisfy shareholder expectations, valorise human capital, develop partnership relations with suppliers, cultivate a dialogue with customers and consumers;
- Art.4 Relationship with the environment - to orient development towards

sustainability, reducing the impact on the environment and safeguarding natural resources. To dialogue with the territory and take part in social growth projects, as a citizen of the community.

The social responsibility actions

Granarolo defines itself as a company that is “ethical by vocation”. According to the words of its President, “Granarolo is a company with social responsibility written in its DNA, which derives from its cooperative history”. Granarolo’s social responsibility also clearly derives from its entrepreneurial vision which guides its actions. Again the President tell us: “the route which led to high quality has also led to the maturation of objectives of a social character, first and foremost that of improving the quality of life of our partners. For Granarolo there is no other way than this: for the production chain which we represent we have to confer value upon the product. Social responsibility is a highly important value that serves to make a better product”.

The business model centred on the production chain, unanimously indicated as the concrete representation of socially responsible company action, embodies the fundamental concept of relationships and network. In the interpretation of Granarolo’s management: “the company must know how to pursue its interests in harmony with the surrounding environment. Social responsibility contains within itself the concept of relationship and a prospect for the future. The system in fact evolves and looks to the future only if there is a relationship, active cooperation. This approach is in open contrast with the philosophy of the individual entrepreneur who simply wishes to maximise his return.”

Within this perspective, the relationship which Granarolo establishes with its stakeholders – collaborators, consumers and customers, financial community, suppliers, environment and territory – is perceived within the company as a fundamental element in its social responsibility. Social responsibility is in essence the quality of the relationship which the company succeeds in establishing with its interlocutors. This approach is clearly stated in the words of the President, according to whom: “sustainability is how I produce value together with the other actors, not how I distribute it”.

In line with this approach, the sustainability report is articulated in accordance with the social responsibility policies which Granarolo adopts in relation to each stakeholder. The sustainability report, which Granarolo first drafted in 1998, has obtained numerous accolades: indeed in 2000 it won the Financial Statements Oscar and in 2001 it was a finalist.

Responsibility to employees

The total number of Granarolo employees comes to 651, subdivided into factory workers (308), office workers (270) and management figures (73). Over the last three years the number of collaborators has increased by 37 units, registering a growth of

12.5%. Growth in numerical terms, and the rejuvenation of the company population, poses the company on the one hand with the challenge of increasingly improving its attractiveness and ability to hold on to people, and on the other with the consolidation of a sense of belonging to the company and encouraging interfunctional integration.

With regard to its ability to attract and hold on to talented individuals, the challenge facing Granarolo consists in defining payment policies, award systems and career structures that are as far as possible satisfying and transparent. The level of awareness of the importance of attracting and holding on to capable people for the development and competitiveness of the company is very high and present throughout management: “you can’t get anywhere without the right people”; “you need talent, that’s the problem”; because “you have to be continually able to introduce innovation, because know-how and products very quickly become obsolete”; and you can achieve “innovation only if you have people who are on the ball”. The “dream is that of being attractive to talented people and being able to hold on to them, paying them at least as much as other companies do and adding elements that make them feel they are better with you than with the competition”. The balance is still not completely satisfying: “we are succeeding in some areas more than in others” because there are different sensitivities in regard to this subject: “the more balanced you are and able to build aspects of wealth into the relationship, the more people choose to remain”. Overall, “we have a lot of talented people and the climate and a sense of involvement provide a return in terms of loyalty”.

As regards salaries and wage systems, all employees enjoy variable payment schemes that are tied to economic results; managers have an integrative variable share and some also have objectives linked to their commitment in terms of social responsibility.

In its relationship with employees, the company places a great deal of emphasis on information and participation in its decision-making processes:

In particular communication is considered critical in the success of an information diffusion policy while at the same time consolidating a sense of belonging to the company. The instruments in which Granarolo is investing to achieve these objectives include the Granarolonews house organ, distributed 11 months a year to all Group employees, and Gr@net, the intranet portal for the Granarolo world. Both these instruments are useful in stimulating two-way communication and in encouraging, on the part of employees, a comparison with values and situations in their personal and daily lives. More specifically, Granarolonews “seeks to highlight Granarolo’s social responsibility and in addition tries to offer space to the experiences of collaborators within the social context” in order to “generate two-way communication and allow the experiences of employees, not just their work but also their personal experiences, to be voiced with the aim of encouraging consistency between company and personal values”.

This has involved a level of investment that has increased over the years, due also an awareness that “the image conveyed by employees is positive but not exceptional” and, according to the Communications office, it is not perfectly consistent with the company image communicated to the outside world. Research into what constitutes a healthy working climate, carried out in 2002, also demonstrates that “the company still has work to do in regard to opening up more to its employees”.

Over recent years there have been numerous initiatives regarding the involvement of employees in the design of organisational solutions and the definition of aspects of internal culture. One initiative which involved 97% of employees focused on the discussion of the company mission and values and concluded in 2000 with a convention attended by all group employees.

Another development project to which great significance is attributed is the Archimede Workshops project which has seen numerous mixed groups of employees, middle managers and managers employing creativity techniques in regard to projects entrusted to Senior Management, identifying a project manager and intelligently using human resources and materials. During the course of 2001, for example, they worked on the elaboration of project guide lines for the new management offices in Bologna, project guide lines for the new company canteen, as well as the internal communications improvement plan.

This modality of project involvement, with the participation of employees, has found further expression in a project to which strategic valency is attributed: 15 working groups have been set up, involving a total of 60 people, including managers and middle managers, "to elaborate changes regarding specific themes having strong management or strategic impact", in order to "define the development conditions for the company over the next ten years."

Following a period of significant acquisitions, and in response to the strong needs for organisational integration which have been felt since 2000, a new stimulus was given to initiatives involving the launch of some working groups. These included the interfunctional working Group for sustainability which drafted the social responsibility policies and mission document. In 2002 it also carried out a company climate survey in order to identify which values were most frequently experienced and noted within the company by employees and which were less so. The survey indicated a partial misalignment between collaborator expectations and reality. In particular, two critical aspects emerged in relation to team spirit and values. Junior and middle managers were subsequently invited to work on these aspects.

Again with reference to an application of values, there was a clearly positive result as regards customer satisfaction, while on the other hand the improvement areas indicated concern personal and professional growth, participation in company decisions and strong team spirit.

A further initiative involves the elaboration of the code of ethics, entrusted to an internal working group which has operated in complete autonomy: "we have not altered anything", "we have not intervened in order avoid making it seem that we wish to influence the process". Authorisation to proceed was therefore an act of trust: "I am not afraid of anyone indulging in demagoguery, they are producing concrete and applicable elements, we have people who know how to think clearly, who know how to get the job done and also know how to match utopia with concrete reality." Moreover, in the final phases "senior management will also be involved".

Another initiative, with the goal of involving employees in matters of social

responsibility, invites employees to submit a project of a philanthropic nature, gathering donations from employees. The company has committed itself to doubling any such sum collected.

The reasons for this initiative relate to a need to invest in a sense of belonging and motivation: “For us it is a way of encouraging moves towards social commitment, involving everyone, and making each person more responsible in regard to this subject”; “we work in a methodical way to boost the sense of pride of those who belong to Granarolo”; and “a sense of belonging is related to a sense of social responsibility: if the company is committed to just causes, on correct matters, this is perceived as a serious commitment and constructs a sense of belonging”.

Despite these initiatives, which have met with the favour of many interlocutors, the perception of some is that internal relations still need to be the subject of considerable attention: “it is a controversial matter; my perception is that we are not yet in line with our expectations. There are still many fissures between company sectors, products of the company’s history, and for this reason I think there is still a lot of work to do; it is management’s responsibility to arrive at a better sense of balance, albeit dynamic, between the various functions”.

As regards company climate too, some interlocutors note that involvement, communication and intervention initiatives do not reach the entire company population: “there remain elements of intense extraneousness in regard to these subjects on a worker level”, characterised by a high degree of turnover. In regard to the worker stratum, one notes that what decisively affects the working climate “are working conditions and we have night shifts 305 days a year. In addition, we have introduced more advanced and participatory production management systems; there are a lot of restrictions and considerable resistance”.

For some “it is difficult to say how much company commitment on social responsibility affects the sense of belonging and identification with the company; some concepts have been accepted but there is a considerable degree of heterogeneity”.

Responsibility towards customers and consumers

“To structure social responsibility in regard to large clients, with whom one’s relationship is conflictual by definition, is not an easy undertaking. The most critical features reside in the conflict of interest and in the small degree of willingness on the part of such entities to be involved in areas other than mere negotiation. In general one notes a substantial divergence between the declarations of social responsibility made by the major distribution chains and their expressed company culture. The GDO is not yet ready for a possible partnership with a supplier like Granarolo on subjects like packaging. It is difficult to succeed in establishing a win-win situation”. As regards customers, therefore, “one cannot speak of specific social responsibility actions. It would be more accurate to speak about correctness in the relationships rather than CSR”.

As regards the final consumer, Granarolo's strategy especially focuses on the subject of high alimentary quality, with the aim of guaranteeing the consumer fresh, good and safe products. The subject of alimentary safety, all the more important the more one is involved in the fresh food business, has real ethical valency in the pursuit, on the part of Granarolo, of the road to high quality and products traceability. The subject of control is crucial in this sphere, as emerged from one interview: "the risks in relation to company reputation are very high; Granarolo sends out a million litres of milk a day; to avoid risks in the field of alimentary safety it is essential to invest heavily in controls. The costs are extremely high and though the controls are not required by law the company's reputation is such a precious asset that one simply has to implement them".

Quality controls are frequent and severe and are mainly carried out - though not only - by the Granarolo laboratory, which is able to send, every day and in real time, the results of analyses to producers, so as to permit the latter to immediately apply, if necessary, any corrective measures. In terms of a formal guarantee in relation to the consumer, in 2001 the laboratory obtained ISO 9002 quality certification. In 2001 Granarolo put on the market its first quality certified yoghurt. The aims of certification consists in reassuring the consumer as to the quality of the products and making it absolutely clear the company is committed to maintaining the said quality levels achieved by the products.

The intervention areas pursued by Granarolo in regard to consumers are three in number: "continual product innovation, as witnessed by the Bio line launched in 2000; product quality, also guaranteed and formalised by certifications; and finally, listening and dialogue". The ability to listen to consumers emerges as "an area of investment. We are constructing instrumentation to allow us to listen to consumers". In this regard, some representatives of consumer associations were invited to a workshop organised in 2002 by Granarolo to discuss matters with its stakeholders.

The critical subject in regard to consumers is communication. In the company there is a perceived disconnection between sustainability and external communication. "To speak to the consumer is very costly and can prove to be barely perceptible in terms of a return..."

Granarolo's desire, however, is to increasingly characterise its brands with its social values, getting across CSR messages to the consumer. "We will try to do it", they tell us, and in fact the last two publicity campaigns by Granarolo concerned the certification of the production chain and SA8000 certification respectively. The sustainability report is therefore used as a communication instrument, constructing the reputation of the company and sent to all consumers.

Responsibility towards the financial community

Granarolo conducts itself in regard to the financial community like a quoted company providing quarterly reports in accordance with companies quoted on the stock exchange. The quality of the financial information which Granarolo makes available with its Annual Report has been rewarded with the conferral of the "Oscar for Financial

Communication Report 2001” in the non quoted companies category. The report, in relation to the financial community, is “delicate because it constitutes the main shareholder... one cannot speak of a critical report, but one which should be noted with due attention”. In this case, there is an explicit awareness of a return in economic terms from this type of approach: “we have a ‘return’ from all this, since we pay less money”.

Responsibility towards suppliers

In the business model adopted by Granarolo suppliers represent a fundamental strategic element in the process of creating a quality product. As has already been mentioned earlier, Granarolo’s main supplier of milk is also its main shareholder. The largest strategic project which concerned them over recent years involved the certification of their production chain.

As regards other suppliers, which can be divided into producers of milk who do not belong to the Consortium and suppliers of raw materials and secondary services and materials, subsidiary materials, logistics services and finished products, the approach adopted is that of developing a partnership policy intended to establish a qualified collaboration relationship rather than contractualistic competition.

“The attempt is to try to enter into projects with some suppliers, including through the transfer of know-how. This is the case, for example, with a co-packaging project developed in collaboration with a supplier”.

Recently some suppliers were involved in SA8000 ethical certification with Granarolo asking them to adhere to the standards covered by certification. This certification requires companies to be proactive, committing themselves to setting up a virtuous circle of awareness enhancement in regard to subjects like health and safety, freedom of association, opposition to discrimination, disciplinary procedures, working hours, salaries and wages, child labour and obligatory work. To date Granarolo has involved some 230 suppliers of products and services in this process and expects to arrive at a figure of up to 430 by the end of 2003.

Responsibility towards the collectivity

The stakeholders within the community for Granarolo are: institutions, non profit organisations for culture, environment and solidarity, the medical-scientific world, category associations, schools and universities. The financing provided and the partnerships established with the various organisations generally match the objectives which Granarolo has set itself in its corporate citizenship policy: to promote social promotion and development projects in line with the company’s mission, values and general strategies and to adopt, as far as possible, an integrated approach, which makes it possible to establish stable and systematic connections between programmed social investments and company policies, with particular reference to matters relating to high quality, protection and promotion of life, food safety and respect for the environment.

To better achieve these objectives Granarolo intends to define a code for social partnership which establishes those criteria on the basis of which organisations and entities can be selected in order to achieve projects and a budget for social investments.

“We would like to rationalise the company’s social expenditure, establishing thematic priorities and providing contributions to specific and accountable projects”.

Within this range of action, Granarolo promotes and sustains the adoption of practices and activities of a social character on the part of its collaborators. From an internal survey carried out in 2001 it emerged that approx. 18% of the company population is registered with voluntary work associations. With the aim of encouraging the social awareness of its human resources and diffusing a homogenous company culture, Granarolo has therefore decided to devolve double the figure which its employees would have decided to allocate to their preferred onlus. The total paid to the onlus subsequent to this initiative was approx. 15,000 euro.

In addition to financial support for some ONGs, like Doctors without Frontiers and cultural associations and institutions, Granarolo has supported some long-term projects that are consistent with its strategic guidelines. This is the case with the two initiatives “Premio Alta Qualità” and “Impronta etica”. “Premio Alta Qualità” was created with the aim of “contributing to the valorisation of those experiences that are a testimony to man’s capacity to strive for a superior quality of existence, in terms of knowledge, well-being and the progress of civilisation.” To be awarded the Premio Alta Qualità it is therefore necessary to have achieved an ethical goal, practical excellence that can affect the social sphere producing a collective benefit.

The creation of the “Impronta etica” association, which Granarolo set up in 2001 together with other companies in both the public and private sector, arose on the other hand from a desire to promote social responsibility policies within other production contexts in the territory. The aims of the association are to diffuse and consolidate ethical principles and social responsibility in economic and administrative activities in order to further promote sustainable development.

Responsibility towards the environment

Granarolo’s approach to environmental responsibility consists in identifying any critical features along the length of the entire process, from the supply of raw materials to the transformation and finally the distribution of finished products together with relative instruments for reducing any negative impact. The objectives which Granarolo has set itself in this regard can be summarised in an environmental mission, structured in accordance with the following points:

- “to evaluate, control and where possible minimise the impact of processes and products, continually improving their results”;
- “to promptly respect any legal requirements in regard to the environment”;
- “to introduce on to the market products conceived and distributed in a way that is compatible with the environment”;

“to adopt a system of environmental management to prevent, control and reduce the impact of activities, identifying responsibilities, training personnel, defining concrete and measurable objectives”;

“to define communication plans, dialoguing with and listening to clients, consumers, partners and third parties”;

“to positively orient partners and suppliers, through specific initiatives, towards responsible environmental behaviour in relation to their activities”;

“to ensure that this policy is clearly perceived to be an integral part of a more general company policy”.

The critical features in terms of the environmental impact of Granarolo's activity consist mainly in the use of natural resources (water, electrical energy, fuel) and chemical substances such as coolants, essential in the food processing chain. Granarolo's efforts consist in more rational utilisation strategies in regard to the latest generation of low environmental impact chemical substances and resources. In order to rationalise the numerous activities aimed at reducing environmental impact within an environmental management system, Granarolo has undertaken the path of environmental certification, which is intended to promote, in regard to each production factory belonging to the company, constant improvements in environmental efficiency through the adoption of policies, programmes and management systems that are evaluated in a systematic, objective and periodic manner. The reference certifications in this context are two in number: the ISO 14001 international standard and the standard covered by the Emas regulation (Environmental Management and Audit Scheme) which involves registration in a European register subsequent to confirmation of an “environmental declaration”. While the first certification sets out the requirements and guides the company towards correct environmental management, the second poses the further objective of inducing the company to publicly declare its policy in this matter in relation to its main stakeholders, explicitly stating its strategies concerning themes like pollutant emissions control and reduction, the safeguarding of natural resources and reductions in the consumption of water, energy etc. In April 2000 the Anzio factory obtained the company's first ISO 14001 environmental certification, followed by the Castel San Pietro factory, which in 2001 also obtained the international Emas environmental certification. In addition to this factory the Emas register also includes the ultra high temperature milk production factory at Soliera (Modena) and the Bologna central unit dedicated to the production of fresh milk and dairy products, both already ISO 14001 certified. The certification process is also currently underway in other factories e.g. at the Novara site, which is awaiting ISO 14001 certification.

Certifications

The beginning of Granarolo's interest in certifications dates back many years, more specifically to 1993, the year in which the central laboratory for microbiological analysis was accredited by Sinal (Sistema nazionale accreditamento laboratori - National System for the Accreditation of Laboratories). Since then certifications for quality management systems have arrived - ISO 9000 in 1994; ISO 14000 and Emas environment certifications; certifications for traceability systems in the production

chain; the controlled production chain for products obtained from high quality and biological milk; and finally, and most recently, SA 8000 ethical certification in 2003.

The certifications that have most recently involved the company's commitment include one for traceability of the production chain and another concerning ethics. For different reasons both assume significant strategic relevance. The approach adopted is that of anticipating regulations in order to acquire a competitive advantage on the market. A manager explained matters to us as follows:

“traceability of the production chain will be obligatory in 2003. We are ahead of the times just as we were for quality and which is now a competitive advantage. Certification is certainly a cost, but it is strategic because it permits Granarolo to enjoy the substance and image of safety. In addition it helps to raise the level of product quality and provide the consumer with something more valid... for us this is a socially responsible attitude...”

The approach to certification has changed over the years. Initially, “especially with quality certification, it involved adopting the procedures which certification obliged you to adopt while learning a certain method”. Following the same principle of “giving order, method and safety to the company” Granarolo has also achieved ISO 14000 environmental certification. The most recent approach, on the other hand, clearly expressed in production chain and SA8000 certification, is the more strategic one of “having something that allows you to compete on the market”. It is no coincidence that the last two certifications were also the subject of communication campaigns.

Granarolo is the first agroalimentary company in Italy to have obtained SA8000 “ethical” certification, which prescribes behaviour which Granarolo and the suppliers must adhere to as regards health and security, freedom of association, opposition to discrimination, disciplinary procedures, working hours, salaries and wages, child labour and obligatory work.

This certification is inspired by principles that differ from other certifications obtained by Granarolo. This one does not “certify conformity with a standard like the previous ones, but requires the company to be proactive and commit itself to establishing a virtuous circle of awareness enhancement in relation to suppliers”. With respect to suppliers, Granarolo has decided to select approx. 250 (out of a total of 2800) over the next three years on the basis of criteria elaborated together with SA8000. In practice

“we send the suppliers the code of conduct and request their willingness to adhere to it. On the basis of their replies, through a system of weighting, we select our suppliers. In relation to those who have replied to the code of conduct we have to commit ourselves to carry out five audits in medium-large companies and ten in medium-small companies”.

The commitment we have demonstrated in relation to this latest certification clearly indicates Granarolo's “holistic” approach to the themes of social responsibility, integrated within a real company management process. In particular, adhesion to SA8000 certification, with its consequent commitment to enrich the company with

social themes, unequivocally demonstrates (as Granarolo itself reminds us in its institutional communication carried out while obtaining certification) “the company’s intense passion for high quality, for life”.

Conclusive considerations

If you ask people at Granarolo to state their vision of social responsibility in a few words, they cite Richard Norman, in “Redesigning Enterprise”:

“A new strategic logic is now inevitable. Any institution today must explore the new area of planning to create value. The problem is not the distribution of value, but the creation of value itself, in terms of improving the allocation of resources”.

The key to understanding Granarolo’s approach to CSR is in fact embodied by the phrase, repeated again and again by the management in their interviews, that “sustainability is how value is produced, together with others, and not how it is distributed”.

It is important to stress an important step in the itinerary followed by Granarolo to create a business model capable of generating value in a responsible and sustainable manner: the evolution from the concept of social responsibility to that of sustainability. As Rossella Saoncella, CFO of Granarolo, asserted in an interview:

“...we are attempting to go beyond, ensuring that our model of doing business is inspired by the concept of sustainability, which means ‘creating value together’. [...] Social responsibility was born as a defensive strategy with respect to a trend, then several companies understood that it was possible to utilise corporate social responsibility as a lever of competitiveness and differentiation of their image. [...] But sustainability is something else. The model we have developed at Granarolo is based above all on the mechanisms that generate economic value. Social value cannot be a by-product of economic value. It may be a share, a disbursement. It must express the style of a company’s presence in the economy and in society. The founding principle of this philosophy is that the social dimension of enterprise lies in building economic value together with stakeholders: namely, in giving responsibility to each actor in the chain of production, at conditions that permit the generation of value by all of the others”.

According to this vision, sustainability is a fundamental founding element of enterprise strategy and has a strong impact on the management of both external and internal relations.

Concerning the market, the path followed by the company is evident and involves conferring connotations of value to their brand, inspired by social responsibility, with a view to its differentiation and to enable the firm to manage relations with consumers on the terrain of values. The essence of the brand that Granarolo desires to express is that of being able to guarantee product quality and safety. This commitment towards the brand is recognisable in Granarolo’s two most recent advertising campaigns, which

respectively concern certification of the chain of production and SA 8000 ethical certification, characterised by the extremely explicative claim, “Behind the label, ethics” (n.t.: a play on words in Italian: “Oltre *l’etichetta, l’etica*”).

Concerning internal relations, intervention to favour employees’ participation in company decision-making processes stands out. This has even involved implementing structured internal communications processes to develop a spirit of creativity and collaboration, especially with a view to promoting an inter-functional approach. Particularly noteworthy are the itineraries that led to developing a vision of the mission, company values and, more recently, the development of an Ethical Code, which has involved the entire population of the company.

According to Granarolo’s approach, the capability of orienting the company towards sustainability with a view to long term strategy involves all instruments that most profoundly affect the “reformulation” of enterprise culture towards CSR, such as definition of the so-called “Granarolo Way” (vision, mission and values), definition of socially responsible policies, drawing up the Ethical Code and SA 8000 certification; on the other hand, it also involves instruments of accountability, whose purpose is to make the company’s performance transparent and to harmonise it with traditional reporting procedures. In particular, this concerns the process of integration between economic and financial indicators and socio-environmental ones and definition of the Sustainability and Intellectual Capital Balance Sheets.

To what extent may the processes of internal integration and harmonious development of a series of instruments of social responsibility be considered fully realised? Raising this question implies posing the problem of leadership, to understand to what extent social responsibility is a culturally shared theme within the company or, on the contrary, is the prerogative of a few enthusiasts who have succeeded in dragging the entire organisation into this adventure, with varying results. This seems to be an aspect that will play an important role in the future of social responsibility at Granarolo. On this front, top management is aware that the involvement and responsibility of the entire management structure on themes of sustainability is now posed as a challenge to be faced. The actual adoption of this management philosophy by the entire organisation depends upon this aspect, to the point that it is independent of the propulsive role of several key figures. A natural corollary of the process of pervasive diffusion of the culture will be the increased commitment in translating the logic of sustainability in the relationship with all members of the organisation, at all levels; there are still lack of homogeneity and several incoherencies in this respect today, which are also recognised as future areas of improvement.

IKEA ITALIA (*) ()**

Marella Caramazza and Caterina Carroli

Introduction

The IKEA case recounts and analyses the numerous initiatives promoted by the company in terms of corporate social responsibility, addressed to a variety of targets, employees, suppliers, the environment and the community as a whole.

In particular, the specific nature of the case resides in the history and traditions of IKEA, which are characterised by a strong matrix of ideals and deeply rooted values, with which the firm identifies. Attention to social issues is already potentially contained in the Swedish origins of IKEA, and have been aggressively preserved in the company's global expansion. The very mission of IKEA, in the interpretation of our interlocutor, presupposes a socially active orientation, of "improving the life of the majority of people".

The case history analyses actions on a global level, with particular focus on the activities of IKEA Italia, thereby shedding interesting light on the relationship between local and global corporate social responsibility.

One last element worthy of attention is the approach to communications adopted by IKEA, which is oriented towards a traditional form of reservation, and the tension towards changing this approach that has characterised the company in recent years, to better respond to the expectations of society.

Mission and organisational structure

IKEA is the acronym of the initials of the founder, Ingvar Kamprad, who grew up on the Elmtaryd farm in the village of Agunnaryd, Sweden. Ingvar Kamprad registered the IKEA trademark in 1943, at just 17 years of age: he began his career as a trader, selling pens, Christmas articles and seeds. Five years later, the RUT armchair saw the entry of furniture as part of his commercial activity.

IKEA is today one of the most important world multinational groups, with an overall turnover of 11 billion euro and 70,000 employees round the world. The first IKEA store

(*) Marella Caramazza and Caterina Carroli prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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was opened in 1958 at Älmhult in Sweden. From 1963, with the opening of the first store outside Sweden, an expansion began which has led to the opening of 175 stores in 31 nations.

The vision and business idea of IKEA - to create a better everyday life for the majority of people - owe much to the spirit and idealism of its founder. On a commercial level this has been translated into the offer of a vast range of functional furnishing items that are well designed and with prices that are so advantageous they make it possible for the greatest number possible of people to purchase them.

The element of differentiation with respect to competitors resides in IKEA's ability to combine a vast product range, design and functionality with accessible prices.

“Sometimes we invent our competitors... there are those who sell more beautiful kitchens, or more beautiful tables... there is competition on individual areas, but there is no one who does everything...”

Price accessibility however is the most critical and important competitive advantage in achieving the objective of improving the everyday life of a great number of people. To this end all the product developers, designers, buyers, even the consumers themselves (who co-participate in the organisational process by taking the furniture home and assembling it themselves), orient their efforts in this direction and contribute to keeping the final price down.

The key element for the success of the IKEA model resides in the concept of partnership, on the one hand with suppliers, on the other, the customers.

“Our concept of business consists in integrating the consumer and supplier... With the suppliers we create a true partnership that consists in designing and project planning the furniture together ...with the client we create an implicit partnership when we ask him to transport the products he has purchased to his home and assemble them there, if necessary”

In recent years IKEA has explored the idea of selling solutions rather than furnishing products.

“From the very start, our mission has been that of creating a better life for the majority of people through our products, which are beautiful, functional and not expensive. Today we present ourselves a little differently... not just with our original business idea but also through the shopping experience we offer - which is of itself a “beautiful” experience - and the sensorial experience that derives from it... A further evolution that we have supported over the last few years consists in providing “life benefits”, which help to resolve problems related to the quality of life... For example, life with children together with products that make children's rooms pleasant, safe, simple etc., or life in a small house...”

The IKEA Group financial structure is particular and rather uncommon among multinationals. It is not owned by shareholders but belongs to a foundation, the

Stichting INGKA Foundation. The Foundation is the owner of INGKA Holding B.V., the parent company of all the companies in the IKEA Group. INGKA Holding B.V. is responsible for product range, industry, purchasing, distribution and the stores.

“In IKEA there are none of the kinds of stakeholders who are usually considered more important i.e. the stockholders. The sole owner is a foundation governed by Dutch law according to which the profits must be reinvested in the company or in charities linked to the core business... This is a legislative ‘cage’ which obliges management to reinvest and not to undertake any irrelevant activities...”

IKEA Italia, with a network of 8 stores within the national territory and a turnover of 557 million euro in 2002, is a business enjoying constant growth and expansion, as is demonstrated by its increase in turnover and sales volumes from 1997 to today, and the intention to open up another 4 stores in 2004. This strong growth and expansion within the national territory has occurred after a period of crisis for stores in Italy at the start of the 1990s, as the CEO recalls:

“IKEA called me when it was faced with a major crisis... Sweden was asking itself if it made sense to remain in Italy... the stores that had already been opened were relatively unproductive... I tried to recover the situation through a new and credible strategy, working with the people already in the company... We had to find something in which we could believe again and make it become a success: ... between reducing costs (i.e. cuts in personnel) and increasing sales, we chose the second route... When a company starts to spiral downwards people get depressed and it is then even more difficult to climb out of the trough... It is essential to keep the engine of development continually ticking over...”

Today IKEA Italia occupies fourth position as a purchaser of products from the IKEA Group and enjoys seventh position in terms of sales. In 2002 the IKEA stores were visited by approx. 15 million people, for the most part concentrated on Saturdays and Sundays.

The continual striving to realise the mission is also demonstrated by the price strategy practised by IKEA Italia: the 2003 catalogue offers the same price levels as those in 1993, clearly running counter to the rest of the market.

“IKEA is not a profit-oriented concern, it is a foundation... there are no shareholders... We can allow ourselves to reduce margins in order to reduce prices... Over the next ten years our goal is to reduce prices by 2% each year...”

IKEA Italia is a holding that overall employs some 2,963 employees and is subdivided into three units: IKEA Italia Retail i.e. the network of stores with 2918 employees; IKEA Italia Distribution i.e. the central warehouse with 36 employees; IKEA Italia Property, which concentrates on building maintenance and expansion and employs 9 people. IKEA Italia Holding provides the 3 divisions with financial services, human resources management and general services.

“The focal point of IKEA Italia, as with the IKEA Group, is - by culture and tradition - the store, which enjoys an enormous degree of autonomy”.

Each individual store, which in Italy employs from a minimum of 246 people in Brescia to a maximum of 565 in Rome, is a true company, comprising the following organisational figures: store manager; department head; group leader and co-worker, in addition to all the staff structures.

Social responsibility actions

IKEA's social responsibility actions are focused on employees, the environment, suppliers and the territory. Generally speaking, actions involving the environment and suppliers are decided and taken on a global level, directly by the parent company; or they can be established according to a criteria of division of tasks, which requires local operations to develop their relations with their employees and territory, with any actions regarding the same being managed autonomously on a local level.

Responsibility towards employees

“Maintaining a strong IKEA culture is one of the key factors at the heart of the continuing success of the IKEA concept”.
Ingvar Kamprad

For IKEA, human resources occupy a fundamental role, both in achieving the mission and in implementing and spreading those values that constitute IKEA culture.

This sensitivity influences the entire human resources management cycle, starting with selection.

“One of the most important challenges for IKEA are human resources... IKEA is a company which has grown considerably and which shares a set of strong values... It is therefore important to find people who are attuned to the company philosophy”.

“IKEA is more a movement than an organisation, held together and continually reinforced by an almost religious commitment to its mission i.e. the attempt to improve the everyday lives of the majority of people... The selection process is very important in ensuring people who share IKEA values are hired... We greatly need this input to be able to achieve the commitments we take on... The key to everything is the ‘fanaticism’ of people in relation to values... people who have very strong beliefs and do not have any fear of showing them must be supported by higher management...”

The values that bring together all the employees in the group can be defined, taken overall, as “Ikeanity”: using this word, the interviewees summarised the distinctive features of company culture and place them at the heart of the “passion” that ties them to IKEA.

“Ikeanity” is diffused and passed on through the behaviour of everyone. To

reinforce this, in every store there is, to benefit all new co-workers, a training course called, "The IKEA way".

Management too is the target of initiatives aimed at guaranteeing the continual and complete sharing of IKEA values, also in the light of natural changes among management personnel, which includes the entry of people from other companies.

"IKEA was becoming a cult rather than a culture... at the start it was the child of Kamprad, but then gradually it began to change... Initially they were all friends, then the generational changeover came along... Now managers, like myself, are all in our forties, with different training and experience histories... It no longer made any sense to say 'this is IKEA' and 'this isn't IKEA'... The Group management assimilated these signals and understood it was necessary to explore everything and take a long hard look at our values..."

An organisational development meeting was therefore organised, in which management came together and explored the declared values, the effective values and the stereotypes which had become consolidated over time. This process has not yet finished:

"This reappraisal of values, with no one knowing where it will lead, is an obligatory step for a company that has always openly declared that it is founded on values... the game is far from over..."

"Ikeanity" is closely connected, in the perception of employees, with the concept of the "good" company.

"IKEA is proud to declare that it is a good company, that it directs its attention to the needs of people, to mothers, the sick, to people who are experiencing personal and family difficulties... In effect, IKEA tries to find solutions for the problems of its collaborators..."

One aspect to which IKEA is strongly committed is that of work-life balance, a project that started at a group level and is also present in IKEA Italia. The project's goal is to facilitate a harmonious rapport between the private and working lives of its employees.

People who are forced, for health or family motives, maternity or other reasons, to absent themselves from work can still remain in touch and be informed about what is happening in IKEA by receiving all our internal communication material. For certain levels there is also provision for communication from home with a portable computer and the possibility of accessing the company intranet.

In addition, Italy is developing, in this context, its "Maternity Project". This involves an initiative that seeks to allow women in maternity to use their facultative maternity period as a period of professional growth (in IKEA Italia 3 out of 8 store managers are women and mothers). The testimony of one of the store managers is interesting in regard to this point.

“When I had my first maternity there was still no structural project, but there was a willingness on the part of my manager to deal with the situation flexibly. My second maternity coincided with the ‘work-life balance’ project... Thanks to this I was able to continue working from home, during the period of facultative maternity, via the internet and a series of programmed individual meetings, as well as the training course I had started... In August, in the middle of the holidays and my maternity, I was called in to the company and informed of my promotion to store manager....”

The project just outlined is closely related to another project focusing on a subject that IKEA has been dealing with on a global level for some time i.e. diversity management.

“Diversity is a value which IKEA has to focus on, given its expansion on a world level... Diversity is an advantage because it makes it possible to exploit different contributions and to maximise efficiency... The Florence store, for example, is located in the middle of the Chinese quarter. We have therefore tried to employ (with great difficulty and little success) Chinese people from the local population... In the Florence store 5% of employees are foreigners, representing a high percentage for Italy. In addition, this year, together with the Comune di Sesto Fiorentino, we will be organising the projection of a cycle of films on different cultures... In Italy this is quite a recent process, beginning some two years ago, while in other countries it is further ahead... The aim is achieve the sharing of the same company values, while respecting diversity”.

The attention given to collaborators with children has led IKEA to examine the question of crèches within its various stores.

“In IKEA values are always expressed as concrete values... for example we are thinking about crèches for the children of our collaborators... Some legal and administrative restrictions have not yet allowed us to achieve this project, but some stores are moving ahead autonomously to guarantee, as in the case of Genoa, a certain number of places for their collaborators in municipal crèches near to the store”.

A willingness to help collaborators and their families to deal with illnesses led to the creation of the Elena Salgaro Foundation, named after a young collaborator who died a few years ago.

All the actions described, and more generally the high level of attention focused on people which they demonstrate, inevitably have an effect on the company’s economic-financial “face”.

“For those who manage people it is a great challenge to work in IKEA... you are always stimulated to find new solutions to the problems people are facing... I cannot deny, however, the difficulty involved in this structure, not so much on a personal level, but above all in regard to reconciling attention and openness towards people with the need to make profits... We don’t always have the right formula for being a good company... It’s true that we have a lot of autonomy in our choices and decisions, but in the end we are judged by our results... However,

I would say we succeed in being a good company 60% of the time; the other 40% perhaps we don't succeed so well because we lack the resources...."

This sometimes means the company is not able to satisfy all those expectations which, inevitably, are generated in people the moment they enter the company.

"The essence of IKEA, which says that it believes in people as people, with their needs and expectations, is right in itself, but it is not always true... This directive is managed on the basis of profit... ideas are parked saying: "If we can, we will"... Today I am on a part time contract for a specific period; in my job to date I have been able to move around, but this very aspect has been difficult for other people who did not have such a strong personal drive... Ikeanity, from my point of view, is passion for this environment, for this spirit which we share. I have also visited IKEA stores abroad; you feel really at home... I really believe in it, quite apart from any expectations I may have had and which have not always been fully realised...."

In the history of IKEA Italia, the 'dilemma' between respect for private life and profit found concrete expression in the decision-making process which preceded the Sunday opening of stores, unanimously defined by the management as a "difficult decision".

"We involved collaborators in the decision through a referendum which had a positive result: in effect, we gave some guarantees like the principle of freedom to take part or not, an economic recompense and the possibility of planning the shifts at the start of the year, which in any case would never involve more than two Sundays in succession.

The freedom to take part or not, with the consequent need to supplement the existing workforce with part time personnel, has unfortunately had, as an undesirable effect, the birth of two typologies (series A and series B) of people within the company.

With the part timer group there is the challenge of involving them in regard to values... We have organised 'the IKEA way' training courses for them too. They have usually not been with the company very long and have had less time to experience the company climate and culture and create relationships".

The company situation is periodically monitored through an analysis of the organisational climate, which indicates general satisfaction. In support of this, the staff turnover figure is around 8%, "a very low percentage, especially if compared with the rates of employee turnover in the major distribution chains".

Responsibility towards the environment

IKEA's commitment to the environment has deep roots within the organisational culture and is structurally linked to the company's business. On the one hand production uses wood as its main raw material; and secondly, the philosophy oriented towards cost reductions and the intelligent use of raw materials is extremely pervasive within the company.

IKEA's environmental commitment on a global level has a direct impact on its way of conducting business, from design, to production, to distribution, right through to the disposal of products. The products, along the stages of their life cycles, are managed so as to reduce to a minimum their impact on the environment. Special attention is given to ascertaining the origin of wood as a raw material: the long-term aim of IKEA is that all the wood used in its product range will come from forests that are responsibly managed (i.e. certified on the basis of forest management standards recognised by IKEA) and not from those that are defined as intact natural forests. In order to achieve this objective IKEA has decided to adopt a series of standards that are summarised in the so-called "environmental scale".

Supplier management is a particularly critical area for IKEA, from both the environmental and the social point of view. IKEA collaborates with approx. 2,000 suppliers, located in 55 countries, many of which operate in nations where the level of attention devoted to environmental and social questions is not very high.

A Code of Conduct ("The IKEA Way on Purchasing Home Furnishing Products") sets the required minimum standards for all IKEA suppliers. The Code defines the standards in relation to working and social conditions, child labour, environmental impact and forestry and requires suppliers to respect both national laws and international conventions⁵⁸.

The "environmental scale", a model which examines social and working conditions among suppliers, the external environment and forestry, has been developed together with suppliers.

"The question of suppliers is very delicate. When we become aware of critical situations then, together with the suppliers, we draw up a two-year plan. At the end of that period we decide whether we are going to continue our relationship with the supplier or not... Obviously it is important that he demonstrates his involvement and respect for our principles... In general, before going away and leaving a nation in crisis (in India, for example, IKEA has a supplier network that employs 200,000 people, with a ratio of five people for each salary) we do everything we can to support the supplier and resolve his problem... We take on board the suppliers' responsibilities and help them to respect standards..."

Relative to the distribution of products, IKEA carries out 60% of its transport by road, 20% via sea and 20% using rail/combined transport. The commitment of IKEA in this context lies in trying to reduce emissions caused by transport vehicles, increasing the level of efficiency of containers and thereby reducing fuel consumption as well as

⁵⁸ In particular, the said Code is based on: the Declaration of the Rights of Man (UN, 1948), the Declaration of the Principles and Fundamental Rights of Workers (ILO, 1998) and the Rio Declaration on Sustainable Development (1992). In regard to child labour, IKEA has defined a Code of Conduct that is based on the UN Convention on the Rights of Children of 1989, which places the interests of the child before everything else, and also refers to Convention no. 138 of the World Labour Organisation on the minimum working age and Convention no. 182 concerning the worst forms of child labour.

reducing, as much as possible, road transport in favour of rail and sea. To this end IKEA Rail AB has been founded, a company with the task of finding and increasing rail capacity available to IKEA.

With respect to the subject of certifications,

“IKEA has chosen not to undertake the certification route in order to avoid too heavily encumbering some suppliers who, especially in the East, would find it difficult to pursue this strategy.

We embrace the principles and indications set out in SA8000 certification in formalising our relationships with suppliers and we ask them to work actively on specific projects taken forward by the NGOs which aim at providing children with scholastic alternatives.

Our official purchasing network plays a fundamental role in supporting suppliers and continually improving their activities. In this regard there is a company team dedicated to monitoring and supporting this development on an international level. We then use external certification companies like KPMG, Intertek Testing Services (ITS) and PricewaterhouseCoopers”.

The environmental question also has a significant role within the IKEA organisation: in every store there are environment coordinators, who dedicate part of their time to environmental commitment, organising environmental training courses for colleagues and promoting differentiated refuse collection and energy saving. In 1993 an environmental training programme was started for all IKEA Group collaborators. Initially it involved management and then opened up to embrace the entire organisation. In June 1999 approx. 25,000 collaborators took part in an environment training course. In addition to basic environment training there is also provision for a series of courses on specific subjects like differentiated refuse collection or the impact of transport on the environment. Other programmes have instead been focused on particular functions like the development of products or production processes.

On an international level, IKEA is one of 15 companies that have signed up to the Kyoto agreements. In addition, it supports Global Forest Watch in its endeavours to map the world's natural forests which have remained intact so that their protection can be more actively pursued.

On a local level, maximum freedom of initiative is permitted the stores distributed across the territory. In Italy, one of the most famous initiatives is that linked to Christmas trees: IKEA sells them at 9.90 euro and offers consumers the possibility of returning them and having their money refunded. The trees that survive are then taken to Friuli Venezia Giulia where they are replanted, thanks to the support of a local association, while the rest are transformed into compost.

In Italy too, as in the rest of the world, in every store there is a team of people, coordinated by the environment coordinator, which promotes training courses for all collaborators, with responsibility for differentiated refuse collection in the store and

ensuring that the refuse is effectively recycled, also adopting a proactive role in relation to the local Council.

“From a survey that we have carried out internally it has emerged that 49% of employees think that the most admirable action carried out by IKEA is its caring for the environment... This astonished us... in point of fact, we are not satisfied with our work in this field... Perhaps we are the best, but we are not as good as we could be... That is why we have agreed to more hours for those people in the stores who are involved with environmental matters, so that they can ensure that differentiated refuse collection really works and have the time to discuss matters with the Local Council...

“For example, we are still not satisfied with the problems linked to traffic... We still have a lot of work to do... We have identified a possible solution in drawing closer to public transport... which is why we have opened a store in Rome near to the underground and have also planned a shuttle service. In Bari, on the other hand, we are collaborating in the construction of a new stop for the Ferrovie Sud (Southern Railways) near to the store... At the same time, we realise that our business model is particularly tied to the use of the car, especially since we ask our customers to carry home the furniture items they purchase...”.

Policies towards the community

On a global level, IKEA provides a contribution to some social projects that focus on prevention in regard to child labour and activities in support of child education, training and development. It collaborates with organisations that are recognised on a national and international level, like UNICEF and Save the Children. The projects in which IKEA has chosen to take part are linked to its economic presence and therefore located as close as possible to supplier production sites. We can also mention, among others, education projects in India and Kosovo to encourage school attendance by children. In addition, in India, IKEA supports a project that aims at creating microcredit groups to help women find new earnings opportunities and have access to new credit systems.

On a local level, the policy of good citizenship which IKEA pursues implies a close attention to the territorial context which hosts its sales outlets.

“The fact that we are foreigners can sometimes be a limitation... For this reason it is important to valorise the territory and create a good cooperative relationship with it”.

Given the specific features that characterise each territory, for the most part this involves initiatives that arise on an autonomous level and make it possible for the individual sales outlets to provide a closer and more detailed picture of their operations and activity.

“The initiatives arise for the most part on an autonomous level... For example, we have organised courses for elementary local authority schools on environmental

matters... the courses have been managed by co-workers outside working hours... Things like this are important initiatives, which get you known in the area and at times can lower any existing barriers with the Local Authorities... facilitating life within the company..."

Involving the territory is particularly important when opening new stores.

"The opening of the IKEA store in Florence in 2002 was strongly characterised by a desire to construct a link with the territory. The Comune di Sesto Fiorentino acted as an intermediary between the surrounding social context and IKEA. In exchange IKEA contributed to the lighting installations in piazza del Comune. Together with the Comune, the Region of Tuscany and the Association of Traders, we launched a programme in support of tourist development in the Tuscan plain: using PCs arranged inside our store, visitors (estimated at 1,600,000 a year) have a chance to devise their own tourist route through the Tuscan plain".

Again in the Tuscan area, IKEA collaborates with the Meyer paediatric hospital in Florence which will open a second centre near to IKEA with rooms fitted and furnished to make children feel as though they are still at home.

"We have decided to support this initiative because of its affinity with our philosophy. We will furnish the day hospital, promoting a fund-raising programme on a product and hosting the prototype of the Meyer room in the store".

The attention of IKEA towards the surrounding territory can be translated into a

"non-intrusive but valorising development. IKEA is often used to valorise areas that are be relaunched... Take for example, the whole of our expansion in the South... We are providing employment and encouraging the development of the local economy... It is a phenomenon everyone can watch and observe... Mayors argue among themselves as to which of them will have one of our stores in their territory..."

"In the South one of the most critical questions is that of unemployment, in particular regarding the young. In Naples many of the current laureandi will be unemployed, so we have decided to allocate two or three billion lire of the Naples store launch campaign to them so that they can offer us some ideas... In Bari we have promoted a graffiti competition on the walls around the land where the store will be located... In this way our intention is to stimulate the creativity of youngsters in the area... In essence social responsibility means being interested in all the groups in an area... My personal dream is to be able to buy houses, decorate them with IKEA products, and rent them out to youngsters at lower prices than those available on the market ..."

Final Considerations

The overall picture that emerges from the IKEA case study is characterised by a great wealth and variety of initiatives. The working experience within the company too

indicates a history of strong personal identification with the history and activity of the company.

The mythical tale of the birth of IKEA by its founder, Ingvar Kamprad, eloquently and concisely dramatises, as do all myths, the idealistic matrix and valorial roots with which the entire company identifies itself. The attention given to social matters is already part of IKEA's Swedish heritage and has been strongly maintained in its global expansion.

“We are Swedes... People have to express their Swedishness... I have tried to bring the values of Sweden with me into the company...”

IKEA's very mission, in the interpretation of those who explained it to us, presupposes a socially committed orientation, that of “improving the lives of the majority of people”. The motivation at the heart of the adoption of socially responsible practices is ideal in character: there is not always an explicit link with the achievement of specific strategic or tactical objectives. Often socially responsible behaviour is simply considered “right in and of itself”.

“You have to do it because it's right... it's a part of who we are...”

The actions undertaken are profoundly interwoven with the actions of the company as a business. One is not dealing with specific programmes or initiatives, but actions that have a direct impact on business processes and on the modality of value generation. In this sense, social responsibility implicitly orients managerial choices at all levels. Attention is shifted to company values as a guide to the taking of decisions by management.

“When difficult decisions have to be taken it is important to share company values... otherwise it becomes impossible to arrive at the right decision...”

All the organisational areas are involved in this process, including those less exposed to the business end and the market. The purchasing office ensures that the wood used does not come from intact natural forests and actuates a continual monitoring of suppliers to ensure they respect the social and environmental standards they have defined with IKEA. Design and production of the product range focus on reducing environmental impact. Distribution tries to reduce its impact through the use of flat packages and encouraging transport by rail instead of by road.

Not only line functions are involved, but also staff too, especially human resources, with diversity management, work-life balance projects etc. Within the stores there are figures like the coordinators, who are tasked with some activities linked to recycling refuse collection in the stores, or the promotion of training in environmental issues among colleagues. It has to be said, however, that this activity involves figures who act as a stimulus for the organisation and does not imply a complete delegation to the same by the other organisational functions.

Despite the widespread and capillary presence of social themes within the organisation, there is almost no attempt to measure the costs of social responsibility and evaluate its efficiency.

“We have never even thought of measuring the costs of these actions. It is a question of faith more than calculation... It is clear that there is a cost, but we never calculate it... We should do, because it would be the right thing to do ...”

Similarly, communication is not very evident. At the heart of this phenomenon there are various reasons. Firstly, the motivation of an ideal type: “*We don’t carry out actions because they are communicated to us, but because we feel they are right...*” Secondly, to avoid being accused of instrumentally exploiting these issues.

“On social responsibility there has always been some company reserve which is rather Lutheran in character... The company does not want certain matters to be talked about too much... to avoid generating any misunderstandings and running the risk of being accused of carrying out some actions for image reasons and to increase sales. Child labour, wage conditions, exploitation in the Third World are delicate questions... it is difficult to talk about them... here in IKEA the watchword is very much ‘do it, don’t talk about it’...”

The presentation of petitions by activist groups in society relative to social themes and the adoption of progressive practices by an ever greater number of companies is making IKEA take another look at the question of communication.

“In the last three or four years we have noted an increase in the number of requests for reassurance on the part of consumers... They ask us for information about what we are doing in regard to some of these subjects... There is an awareness that for IKEA it would be impossible not to be involved in a series of such issues...”

IKEA is therefore rethinking, in a critical way, its need to communicate more with its stakeholders in regard to its social responsibility actions. For the moment it has started with its employees:

“Now we are using communication internally to increase employee interest in terms of motivation levels...”

In point of fact IKEA is currently in a phase in which it is seeking to re-evaluate and valorise the multiplicity of social responsibility initiatives it is involved in to the advantage of a wider public of stakeholders.

“The borders between doing certain things for reasons of opportunism and marketing and doing them out of real conviction are often rather fuzzy... After a peak of opportunism some companies, if they do not really believe in what they are doing, or they see that it does not achieve the expected results, tend to abandon social responsibility actions ...”

IKEA experienced this peak of opportunism at the start of the 1990s... By the mid 1990s, on the other hand, a re-evaluation was underway as to who we were and where we were going... This re-evaluation was then followed by a phase of ‘recovery with awareness’ and subsequent normalisation of our social responsibility activities within our business modalities”.

Underlying all this is an extensive and profound reflection on the role of companies within society.

“Every action in this field must be measured and focused, otherwise there is the risk of a boomerang effect... Subjects like health, justice etc. must be an integral part of a social pact between the State and citizens. They should not become something that is contracted out to companies, thereby generating a de-responsibilisation of the community in those nations that have not yet ‘matured’. When choosing campaigns it is important that there is product, function or territorial contiguity...”.

ILLYCAFFÈ (*) (**)

Caterina Carroli and Jlenia Ermacora

Introduction

The case proposes to analyse actions of corporate responsibility on the part of the illycaffè Group, a company that operates in the field of production and marketing of espresso coffee, which controls branch offices in North America, France, Germany, Spain and Benelux. The company has a structure made up of about 500 workers, of which about 350 work in the Trieste branch, the only productive facility where coffee is processed and packaged.

Illy coffee is served in over 40,000 public places and is marketed in over 70 countries in Europe, North and South America, Asia and the Pacific. Exports have reached a turnover of 45.4% of sales in Italy.

Illycaffè has undertaken two types of actions of corporate responsibility: (i) actions directed towards suppliers, through the Brazil Award, for the improvement of economic and social conditions of coffee growers; (ii) actions towards the world of contemporary art, which attempt to translate the values and philosophy of illycaffè into actions to valorise the artistic patrimony and promote culture.

The case permits us to shed light on the path taken by a firm that sought innovative solutions to create a system of production and sales of coffee that was economically advantageous, respectful of the environment and at the same time socially responsible, even before the advent of the particularly tumultuous moment that the entire coffee division is going through.

Illycaffè – history and profile

Founded in 1933 by Francesco Illy, illycaffè produces and sells throughout the world a single coffee blend for the preparation of espresso coffee, made up of nine types of pure Arabica. Illycaffè's home office is in Trieste and the company is guided by the second and third generation of the Illy family: Ernesto, the son of the founder, is president, his son Andrea is the general manager, his daughter Anna Illy Belci handles green coffee procurement strategy and his wife Anna Illy is the risk manager. In 2002 the illycaffè group, which includes eleven controlled affiliates, four companies where

(*) Caterina Carroli and Jlenia Ermacora prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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(**) We thank illycaffè for their willingness to participate in the project, especially Anna Adriani, Anna Illy Belci and Christine Pascolo.

participations are held, and employs over 500 persons, had a consolidated turnover of 193.3 million Euro, a 7.6% increase over 2001, and had net profits of 11 million Euro.

The history of illycaffè is tied indissolubly to the family life of the company's founder, Francesco Illy. Of Hungarian origin, Francesco came to Trieste during the First World War as an officer in the Austrian-Hungarian army. After the war, he remained in the Julian city, which had just become part of the Reign of Italy, and started an entrepreneurial activity in 1933 in the field of cocoa and coffee, later deciding to dedicate his business exclusively to coffee: thus, illycaffè was born.

From the first years of activity, Francesco Illy tied his business to espresso coffee. In 1935 he invented the first automatic coffee maker, which substituted steam with compressed air: it was the "illetta", the progenitor of modern-day espresso coffee machines.

He also conceived a system of pressurisation for the conservation of his coffee blend, through the introduction of inert gas into the can. Thanks to this technology, illycaffè began to be exported beyond the area of production and reached the entire national territory.

After the Second World War, Ernesto Illy took over at the helm of the firm, and made partnerships with research centres in order to promote quality coffee in the world and export Italian espresso beyond the national borders.

Andrea Illy is the current general manager of the company and has guided its internationalisation, innovating processes, culture and quality research.

The vision, the mission and the values

"Since its beginnings, Illy's desire has been to create a company whose employees were proud, which created profit and was a good place to work".

Alongside this ethical vision of the enterprise, there has always been great attention towards quality, as the mission statement demonstrates:

"to delight consumers the world over with excellent coffee and an extraordinary experience, that involves the senses and spirit, and to contribute to the development of the market and the global culture of espresso in a single itinerary, from the coffee bean to the cup, where the best product combines with knowledge and a continuously re-interpreted tradition".

The Illy vision wishes to communicate the concept of quality and experience, which are considered in a holistic perspective of the quality of life for a wide number of persons. It states:

"To become the myth of coffee: to be one of the best moments of the day and, thanks to this, to grow throughout the world, to satisfy everyone who loves the quality of life. To be a champion of quality, and to express attention towards the people involved, from coffee producers to collaborators and communities".

From the above, it is evident that the two pillars of the Illy philosophy are ethics and the passion for excellence. Ethics is intended as the construction of value, through time, through transparency, honesty and respect for others, while passion for excellence is intended as love for beauty and things well done.

In particular, the following six principles guide the company mission:

- The consumer is at the centre of the system and actions, through continual research to create a strong relationship, based on customer satisfaction.
- Passion for quality in all of its aspects: from realisation of the product, to development of processes, service to external and internal clients.
- The team spirit, that is, the contribution that everyone makes in realising the company project, and everyone is responsible for the results. Management explains it as follows:

“Integration, common responsibility and mutual support are widespread forms of behaviour, and individual growth is a primary objective”.

- To be unique, but in line with the world. This is a company approach that is coherent with the global challenges, to recognise and valorise the differences that are the basis for creativity and innovation.
- Flexibility in relations with others, with the market, with responsibilities for their role, to foresee and anticipate opportunities and problems.
- Innovation. Incentives are provided for continuous innovation, through the valorisation of awareness and structured methods that stimulate research, the use and capitalisation of every idea and every intuition useful in accomplishing the mission.

The itinerary in defining the mission and values - started over ten years ago - is updated to about three years ago, through a training programme that has involved management, first of all, and successively the rest of the company. This itinerary was described as follows during an interview:

“The programme on values was created by the General Manager, who solicited analysis of values present in the firm and, in particular, concerning what should be strongest...definitely among the most important was the value of being ‘unique but in line with the world’, which suggests the idea of uniqueness of the same blend and the same trademark, and the value of teamwork. Once values were defined, a support programme was started to spread the values throughout the company. One initiative, for example, involved six managers, each of them being an ambassador of a particular value, who would meet with employees, together with an outside witness, to support each value”.

The focus on quality and innovation

Research at illycaffè is multi-disciplinary and ranges from agronomics to chemistry, from botany to biochemistry, and is carried out in partnership with several universities.

To remain at the highest levels of quality, illycaffè has two quality control laboratories – one in Trieste and one in S. Paul of Brazil – in addition to Aromalab, instituted in 1998, which is dedicated to research on the aromatic profile of the ideal coffee, quality control of the product and the study of physical and chemical processes capable of generating the aroma of coffee, the body of the espresso drink and perception of the taste by the final consumer.

At the beginning of 1999 illycaffè contributed to the creation of the University of Coffee, an autonomous educational organisation whose purpose is to valorise the Italian model of coffee bar and transmit to division businesses the competence to offer products and services of elevated quality standards. The purpose of the University of Coffee is to become the point of reference for knowledge in the world of coffee, capable of offering services for the scientific preparation, technical competence and practical expertise in the management of coffee bars.

Since the company's foundation, study and research applied to coffee and all of the related productive processes, from selection to preparation, have always represented a fundamental strategic lever for success.

The strategic importance attributed to quality is confirmed by the attention dedicated to processes of quality certification undertaken by the firm, as expressed by the management:

“illycaffè is the foremost world level agricultural and foodstuffs firm to have obtained double quality certification. In fact, in 1992 the Illy blend obtained certification of product conformity from Qualité France – the French government accredited institution for the certification of agricultural and foodstuff products – and in 1996 received the certificate of conformity to the ISO 9001 Quality System standards from DNV – the certification organisation with over 130 years of experience, which has spread to over 130 countries throughout the world. This certification, however, is not the latest one: we have recently obtained ISO 9001: 2000 re-certification, more briefly known as Vision 2000, and within a few days of this writing, we shall obtain ISO 14001 qualification. Initially we certified the processes of development, roasting, packaging and marketing of the coffee blend, training and acculturation of clients, and later extended certification to the process of development of new products, concerning publicity promotion, primary and secondary packaging and the “Illy Collection” kit. This extension clearly indicates the firm's 360° vocation for quality, as is also stated in the key priorities for the Quality Management System, with the client in the centre, attention towards collaborators, partnership with suppliers, social commitment and commitment towards those who finance our operations. The true innovation of the new standard was the adoption of the approach to processing that has become the organisational response to new market requirements”.

From arrival at the company to packaging in pressurised cans, the raw material is subjected to 114 different tests. The company also employs an exclusive electronic selection system for the coffee beans, which permits them to be examined one by one, eliminating imperfect beans and arriving at what is defined as “zero defects”.

“This attention to single details is indispensable to obtain exceptional quality”.

Attention towards the environment also constitutes an important part of the project addressed toward constant quality research.

Actions of corporate social responsibility

“Corporate responsibility is part of our DNA. It’s our way of doing business, which then influences everything you do, from the attention you dedicate to the territory, to employees... illycaffè is a place where people work well; there is a good climate, a lot of training and policies established in favour of employees and a company canteen with fine cuisine...”

Illycaffè procurement procedures: CSR as a solution to division problems

Excessive production of green coffee, especially the lower quality variety, has pushed coffee market prices to 30-year historical lows. The world’s largest coffee producer, Brazil, can produce low cost coffee, thanks to scale economies and growing automation in plantations, while the second largest producer in the world, Vietnam, has reached the same result through government subsidy of production and extremely low labour costs. For example, from 1992 to 2002, the weight of Vietnamese production with respect to the total world production of coffee went from 1% to 13%.

In general the cultivation of coffee is controlled by small producers with family-run plantations. In 2002 almost 70% of the coffee produced was cultivated on farms with a maximum size of 5 hectares. Thus, regardless of the ownership of the land, world coffee growers often live in conditions of near poverty.

According to the region, the season of harvest may last several months, during which most of the seasonal workers are hired to pick the most mature beans.

Arabic and robust beans amount respectively to 2/3 and 1/3 of the world production of coffee. The robust plant grows at lower altitudes with respect to the Arabic, and is more resistant to climatic variations and disease.

“illycaffè purchases only Arabic coffee, prevalently from Brazil. When illycaffè initially purchased coffee directly from Brazilian growers in 1991, the reputation of the country was that of low quality, low price producers. Coffee growers received more or less the same price for their coffee, without being aware of the quality produced and leaving little room for improvement.

In the face of these difficulties, which hindered research for quality coffee, Illy’s solution was the model of direct purchasing, bypassing intermediaries and paying growers a greater than market price to reward quality”.

In order to find the best growers, and therefore to guarantee procurement of high quality raw material, Illy began a competition in 1991, which foresaw that growers

would present samples of their coffee, which would be analysed and, if approved, purchased. The best growers also receive a monetary award.

The Brazil Award



The Prêmio Brasil de Qualidade do Café para Espresso was created to provide incentives and recognise producer's efforts to produce high quality coffee and to reward the best coffee of the year, through a monetary prize and purchase of lots of coffee at prices higher than market value.

“The idea of the award took concrete form in 1991 and was born of the company's need to procure high quality coffee, which they were unable to find at the time”.

The contest immediately enjoyed enormous success. The number of participants grew from one year to another, along with the quality of their coffee, as testified to by the project manager:

“170 producers participated in the first edition of the contest, despite the fact that at the time, illycaffè was almost unknown in Brazil”.

At the beginning of the 90's, Brazilian production was capable of guaranteeing enormous quantities but low quality. The Brazil Award contributed to changing this situation, allowing some regions of the country to assert themselves – the Cerrado region, for example – which were erroneously considered unsuitable for growing coffee.

“Previously Brazil produced great quantities of coffee without considering quality. The award brought awareness of quality. Illycaffè's objective was to help producers understand what they were producing”.

The positive results of the project encouraged Illy to expand it to other areas of production, such as Guatemala, India and Columbia.

“The Guatemala project began in 2001. In addition to the award, the plan implements a project for the development of entrepreneurship among the small growers – and in 2003, a project was started in India”.

In Guatemala illycaffè instituted an entrepreneurial development project among

campesinos. The final result will guarantee the possibility to purchase lots of coffee from producers who pool their resources (since producers in Guatemala are very small).

According to the statement made by a company witness:

“The objective of these projects was to increase the possibility to purchase, having direct relations with producers, avoiding intermediaries and guaranteeing higher prices for those who make commitments for quality”.

The Brazil Award and other projects that followed it have permitted the creation of a useful and firm relationship with coffee growers, developing direct collaboration.

“As a stakeholder company, illycaffè pays a great deal of attention to the living conditions of suppliers. That’s why we felt it was necessary to help producers become entrepreneurs and work in favour of quality, and how to manage it. Not only current producers, but also potential suppliers, participate in the Brazil Award, because they are proud of being Illy suppliers”.

The opinions of the management indicate the initial difficulty in communicating the Brazil Award to the outside world:

“...because nobody was interested in it; now things have changed, there is more attention on the part of the media and public opinion, and it is becoming increasingly important to tell consumers this story as an element of differentiation”.

According to the statement made by the President of the Coffee Industry Labour Union in the State of S. Paul, Nathan Herszkowicz, illycaffè has written the first page, and the first paragraph, of the new story of Brazilian coffee.

“They are the first who have shown a degree of seriousness that nobody can place in doubt. They have made history”.

Relations with the world of art

The rapport that illycaffè has created with the world of art has distant roots and is strictly related to the concept of the culture of coffee, which the company wishes to spread throughout the world. The most evident example of this rapport is the Illy collection.

“Our relationship with the world of art is born of the fact that the dedication in the process of research and the work towards constant improvement that have led Illy espresso to a unique position in the world is similar to the itineraries of artistic creation. That’s why the demitasse cup you drink your espresso coffee in is transformed into a tiny work of art. The artistic demitasse cups of the Illy collection, which we have been producing since 1992, have succeeded in

transforming an object of common use – reinvented by the architect and designer Matteo Thun – into an object of cult that exalts the rite of drinking coffee. Some of the most authoritative exponents in the international artistic panorama and young emerging artists have contributed to this project, from Rauschenberg to Koons, from Kosuth to Rosenquist”.

With the authors of the more than fifty Illy collections created since 1992, Illy develops a veritable relationship of collaboration in design. The company has thus contributed actively to the spread of contemporary art and has supported important international art shows, promoting emerging talents in contemporary art. Over the last few years, the company has started research project in collaboration with some of the best international forges of creativity, with the objective of seeking young talents or creative expressions, not only within the ambit of the visual arts – some examples are the Central St. Martin’s College in London and the Contemporary Art Center in New York, or the Michelangelo Pistoletto Foundation.

“The idea of helping young artists to emerge was born of our will to make a contribution to the artistic community, which has given us so much over the years, in terms of visibility and communication”.

By way of example, among the most important initiatives that Illy has collaborated on, the 50th Biennial Show in Venice, for which Illy was a partner, is worth recalling.

“We participated in the Venice Biennial Show with a series of initiatives that reiterate the centrality of the spectator, in harmony with the theme of the event “Dreams and Conflicts: the dictatorship of the spectator”. In particular, we set up three spaces called “illymind” along the exposition itinerary, dedicated to visitors, who could relax, think about what they had seen and taste a good coffee before resuming their visit. Additionally, we promoted a research that explores the desires and needs of visitors in order to obtain optimum public viewing of long term shows. Finally, we promoted the dissemination of the message of the Biennial Show in circuits that were somewhat removed from the traditional channels of contemporary art”.

The artistic medium is also utilised to communicate the direct relationship with coffee plantation suppliers in the South of the world. An example of this is the show of the International Festival in Rome, entitled “In the beginning” by Sebastiao Salgado.

“This event came of the synergy between the Brazilian photographer and Illy – a partnership founded on common values and the shared interest for sustainable development. The result of this meeting is a photographic trip through the reality of coffee growers and plantation workers, where living conditions are often reduced to near poverty because of the international situation affecting the coffee division. It is our desire with this initiative to recount roads of Brazilian coffee and the stories of the men and women who travel them. Sebastiao Salgado is definitely the most sensitive observer in captivating and exalting the ancient Brazilian poetry of coffee”.

The Salgado project will continue over the next few years, to enable the great photographer to immortalise the work of coffee growers in various producing countries.

“The philosophy that has guided illycaffè in opening a privileged channel of communication with the world of contemporary art has spurred the company beyond the realm of classical sponsorship, in favour of actual promotion of true partnerships with artists. The process we follow is quite simple: conceive and share cultural projects and manage them in close collaboration with cultural institutions and artists”.

Final Considerations

There is no better way to trace Illy’s history as a socially responsible enterprise than starting from their vision:

“To become the myth of coffee: to be one of the best moments of the day and, thanks to this, to grow throughout the world, to satisfy everyone who loves the quality of life.

To be a champion of quality, and to express attention towards the people involved, from coffee producers to collaborators and communities”.

The concept of quality is fundamental to the model of business created by Illy; initially, it is essentially the entrepreneurial idea of creating greater value for the market, through a superior quality product with respect to existing products. Quality then becomes the veritable project of harmonious development, together with the context that is addressed to a variety of subjects. First of all the client, then collaborators, suppliers, the territory and collective community and, finally, shareholders.

At the base of the approach adopted by Illy is the conviction of being able to reach the objectives of the enterprise with greater efficacy with an approach to business that is founded on sustainability.

From this approach, it follows that part of the actions of corporate social responsibility undertaken rotate around the core business of coffee and, on the other hand, that some principles of corporate social responsibility have an impact on the company’s core business, especially the processes of procurement and transformation and more in general, relations with the market.

The Brazil Award is a clear example of how the function of purchasing adopts criteria inspired by principles of corporate social responsibility in the selection and management of coffee suppliers. The basic reason for the birth of the project was essentially economic in nature, as recounted by the Project Manager:

“The Brazil Award was born of the need to procure quality coffee from growers, which we were having difficulty finding. The ultimate objective of this project and

the others that we have initiated is to increase the possibility of making direct purchases and having direct relations with growers. The instruments utilised to attain these objectives consist in bypassing intermediaries and guaranteeing higher prices for those who make commitments towards quality”.

This project has many positive and important social effects, the first of which is to have brought Brazil to an awareness of being a producer of quality coffee. As a result, Brazilian growers who supply Illy – as well as others – see more coffee today with respect to ten years ago. As testified to by Joao Carlos de Souza Meirelles, the Secretary of Agriculture in the State of S. Paul:

“Illy was a pioneer: they helped us learn how to produce high quality coffee, first of all for their own company and then for others. Today we no longer think in terms of quantity of production, but in terms of quality”.

The relationship with the world of art is also born of the concept of the product, and originally posed the objective of:

“involving the visual stimulus in the experience of consumption. From this relationship, the idea then came up of involving young artists and helping them to emerge. It is our way of rewarding the artistic community, which has given us so much in terms of visibility”.

The inspiring concept and trait d’union of the various activities described up to this point is the idea of the socialising nature of coffee:

“for us, coffee is synonymous with socialisation. We want people to smile every time they drink a cup of Illy coffee. Our objective is to “give a smile” to the whole chain, first of all to our suppliers”.

In this process, the principles of corporate social responsibility are also impressed upon the relationship with the market, increasingly guided by the search to valorise the product and brand, which are enriched by social values of high symbolic content, thus reinforcing the relationship with consumers, who are desirous of identifying with products and trademarks that recognise important social content. In particular, the driving force that guides Illy’s relationship with their market is the experience of socialisation that coffee is capable of offering – understood in the widest sense – as stated by the External Relations Manager:

“When people consume a product, they try a trademark they can identify with, where they find value – and the company has the social mission of inspiring values...”.

Consequently, the communications programme adopted by the company has the goal of reinforcing – both with the external public and internally – the reputation of the enterprise as a socially responsible company, in the conviction that this approach represents a fundamental element of differentiation.

The ethical perspective develops in this itinerary according to an ethical/hedonistic dimension of “we do beautiful things well”, which aptly testifies to the relationship that Illy long ago instilled with the world of art and culture.

At the base of this complex and fascinating itinerary is the management’s firm conviction that social responsibility:

“is neither charity nor passing fad, but possesses very strong economic value, which inspires us to do better, with greater profit for everyone involved”.

ITALCEMENTI (*) (**)

Marella Caramazza and Caterina Carroli

Introduction

The case study proposes to analyse actions pertaining to the corporate responsibilities of the Italcementi Group, one of the most important world-class producers of cement and the most important company in the Mediterranean basin. The activity of the group is focused on the core business of cement, which is integrated with the production of concrete and inert material. In Italy, Italcementi occupies a position of leadership in the cement division, with approximately 5,000 employees and a market share exceeding 30%.

The case study was realised thanks to interviews with the management of the group leader, Italcementi Italia, and analysis of official documents.

The actions undertaken by Italcementi can be ascribed to three types of corporate responsibility: actions towards employees, consisting in the Zero Accident Project, whose purpose is to reduce the number of accidents in cement plants; actions towards the environment and the territory and actions to ensure the development of safe products that are compatible with the principles of sustainable development.

The Ethical Code synthetically describes the principles prescribed by the firm for their employees, as fundamental criteria in exercising their function and responsibility.

The case study permits us to shed light on the path undertaken by a company characterised by a business that has great environmental impact – which is therefore exposed to the attention of the external context of reference – in view of the profound changes that have taken place, both in competition and in the social and territorial context of reference.

Italcementi Group – history and profile

The Italcementi Group is one of the most important producers and distributors of cement in Europe and the rest of the world, and is today one of the few multinational firms whose parent company is Italian. The company was founded in Bergamo in 1864. Since 1925, under the denomination of Società Bergamasca per la Fabbricazione del

(*) Marella Caramazza and Caterina Carroli prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.
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(**) We thank Italcementi for their willingness to participate in the project, in particular: Paolo Campello, Rosalia Di Martino, Alberto Ghisalberti, Francesco Gianola, Edoardo Giudiceandrea, Gianfranco Marino and Fortunato Zaffaroni.

Cemento e della Calce Idraulica, the firm has been present on the stock market and quoted on the Milan Exchange. The company assumed the current name of Italcementi S.p.A. in 1927. Thanks to an investments and acquisition plan to acquire other cement producing companies, the firm attained a position of market leadership and became the foremost Italian producer of cement. In the '90s expansion began on the international level, thanks to the acquisition of Ciments Français, one of the most important producers of cement in the world. In 1997 the Italcementi Group was founded, which gathers all of the Group's international firms under a single identity. The internationalisation of the Group, moreover, did not stop: between 1998 and 2002 the Italcementi Group acquired new cement producing installations in Bulgaria, Kazakistan, Thailand, Marocco, India, Egypt and the United States. In Italy, Italcementi consolidated their strategy of verticalisation in 1997 through the acquisition of Calcestruzzi, therefore becoming market leader in the prefabricated concrete division.

Today the Italcementi Group is an industrial Group employing over 18,000 people, with a world-wide presence in 15 countries. The global production network includes 60 cement manufacturing works, 547 concrete works and 154 inert material quarries.

The Italcementi Group produces and distributes three principal lines of products: cement, inert material and prefabricated concrete. The core business is represented by cement, which accounts for over 60% of Italcementi Italia's turnover. The total invoicing of the Group in December 2002 amounted to approximately 4,200 million Euro.

The vision of the Italcementi Group

The vision of the Group consists of producing and distributing cement, concrete and inert material, which are local activities, with a global strategy: to this end, resources and technological know-how are made available for the specific requirements of individual clients on the various markets, to continuously improve technological leadership.

The vision is synthesised in the phrase: "a world class local business", which expresses the international dimension of the activities and unites the action of all employees in a common vision.

In particular, a manager tells us:

"The phrase 'world class' means that we offer high standards at a international level in research, technology and quality and safety issues. The phrase 'local business' means that the international standards are spread at a local level".

Over the last few years, the management of the Group has worked hard to outline the common values and objectives that give a sense of belonging to a large international group and traditions, while strengthening the action of individual branches in each country. The basic objective is to valorise the specific cultural characteristics and history of the local branches, so that each local agent becomes a global protagonist. On the symbolic level, the spiral precisely expresses the co-existence of the two global and

local dimensions: it is in fact the symbol of change and growth, where the centre represents attention to details, to the local context, while the evolution of the spiral represents the Group as a whole.

The multinational dimension of which Italcementi is an expression favours the co-existence of the local and global dimensions, and dedicates particular attention to the valorisation of the different local cultures where the group operates. The values that the parent company continues to identify with

“are solid values, such as safety, training, education and the environment”. In Italcementi, “the average age of employees is quite high: in fact the company favours long lasting working relationships. Italcementi tends to assist their own resources in growing, and to take on few people from the outside. There are generations of people who work for this company. In some areas of Italy, moreover, we are the most important reality in terms of the number of people employed”.

Actions of Corporate Social Responsibility

Italcementi’s commitment to social and environmental issues goes back to many years ago, though the formalisation of the different activities under the “social responsibility” brand is recent.

“We always cared for the environmental and quality and safety issues...in our vision this attention is social responsibility, though this expression didn’t exist years ago...in the past we promoted important initiatives, like the construction of a kinder garden located at Sotto il Monte and the sponsorship of a seaside health resort in Varazze and several scholarships for our employees’ sons... In 1964 we gave to the citizens of Bergamo the public pools, which are still nowadays the most important pools of the town... In 1974 we defined - according to trade unions representatives - an action protocol regarding employee health safety: next year it became a standard at a national level...Our attention to these themes has been constantly high, though we didn’t claim it, because of our habit to do more than to talk...More recently, we promoted literacy campaigns targeted to young Moroccans and a health programme in Thailand targeted to our employees and to the whole community”.

Three types of actions of corporate social responsibility have been implemented by Italcementi.

Actions towards employees, consisting in the Zero Accident Project, whose purpose is to reduce the number of accidents in cement works.

Actions towards the environment, a front where Italcementi has made important commitments, both internationally and locally, in individual cement works. On the international level, Italcementi collaborates with non-government organisations and other global players in the cement division, to promote policies of sustainable development. Locally, attention takes concrete form in the control of emissions, the

visual impact of cement works and quarries and in the willingness to use alternative fuels. Furthermore, the actions towards the surrounding territory are particularly important, such as the Open House Day initiative, whose purpose is to establish positive relations with the reference territory, with a view to managing the image and obtaining licenses to operate.

Lastly, product development guided by constant quality and safety research is an important theme, to protect final users and consumers and implement research for innovative technological solutions to reduce the environmental impact of products and their compatibility with the principles of sustainable development.

Responsibilities towards employees

Plan of health protection

The plan of environmental and health protection aims at constantly monitoring the work environment and at yearly controlling employees' health conditions. In June 1974 Italcementi stipulated a protocol with trade unionist representatives and the Ministry of Labour which accorded to three Occupational Medicine Organisations (located in Bergamo, Roma and Bari) the task to monitor the employees' health conditions every year. These Institutes are in charge of monitoring the work environment, with a specific reference to ACGIH standards, in collaboration with employees' representatives.

The Zero Accident Project

“Ensuring the safety of people employed in cement works is a company commitment and a matter of pride”.

The Zero Accident project began in 2000, with the objective of “cutting the number of accidents by half in three years” The slogan, “take care think safe” appears on every document relative to the project and now occupies posters displayed everywhere on company premises.

In fact, despite the heavy investments made in machinery and technology, the number of accidents at Italcementi remained a significant factor. The project was created on the input of the company management, with the consultancy of DuPont Safety Resources, and starts with the acknowledgement that the greatest part of accidents (about 96%) originates from errors in behaviour and not for technical reasons. Starting from this assumption, shared unanimously by the company management, it was decided to start a project to stimulate all levels of the organisation to change their attitudes on the theme of safety, from mere fulfilment of legal obligations to awareness and participation in the construction of a true company culture of safety. The project consists in a series of training interventions, along with interventions concerning operational procedures and the organisational structure.

As the point of departure, a policy was launched on the Group level to “ensure that safety is given the same dignity and importance as quality, the environment and

production". The entire body of management is fully aware of this policy, which now influences the decision making process in all cases of potential conflict between different options, as is testified to by the statement of the cement works director:

"it would be more difficult for me today to say that there has been an accident than to stop a furnace, even at times like this, when there is high market demand, when stopping a furnace means delaying deliveries to clients".

Secondly, a project "animator" has been appointed for each country, who will be shadowed by the director of training. The responsibility of the animator is to

"keep attention alive on the project" and sensitise operational units who could tend not to take this priority into consideration, given their habits and consolidated behaviour, on the fact that "by not doing certain things they may cause accidents, even fatal ones. Even wearing a protective helmet was a constriction for many..."

Thirdly, a series of internal procedures in the cement works were implemented, which foresee:

- Analysis of each accident and identification of its basic causes; the results of the analyses must successively be communicated to all works (not only to directors, but also to the workers) to stimulate prevention;
- Institutionalisation of auditing: once per year, an audit on each job in the works is foreseen. The final objective is to establish a relationship with the workers to identify, together with them, unsafe actions or working conditions and to understand their level of training and information on the theme. On the basis of audits, actions are then outlined, whose implementation is entrusted to safety committees (made up of works directors and their immediate subordinates) and new standards are defined;
- The creation of the figure of "safety animator" at each works, whose duty is to guarantee:
 - Definition of an auditing calendar;
 - Correct analyses of eventual accidents;
 - Correct adoption of standards;
 - Efficient internal communication to the works.

On the level of individual cement works, the animator is not a technical figure - contrary to all of the other figures present - but represents the point of reference for the Zero Accident Project, creating a proper climate and guaranteeing the involvement of all.

Parallel to these activities, many seminars have been programmed to create a strong organisational culture on the theme of safety. The training sessions, which began in 2001, have involved first top and successively middle management (clerks and intermediate works managers) for a total of 600 persons. Starting in March 2003, the training of workers also began. In order to disseminate "long lasting" messages and to signal the importance that the company attributes to this theme, it was decided that the training of workers be carried out by safety managers and works animators, after they attended an "instructors' training" programme.

The opinions of the persons in charge of the project bring out a natural difficulty that can be observed in all processes of cultural change:

“scepticism on some occasions is present within the company. There are sceptics and prophets in the company... our challenge for the future is to increase the number of prophets”.

“The company attempts to arrive at this result through various stages of the zero accident project, and through incentives for coherent behaviour”.

The first results of the project are beginning to arrive and they are very encouraging: the objective indicated by the General Manager to cut accidents in half in three years was reached in only two years; the objectives for the third year were the decrease of accidents by an additional 20-25%. The challenge for the future is to succeed in keeping the project alive, involving as many persons as possible in the company and extending the pilot project for the cement division to other areas of business. The company is aware, in fact, that in addition to the reduction of the number of accidents, other important positive effects are triggered by the project, such as:

- The creation of a climate of positive relations at the works;
- Motivation of employees;
- Incentives for the advance planning of activities.

“The company is gradually becoming aware of this spin off. There was a clear objective and a general idea, which is branching out and widening, and now includes aspects that were not foreseen in the beginning...cultural change is slowly taking root...”

In a more long term perspective, Italcementi would like to involve external enterprises that work with the cement works in the project as well: they have been requested to inform Italcementi of accidents that take place, in order to undertake common initiatives, starting from these events. Before the induced benefits can be taken into consideration, however, it is necessary for the project to consolidate results within the company. The numbers communicated on the cards at the entrance of each worksite, indicating the number of days without accidents, seem promising...

Responsibility towards the environment

“Attention for the environment is the only way to continue living with our industry”.

Attention towards environmental aspects has always been high at Italcementi, especially with a view to maintaining good relations with the surrounding territory. The Group recently formalised their environmental policies, defining the “Guidelines for environmental policy within the Italcementi Group”. As can be read at the company website:

“environmental policy is a central element to the mission of the Italcementi Group,

and is fundamental for its industrial activity, to the same extent as productivity, efficiency, quality, safety and health and technological development. The final objective of the company's environmental policy is to reach a correct balance between the use of natural resources and long term economic growth, simultaneously ensuring improved quality of life for present and future generations".

The environmental issue is present on two levels: the institutional and the local level, of individual cement works.

On the institutional level the Italcementi Group is a member of the "World Business Council for Sustainable Development" (WBCSD), an organism that 150 international groups adhere to, which share the same principles in relation to "lasting development" which aims to satisfy current needs, safeguarding the needs of future generations, based on social, economic and environmental protection assumptions. Within this organisation, the Italcementi Group signed "The Cement Sustainability Initiative" in July 2002, with nine other important world producers of cement; together they produce about a third of the cement world-wide and operate in two thirds of the global market. The purpose of the initiative is to focus on the meaning of sustainable development, applied to the cement division, and to outline an agenda of action for the next five years, which foresees six priority areas: protection of the climate, fuels and raw materials, worker health and safety, the reduction of emissions, environmental impact and company processes.

Common projects and individual actions undertaken by single companies are foreseen for each area, promoting in any case the involvement of third parties such as non-government organisations, labour unions and government representatives. The motivations upon which this initiative is based are summarised in the programme document, which, among other things, invites members to assume a more proactive attitude than in the past, with respect to the management of environmental questions.

On the local level of individual cement works, company attention is strong on at least four crucial questions: the control of emissions, the visual impact of cement works and quarries, the willingness to utilise alternative fuels.

The environmental theme has become a theme upon which relations with the local reference community are built, because it starts with the oldest cement works, which are now located in densely populated centres:

"we are already ugly when they see us, just imagine if they see the smoke stacks fuming..."

The visual impact of cement works is in fact one of the concerns where feelings run high, especially in the construction of new works. An emblematic example is the cement works in Calusco, whose construction criteria were inspired, among other things, by research for a high degree of aesthetic compatibility with the surrounding environment: the colour of the tower, the realisation of an underground tunnel in substitution of telpherage installations or the transportation of the product with lorries.

On the front of procurement of raw materials, quarries are now managed with a view to safeguarding the structural and vegetation characteristics of the mountain. As can be read at the website

“a trend is being asserted that is not limited to ‘restoring’ the environment, which is the simple re-insertion of the exploited area into the surrounding context, but it is proposed to valorise the area of the quarry, adapting it to new functions and uses, which are even an improvement with respect to the previous situation. In particular, the recovered areas may be given over to agricultural use, to the creation of areas for the protection of fauna, recreation, natural parks or gardens; to the establishment of new areas of industrial, commercial or artisan development”.

The control of emissions is realised at the source through heavy investments in the technology of productive installations. In some cases agreements are stipulated with local organisations that bind emissions to lower levels than those foreseen by existing norms and the average daily level of emissions also becomes subject to constant communication with the local population, through the publication on the site of the City where the cement works is located.

In this area of actions, Italcementi aims at constantly reducing emissions. An interesting example in this sense is the attempt at reducing the levels of sulphur dioxide, through the use of alternative combustible material with respect to the derivatives of petroleum, such as discards from the rubber industry or, more recently, animal flours.

“The example of the animal flours is rather emblematic... in Europe the use of animal flours is widespread. When the events of the BSE scare appeared in Italy, with the need to get rid of the animal flours, the Italian cement industry encountered a hard resistance from the side of the local communities...”.

The low level of expert know-how in the local community on environmental problems is, in the words of the management, an obstacle to effective cooperation.

“The relationship with the local community on this front must be managed with reciprocal openness and trust. We are investing in this, trying to promote a culture of awareness and knowledge of the substantial aspects of the question. Additionally, we are attempting, through initiatives to open the cement works to the citizenry, to allow people to see from as close as possible what our reality is and how we operate”.

The initiative referred to by the cement works director interviewed is “Open House Day”.

“By opening the doors of our cement works, we wish to reinforce our ties with the local community and with those who are interested in understanding our company reality and commitment to protecting the environment, the safety and quality of our products”.

The “Open House Day” is an event whose purpose is to bring the local community closer to the cement works, through the organisation of guided visits for the whole

population, students, clients, workers, ex-workers and their respective families and local authorities. During this event, awards and shows are also organised for children, and participants are offered lunch. An increasing number of persons are adhering to the initiative.

“During the last events we hosted over 1,000 persons.”

The Open House Day is also an opportunity to create and demonstrate a relation of partnership with other economic operators in the territory, as the cement works director tells us:

“We gave a bottle of wine produced locally to everyone present. It must be taken into consideration that the negative effects of criticism towards Italcementi have penalised principally local tourism and the spread of local wine products, which have always been a product the area is proud of. When people realised this, it was a turning point in the relationship and they have sought dialogue since then... we are happy about this and are absolutely willing to cooperate”.

There are also numerous sponsoring activities of various types in the territory: local sports teams or events, benefit donations in favour of hospitals or donations of cement for various local projects.

The control and evaluation of environmental themes is guaranteed by ISO14001 environmental certification, which five cement works have currently attained. Another seven cement works will be certified within the end of 2003, but it is a company objective to certify all remaining cement works within the end of 2004.

The Technical Management, which has been involved first hand in the certification process, interprets it as a continuum that began with ISO 9000.

“We are completing what had been started with the ISO 9001 quality certification, obtained over a period of five or six years, which also touched upon safety and is now focusing on the environment. These are processes that began in different phases and which may now be united under the ensign of sustainable development”.

ISO 14001 certification

“is extremely important, because on one hand it formalises the company's commitment towards the territory, and on the other it is an activity that is necessary, and which permits us to have and maintain a certain image”. Management is well aware of the risk that environmental certification in cement works may be interpreted as an activity that is necessary to obtain a “stamp of approval”: “environmental certification is big business; a “stamp of approval”. This path, however, must not be undertaken for the sake of the “stamp”, but only because we believe in the need for the philosophy that the certification is based on, that is to say that we must not pollute. Once again, we are dealing with a cultural question...”

In order to better manage this process, a “Quality, Safety and Environment Guarantor” was recently created in the cement works. In April 2003 this role became part of the cement works staff. The management is not concerned about the costs the company must sustain for operations of this type, however.

“Working with these criteria does not entail additional costs, but requires advance planning of work... they become additional costs if they are not planned in advance and if the activities are not organised in an optimal manner. Doubtlessly, however, if the safety and environmental policies are extra activities with respect to previous operations, there is a risk that they may be interpreted by local peripheral activities as additional weights to bear. For this purpose we have added a new figure dedicated to these themes to cement works staffs”.

Quality and Product Innovation

One of the fundamental criteria that guides the development of the product is safety.

“Cement is used to build houses. The houses must not collapse. We have never had them collapse. Of course, construction criteria are fundamental, but the materials also play a decisive role...”

To this end the company has created a Product Innovation Centre, which cooperates with Research & Development in research for innovative products – at least one per year – which, among other things, must be considered safe products.

“Among our products, for example, we have “Scatto”, a rapid setting cement that allows users to considerably reduce working time, which prevents improper use of the product through strange mixtures with other hardening agents”.

Additionally, the company has just launched a 25 kg sack of grey cement, which permits less waste by the user and safer transportation for users and transporters. Finally, a certain attention has been dedicated to the experimentation of environmentally compatible products, such as the White TX Millennium, for example, a cement that is capable, in the hypothesis that is the basis for the experimentation, of absorbing polluting agents and transforming them into drainable mineral salts.

The Bianco TX Millennium was utilised for the first time on occasion of the construction of the “Dives in Misericordia” Church, which was a symbol of the 2000 Jubilee, designed by architect Richard Meier, of which Italcementi was the technical sponsor. The daring sail-shaped structure of the Church was entirely realised with this new cement, which destroys various organic atmospheric polluting agents, thanks to a photo catalytic reaction, oxidizing them until they become carbon dioxide. The research for the aesthetic form and the relationship between cement and works of art is at the centre of a prestigious cultural initiative, which was sought and sustained by Italcementi, consisting in a cycle of conferences realised by the greatest architects in the world, who make cement a central material in the construction of their works.

“A negative image of disfigurement has always been associated with cement and “cementification”...the objective of this initiative is to spread an aesthetic and functional culture of cement”.

The magazine “arcVision” seems to be tied to these objectives, as it is dedicated to themes like design, the relation between interiors and exteriors, the relationship with construction materials and in particular with cement. As can be read in the statements on the website,

“today, in fact, those who have great responsibility in ‘building’, must accept the challenge of new models of design that are proposed, and cement producers must demonstrate with facts that this material is still up to the most advanced contemporary technology”.

Conclusive considerations – Italcementi, a company in the process of change

The portrait of Italcementi is that of a company that has already partially faced and is now partially still facing the profound changes that have taken place in the external context of reference.

On one hand we can witness an increase in competition. Over the last ten years, the market has been in movement, “shaking” Italcementi from its position of absolute, uncontested leadership. If

“cement was previously distributed, more than it was sold, it is now necessary to invest heavily to acquire and maintain lasting competitive advantages”.

The directions in which the company has evolved and changed profoundly are essentially internationalisation and verticalisation. In particular, the former has brought profound consequences on the organisational level:

“Italy is now merely one of the branches...additionally, alongside the greater business opportunities gained through internationalisation, it is now necessary to create a group awareness that will assist in developing the culture and mentality with which problems will henceforth be faced at the Group level”.

The approach adopted in the process of globalisation is peculiar and aims to preserve the local cultures with which Italcementi enters into contact and simultaneously assert the company’s natural origins, deeply rooted in the local culture the company was born in one hundred years ago. The relationship between local and global at Italcementi is substantiated in the exportation of a business model centred on the respect of high social and environmental standards, even where norms are less stringent, as they are in less prepared and informed social and cultural contexts.

On the other hand, new questions have emerged forcefully from the territory and civil society in general. Awareness of environmental and social themes has led society to be posed as an adversary of the company on various questions, which were previously

relegated exclusively to a technical counterpart and which often brought about the creation of norms.

“The attention of stakeholders to environmental and social aspects has decidedly increased in recent years. It may even be said that there is a spasmodic attention to these aspects. Today the company is a social system in the territory and it would not be possible for it to be otherwise”.

The growing attention of stakeholders in the work of the company has profoundly changed the modes of relations between Italcementi and the surrounding territory. Such change also has organisational consequences, which concern in particular the director of the cement works; although this was previously a person with a baggage of competencies that were of an exquisitely technical nature, it is necessary today for this person to possess managerial capabilities to manage the relationship with the reference territory in the best possible manner, explaining the role of the cement works and responding proactively to the instances that emerge from it.

“We are working to define what the new role of the cement works director must be. Previously, the cement works director was entirely projected towards internal questions, and this person did not feel any need to communicate with the territory. It was as if we ‘were too timid’ to expose ourselves to certain values, such as respect for the environment”.

The relationship with the territory may assume different and sometimes ambivalent connotations. In positive terms, there is an awareness that

“in some areas, especially in Southern Italy, it is the only company in the territory and is still perceived, therefore, as a place that provides work and security; precisely in virtue of this situation, it cannot be a closed system, but must communicate with the surrounding territory. There are many reasons that encourage us to increasingly open up to the territory. First of all because people who work in the cement works live in the territory. In the second place because attention to the territory and its resources is part of the spirit of Italcementi”.

On other occasions, however, the relationship with the territory may assume critical connotations, if we consider, in particular, the visual impact generated by a cement works.

“The cement works occupy a physical area, they have heavy incoming and outgoing traffic. It is a business that has an impact. For this reason, Italcementi has always had a high level of attention towards environmental aspects: beyond the laws, society has always held and maintained an image of a certain type”.

In this case the relationship with the territory is fundamental for the image and to obtain the necessary legitimisation to operate.

The changes in the external context outlined to this point have produced a significant impact on the manner in which Italcementi competes and entertains relations with the

market. In this connection, we may speak initially of an attitude of reaction on the part of Italcementi, and a series of normative and social pressures, which are all the stronger and more insistent in requiring a response, to the extent that the business is exposed, due to its intrinsic nature. This reaction, nevertheless, is being substituted by an approach that tends to deal more strategically with themes of corporate responsibility.

“Since I have arrived, I have noticed a great increase in this awareness on the part of Italcementi. The management has decided that the approach towards corporate responsibility must change. Previously the subject was dealt with in a defensive manner. Now, instead, there is a proactive presidium on this theme”.

It is meaningful that there is not a structure assigned to deal with the theme of corporate responsibility. Structures for projects with a view to cultural diffusion of a certain awareness are privileged.

“An attempt is made to find a pervasive mechanism that can help change the culture and attitude...of course, since this is a process that changes the way people think, it requires time... at the moment the process is going on in top management, but is slowly spinning down...”

The various activities and initiatives we have spoken about to this point are the subject of little communication by Italcementi, on the institutional and internal communications levels alike. There generally seems to be less awareness than one might expect in the face of an overall picture of the actions undertaken, with respect to the path of corporate responsibility taken by the company. It is probably not by chance that this study has initially focused exclusively on the Zero Accident Project, and therefore on only one of the aspects of corporate responsibility.

The small amount of communication on these activities is an implicit signal, not only of the cultural discretion of this firm, but also of a course marked by non-propagandistic purposes, which in fact, is leading Italcementi to re-think, in the light of the principles of corporate and environmental responsibility, the manner in which they do business, from the development of products to the management of the cement works.

What started as a case study centred on the Zero Accident Project, turned out to be a particularly interesting research project, not only due to the wealth of actions and intervention, but also because of the presence, provided by the interviews, of an exchange between the organisational and personal dimensions. In fact, it is possible to find within the management staff, not only the awareness of the need for this direction, to obtain a competitive advantage on the market, but also the acknowledgement of the profound connection between the company objectives and values and their own individual values.

ORTHO-CLINICAL DIAGNOSTICS (*) (**)

The Roots of Company Ethics:

The cultural ethos of enterprise, formal governance and the role of business

Massimiliano Monaci

Introduction

The case study of Ortho-Clinical Diagnostics S.p.A., an Italian company that belongs to the Johnson & Johnson Group, whose *corporate* headquarters is in the United States, proposes various interesting cues. Initially, it permits us to place the development of behaviour and initiatives of responsible action within the context of a 'global' company, the emerging form of the internationalised company - unless it can already be called predominant - in current market scenarios, characterised by high levels of coordination and standardisation of network and differentiation structures in the various areas where activity is located. More in general, the analysis of this case brings to the fore the role and above all the complexity of a series of organisational dimensions in implementing responsible action, such as:

- The relationship between ordinary business commitment and the incorporation of ethical and social attention;
- The connection between ethical action and company culture, intended not only as a product of planned strategies, but also as the result of a process that is to some extent natural;
- The role of processes of proceduralisation inherent in formal management and control systems;
- The connection between social ethics and the economic performance of the enterprise.

A company portrait: Ortho-Clinical Diagnostics in the Johnson & Johnson Group

As we shall see, most of the basic operational dynamics of Ortho-Clinical Diagnostics S.p.A. (hereinafter called OCD) - including ethics and responsibility practices - can be interpreted in terms of the relationship and dynamic equilibrium, which is precarious to some extent, between the local dimension of the affiliate and its membership in the global network of the *corporation*. The introduction to the company reality observed therefore opens with several notes on the history and current structure of the Johnson

(*) Massimiliano Monaci prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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& Johnson Group (hereinafter referred to as J&J); a world, in fact, which is configured in a much more articulated manner than what the J&J trademark and name normally allow the average consumer to see.

The evolution of a multinational corporation: the worldwide J&J galaxy

Founded in 1886 in New Brunswick (New Jersey) by Robert Wood Johnson, with his brothers James Wood and Edward Mead Johnson, J&J initially produced clothing for medical and surgical intervention, utilising manufacturing techniques based on the application of the innovative theories of scholars, such as the Englishman Joseph Lister, on the role of aerial germinal agents in provoking infections in operating rooms and on the antiseptic treatment of wounds. The focus on the development of adequate products for the critical need to improve antiseptic procedures in hospital activities was accentuated during the following two decades through the close collaboration with renowned exponents of the American medical-surgical community and the definitive perfection of new manufacturing processes for the sterilisation of products. In the 1920s, the international expansion and growth of the company's business began, with the opening of the first foreign branches in Canada and Great Britain and the first operations to diversify products, which involved in particular the launching of products for mass consumption, for self-medication and body care.

The '30s and '40s, under the presidency of the founder's son, Robert Wood Johnson Jr., mark one of the decisive phases in the history of J&J, because of the influence they had on successive development. Two crucial organisational impulses related to the thirty years of management (1932-1963) of R.W. Johnson, who was later known internally as General Johnson due to his experience in the Second World War. One was the structural profile of the firm, which coincides with the initiation of a firm policy of decentralisation, based on the conferral of considerable management autonomy upon the various divisions and associate companies, which have been constantly increasing since that time. The second indelible mark left by the leadership of General Johnson concerns the exquisitely philosophical approach of the marketing activity, which regards the creation, drawing up (in 1943) and adoption as a routine, of the Company Credo. This document still codifies today the socially responsible orientation of J&J in conducting their business⁵⁹.

⁵⁹ There is not much room to dwell on the expressions of what may be defined as the saga of General Johnson, an "organisational hero" whose contribution with respect to the current position and identity of the group was recalled repeatedly even by the persons we interviewed. Several pages of the institutional website (www.jnj.com) are dedicated to his ethical and managerial action, and there is an entire site (www.rwjohansonbiog.com) dedicated to his life, personal orientation, direct and indirect role in the history of the country, where a volume of 700 pages is concentrated, which is normally distributed to middle and upper management personnel of the individual companies that belong to the group (L.G. Foster, *Robert Wood Johnson. The Gentleman Rebel*, Lillan Press, State College, PA, 1999); two philanthropic foundations are also named after him, which have been active in the United States since the '70s, the *Robert Wood Johnson Jr. Charitable Trust*, whose purpose is to support specific cultural initiatives and medical research projects, and especially the *Robert Wood Johnson Foundation*, "which is today the nation's largest private philanthropy, devoted exclusively to improving health and health care in America", (L.G. Foster, p. 649) with overall donations amounting to over 3 billion dollars.

Starting from the post-war years and in particular in the '80s and '90s, the expansion of J&J in new sectors and areas of the world market accelerated considerably in virtue of a combined strategy of internal differentiation, fusions and acquisitions, progressively consolidating the group's present day organisational structure. During the '80s a series of events took place, such as in the case of publication of the Credo and simultaneously, in light of the Credo, that were to have a decisive impact on the manner in which the organisational ethics were interpreted: the case, or – to repeat recurrent expressions in company documents and in our interviews – the 'crisis' and 'tragedy' of Tylenol. Briefly, eight persons died in Chicago in 1982 and in New York in 1986, due to the addition of cyanide by an unknown poisoner, in several capsules of Tylenol, an important self-medication pharmaceutical product offered by J&J. On both of these occasions the decision of the CEO in office at the time, James Burke, in agreement with the top management, was to withdraw massive quantities of the product from the market. This was a response that went beyond the requests of the US Food and Drug Administration and the expectations of public opinion and through which, against heavy immediate financial damages, the company succeeded in preserving and even reinforcing their reputation, thereby recovering the losses and relaunching the business associated with Tylenol, over the mid-term.

Currently J&J constitutes a global reality that is present in over 50 countries, made up of about forty international subsidiaries ('primary global affiliates'), which include in turn some 200 legal company entities ('country operating units'), for a total of almost 110 thousand employees. The general organisational model of the group is structured around three large segments of business: 1) the 'Pharmaceutical' segment, with the production and marketing of medicine products in various specialised areas (haematology, immunology, neurology and nervous system pathologies, oncology, urology, dermatology, cardiology and cardiovascular pathologies, gastroenterology, pain therapy, gynaecology); 2) the 'Medical devices & diagnostics' segment, which includes a vast array of professional products for use by health workers and structures (diagnostic systems and laboratory medicine, transfusion medicine, advanced sterilisation systems, surgical equipment and instruments, in particular for heart surgery, orthopaedic and optical supports); the 'Consumer' segment, which includes products for personal health and hygiene, addressed directly to the general public (over the counter medicines, first aid, products for oral hygiene, skin and hair care, female hygiene and baby care). All of this today authorises J&J to represent themselves and propose themselves as "The world's most comprehensive and broadly-based manufacturer of health care products, thousands of products in hundreds of categories, all designed to help you and your family lead healthy, happy lives"⁶⁰.

J&J has been quoted since 1944 on the New York Stock Exchange, is part of the Dow Jones Industrial Average index and the Dow Jones Sustainability Group Index, which represents a selection of companies that have distinguished themselves in favour of sustainable development. In 2001 the overall turnover of the group was 33 billion dollars, which marked the 69th consecutive year of positive growth, with a profit of 8.9 billion dollars, which translated into the 39th consecutive year of increase in dividends

⁶⁰ www.jnj.com/product/categories/index.htm.

for shareholders. As confirmation of a certain distortion between the true market presence of the group and the average external perception, it is worth stressing, finally, that the business line is doubtlessly more widely known and appraised by the general public – for the “Consumer” segment of products (ideally represented by Johnson’s baby Shampoo) – which traditionally make up the ‘locomotive sector’ for J&J’s financial progress, accounting for 21.1% of the turnover in 2001, against the 45% of the pharmaceutical sector and the 33.9% of the medical-diagnostics sector.

J&J in Italy and Ortho-Clinical Diagnostics

OCD is one of six company entities, each included in the international network of one of J&J’s global affiliates, which currently make up the group’s activity in Italy⁶¹. The company was founded in 1961 under the name Cilag Chemie Italiana, to market the pharmaceutical and diagnostics products of their global associates in this country. As a result of two successive internal divisions (1975 and 1980), which were established by *corporate* directives, the company sold the entire pharmaceutical business to new Italian units and focused on the diagnostics sector, assuming the name of Ortho-Diagnostic Systems. Finally, following acquisition by the group of Eastman Kodak Diagnostics (1994), which then became J&J Clinical Diagnostics, and the internal merger of the latter with Ortho-Diagnostics Systems, the current company name and structure of OCD were created in 1997, in Italy and *worldwide*.

OCD therefore operates today in the market of diagnostics systems, through two general lines of business: one directed towards the sector of transfusion medicine, where the company is the foremost Italian firm in the field of immune-haematology and a leader in the screening and diagnosis of hepatitis C; the other is dedicated to laboratory medicine, where the company occupies a position of national importance for the technological solutions offered in the fields of clinical chemistry and immune-chemistry. The semi-autonomous LifeScan division is also formally part of this structure, which has a single headquarters for the entire national territory, in Milan. The LifeScan unit is committed to diabetology and is a leader in the field of self-control of glycaemia. In July 2003 OCD S.p.A. had 229 employees, 166 of which were employed in the diagnostics division and 66 in the LifeScan division. All personnel was hired with the exception of a few workers on contracts for indefinite periods of time. In 2002 the overall turnover was € 125,507,000, with a profit of € 2,298,382; within the ambit of

⁶¹ All of the global subsidiaries to which the Italian companies refer are world leaders in their respective sector. In particular, the other five Italian realities in the J&J family are: Cordis S.p.A., which operates in the sector of development and marketing of technological solutions for diagnosis and the treatment of pathologies of the cardiovascular system; DePuy Italia S.p.A., which is present on the orthopaedic market with products and services for traumatology, vertebral surgery and orthobiology; Ethicon S.p.A., which develops and markets surgical products and advanced medicines; Janssen-Cilag S.p.A., which operates in research, production and sale of medically prescribed pharmaceutical products in various specialities and in the marketing of products of a biotechnological origin; Johnson & Johnson S.p.A., which deals with the commercialisation of products for mass consumption in the field of *personal care* (i.e. with the historical line that goes by the trade name of Johnson’s Baby and the trade names Carefree and BandAid) through the double channel of the mass-market and pharmacies.

the main division, the two sectors of transfusion medicine and laboratory medicine respectively recorded invoicing of approximately 42 million euro and 27 million euro.

Our field investigation concentrated on the principal part of the structure, without involving the separate LifeScan division. In particular, aside from the collection of documentation and setting observation, we interviewed the company general manager (as well as the president of the J&J Italian Consortium of Companies) and six functional directors (out of a total of seven; see attachment 1 regarding the first level of the OCD *organisation chart*). Additionally, we also interviewed two figures who coordinate the activities of the Johnson & Johnson Foundation: the secretary (as well as director of Ethicon S.p.A. and general manager of the Consortium) and the president (as well as general manager of Janssen-Cilag S.p.A.).

The impact of two elements is still being felt in the life of the company, which reflect the progressive evolution of OCD; of the role, on one hand, of particular local factors, and of the model of development of the entire multinational on the other. From the first point of view the firm appears to be close to the parent firm, in particular starting from the re-establishment that took place with the last merger in the mid '90s and the simultaneous appointment of the current general manager, with a model of charismatic owner management, almost like an autochthonous small or medium sized enterprise. Secondly, precisely the merger of 1997 with the sister firm in the J&J diagnostics sector, which had just been acquired from another multinational group of primary importance, appears to be perfectly in line with the model of expansion "by mergers and acquisitions of the *corporation*. Moreover, the effects of this operation on the climate and operational efficiency of the firms appear ambivalent. On one side the perception is widely shared that this event, which in the end is quite ordinary in the dynamics of the market, was managed and carried out in this case in a completely original manner, which, according to some privileged witnesses - inside or immediately on the outside of OCD - is explicitly due J&J's to the culture, if not their ethical style, in doing business.

"The merger took place in an abnormal manner, which is also interesting, however. It didn't translate into the usual demolition of one of the two halves by the other party; it was not a hostile process and the fact that today we find various persons - the general manager, myself - ex-Kodak personnel, who occupy positions at the top of this organisation, is a meaningful symptom of this" (Customer technical service director).

"Mergers almost never take place as an agreement between equals and everything is resolved when the leader is chosen; from that time forward it is understood who won - and there is normally a winner... The OCD affair is not surprising to me. It is in line with a refrain that we often repeat: that even if J&J at this time is in the position to be able to buy anyone and not be bought by anyone, you can never be too sure of anything, because in the event of a hypothetical merger, we are so *fair* that we would fatally put the other management at the helm" (President of the foundation).

On the other hand, the firm readily recognises that relatively recent transition has

generated a process of integration and adaptation that is not devoid of difficulty, and which is still not complete. It is a road that has carried past problems forward, due to the differences between the culture of the two original firms and their way of doing business, as well as their market positions and the inevitable lengthiness of a process that is not characterised by 'abrupt cuts' with the past, albeit it is not accompanied by the personal and collective traumas that are frequent in mergers between entities belonging to global firms (especially when the company purchased is considered more a financial *asset* than a resource for innovation).

Decentralisation and integration.

The important structural change in the second half of the '90s definitely contributed to accentuating the connotation of a *worldwide company* of OCD, but represents neither the only nor the most crucial of the dynamics of recent years - to use the metaphor various interviewees - that have involved the company, as well as the other units in the group, in the decisive movement of the organisational pendulum of J&J towards the pole of internationalisation, with the concurrent aspects of centralisation and standardisation. In the traditional strategic philosophy of J&J, which has been well synthesized in the current motto 'small company environment & big company impact', the key to uniqueness (in comparison with other firms of equal dimensions) and coincides with the groups success and the acquisition of a delicate and virtuous equilibrium between the ability of the individual structures to operate as highly autonomous and flexible entities, well rooted in their own peculiar socio-economic context of activity, which are responsible for their own performance, and the ability of the *corporation* to make the entire structure function as a single, cohesive entity, through their own services and strategic input.

In fact, when the doubtless role played by local differentiation is recognised in terms of the development of OCD, the phase they are going through today, appears to be one where they increasingly feel the *corporate* breath (general manager). Like for the other companies in the group, the consolidation of limitations and belonging with respect to the worldwide J&J circuit has in general taken place with the automatic inclusion of global business strategies and the organisational articulation of the company, starting from the above-cited *customer-oriented* segmentation in three sectors and by the strategic platform 'Growth through innovation', which identifies critical ambits of competitive success in the areas (1) of scientific-technological research, (2) of the policy of mergers and alliances with other groups, (3) of inclusion in emerging national and product markets, (4) of the development of collateral customer services and (5) of the maximisation of the internal and external potential of internet⁶². Beyond the influence of this overall architecture, on an even more pervasive level for everyday activity, the impact must be noted of the various

⁶² The project, started several years ago, of becoming 'the best-connected health care company in the world' has meaningfully influenced the *information management* system of OCD. Today, in addition to referring to the intranet and Internet networks of both J&J and OCD *international* (www.orthoclinical.com), the company has an autonomous intranet site that is utilised for the dissemination of company news and information of general interest.

instruments that make up the overall formal system of management and control of the *corporation*.

On the decision-making levels of the company, the increase in the degree of centralisation is generally considered a normal and inevitable consequence of the process of globalisation, with the subsequent push by multinational structures to valorise the competitive advantages related to the exploitation of a multitude of business economies (of scale, knowledge, etc.). This is a phase of passage towards a more integrated and standardised model of management that translates in effect into complex daily experience, which is not devoid of ambivalent aspects, especially for the functions most exposed to technical and operational requirements:

“In the end, with our 200 employees, we are still a medium-sized enterprise. The policy and image of the *umbrella company* that covers everything and inspires with its solidity is interesting but its practical application is not always easy. It may sometimes generate frustration, especially when all the associate companies are expected to have the same organisational resources. This places pressure on the smaller realities, even if they are very strong. When we look back they are rewarded by benefits, but at the time they may experienced such situations as a problem” (Customer technical service director).

“As a principle sophisticated and coordinated management of processes helps us work better. But at the moment we are right in the middle of wading the creek; we are called upon to interpret in the best possible manner this push towards standardisation. Where implementation is concerned, the problem could be not succeeding, in effect, to make the advantages tied to the image, the ability to innovate and the financial support of J&J carry weight on the market, simultaneously incorporating the limits that such a complex system necessarily introduces into business mechanisms. In this phase the risk for us is to be perceived as a medium to small sized company that has the complications of a large firm, with clients who continue to expect the *just in time*, customised services of the retailer down the block, but who are not entirely capable of accepting the complexity of company operations, because they are amply rewarded by the quality and world-wide prestige of the counterpart” (Sales director).

On the other hand, from the point of view of internal and external identification for the purpose of a more complete (and faithful) valorisation of individual company brand names, in the public's eyes, for example, the process of growing over-positioning with the global dimension and trademark of J&J corresponds to what appear to be widely shared perceptions and expectations:

“Personally I have no difficulty in managing this dual membership. I fully feel I am a director of OCD, but behind OCD I see in transparency the presence and values of J&J” (General manager).

“Aside from being invited from time to time to include the statement “A Johnson & Johnson Company” on our visiting cards, we have never been good at

communicating the idea that we are part of this family. I also speak for ourselves, because especially at mid to low levels, the corporation was and remains a structure that is above and beyond, the great holding company that can do anything but who knows where it is. We are only now beginning to take advantage of the enormous potential of a name and image that are extremely positive, but which are still tied to consumer products like baby shampoo or cotton swabs. This is definitely the case when it comes to the Italian public” (Total quality director).

“I am aware of the communications and marketing policy of the company and I know that there has always been the desire to keep the prevalent image that the firm has in the world - that of a candid infant with his smiling parents and the delicate shampoo that doesn’t burn his eyes - well separated from the images, cruder if you will, that other fields of our activity communicate: test tubes for blood, the isolation of bacteria, prostheses for limbs.... And I am equally aware that today, in times of concentration and interdependence between all the sectors of health services, it would be more appropriate to have a communications programme capable of representing our transversal presence throughout the world in the field of *health care*. But the fact that this is partly or entirely an evolution dictated by careful business strategies is supported by our sensations: it is a question of presentation, but also of style, because OCD well knows the world of transfusions, but my friends are not aware of this, because here we effectively breathe J&J’s way of doing business” (Marketing director).

In the Italian context the focalisation on the opportunities of integration has recently been translated into an original experience, the constitution of the Consortium of group companies. Definitely partially inspired by company guidelines (as the prerequisite for *interdependent partnering*, see point 3.2), but also the fruit of an entirely autonomous initiative, the Consortium is a legal entity whose purpose is the sharing of services, experiences and competencies between business, among the six J&J firms present in Italy. With its extremely streamlined structure - with the formalisation of only two roles that act as catalysts and coordinators, the president and general manager - the Consortium promotes periodical opportunities for meetings between the company management, organises working groups between the functional directors (finance, human resources, etc.), favours new possibilities for exchange on the level not only of *practices* and strategies, but also related to the internal labour market; and above all, it seems to succeed in giving further depth, concreteness and local visibility to the spirit of integration suggested by the letter of *corporation* directives.

From company ethics to “corporate responsibility in action”

It is therefore within the context of this organisational complexity that it is necessary to identify and interpret the traits of corporate responsibility in OCD’s action, inasmuch as it is an Italian firm that belongs to the J&J Group.

A cultural ethos: the Credo of J&J as a style of enterprise

It is all too easy to identify in the Credo drawn up by J&J more than half a century ago the basic matrix, on the professional and collective plane, of any responsible conduct on the part of OCD and its actors, situated in critical decision-making positions. This instrument of self-regulation, technically a forerunner of the more sophisticated ethical codes formulated in the world of enterprise over the last two decades, is a one-page document that develops, in a linear manner and in almost elementary terms, a statement of values and intentions where four central ambits of responsibility for operations and for all personnel in the group are established (see attachment 2 for a complete copy of the document): the first responsibility is towards persons – doctors, nurses, patients and families – who utilise J&J's products and services as professional clients or final consumers; the second is towards employees; the third involves the community, intended as the context of localisation of the activity in the widest sense; the final responsibility is towards the shareholders, considering that 'the deliberate ordering of these groups – customers first, stockholders last – proclaims a bold business philosophy: if we meet our first three responsibilities, the fourth will take care of itself'⁶³.

The Credo, which has been translated into 36 languages today throughout the five continents, 'is not a mission statement that hangs on the wall but a value system'⁶⁴, however, even at a superficial level its visibility is such that – as confirmed by the analysis of the documents – 'it is not materially possible to find a J&J publication that fails to reproduce in on the second or third page of the cover' (Foundation President). In sixty years, this code has kept its constitutional lines intact. It has undergone minimum integrations with the updating of terminology and additional references that are coherent with the evolution of the company activity. Nevertheless the Credo is considered and 'cultivated' as a live entity, through the *bottom-up* mechanism of 'Credo Challenges', for example, which are periodical sessions in which its indications are re-discussed (and substantially reiterated, given the general nature of the code) in light of the current situation, and at which a selection of international management also participates on a rotational basis – not just top management, but people from the entire group.

Going into the subject in greater detail with company witnesses, the Credo seems not only to constitute a prescriptive code of organisational morality, but more widely the element that is at the basis of a distinctive cultural ethos; that is of a shared system of values and 'visions of reality that are capable – within certain limits – of permeating the behaviour of organisation members and even prior to this, their interpretations of problems *at hand*, providing moreover, important meaning for their very sense of professional and personal identity.

“There is a very strong professional ethic here, an acquired strictness that at times translates into almost maniacal scruples in respecting quality, procedures, the need

⁶³ www.jnj.com/careers/credo.html.

⁶⁴ www.jnj.com/our_company/our_cred/index.htm

to evaluate risks and consequences. The credo is studied in schools of management, but it has now become a deontological code that goes beyond its contents, a climate that leads people to refuse anything that is not done according to specific criteria and which permeates the fabric of daily life in this company” (Marketing director).

“The fact of working for this type of company is experienced with a certain pride, or in any case participation. It is something that you can speak positively about, with satisfaction, even in your interpersonal relations” (Customer technical service director).

“Doing the same things here rather than elsewhere has a different meaning, precisely because of the attention to the ethical aspect and its applications that J&J suggests we impose. On one hand, this constitutes a great limitation, because it makes life more of a commitment, adding further stress to the rest, but on the other hand it gives managers a security that it would be difficult for them to have otherwise. It is probable that as you descend the ladder of the company hierarchy and these aspects become less concrete, there is some risk of confusing this dimension with a sort of spirit of family and solidarity, but I believe there is awareness of the fact that there is a basic philosophy that is objectively confirmed in everyday reality, which is the patrimony of us all” (General manager).

“In our companies, the contents come of the philosophy, from everything included in the Credo. I have been here for two years and after six months I had the credo in my chromosomes, even though I came from a company that was in many ways similar, a multinational pharmaceutical company and a stimulating environment, where I had come up through the ranks and my children were born. For a genetic mutation to take place it takes a little time, but after a few months I was completely and happily settled into the context, because it is the air you breathe. It has a particular hold on J&J *executives*: twice a year all the new top managers that become part of this world are sent to the *headquarters* in New Brunswick to participate in the *Orientation Program*, which lasts a week. There, in contact with the *Executive Committee*, you start experiencing the reality of the Credo” (Foundation President).

“You undoubtedly have to change skin to enter this place, and as far as I am concerned, during the course of time, all of the sensations and expectations that I had when I arrived a few years ago have been confirmed, as well as the descriptions of J&J that circulate on the market among head hunters. If experienced and interpreted well - which is what happened to me - it allows people to feel a bit like they are part of a cultural elite, and this is important, aside from the success and professional recognition, you are motivated to feel different from everyone else, to feel a sense of belonging that you don’t find elsewhere. Of course, the risk of a map like this is that it may be construed as a banality, a language that is too distant from real life, and may even be made to appear as undue interference. But it’s a danger that no longer exists for J&J. The Credo has been metabolised. It didn’t end up like the famous picture frame hanging on the wall. It is more difficult to answer to the question of how it is translated into individual

action: this is a subjective thing and, for an infinity of reasons, different readings can emerge, more or less of convenience, which are partial or distorted” (Sales director).

The connection, which should never be considered automatic, of the collective and prescriptive dimension with the level of application and subjective action, is a dynamic that this organisational climate appears generally capable of activating. This mechanism of translation is eminently *top-down*, but eventually offers an additional possibility of preserving, in the meeting between organisational morality and individual choice, the autonomy and compendium of tensions that guarantee a certain area of personal authenticity:

“The contents of the Credo are an ethical orientation, and ethics require subjectivity in any case: if you lack this individual factor it is difficult to succeed in accepting and applying a superimposed morality; you put up a front and merely appear to adapt. But the guidelines indicated may become the basis of an attitude more than of reasoning, may comfort the choices you make. Albeit this support does not eliminate the mediations you are called upon to make in an environment that is in any case complicated, you can see a confluence between personal choices and company orientation. The influence of the company is very important in encouraging application. The human attitude is gregarious; in groups it works above all by imitation and in this sense it is fundamental to create an educational context: you have to see that the company environment is actually as you say it is, you have to have examples to follow. It is rare to find people with a family to support, however irreprehensible they may be, who enter an ethically questionable environment with a push to change things” (Customer technical service director).

The final part of this intervention brings out what in the world of J&J seems to be the weight of socialisation, first of all informal, with respect to the orientation of the Credo. The other interviewees almost unanimously stressed the need and ability of managers to play a role to increase adhesion to the organisational philosophy, ‘by walking the talk’, that is to say by giving a personal daily example of being aligned with what is professed. At the same time, the Credo is made routine, and its efficacy is controlled, through a multilevel system of formal *audits*, which systematically pressure organisational exponents to be aware of their conduct:

“In fact at the end of the year I am evaluated and receive the corresponding positive returns or suggestions for improvement from my chief at OCD *International*, on the basis of measures that largely refer to the priorities of the Credo, and the same thing happens for all of the managers with respect to their supervisors. This is at the basis of planning for results and ex-post performance evaluation, which in turn influences the remuneration package” (General manager).

“I can get by for three years without bringing in a profit as promised to company, especially if there are good justifications. But if I obviously disobey one of the rules of the Credo, I am out in five seconds flat; and if I fail to take this with the necessary seriousness, and this comes out in the system of verifications, I will be in heavy seas anyway” (Foundation President).

Formal governance of morality: management system and quality policy

The overall complex management framework of J&J includes at least six cross referenced *benchmark* and/or procedural systems, which refer to the Credo guidelines, in a finalised or, more often, in an indirect manner, realising a rigorous formal process of control and verification of concrete application.

The CREDO SURVEY. The CS is a three-year company-wide report, carried out throughout the world in all J&J units, whose purpose is to obtain a perception of the entire body of personnel with respect to the effective coherence and behaviour of managers (and first of all of local and more direct reference supervisors) with the indications expressed by the Credo. Carried out in a completely anonymous form through the distribution of a questionnaire articulated in fifty *items*, it makes a fourfold term available to each company to compare their state of alignment with the Credo: with themselves in time (with respect to previous indications), with the other units of the same international affiliate (in our case: OCD global), with the other companies in the same country and with the entire J&J system (on which level there emerge not only average values of comparison, but minimum positive targets are also established on a time by time basis). 'Encouraged and at once feared by the management' (Customer technical service director), the CS produces results that have an impact on other procedures of evaluation, even individual ones, of ordinary management. Additionally, especially under conditions of lower than expected results (as is the case lately in OCD), it triggers successive intervention for analysis and corrective action of critical items (through focus teams for discussion, meetings with the personnel, relative plans of action on the front of communication and training).

The POLICY ON BUSINESS CONDUCT. The PBC is a procedure concerning the conduct of company business, which binds each Board of Directors or other managing committee of J&J companies, to communicate knowledge of the policy and certify its observance by all of their personnel. The PBC is made known and delivered to each employee whenever J&J acquires a firm. It requires managers to sign an annual certificate of conformity to its provisions relative to their own and collaborators' business conduct. The areas of conduct to which the PBC dedicates attention in order to guarantee that 'all of the commercial and non-commercial activities of J&J companies are constantly organised with the utmost transparency and best possible ethics⁶⁵ concern, in particular: conflicts of interest and its communication (i.e.: improper relations with competitors, suppliers and clients; improper utilisation of confidential company information; request or acceptance of gifts and other compensation that go beyond the 'legitimate and normally accepted forms'); the respect of laws and regulations governing productive and commercial activities in the countries and divisions in which J&J operates (norms on competition, environment, on the safety of products, job security, stock holdings, on the manner of contributing to political activities, on industrial secrets); the patrimonial activity and utilisation of funds, with specific concern for the accuracy of the accounting records and international transactions.

⁶⁵ OCD Human Resources Management Circular, March 2003.

The STANDARDS OF LEADERSHIP. The SoL make up a *benchmark* system that identifies key competencies relative to any figure occupying a role of responsibility, independently of the position in the hierarchy. The SoL are explicitly utilised (a) in the process of selection for management positions, (b) in identifying *gaps* between actual individual competencies and expected competencies and therefore (c) in drawing up plans for the human resources training and development plans, (d) in the periodical evaluation of individual performance of managers and directors and therefore in the definition of variable parameters (bonuses, etc.) in retribution. Six areas of critical competence are defined and covered by the SoL: 1) Credo values and business results; 2) the creation of value for the client and market orientation; 3) innovation, in the sense of creating a vision of the future (i.e.: development of strategies for growth and seeking challenging objectives for oneself and one's collaborators) to support continuous improvement; 4) internal collaboration and *interdependent partnering* (i.e.: building inter-functional relations, seeking situations of mutual advantage between parties); 5) management of complexities, with respect to the solution of specific situations and guiding the change; 6) development of the organisation and human resources.

The PERFORMANCE APPRAISAL. This is an annual evaluation procedure for individual performance. The relative *form*, although it may vary slightly from company to company, foresees points of verification modelled directly on the SoL. At OCD the PA not only involves top and middle management, but is also extended to evaluation of mid to low level employees, albeit in a greatly simplified manner. The system foresees three fundamental phases of application: the first is the self evaluation of the subject, the comparison with their direct functional supervisor, who formulates the final evaluation even on the basis of initial targets, the development of a new plan of individual development (or improvement), in collaboration with human resources management.

The quality system PROCESS EXCELLENCE. As with other realities throughout the J&J universe, OCD has obtained external certifications for their quality management system over the years, such as ISO 9001/1994 and ISO 9001/2000. Since the early '90s, J&J has developed an internal quality *assessment* system, initially called the *Signature of quality* and today called the PE, which is in many instances more stringent than the public international standards. This audit, which was initially optional and became obligatory in 2002 (given the proven correlation over the years between the points in the *assessment* and business results), consists in a three-year evaluation, conducted in the individual company by a J&J Group international team of *examiners*, which is annually punctuated by an internal *self-assessment*, guided by an 'external' figure from the J&J Quality Institute. Technically the PE, which bears on the final score and usually on the indications for improvement, concentrates on the evaluation of about thirty specific organisational processes, divided into seven categories:

- 1) "Leadership" (the managerial processes of defining and pursuing a precise direction of company development and the consequent strategies of *deployment* and communication);
- 2) "Business information management and analysis" (the processes of identifying and utilising the parameters to measure efficacy, including those relative to the guidelines identified by the Credo);

- 3) “Business planning” (the processes of planning activity, with specific reference to its translation into a spin off of objectives of functions, groups, etc.);
- 4) “Human resources management and development” (the processes of managing personnel and the degree of alignment with company objectives and the climate of the *working environment*);
- 5) “Key business processes” (the critical processes of the company, whether oriented towards the client - distribution, management of suppliers, etc. - or services/internal impact);
- 6) “Customer and market focus” (the processes expressly addressed to the knowledge of the client, his needs and feed-back in terms of purchases and satisfaction);
- 7) “Results” (the overall efficacy/efficiency of the above-mentioned processes, in light of the market results obtained, of the objectives programmed and the comparison with the data of other associate firms or competitor firms that use similar *benchmark* procedures).

The BALANCED COMPANY SCORECARDS. Introduced recently in OCD, again following the orientation of J&J. The BS, finally, constitute a system of management control of the entire individual structure to ensure implementation of the strategic goals of the company and the evaluation *in itinere* of their degree of realisation. This further instrument of management aims, on one side, to translate the strategic orientation into measurable objectives assigned to all of the organisational levels and entrusted to the responsibility of functional directions and, on the other, to allow a periodical verification of their attainment and eventual corrective actions.

Taking care of the customer: health care and service for public well-being

How is attention to ethics in business and to the various reference stakeholders proclaimed by the Credo concretely realised and made routine in OCD and elsewhere within the J&J universe - through such socio-informal and strictly procedural mechanisms? A convenient way to examine the practices of responsibility actuated in this enterprise reality may be to proceed through the individual points emphasized by the Credo, in harmony with a logic of discussion that has been frequently adopted by company witnesses.

In this view, it is natural to start from what constitutes for J&J, without a shadow of a doubt, the principle reference stakeholder in daily operations: the customer, or better yet, all *intermediate* (doctors and other health professionals) and *final* users (patients and citizens) of their services. On this level, first of all, the awareness appears decisive that the company is working in a sector of activity - *health care* and services, that has many implications for collective life and opinion - and whose intrinsic nature is to be fraught with problems, due to its impact on the daily behaviour and thoughts of company workers:

“J&J companies have an advantage over many others: they work in the field of health and that means being able to carry forward an ideal in what they do. We are in any case companies that must make a profit, otherwise we would disappear from the marketplace, but we are also enabled to create and offer something that

in the end gives us a return as human beings, because pharmaceutical and diagnostic technologies produce an improvement in the life of people. It is simply proven that the first leap forward that permitted mankind to increase his longevity and quality of life was a more systematic habit of cleaning, and in this sense, a company that produces soap maintains a strong dignity of its own. That turning point permitted mankind to go from 30 to 50 years of average lifespan. Then other factors intervened that lengthened life from 50 to 70 years, with the use of medicines and medical-surgical intervention. We are committed on this terrain” (Secretary of the foundation).

“Our concrete counterpart is the user of the product: the laboratory director, the chief transfusionist, and the hospital personnel. Nevertheless, even if we never meet him, it is the patient who avails himself of the possibilities of the product we deliver, and this is something that is quite clear to us; he is the one, together with the medical professional, who is foremost in our mind. We take into account that many of our products are used in the field of transfusions, which is already rigidly regulated by norms; but with blood everything is amplified. Blood concerns the very life of people, and any technical error in analysis can turn into a tragedy” (General manager).

“Frankly I have doubts as to what extent the genesis and the meaning of diagnostics products in terms of safety and ethical behaviour is perceived within the group and on the part of buyers, the logistical managers of health facilities, persons who materially utilise the products, laboratory workers and persons who benefit indirectly, doctors who perform diagnosis, right down to the most authentic beneficiary, the patient who receives the intervention and therapy. That’s precisely why we have just started a discussion with the category association Assobiomedica that attempts to make the requirements of new European directives on the marking of these products an opportunity to communicate more efficiently the value – and values – of systems for diagnostic investigation⁶⁶” (Sales director).

Aside from the functions most directly related to the quality of solutions marketed (efficacy, safety, level of innovation, operational cost effectiveness), the OCD service concerning the world of health implies additional contributions to which enterprise actors do not hesitate to attribute, among other meanings, a distinctive value in terms of ethics and corporate responsibility. This level underlying the ordinary business activity invests first of all the area of development of knowledge and the formation of health workers. The attention towards technical and scientific updating of their own primary counterparts constitutes an approach to users that is decidedly well rooted in the behaviour of OCD.

This is partly instrumental in implementing competitive strategies, which hinge on the

⁶⁶ This is an awareness programme, soon to be implemented, which foresees intervention of communication at the divulgative level (i.e. windows on the media, meetings and dissemination of brochures in schools) and at the more specialised level (i.e. through the specialised press).

quality of information and the post-sales service. In line with the group's market policy, which tends to shut down or sell less innovative activities, which have become *commodities*, at the earliest possible convenience, OCD constantly deals with complex and advanced solutions, so that the ability of clients to utilise the best systems on the market becomes a pre-eminent prerequisite in maintaining business results. On the other hand, although it is true that in OCD's current market position (as with other J&J companies) the comparative ability to handle the entire post-sales service with respect to the average competitor plays a crucial role, the orientation of *professional education* of clients also seems to sink deep roots in a sort of mission that refers to the historical presence of OCD in their own market and institutional division.

“Especially in the field of transfusions, OCD has had a role of innovation and training for the scientific-professional community, which has been concomitant with and in certain cases has substituted academic training. I am absolutely convinced that if you speak with doctors who perform transfusions, who are now 50 years old, you will not be able to find a single one of them who does not recognise the weight of OCD in having produced and disseminated culture in the field of immune haematology” (General manager).

Until ten years ago, the activity of training for the benefit of one's own users and, in a wider sense, of the national medical and scientific community, took place largely through the initiative of a renowned *Training centre* situated in the area of Milan and which was capable of organising courses 12 months per year, with the intervention of company instructors and instructors from the professional and academic world. When this structure was closed to contain costs due to the evolution of the national health system and the consequent compression of margins of profit, the training of clients and operators takes place today through channels that are perhaps less visible, but which continue to maintain the reputation of OCD high on this front internally and in the division.

Among these we can indicate:

- Obviously, the assistance and information supplied directly to the health structures served, by company *application specialists* during installation and maintenance of systems;
- The organisation or support (where the direct management of providers is excluded by law, for example in updating seminars prescribed by the Ministry of Health) of workshops and national study conventions in the two fields of transfusional and laboratory medicine;
- The publication and distribution, free of charge, of two specialised bi-monthly information bulletins (*OCD News Transfusion Medicine and OCD News Laboratory Medicine*), in which the space dedicated to the inevitable presentation of company products seems considerably less than that reserved to the treatment of themes related to research and scientific divulgation, as well as to the discussion of current problems in the field of health (see attachment 3 for the cover of a typical issue);
- Participation in J&J institutional websites such as www.jnj.com and www.orthoclinical.com, with their data banks, which the domains recently provided with *web-based* user relations (not only to promote *e-commerce* but also

e-connectivity and *e-learning*), www.orthoseed.com (through which OCD *International*, in collaboration with the American Association of Blood Banks, manages a school of education on emerging sicknesses) and above all www.jnjgateway.com (an innovative channel of on-line communication/updating with free enrolment, through which it is possible to access assistance services and technical support from J&J businesses operating in the field of diagnostics, information and material related to international events and courses that have contents of a scientific and professional nature).

In virtue of this action, which is relatively independent from instrumental market requirements, a fundamental element often recorded among our interviewees is the sensation that they are contributing in a significant way to the process of re-orientation of the entire world of health, even within a context such as the Italian one, which is undergoing considerable and difficult transformation. A perception that especially concerns the understanding the new directions that have not yet been clearly defined in this evolution, which is literally in progress - is the delicate balance between public and private roles, between requirements for efficiency and guaranteeing levels of performance to the citizens, between professional deontological needs and technological development - which is often mixed with the desire to modify a certain climate of mistrust that surrounds workers who operate at the vanguard of the Italian health system today.

Nevertheless, according to all of the managers interviewed, the most important daily manifestation of the sense of responsibility toward the user stakeholder can be identified with the adoption of conduct inspired by the Credo (and reinforced by the quality system), coherent with a rigorous and constitutionally refractory company style when it comes to delays in implementing the moral principles of transparency and correctness in relations with the public and the market, however ordinary and legitimate they may be. This is all evident, first of all from frequency of decisions to withdraw a product more or less completely from the sales and distribution network, if there is even the slightest doubt of the condition of safety or quality; pursuant to micro-episodes which, on a small scale, but repeated, reproduce to some extent the mythical organisational experience of the Tylenol case, including the relative market impact over the short term (various dysfunctions) and in the mid to long term (conservation and reinforcement of the competitive advantage):

“In this sense there is a ‘talebán’ attitude on certain points, a sort of integralism at the cost of considerable loss of time and turnover. I saw how they managed the Tylenol incident, and this continues to be a company whose interest is above all to face the market with a clear conscience. All it takes is for someone, somewhere in the world, to write to our quality control offices about a product that seems to have some minimal secondary side effects, and there will immediately be a storm of notifications to clients for withdrawal of the product. At the marketing office we are right in the middle of this and every once in a while we are annoyed at this spasmodic attention, because it creates more agitation than necessary, but there is no other way to behave... But then you understand that the clients appreciate it. They see that they are dealing with a company that generally substitutes products twice as often as others, and this is a guarantee for them, even more perhaps than

the merits of the product itself. The same surety that is given a mother when she uses the baby shampoo. I believe that this group truly has a great strength in communicating safety and loyalty to the market it serves” (Marketing director).

“We are very realistic, because we have a product alert and withdrawal system that is triggered implacably upon the slightest signal, despite immediate negative effects on business. It is a two-faced condition, which is not easy to experience. As soon as it happens, when I go to a client and tell him I have to substitute an entire lot, I experience it with a limit: because at that moment I am creating inconvenience and because they try to tell you that you might be exaggerating. Then later, you are satisfied at having done it. You realise that these extreme scruples are not hyperbole, but are an element of differentiation from others, and that in the end the client recognises this without reservations. You understand that it is precisely this that allows us to say that we are OCD” (General manager).

“Just this morning I wrote two *recalls* for OCD that will cost us several hundred thousand euro in Italy, for a single *complaint*, worldwide: somewhere, in Japan, I think, a client found a package of our reactant, which changes colour if the virology test is positive, that had several slightly yellow pills. True, it could have been anything: imperfect closure of the box or humidity in the warehouse, and the only risk the patient runs is that he could eventually have to repeat the test and that – as doctors sometimes say – when you work with biological material you can never be certain that everything is under control. The incident can be read in two ways: one is to say that we are excessively particular and create inconvenience for ourselves and others for a mere trifle, or that we are running the risk of earning ourselves a reputation for inefficiency; people who do sloppy work and are then obliged to correct it. The other way to look at it is to admit that this is truly a company that places the client and the patient above everything else. As for me, I prefer the second way and I’m proud to work for an organisation of this type” (Total quality director).

After safety, a second field of application of organisational morality in dealings with the users refers to what could be defined as safeguarding market mechanisms that would benefit clients and the public. This is valid first of all in connection with the very approach to the idea of business, which is not exhausted – in virtue of the ethics of service considered above – in a unilaterally focused concept of the ability to sell. It is extended, with the undeniable tensions this produces in daily life, to the concrete practice of interacting with other actors in the market, processes that are often delicate because they involve counterparts and procedures of a public nature (like bidding for a contract):

“There are practices that are deemed acceptable, or which are commonly accepted in this field, that pose serious questions for us. How do you answer, for example, to the specifications of a public organisation that aggregates its request for services in such a manner that you can cover only part of the request with your products? We are among the few companies that have chosen not to respond in cases like this, by making alliances with other firms that are perhaps competitors in another call for tender. We prefer not to participate, because it would mean treading on thin

ice, where you may be exposing your firm to risks, such as anti-trust provisions, and where, above all, you may provoke turbulence in market dynamics, in the transparency of the offer, in the possibilities for the buyer and user to actually have the best product at the cheapest price. It is especially difficult for a businessman to make these sacrifices, because commercially speaking, it is an attitude that has caused a variety of unpleasant situations: while ten others “smile in the face of bad luck”, but succeed in bringing home a deal, you refuse to participate and are extravagant by definition. The doubt could even arise – and it has probably arisen from time to time among us – that we may be masochists” (Sales director).

Taking care of employees: professional development and personal growth

On the basis of the previous observations, it may also be said that in this context, a fundamental expression of attention towards employees is the disposition of a client – it must be reiterated: formal and informal – which effectively tends to support the application of the company philosophy and the management of the underlying dilemmas, especially in the case of consequences that are inconsistent from the point of view of the immediate return: ‘If I have a problem of this type, I know that I can consult my supervisor. I will in any case receive support and not a reply of: “you’ll have to take care of it yourself”, and I know that these difficulties will be understood and taken into account by those who must judge my results’ (Foundation Secretary).

OCD operates within a group that implements a type of management that is at the vanguard when it comes to human resources; an approach in line with the second dictate of the J&J Credo and with its more detailed translation in the Standards of leadership, which expressly foresee the creation of a *work environment* oriented towards results, through the valorisation of high potential, the promotion of intra-organisational diversity, *team working*, professional development and the career of collaborators, incentives and recognition of performance in reaching objectives. IN looking through J&J institutional sources, one is literally amazed by the quantity and quality of programmes oriented towards professional development and the personal well-being of employees, especially the most critical human resources: continuous classroom training and training at a distance, career plans, support for equal opportunities between the sexes and diversity, initiatives for *work life balance*, retribution and pension plans, benefits that go from health services to leisure time activities.

Obviously, in several areas, this architecture was especially developed for overseas structures. It is not uniformly applied throughout J&J companies worldwide for various reasons: structural reasons tied to the size and availability of resources; differences in national norms (i.e. for pension plans); cultural differences, for example, on the theme of equal opportunity and differences between the sexes, with respect to which the two women managers interviewed show some perplexity, in connection with the emphasis that J&J gives to an articulated initiative of ‘Woman leadership’, which is currently implemented on the international level (in fact their presence on the managing board of OCD, which has a total of nine members, seems significant, as does the fixing of specific objectives of *gender diversity* in the company *scorecards*). Nevertheless there

are at least two areas in which the strategy of management of human resources in the company directly influences personnel policy, with important results, in this Italian affiliate.

The first area concerns professional training and development. In 2002 OCD invested approximately 200 thousand euro in training, for a total of 160 workers involved and 112 courses carried out at Italian or international structures and in the most disparate sectors (from language and information technology courses to general or specialist courses in management, from updating medical technologies and norms in single-theme focus groups). Special attention is dedicated in this phase to middle management, 'a resource that was rarely cultivated by the pre-merger ownership, and which the company is attempting to help grow in terms of technical competence and management skills' (Human resources director). The highly critical management profiles are also involved in initiatives managed directly by the *corporation*, such as the annual on-line 'Management fundamentals' courses and the European 'Advanced management' course, with residential workshops lasting several days. Through the coordination and management of human resources, the entire system of internal training interacts with the processes of programming, evaluation and *follow-up* of individual performance in sustaining and addressing plans for the development of personnel.

A further company instrument oriented toward the professional growth of employees (in addition to the requirements of the multinational) is 'Succession planning'. This too was derived from the *corporation*, and as soon as it was implemented at OCD, the SP constitutes an international scale programme, managed through information technology, that places the data relative to high potential employees at the disposal of the entire J&J network, in order to favour promotion of these individuals, where it is deemed necessary and practical, among the group's associate companies. It should also be noted that, although this is an initiative that is instrumental in the creation of opportunities and horizontal and vertical mobility for personnel, full implementation of this programme is still encountering some difficulty in OCD, given in part to some 'cultural' specificity in the Italian working environment (i.e. availability for transfer, linguistic barriers, the management of individual expectations that a publicised selection procedure inevitably creates or disappoints).

The second large area where J&J input takes concrete form on responsibility towards personnel is safety. Aside from the respect of prerequisites foreseen by national and supranational norms and by quality systems on the theme of the working environment, attention towards the safety of employees is extended, for example, to free voluntary periodical medical screening services for various categories of personnel (complete check-up for management personnel, pap tests and breast pathology examination for all female personnel, that is to say the majority); an attitude of care, in the end, that is entirely coherent with the vocation and presence of OCD in the field of *health care*. Another practice worthy of mention, which is pointed to as the feather in the cap of OCD because of its social implications, among other things, is the participation in the J&J safe driving project, 'Safe fleet' (SF) which has now been going on for several years. SF provides all assignees of company vehicles cycles of informative meetings and courses with national safe driving schools, as well as a procedure of monthly evaluation

with the average number of accidents per average kilometres travelled, on the basis of which the Italian companies in the group have already obtained official recognition in the worldwide J&J circuit. According to various interviewees, this programme represents an exemplary manifestation of the invitation of the Credo to be (and form) good citizens, because of the commitment it entails and the rigorous criteria of conduct and verification adopted:

“Everyone today provides safe driving courses, but Safe Fleet is no longer a project, but has now become an institutionalised way of dealing with employee safety while driving company vehicles, in a much more advanced manner than what any local legislation provides for. Before the new road code took effect in Italy, our drivers were already prohibited to use the cell phone, even with an earphone, which is still discouraged: if you receive a call, you stop and call the number back. For the Italian mind, that’s quite an inconvenience, but if you think about it in terms of responsibility, it confirms that I am careful and must pay attention to these things” (General manager).

“It’s an effort that I am committed to quite a bit, because for a structure with dimensions and resources like ours, it may be a problem to keep all the field personnel away from work for a week for courses. But the spin off in terms of training is extremely concrete, because anyone who has three accidents over a period of six months – whether it’s his own fault or not – is identified as a *critical driver*; and suffers the relative consequences” (Customer technical service director).

Finally, it should be stressed that an increasingly actual area that is covered concerns not personnel *safety*, but personnel *security*. A recent application of this company policy is suggested by the personnel manager:

“After the 11th of September all American multinationals have probably alerted their foreign affiliates. But one thing is to send everyone e-mail messages when you receive an international alarm, inviting employees to “be careful”, perhaps with the attachment of maps showing points at risk. It is quite another thing to start sending a lot of mister X’s around the world, like J&J has, to verify the status of security systems at every site, making their relative reports and indicating the necessary corrective action. It was exhausting for us, but also emblematic of the fact that certain principles are not a dead letter”.

Getting back to the initial theme, the formal *personnel-oriented* initiatives are still fused with more unclear and widespread factors that have to do with the climate of company life. Facing the subject with the human resources director, the impact of the company style and therefore of the ‘spirit’ of the Credo seems to be detectable in various ambits of relations with the personnel. This is the case with selection, in which the evaluation of personal pre-requisites that are in harmony with the principles of integrity in the company philosophy does not weigh less than competence. This takes place in industrial relations, where, in the framework of relations with labour union representatives, generally conducted with a spirit of collaboration, there is an entire case history of successful attempts to maintain the working relationship with individual

employees at risk of exuberance due to the transformation of company processes, or also of safeguarding and facilitating persons for whom termination of the relationship is inevitable (in the cases reported, this has taken place due to serious improper conduct on the job) in their search for another job. One area where the impression and socio-cultural pressure of the J&J environment do not exclude or perhaps even accentuate the problems of certain scenarios is the delicate balance between business and job protection.

“Where I worked before, we had to terminate 300 persons one year: this was managed well, with a careful plan that provided for amortisers the reduced to a minimum the social impact of this and its impact on the persons directly involved. I sometimes ask myself: what would happen here? Yes, we would be even more scrupulous in pondering the consequences of decisions of this kind. But it would be an entirely different problem with us: we have an image; there is a conviction and expectation that everything must always necessarily turn out all right. I really hope nothing similar ever happens...”

Another sphere that appears to filter attention as a principle towards the requirements of employees – although not through the sophisticated initiatives realised elsewhere by the multinational – is attention, to the extent possible, towards a balance between the professional commitment and the private/family life of personnel, as synthesised by another Italian director of the group:

“In our companies in Italy we regularly work until seven in the evening, and if certain urgencies require it, we stay longer or the management is called in on Saturday morning. There is stress, a lot of stress, and my idea is that here we work more than they do on the average in the United States. But there is also the basic attitude that allows you not to be ashamed if you say you can't stay late because your son is taking part in a play” (Foundation Secretary).

Definitively, the type of *work environment* instilled through institutional initiatives and more informal practices actually seems to favour, at least at mid to high organisational levels, a context –in the general sense – that is ‘formative’, which supports human resources, made up of opportunity and incentives, of recognition and functional attention, both for professional development and the search for growth and a sense of personal value. A peculiarity which – according to those interviewed – older members of the organisation sometimes find hard to recognise fully, because many conditions in the context are now ‘business as usual’ for them; but which is confirmed, perhaps in a more reliable manner, in the answer of external persons who visit the OCD working environment and J&J, or who know of their reputation:

“In various company areas we work astride the steed of innovation. We are not, and never feel like we are in the second row. When I happen to participate in external seminars with managers from other companies – it recently occurred at an initiative on information technology security – the majority of the faces I see presented as new things systems that we had perhaps introduced months or even years earlier. Those who work here can put in their pocket a business card that they can spend anywhere. For example, a young man has been collaborating with me

for a year and a half now on an on the job training contract, and he still doesn't know whether the relationship will continue. He is enthusiastic about what he has been able to do, independently of the future. It is something that will remain, no matter what he does, and I really don't know if he would have received as much, under the same conditions, anywhere else" (Information management director).

"Some time ago I was in Rome for a meeting of the Consortium. I got there late and, thanks to some wrong directions, I ended up in the first hotel meeting hall, which was evidently hosting a company meeting. I asked the people immediately inside the door: 'You work for J&J, right?'. And the answer, by the tone of their voice and the look in their eye was "I wish we did..." (Human resources director).

Taking care of the community: worldwide CSR initiatives

- "We must be good citizens – support good works and charities".
- "We must encourage civil improvements and better health and education".
- "We must maintain in good order the property we are privileged to use, protecting the environment and natural resources".

These are the fundamental parts of the Credo that make responsible commitment towards society an integral part of the company activity in the J&J group. The international initiatives undertaken on this front are presented and summarily accounted for through synthetic *financial statements*, in two forms of annual company report: the *Contributions report* and the *Environmental, health and safety sustainability report*. The *Corporate social responsibility report* is added to these, which deals with projects and activities sustained by J&J in Europe, where the group is involved, moreover, in the 2001/2005 campaign on corporate social responsibility, promoted by the Europe CSR network. Within the ambit of this network, made up of more than 40 large enterprises and supported by the European Commission, J&J is represented both on the Board of Directors and the Advisory Board. The European CSR activity of the group is coordinated by a committee and by an international and inter company staff (to which the president of the Italian J&J Foundation belongs). About ten local sub-committees refer to this committee; this structure goes by the name of "J&J CSR Europe".

Concerning the last reporting period, 2001, the financial commitment (in funds and products) of J&J for social initiatives was approximately 230 million dollars globally, and almost 8 million euro in the European area. It is not possible here to analyse in detail the scores of CSR programs activated by J&J throughout the world, normally in partnership with organisations in the health division and civil society. It is however opportune to consider at least the areas of this commitment. These areas undoubtedly reflect the increased importance of these themes in company policy and on the international business agenda, and reiterate the continuity with a company culture that is traditionally oriented toward 'service for well-being'⁶⁷.

⁶⁷ Fondazione Johnson & Johnson, *Social responsibility in action*, p. 6.

“COMMUNITY CARE”: initiatives implemented to improve health standards and access to *health care* services in the community where the enterprise is located. Realised in advanced countries with reference to groups of citizens at risk and weak segments of the population, this line of intervention offers a combination of funds, products and assistance, instruments for the campaign of prevention/awareness utilised in collaboration with professional teams and volunteer associations (i.e.: palliative care of the terminally ill, initiatives for the prevention and screening of high incidence pathologies).

“CHILDREN’S HEALTH”: the purpose of children’s programmes, which represent a natural focus of J&J’s business activity, are to reduce in particular the frequency and individual and family impact of illnesses and accidents that are characteristic of this age group. In the United States the project ‘Safe kids’ has contributed, over a decade of commitment, to a 35% reduction in infantile mortality due to these causes. Among other initiatives, conducted in partnership with local or supranational organisms such as Unicef or Ecosa (*European Consumer Safety Association*), it is distinguished in Europe by the ‘Child safety alliance’, a programme for the prevention of accidents and infantile infirmities, launched at the end of 2001 in concomitance with the anniversary of the UN Convention on children’s rights and with the support of the European Commission.

“MENTAL HEALTH”: in the field of mental health, J&J promotes and sustains initiatives to reduce the isolation of persons affected by these particular and often underestimated disturbances and their families. The company’s intervention has therefore taken two directions: participation in projects for the mobilisation of political and social forces and strategies of public intervention in this area, such as the programme ‘Nations for mental health’, started in 1966 by the World Health Organisation; the support of *community-based* projects activated with local organisations, in areas where the group is present (i.e. for the epilepsy care and research in Germany and on Alzheimer’s disease in Belgium).

“HEALTH MANAGEMENT EDUCATION”: The direct support of education and specialisation programmes addressed to health workers corresponds, according to what has been communicated by the group, to both a natural vocation for continuous training of professional resources, which is indispensable for the progress of *health care*, and to the requirements introduced by new international scenarios of development in the field of health (increased public expectations, managerial conduct of structures and services, valorisation and incentives for nursing personnel, dialogue between scientific research and medical practice). On the European level, a series of initiatives supported by J&J in the area of Eastern Europe are distinguished in this field (such as the implementation in Hungary and the Czech Republic of the non government world project ‘Hope’ for the education of health personnel and coordination of humanitarian assistance), the ‘Nursing leadership programme’ coordinated since 1996 in the United Kingdom, with the King’s Fund Foundation and the ‘European Health Leadership Programme’, managed since 1998 in collaboration with Insead, an important international business school.

“INNOVATION”: Several *networking* and research initiatives converge in this area, in harmony with a centre of consolidated attention in J&J operations, focusing on lines of

future development in the health division, from various points of view (social impact, entrepreneurship, the promotion of technologies for the circulation of medical information among professionals and patients).

“INTERNATIONAL DEVELOPMENT”: J&J participates in specific development projects in various developing countries, concentrated on assistance, training and health research. The J&J CSR Europe – Aga Khan Foundation partnership was recently founded in 2001. It is a private agency whose home office is in Geneva and whose purpose is to support disadvantaged communities in the field of education, health and rural economic development. The range of projects outlined or underway within the ambit of this joint venture include: humanitarian support in Afghanistan; nurse training programmes in Uganda and Kenya; a *community care* project in Egypt; support initiatives for infant care in Eastern Africa; intervention for the development of micro credit for local economic development.

“DISASTER RELIEF”: J&J produces innumerable products necessary in cases of urgency for humanitarian catastrophes. This has led to ready intervention in a variety of crises, such as – to mention only recent emergencies – the flood in Mozambique, the famine in Ethiopia, the earthquake in Turkey and the terrorist attack on the Twin Towers in New York. In these and other situations, J&J’s contribution was not limited to the supply of first aid products and medical equipment, but was extended to long-term participation (with the relative allocation of funds) in reconstruction and support programmes for disaster victims⁶⁸.

“ENVIRONMENTAL PERFORMANCE”: J&J, which is among the signatory companies of the Charter for Sustainable Development of the International Chamber of Commerce (ICC), began implementing in 2000 a *beyond compliance* approach for environmental performance at all productive and non-productive sites in the group. This platform, called ‘Next Generation Goals’, therefore constitutes a strategy that is now being perfected and follows up on a previous programme, completed in the ‘90s, called ‘Pollution Prevention Goals’. Integrated at various levels with the Process Excellence quality system standards (see 3.2), “Next Generation Goals” foresees attaining, at expiration dates between 2005 and 2010, objectives in the complete diffusion of environmental management systems, such as the ISO 14001 certification procedure; the containment of emissions and the use of energy, water resources and raw materials, according to plans of progressive reduction; the reduction and recycling of packaging materials and other types of *non-product output*; the implementation, starting from sites with the greatest critical exposure, of plans for the safety of the surrounding community, with the involvement of local stakeholders.

⁶⁸ It is precisely J&J’s presence on critical social occasions that seems to constitute, in the eyes of employees, one of the clearest indications of the coherence with which the company experiences the obligation of social solidarity: a commitment – stresses one of our interviewees – ‘that began in 1906, when J&J provided medical supplies to every hospital in San Francisco, which had been destroyed by the earthquake’.

The Italian Road to CSR: the Johnson & Johnson Foundation

What is the experience of the rich and articulated CSR activity of the group in the local J&J affiliate, and in particular in an Italian unit like OCD? Over all it is principally a vicarious experience, which is favoured on the level of knowledge by company *social reports*, by the circulation of company magazines published by the *corporation*, such as the quarterly magazine *WorldWide*, a publication that distinguishes itself for the manner in which, through frequent *special issues*, it presents and promotes J&J business in combination with interesting reports on the socio-economic situation in various areas of the world.

On the other hand, even the social part of the company policy of the 'three P's' - the *triple bottom line* of *people, planet and profits* - is realised concretely, except for intervention of wider scope (i.e. partnership agreements with international organisms), through the action of subsidiaries. The Johnson & Johnson Foundation operates in Italy within the context of this additional, further expression of the combination between central coordination and local initiative. Founded in 2000, the Foundation is an autonomous legal entity of and within the Italian J&J panorama, albeit it acts on the practical level as a national subcommittee of J&J CSR Europe. Its decisional organ is a Board of Directors made up of the managing directors of all of the Italian structures (plus the LifeScan general manager), assisted by an Advisory Committee and an Ethical Committee. Through general coordination of the J&J CSR Europe programme, now called 'Social responsibility in action', the Foundation develops projects in the specific fields outlined above, where the group is present. Since 2001 the foundation has distributed funds of almost three million euro, which have been made available to the individual Italian firms, supporting more than 20 socially useful projects throughout Italy. The following initiatives are distinguished among those carried out or underway:

- Collaboration with the association Archè to support children who have contracted AIDS and their families. The Foundation has supported the 'Rainbow weeks' project for several years. This is a programme that offers 10-15 day vacations during the three summer months, where about 50 children are provided with a space of serenity and creativity through play and relations with others (accompanying assistants and volunteers).
- Collaboration with the association ANTEA of Rome for assistance to terminal cancer patients. The Foundation contributed to the realisation of the project 'Play with Tea the Seagull'. Through an educational game conducted in various elementary schools in the Lazio region, the project created awareness among some 30 thousand children on the theme of sickness and solidarity, involving them in the production of works and drawings and in the successive collection of funds to enhance the association's network of domestic assistance.
- Support for the project 'My grandmother is different' proposed by the Italian Association of Alzheimer's Disease (AIMA), to create awareness among elementary and middle school children on this disease, through cycles of meetings with experts in Italian institutes.
- Realisation of the project 'A boat for the disabled' with the construction and launching in the Lagoon of Marano of a boat especially designed and equipped for the needs of disabled persons. Today the boat is utilised by the Friuli Venezia Giulia

Disabled Association Advisory Group to organise excursions to provide recreation and improve the quality of life of these users.

- Support to the University and IRCCS of the Milan 'Ospedale Maggiore' to develop the National Register of Symptoms and Disease for early diagnosis and research on hereditary skin diseases. In particular, the Foundation's contribution concerns the purchase of a series of diagnostic devices and setting up a sterile room.
- Participation in Sodalitas, an association for the development of social entrepreneurship, which is a partner in the CSR Europ network, which today comprises over 30 Italian firms. As a member, the Foundation collaborates on the two priority lines of intervention for the association: free management consultancy services to provide professional management training in the field of non-profit organisations (managerial volunteer service) and projects involving the world of business in third sector action (enterprise volunteer service).
- The complete support of a national awareness campaign on cancer of the colon, a disease that has a consistent incidence in the population, but which is difficult to prevent. The project was started I 2004.

The Foundation selects projects to commit themselves too, generally following four guiding criteria: a) the length of the collaboration, which must be of approximately one year to avoid the risk of supporting mere spot operations and making initiatives dependent upon J&J financing; b) partner organisations, which must be already inserted in the social fabric of reference and offer guarantees of professionalism; c) the type of project, on the basis of which the financial support is favoured for "material" realisation (i.e. buildings and equipment rather than administrative costs), which remain as a tangible sign of J&J's contribution; d) the means of realisation, since measurability of the state of advancement of the project is a pre-requisite for disbursement of the funds. Otherwise, the procedure to identify initiatives to contribute to is relatively simple and may be initiated by the company management or the Foundation, or on the indication of any employee. The logic is to combine in some way 'big' and 'small', projects of an almost institutional scope and micro-intervention at the *grass roots*:

"We have supported projects sponsored by the Presidency of the Republic or the Prime Minister and an objective that we pose is to manage the Foundation budget to finance important things that would otherwise not take place: to implement a national blanket campaign on cancer of the colon as we are now doing - through the press, TV, conventions, meetings in the territory - there should have been a score of other sponsors. But it is important to us to reserve part of the funds for smaller projects, proposed by people from our organisation, who are perhaps aware of certain realities and take action, like with the boat for the disabled" (Foundation President).

"Until now the majority of projects have come from the internal network: then the associations involved come to speak with us, we work together positively and there are perhaps greater possibilities to capture the support of other stakeholders, thereby increasing the impact". (Foundation Secretary)

In reality the participation of people from the enterprise (companies, managers J&J

employees in Italy) in Foundation activities seems to be characterised by a singular and even paradoxical aspect. We take into account the willingness to implement responsible conduct, which is naturally stimulated in this company context: the tendency to separate the area of everyday business and the sphere explicitly dedicated to CSR. This approach is probably due to the socio-cultural differences in Italy with respect to other contexts, such as the Anglo-Saxon one, where (even within the ambit of J&J) the emphasis is more pronounced on the direct involvement of personnel in voluntary initiatives tied to the companies social solidarity commitment. At the base of this specific style of CSR management, we find however organisational factors that can be traced to worries about *risk management* applied to the particular sector of Italian health and, above all, to the distinctive culture of 'moral rigor' that we spoke about earlier:

"The Foundation has made a considerable effort to avoid the presumption of any direct association with our products and commercial activity. Fundamentally, the J&J Consortium could have been used for this activity, without creating an additional structure. But the Consortium has first and foremost purposes of management and efficiency, while the desire not to be connected in any way with promotional purposes is a characteristic of our social commitment and this, in the end, is in harmony with the principles of transparency and correctness that distinguishes our firm in business" (General manager).

"We made a choice of maintaining a low profile, because we operate in the field of health, and in Italy this means being in contact with the public sector. We have to be careful here and avoid generating misunderstandings or attracting excessive attention. If I make a contribution to install a state of the art spinal unit in a hospital, and this has happened, to give tetraplegic patients the possibility to live a better life in their condition, I only implemented a CSR action: an association asked me to give them a hand, I was touched, and I'm definitely not going to sell medicines or machinery. But the inevitable scruple for us is: who knows whether someone will crop up in a few years and want to check how much J&J invoices in that public structure, and begin to hypothesize connections that do not exist" (Foundation Secretary).

"We have a social marketing programme: our mission, written into the statute, is to provide support to projects that are sufficiently distant from business. Closer ones are prohibited, but our individual companies may and must take action on their own account: the Foundation will never finance, for example, a scholarship programme for young researchers, which always have some direct company purpose. Last year we were at a meeting of *Cittadinanzattiva* on CSR, and it was curious to hear banks present their initiatives to open current accounts dedicated to specific groups of users like women, young entrepreneurs, etc., as social activities: nice, useful, but these remain strategies to increase *market share*. We are located in a completely different quadrant" (Foundation President).

In fact there seems to be a further spin off of this logic of separation and of the "reserve" on the level of communication and the internal awareness of the Foundation's activity. As it more than likely happens in the other Italian associate firms

as well, the mechanism through which this company has delegated research and the implementation of CSR actions to the Foundation – providing economic means and some human resources at the helm – is well known to the entire OCD management. Nevertheless the precise awareness of the entity and constant development of these projects still appears to be less well known, in general. In order to remedy this sort of misalignment, the Foundation has been committed over the last few months with two types of initiatives on the internal front: systematic cycles of informative meetings for the management, held at the home offices of the individual companies; and the launching of a quarterly newsletter by the Foundation, addressed to all of the 2,200 Italian employees in the group. The purpose of this recent awareness campaign is dual for the foundation management: on one hand ‘to allow people to learn spontaneously of the hidden world of the many people who do volunteer work here on their own account, who do not seek to publicise it, in order to valorise existing experiences through the assistance of the Foundation.’ (Foundation Secretary); on the other hand, to begin to recover the connection and sense of continuity between CSR activities carried out through the Foundation and the daily commitment of responsibility experienced on the operational front lines, “which basically have an identical and unique matrix in the values of the Credo” (Foundation President).

Conclusion: virtuous circles and tensions of a distinctive moral character

The micro-ethics of daily conduct

Definitively, the responsible conduct revealed in the setting of this enterprise primarily has to do with a distinctive cultural ethos, which has been made routine and pervasive in the daily work of the organisation, by the mutual reinforcement of shared social practices and more formal procedural channels, of the dynamics of identification of individuals and management control processes:

“We are always driving home priorities, principles, procedures. A day never goes by in which – by e-mail, telephone or personally, you are not required to deal with safety, Credo, quality. You share many of these things, because they immediately appear to be right and rational. Others may seem like exaggerations that have to be added to the rest, and you don’t experience them positively. But since J&J is not going to ‘give up’ on this, in the end you actually end up adopting and sharing a certain way of doing things. This is the great difference from other companies: the attention to these themes day by day, a continuous bombardment that would be hard to get away from, even if you wanted to” (Human resources director).

“It is certain that you find yourself dealing with certain problems and behaving accordingly. If you ask me whether I do it for personal reasons or as a representative of the company, my answer is that I do both. It is done and that’s all there is to it” (General manager).

The J&J group has recorded unceasing growth in terms of size and profitability over the last few years. As stated previously, a basic implication of the daily ethic codified in the Credo is the absolute faith in the almost automatic relationship between satisfaction of three 'social' stakeholders (users, employees and the community) and the attaining constantly favourable financial performance for shareholders:

"The Credo is built on the notion that if you do a good job in fulfilling the first three responsibilities, then the shareholder will come out all right. That is exactly what has happened over all these years. And that is what we continue to strive for today"⁶⁹.

This line of reasoning is totally accepted by the Italian interviewees. According to them, the moral and social conduct of the firm is understood to be in close, but also logical continuity, with the excellence of economic performance, and both of these aspects confirm the goodness of the J&J business style. This perception, moreover, sheds no doubt on the fact of the company being a full-fledged member of the market system; if anything, it qualifies and enriches it:

"What shall we conclude on the basis of the facts? On one hand we have a history of extremely particular behaviour and priorities. On the other, when this is visualised on the graphics terminal of production and financial comparison, I see that while indexes such as the Dow Jones or the Nasdaq over the last few years have had great oscillations, J&J stocks have remained stable or grown. The association comes natural to me and I read it like this: The faith of the investor corresponds to the safety of the public, who trust in our products. We experience the trust" (Foundation President).

"Because of the things we do and the way we seek to obtain things, ours is not a simple company. But we are not a charity organisation either, because the last number at the bottom and to the right conserves a critical value in justifying that behaviour and those decisions. Therefore we are not going to try to sanctify ourselves. The fact is that if you take care of product quality, are attentive towards the needs of your customers, and ensure that the entire structure of collaborators who must support the satisfaction of the customer is in turn satisfied and valorised, the final result of competitiveness are not a matter of chance" (Total quality director).

The ambivalence of business

"For us the commitment of the Foundation and normal business activity must remain distinct, just as the New Testament says: 'let not your left hand know what your right hand is doing...'"

⁶⁹ R.S. Larsen (former CEO J&J), in Johnson & Johnson Europe, *Corporate Social Responsibility. Annual Report 2000*, p. 5.

This statement of the OCD General Manager condenses the orientation that has accompanied the start up of CSR activity by the J&J Foundation. It is an approach that may appear contradictory, even in light of the manner in which the specific nature of the market of reference – the environment of health – defines and solicits various practices of daily responsibility inspired by the Credo. On the other hand, two other elements that we can find at the basis of the choice of separation make the role of business even more complex when it comes to articulating areas of responsibility in company action: the peculiar nature of the Italian public health context and the influence of a line of ‘radical integrity’ that is typical of the operational culture of the J&J company.

Superficially this low profile strategy, which minimises the formal connection between the marketing structure and the structure dedicated to CSR, even seems excessive with respect to the indications and conduct of the *corporation*, which, as we have seen, can boast of a direct presence in important network initiatives such as CSR Europe or ICC. If you look at this closely, however, there emerges a substantial fundamental affinity between “policy and modesty” (or ‘of facts instead of words’) followed on the Italian level and in the company’s global approach to such questions. This is testified to, for example, by a couple of aspects. One is the refractory manner in which J&J has adopted a series of formal instruments for the management of CSR, which are today quite popular (functions/special company functionaries, articulated codes of self regulation, external certification): “CSR is not about adding another new programme or department to our business. Rather, it means making good things happen because you have a foundation of solid values that obligate you to act in a certain way”⁷⁰. The only company aids especially dedicated to the practice of responsibility are constituted by the Credo, which can barely be defined as a code of ethics by present day standards, and international structures of coordination such as J&J CSR Europe, which are lightweight and almost virtual (devoid of ad hoc personnel). In the second place, on the basis of recent J&J group information, it appears among large companies that on the front of CSR, while they continue to receive substantial recognition within the restricted community of participants (i.e., special awards and *awards programmes*), they tend instead to obtain relatively modest coverage and exposure in the most divulgative media⁷¹.

Between safeguarding ‘purity’ and pressures to conform

The bottom line is quite likely that the fundamental ambivalence with reference to the theory and practice of CSR in the context investigated concerns precisely its distinctive cultural character, which has been reinforced through time by different types of processes (critical events, shared daily experiences, market success, institutionalised

⁷⁰ R.S. Larsen (former CEO J&J), in Johnson & Johnson Europe, *Corporate Social Responsibility. Annual Report 2000*, p. 6.

⁷¹ K.S. Davenport e P. Lewellyn, ‘Corporate Citizenship: What Gets Recorded? What Gets Awarded?’, in J. Andriof e M. McIntosh (eds), *Perspectives on Corporate Citizenship*, Greenleaf Publishing, Sheffield, 2001, pp. 256-77. Among the not very numerous cases identified by this survey, other illustrious examples of ‘rewarded but not recorded companies’ are 3M and Procter & Gamble.

procedures). The J&J company ethos, as also observed in OCD, has considerable force and cogence, and for this it also inevitably appears to be characterised by a consistent level of self-reference: “what we do about our identity is first of all faithful to our lifestyle” (General manager). In this organisational setting the incentive to behave responsibly is not prevalently or directly dictated by rationales of competitiveness or marketing, as the case of the Foundation clearly demonstrates, but, as this experience indicates once again, it is largely a self-propulsive push, that finds in the internal life of the company, alongside its imperative socio-technical requirements, its very *raison d’être*, before it does on the outside.

As suggested, a similar style of enterprise seems to have influenced (together with more contingent factors) the original connotations assumed in Italy by J&J’s socially responsible action, which is realised on two parallel and relatively distant tracks: on one side daily routine ethics (even formally, but not through exclusively dedicated structures) in the operational activity of the company; on the other the Foundation, an instrument officially designated for the most *community-oriented* initiatives and kept separate from business. In the present day phase this configuration appears to be subject to a serious test, which reproduces and amplifies several dilemmas and difficulties already experienced by the Foundation with reference to the communication and internal visibility of the company presence (instruments and results) on the front of CSR. The problem concerns the conduct to assume in the face of the current emphasis, at every level (market, institutions, public opinion), on the theme of CSR, as well as the orientation that is being consolidated in the world of large enterprise in response to this trend, such as drawing up a social balance sheet or seeking certification. In elementary terms, what is taking place today in the eyes of top management company exponents is the possible paradox of J&J companies being overtaken in the collective perception by other actors who are ready to adapt to the new contextual pressures, even though they have no hard-earned pedigree in the field, ‘at a time that is not subject to suspicion’. The reaction to these developments, especially to the diffusion of practices of specific formalisation and exhibition of CSR (for many persons interviewed, ‘the fashion of little blue stamp of approval’), is of alternating worry, curiosity and scepticism:

“The risk is being overtaken by this movement, regardless of what we have in our desk drawers. We don’t like it very much. Certification, for example, will favour showcase operations, and could ironically turn against the hard work of businesses. We are in favour of facts and not proclamations. The problem exists, however: our company J&J *Consumer* has a daily relationship with the Lega Coop, which is thinking of excluding from its supply chain producers who are not *socially responsible*; and the Tuscany Regional government has already inserted among its pre-requisites SA8000, so under equal conditions, having the *audit* can become a form of discrimination” (Foundation Secretary).

“It is such a matter of course for us that we never thought about it. The fact that today it is becoming an emerging theme and that many are getting worked up about it could encourage us to start looking around: I don’t need to be applauded by people, but if I am convinced that what I do has some value, perhaps the fact that it is known is not so bad. And perhaps it isn’t right to avoid the confrontation.

There is always something to learn. But in any case the responsibility here cannot become a mercenary object: our history goes in a different direction, which we cannot contaminate with marketing” (General manager).

“The truth is that if ethics are not part of culture, if it is not well-rooted, you can’t invent it on a moment’s notice, even if it behoves you. It works just like it does with people: I have never seen a morally inadequate person suddenly change; it’s not easy to fool counterparts, and if the important things are not experienced sooner or later you will make mistakes” (Marketing director).

“The Credo is more valid than any blue stamp of approval. I am a certifier and I know that the procedures are a precious vehicle, but they are not the substance: it is not impossible to fulfil all of the prerequisites of a certification, but then to be ‘nude under your clothing’, so to speak. This need that many companies have of remaking themselves a certified virginity on paper, even gives me the sensation that it is a response to the fact that certain past behaviour may have given rise to some doubt” (Total quality director).

“I agree that we have to find an instrument to make everything we do finally more visible to others. It usually remains in the background. I think making the public aware of our style of business is not the same as opportunistically selling our image to make it monetary; we provide all of the information necessary to allow people to understand more clearly who we are. Then if the counterpart is interested in these aspects, he will make his choice. Therefore, it is necessary to improve company communications. But if this translates into further formalisation, in making the system more rigid, then I would say no: the risk is to cover ourselves with further controls, to concentrate only on ourselves, precisely at the expense of the concrete attention that we have towards the reality we serve” (Sales director).

In fact, after having been essentially ignored for a certain length of time, the question of how to relate (alignment, comparison, resistance?) to dominating orientations in the institutional and economic context with regard to CSR is beginning to attract the attention of top management. This is a reflection, as we have just noted, that is prevalently generating perplexity for the time being, where motivations and points for evaluation of various types converge, concerning competitiveness, technical-administrative aspects and, first and foremost, aspects related to a natural mechanism to safeguard the ‘purity’ of the style of business; it is an attachment which, independently of any evaluation on its merits, reveals the double face – of resource and binding limitation – of the cultural repertory and experiences that this company universe carries with it.

Given this external scenario in rapid evolution, which calls to account and challenges some acquired certainties and habits, the prospects and expectations for the more or less immediate future remain open, if not actually suspended; and leave room for some apprehension, as well as for attitudes of solid faith:

“We all have to stop and reflect seriously on what is happening, because a group like this cannot remain outside of a phenomenon that mobilises institutions and

various stakeholders on CSR. If there is a need to give some additional signal of our presence, if certain instruments of visibility become a differential for access to business opportunities, we too shall have to organise ourselves accordingly in some way” (Foundation Secretary).

“In my opinion we must keep travelling down our road serenely. But if it becomes unavoidable someday to accept fashions like certification, I have no doubt: thanks to everything that is already underway or in force, we shall take our fine certificate home from one day to the next” (Information management director).

SABAF (*) (**)

Marella Caramazza and Caterina Carroli

Introduction

With this case study it is proposed to analyse the meaning of corporate social responsibility actions at Sabaf, through interviews with the management and examination of official documents.

The Sabaf Group, which employs approximately 500 persons, is the most important world producer of components for home appliances for gas cookers, including taps, thermostats, burners, hinges and accessories.

The actions of corporate social responsibility taken into consideration concern the fundamental orientation of the firm, which conditions behaviour towards various stakeholders, namely employees, business partners, clients, suppliers, the community in general, the territory and the environment. In particular, the crux of the matter in corporate social responsibility for the management is the ability of the enterprise to satisfy the interests of stakeholders, with a view to attaining balanced relations between the enterprise and society.

The approach adopted by Sabaf consists in the will to translate the principles of corporate responsibility into choices and forms of intervention and managerial activities: to this end the group applies a veritable Responsible Management Process for Sustainable Development (PROGRESS), whose objective is to harmonise existing approaches to management in a single responsible management process, oriented towards application of itineraries of excellence.

The instrument that permits implementation of this itinerary is the Social Balance Sheet, which is understood not only as an instrument of internal and external communication, but also as an accounting of a strategic process, whose purpose is to implement continuous improvement of the entrepreneurial culture.

All of the instruments adopted originate and find meaning in an extremely strong dimension of values, which is shared within the company and which was recently formalised in a Charter of Values, whose ideal pivot is the centrality of the Individual person.

(*) Marella Caramazza and Caterina Carroli prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Sabaf - origins and evolution

Sabaf was founded in 1950 in Lumezzane (BS) when Giuseppe Saleri founded the de facto partnership with his father and brothers, Saleri Battista e Figli, which produced plumbing and gas taps and automotive spare parts. In 1956 the company focused on the production of gas taps and plumbing and abandoned the production of water plumbing.

In the sixties the firm became a joint stock company, assuming the name of Sabaf di Saleri Battista e Figli SpA, and the range of production was widened to include burners: thus, Sabaf began operating in the entire range of components for gas cookers and equipment.

In 1998 the firm was quoted on the Italian Stock Market, thereby formally confirming the net separation between the property and management of the company, which was entrusted to a group of managers outside the Saleri family. The company continued to grow, in terms of the portfolio of products offered, thanks to the acquisition and control of Faringosi-Hinges s.r.l., a firm that produces hinges for oven and dishwasher doors, as well as in terms of internationalisation, thanks to the presence of a productive installation for burners in Brazil, established in 2001. During 2001, the company was also admitted with High Prerequisites to the Share Segment of the Milan Stock Exchange (STAR).

According to the unanimous opinion of the management, Sabaf experienced an important moment in their history in 2002, with their move from Lumezzane to the new home office in Ospitaletto. The industrial complex, inaugurated recently, is defined by the management as being “at the vanguard of technology, safety and environmental sustainability”.

Today the Sabaf Group, which occupies about 500 employees, is the most important world producer of components for gas cooker home appliances: their production currently includes taps, thermostats, burners, hinges and accessories.

On the organisational level, in addition to the group leader Sabaf S.p.A. the companies Faringosi-Hinges, Sabaf do Brasil and Sabaf Immobiliare also belong to the group. Faringosi-Hinges is one of the main producers of hinges for oven and dishwasher doors, while Sabaf do Brasil is the productive installation, created to produce some components directly in Brazil, and Sabaf Immobiliare was founded in consideration of the importance taken on by the group's real estate investments, the construction of the new home office in Ospitaletto and the opportunity of purchasing homes to assign to their employees.

The home appliance division, to which Sabaf refers, is experiencing growth: according to Cofiri estimates on Freedonia group information, Eastern European markets and Asia will grow at an average annual rate, respectively, of 4,8 and 5,6 percent over the period from 2000 to 2005. It is characterised by a general trend, on the part of multinational home appliance producers, to focus on functions like marketing and distribution, and to outsource to highly specialised suppliers the processes of designing and producing components.

In this competitive context, Sabaf occupies a position as the only supplier of a complete range of products on the market of cooking components, thanks also to their ability to adapt productive processes to the specific requirements of their clients.

The strategic directives that sustain this positioning are continuous innovation, product safety, assertion on international markets, widening of the range of components and partnerships with multinational groups, as well as the valorisation of immaterial activities.

Company values, vision and mission

In 2000 Sabaf began an itinerary that led to the formalisation of the firm's reference values, vision and company mission. It was an important moment for the company, which permitted reinforcement of a process of management "cohesion" around a series of shared values. As recounted by one of the persons interviewed:

"This is an extremely important step in communicating with a common language...values are now the basis for the resolution of every problem".

Sabaf's values, vision and mission contain the challenge of conjugating the economic and social dimensions, a *trait d'union* that unites the company's recent history, from quotation on the stock market in 1998 until now. It's not by chance that chronologically, formalisation of this set of values took place almost contextually with the drawing up of the company's first social balance sheet in 2001.

As stated in the 2002 social balance sheet:

"Sabaf assumes the individual Person as an original value and therefore fundamental criteria for every choice. From this an entrepreneurial vision is derived that is centred on the development of a new humanism, which ensures dignity and freedom to the individual Person, within the shared rules of correct behaviour".

From the concept of the centrality of the individual person, Sabaf developed four fundamental value orientations, which translate into behavioural drivers in the management of the enterprise. In particular, Sabaf has made a commitment to recognise:

"The value of thought - fundamental to the Individual, because it is a founding element of one's ability to understand, evaluate and act responsibly; the value of communicating - because through communication and listening to others, interpersonal relations are established that are oriented towards mutual understanding; the value of action - understood as the possibility to fully express creative ability individually and as a group; the value of believing - not so much as an act of religious expression, but as faithful hope in the realisation of oneself and in the possibility of contributing to the improvement of one's own context".

On the organisational level, promoting these values means adopting certain concrete forms of behaviour, which become drivers in the action of the enterprise.

“Promoting the value of thought and action means investing in innovation and adopting an orientation of change. Promoting the value of action means investing in safety: safety, in fact, is one of the main factors of Sabaf’s entrepreneurial project – safety both inside the company, understood as protection of the physical integrity of workers, and towards final users, through products characterised by extremely high levels of safety and quality. Finally, promoting the value of communication means adopting criteria of transparency and dialogue towards both internal and external interlocutors of the company”.

Additionally, in identifying their orientation in terms of values, Sabaf recognises the Charter of Values for Enterprise, which the European Institute for the Social Balance Sheet drew up from the Charter of Fundamental Human Values, which was proposed as the UN Charter of Values. This document asserts the following principles:

- The centrality of the individual person, with respect to his or her physical and cultural integrity, and the respect of his or her values of interpersonal relations with others;
- Valorisation of human resources through itineraries of professional growth and participation in the purposes of the enterprise;
- Respect for and protection of the environment;
- Attention to the needs and legitimate expectations of internal and external interlocutors, to improve the climate, sense of belonging and level of satisfaction;
- The dependability of management systems and procedures to attain the greatest possible level of safety for workers, the community and the environment;
- The efficiency, efficacy and economic viability of management systems to attain constant growth in levels of profitability and competitiveness of the enterprise;
- The constant employment of research and development, in all areas of intervention, to favour and follow – in pursuing the company’s strategic plan – the greatest possible level of innovation;
- The correctness and transparency of management systems in conformity with norms and conventions in force, concerning both internal and external components of the enterprise;
- The relationship with the community and its representative components, to create a participatory dialogue of exchange and social enrichment, in order to improve the quality of life.

These values are the basis for the formulation of Sabaf’s vision and mission.

Vision

“To conjugate choices and economic results with ethical values, by surpassing family capitalism, in favour of a managerial logic oriented not only towards the creation of added value, but also towards the respect of values”.

Mission

“To consolidate technological and market position superiority, in planning, production and distribution of the entire range of components for home appliances for gas cooking, through constant attention to innovation, safety and the valorisation of internal competence. To associate the growth of company performance with social and environmental sustainability, promoting a dialogue that is open to the legitimate expectations of our counterparts”.

Actions of corporate social responsibility

The fundamental value orientation that inspires the strategic plan, in view of long term development on one hand, and the programme plan, characterised by short term objectives on the other, represents the starting point for Sabaf's approach to corporate social responsibility. In this connection, it seems more appropriate to speak of a holistic vision of socially responsible management, rather than of specific actions of social responsibility, as suggested and testified to by one of the managers interviewed:

“Actions of social responsibility are not laid out in terms of specific projects, but rather in the form of orientation from the General Manager, to which everyone aspires in their daily managerial action... it is a fundamental qualitative orientation... On the level of managerial action, this orientation translates into action inspired by the principles of our vision and model of doing business. In this sense, we acknowledge and adopt these values in our behaviour towards each stakeholder”.

In order to translate the values and principles of corporate social responsibility into choices of intervention and managerial activities, Sabaf applies a veritable Process of Responsible Management for Sustainable Development (PROGRESS), whose objective is to harmonise existing managerial approaches in a single responsible management process, oriented towards the application of itineraries of excellence.

The instrument that allows implementation of this itinerary is the Social Balance Sheet, understood not only and not so much as an instrument of internal and external communication, but as a form of accounting for a strategic project, whose purpose is the continuous improvement of entrepreneurial culture. The Social Balance Sheet project envisions first of all the sharing of values, of the vision and mission; secondly, it foresees the adoption of a process of training and intervention, capable of implementing actions for improvement, through inter-functional projects; the development of a system of internal control, which monitors the attainment of objectives on one hand, and verifies implementation of the commitments made by the company towards stakeholders on the other; finally, the definition of key indicators to monitor performance of the enterprise from the economic, social and environmental points of view.

The Charter of Values, formalised during the course of 2003, represents a veritable instrument of governance, with which the Board of Directors intends to express the

values, behavioural principles and commitments of Sabaf in relations with their stakeholders, collaborators, partners, clients, suppliers, financiers, the public administration, the community and the environment.

An element of innovation in this Charter lies in the fact that, according to the assertions it contains:

“The purpose of the Charter is to provide a proactive vision of ethics, focusing primarily on positive and correct actions to be performed and not only on incorrect behaviour to avoid. Positive use of freedom is made concrete in this vision, for those who must decide, where value references address decisions in a coherent manner with the culture and social responsibility of Sabaf. In fact, for Sabaf, the ethical level of the firm is attained not only from the set of systems and procedures enacted to respect laws and declared values, but above all by the conviction that it is necessary to develop an itinerary to give persons responsibility, within the shared rules to which it adheres voluntarily”.

Within this framework of reference, the pivot of socially responsible managerial action is configured in terms of the enterprise’s ability to satisfy the interests of stakeholders, with a view to creating balanced relations between the enterprise and society. This concept was explained as follows during an interview:

“The concept of the search for symmetry, wherever there is a gap, is inherent in the need of the enterprise to distribute profit...the prevalent understanding of enterprise at Sabaf is the concept of the common good, which gives a return to the company - understood as the entire set of stakeholders - in terms of value. To be a good citizen therefore means being able to establish balanced relations, first of all fiscal and secondly by establishing good relations with the external world and nature”.

Satisfying the expectations of stakeholders is not devoid of critical elements. The knot is represented by the concept of “legitimate expectations” and by the need imposed upon the management to find a balance between interests that are often in contrast with each other, as asserted by one manager:

“You have to understand what each stakeholder expects, and whether it is a legitimate requirement. In order to orient ourselves in this difficult task, we attempt on one hand to consider existing best practices, and on the other, we measure ourselves with the context in which we operate, which includes not only competitors, but also companies operating in different divisions. By way of example, the fundamental principle in the information we provide to investor, is the utmost transparency in connection with long term company strategies, the mid term plan and the guide lines on short term expectations. Nevertheless some information, such as the margin of profit on each line of products, are not given to investors, in order to protect the stakeholder of the “company” which requires confidentiality. We faced and resolved this “dilemma” by supplying investors - in this connection - with information of a qualitative and not a quantitative nature”.

The actions and policies towards each stakeholder represent the concrete daily application of managerial action in accordance with values and orientation.

Actions towards collaborators

Employees are the first and foremost interlocutor for Sabaf, as they are the principle agent of change, coherently with the approach adopted, which poses the individual Person at the centre of the system, as clearly indicated by the following interview:

“People, inasmuch as they are the depositaries of specific knowledge and competence, are at the centre of our entrepreneurial model. The growth of knowledge, in fact, permits us to raise barriers towards competitors who continue to employ traditional models of management. Corporate Social Responsibility is intimately related to people, and permits us to increase the cultural patrimony of employees... in the last analysis, the sum of this knowledge constitutes the value of the company”.

The number of internal employees at Sabaf has increased significantly in recent years, climbing from 331 in 1998 to 403 in 2001. If Faringosi Hinges and Sabaf do Brasil are taken into consideration, the group employs a total of 453 people.

The make up of the company population appears significant, as three quarters of the people employed are workers and a quarter are clerical, administrative and management personnel. The coexistence, within the organisation, of motivations of action that are profoundly different and the sometimes scarcely motivating and scarcely gratifying nature of work on the machines, shows on one hand some potential difficulties in carrying forward the themes dealt with in the social balance sheet and, on the other, the company's strong appeal to work on concrete and visible themes, which may accelerate the process of cultural change desired by the management.

Over the last few years, Sabaf has worked and invested in the importance of intellectual capital, intended as an asset capable of ensuring a competitive advantage that is difficult to imitate by competitors. As stated in the 2002 Social Balance Sheet:

“The intellectual capital is tied to people's ability to learn, to competence acquired over the years by the enterprise, and to the ability to create networks of relations”.

Human capital, that is to say the knowledge in possession of people, their attitudes, abilities, competence and qualities, therefore represents a fundamental part of the intellectual capital in which Sabaf is investing so heavily.

In particular, over the last few years, the company has invested in the development of competence of collaborators, increasing the number of interventions for training. The professional growth of employees is sustained by a continuous itinerary of training.

“The professional realisation of employees is one of our most important objectives. For this reason, about fifteen instructors have been identified in the various

divisions, whose role is to train newly hired personnel and update other employees on the latest technical and organisational developments. The heavy investments in technology made on occasion of the transfer to the new home office in Ospitaletto, for example, have permitted us to have increasingly efficient machinery, which is more complex to manage, however, making it necessary to attain increasingly updated professional qualification of employees. In addition to continuous training, there are also specific training projects. A total of 6000 hours were dedicated to the training of about 160 persons on various subjects in 2001. In 2002 the commitment to training increased: 294 participants underwent 7368 hours of training, which must be added to the approximately 5900 hours of continuous training with internal instructors”.

Other important areas where Human Resources Management is committed concern career development and equal opportunity, worker health and safety and intervention in support of transfer to the new home office, with a view to retaining competence and improving the internal climate through analysis of the company climate and dissemination of the social balance sheet at all levels of the organisation.

The valorisation of professional qualifications is comprised in a wider framework of policies to define clear career itineraries based on criteria of merits and competence, whose purpose is also to avoid any form of discrimination. As stated by the Chief of the Human Resources Department:

“Female personnel account for 43% of the workforce. A company policy that is attentive towards themes of equal opportunity has helped female personnel achieve recognition proportional to the percentage of the workforce they represent, in terms of career advancement and economic incentives deliberated during the course of 2001. Additionally, we have granted reductions in working hours and various facilitations to favour family needs, with particular reference to extremely young children. For example, with transfer to Ospitaletto, there was a drastic reduction in time dedicated to the family by employees from the Val Trompia, which account for about 50% of the total. That’s why we deemed it opportune to grant part time and leave of absence”.

The theme of worker health and safety is doubtlessly important for a manufacturing firm like Sabaf. On the front of safety, the firm is currently committed in implementing a management system for problems relative to health and safety in the workplace, in accordance with OHSAS 18001 standards, which, in addition to guaranteeing the respect of existing laws and norms, is aimed at continuously improving working conditions.

To this end, the company management has identified the following objectives: minimizing risks connected with company activities for workers and for all persons who have access to the company premises, in a process aimed at continuous improvement; to supply the elements of knowledge necessary for the allocation of adequate resources for the maintenance and improvement of the system; involving all employees in a sensitisation programme, with reference to safety in the workplace; ensuring the understanding, application and maintenance of the system at all levels of

the company organisation; ensuring, finally, that workers at all levels of the organisation receive appropriate training and have the competence necessary to carry out the duties they are entrusted with.

Thanks to the activity of prevention, training and sensitisation, the number of accidents is low and less serious than the average for the metal mechanics division. As related by the Chief of the Quality, Environment and Safety Office:

“With respect to the metal mechanics division average, the number of accidents is low. This is due to the machinery, as well as to the people. When we transferred to Ospitaletto, we were able to make the general environment with the machinery more liveable; where people are concerned, we are increasing training and encouraging employees to adopt correct behaviour to ensure safety”.

On occasion of the move to the new Ospitaletto home office, in order to favour maintenance of the background of professionalism and competence, Sabaf undertook a series of initiatives in favour of employees, such as assigning them free shares of company stock, free transportation from Lumezzane to Ospitaletto with hours tied to individual shifts; the assignment of apartments near the new home office and the stipulation of conventions with various institutions of credit for the concession of low-interest mortgages and consumer loans.

The process of communication and involvement of employees in aspects concerning values at Sabaf, and the itinerary of corporate social responsibility adopted, began with analysis of the organisational climate in 2002, with the purpose of understanding the extent to which values and the company identity are shared and the degree of satisfaction of employees. Although the analysis reported that the company values, mission and strategic objectives were substantially shared, critical areas were still seen.

“Critical points emerged in terms of career development and the ability of the management and persons in charge in general to listen. Starting from these results, we undertook a series of actions for improvement of the ability to listen, such as publishing a newsletter, intranet communications and a bulletin board to exchange ideas. The results will be seen over the long term because people still have to acquire the habit of exchanging opinions”.

In particular, on the front of internal communications, Sabaf has promoted meetings with employees during which the structure of the Social Balance Sheet was illustrated and the results of the internal survey were discussed.

In order to facilitate the flow of communications, Sabaf involved production managers in a project of training and intervention entitled “Experiencing Values”, which had the objective of comparing the role, organisational and inter-relational competence required of a production chief. The objective of the itinerary, on one hand, was to favour sharing on specific subjects and, on the other, to activate a process of sharing of values and strategies as a “spin-off” within the various structures. As stated in the 2002 Social Balance Sheet:

“In this itinerary, production managers are given responsibility in transferring the organisational strategic importance of corporate social responsibility, involving, first of all, the collaborators who are closest to them, and successively involving all employees in the productive facility as the true implementing agents of the phase of evolution underway, in order to compare and integrate the vision of single individuals with the common vision of the Company”.

The importance of sharing values also has an impact on the phase of selection of future Sabaf collaborators, as recounted by the Chief of Human Resources:

“During selection, attention is dedicated to determining whether future collaborators share the priorities and values that are important to Sabaf, such as respect for people and transparency in interpersonal relations. Our objective, when we select candidates, is to include the best people not only today, but also in five years’ time: that’s why we evaluate the candidates’ ability with respect to future prospects, and not only to satisfy the needs of the moment”.

Actions towards shareholders

The Saleri family holds the controlling share of Sabaf, with 52.9% of the capital, while the remaining 47.1% is divided between 2,963 shareholders.

Communicating in a timely and transparent manner, guaranteeing integrity in the management of the enterprise, valorising the investment of shareholders and respecting the Code of Self Discipline of Companies quoted on the Stock Market all represent commitments that Sabaf intends to pursue in favour of stockholders.

Relations with shareholders are conducted with the utmost transparency: the Company has set itself the objective of making pertinent information public for the benefit of shareholders, in the timeliest and most neutral possible manner. A research carried out in 2001 by Burson-Marsteller Financial indicates Sabaf in the second place among medium sized Italian firms quoted on the stock market, who communicate best with the financial community.

In December 2002 the Sabaf Board of Directors approved the Code of Conduct for internal dealing, which foresees that the Company communicate to the stock market on a quarterly basis, the financial operations conducted by Important Persons⁷² of the Sabaf Group.

The system of Corporate Governance adopted by Sabaf is influenced by the fact that the firm belongs to the STAR segment of the Stock Market (High Prerequisite Stock Segment) which requires more stringent commitments in providing information on the

⁷² That is to say the administrators, permanent auditors and the general manager of Sabaf SpA; the administrative and financial director; the commercial director; the company reporting investor; and administrators and general managers of the most important controlled affiliates.

structure of governance and the presence of a stock specialist to manage company shares, as prerequisites required for admission to quotation on the stock market.

Concerning the commitment to valorise the investment of large and small shareholders alike, the constant increase in the dividend from 1999 to 2003 must be noted, which went from 0.23 to 0.37 euro.

Additionally, in a particularly difficult year for financial markets, Sabaf was one of the few stocks that showed a counter trend, with an annual growth of 15%.

Actions towards clients

Sabaf clients are prevalently represented by large industrial groups that produce home appliances for cooking.

In 2002, Sabaf served 227 clients in 50 different countries, recording an 18% increase in sales over the previous year.

Safety and continuous innovation are the drivers that guide product development at Sabaf, which consequently influence commercial policies. In 2002, in fact, the line of taps with safety devices grew significantly (up 20%), while there was a contextual decrease in simple taps, thus stressing the trend towards gradual substitution of taps without safety devices with products that guarantee higher standards of quality and dependability.

The principles of corporate social responsibility profoundly influence the company's commercial policies. According to the Commercial Director of the firm:

“Stability is an important factor for companies, together with innovation... therefore social responsibility towards clients means management in the most correct and transparent manner possible, albeit always with competitiveness and rigour in negotiations... correctness applies to all clients, whether they are large or small... I am proud to say that in the ten years I have been at Sabaf, the company has never failed to keep its word...”.

Pursuit of responsible relations with clients guarantees advantages where creation of a positive business environment is concerned and, in the last analysis, it increases the level of trust:

“Over the long term you succeed in creating a favourable context with companies that work in a manner similar to your own...”

Long term relations with clients, of course, are the fundamental basis for our success: we have great responsibilities towards our clients, in fact, and for their part, they place themselves in our hands to a great extent and trust in us...”.

Adopting criteria of transparency and correctness in commercial relations and never

losing sight of product safety and one's responsibilities at the company towards final consumers means making choices.

“A client we had never served turned to us once in extremis, due to the bankruptcy of his supplier. He needed about 20,000 pieces. We decided not to supply him, because we could only give him pieces that he would have had to modify to satisfy his requirements, with consequent potential problems of safety for the final consumer”.

The push to attain safe products is also very strong in countries where existing laws are less restrictive and market standards are less advanced.

“Brazil is an example. The country undergoes continuous black outs because of energy problems. A company contacted us to transform electric ovens into gas ovens; before accepting we proposed to utilise taps with safeties in the ovens. The client refused our proposal and we declined the business.

We feel that a correct commercial policy means selling the same quality product throughout the world. It's all right to adapt to different markets, but not to decrease safety in order to increase sales...”.

The critical nature of the economic feasibility of this type of commercial policy emerges, as stressed by one manager:

“These are choices that you can make when you are strong... for a small company trying to emerge, it is hard. But to tell the truth, there are companies that have more possibilities than us, but which have a short term view... according to our business philosophy, we always have to think over the long term, even when there are apparently attractive opportunities”.

An important challenge for Sabaf in market relations is to succeed in giving visibility to the ethical dimension of their products, utilising corporate social responsibility as a veritable marketing lever. For those who operate in the business-to-business field, this is not an easy matter, because there is not direct connection with the final consumer. Sabaf's Commercial Management, however, does not lack possibilities and, above all, ideas in this direction:

“The objective of the commercial area is to find partners to help communicate to the consumer that they are purchasing an “ethical” product... this is an important competitive lever, for example, with respect to Chinese production. One of our important clients is developing a social balance sheet. Our idea is to produce a folder, together with them, explaining that their kitchen is built by two companies that have a social balance sheet, therefore utilising it as an element of marketing... my dream would be to succeed in communicating these important values to the final consumer, even for products like home appliances, which are now considered commodities...”.

Actions towards suppliers

There are four types of Sabaf suppliers: (i) component suppliers (32.5%); (ii) suppliers of services (32%); (iii) suppliers of raw materials (22%); (iv) suppliers of machinery (13.5%).

They originate prevalently in the territory of Brescia (approximately 45%), which testifies to Sabaf's commitment to favour development in the territory where they operate.

The critical role of some suppliers and the importance of instilling relations of long term partnership has led Sabaf to stipulate exclusive contracts with some suppliers for the purchase of products that play a particularly important role. This permits growth of the supplier's potential over the long term, parallel to Sabaf's actual requirements. In fact, the company has made a commitment to help suppliers financially during phases of development, where particularly burdensome investments are implied. This philosophy is shared by the entire management:

“It is extremely important to instil relations of collaboration and partnership with suppliers, with a view to the long term... to do otherwise would not be economically feasible... to impose unfavourable conditions upon suppliers to obtain an immediate return would be like strangling the cow that gives you milk...”.

First and foremost in the process of evaluating and selecting suppliers, respect of required standards of quality and established time frames are taken into consideration, as well as the quality/price relationship and the level of service offered. Nevertheless, the economic feasibility of performance and dependability over the long term are not the only criteria that orient the selection of suppliers.

A supplier's respect of safety standards for workers and environmental protection are considered equally important criteria. In the 2001 Social Balance Sheet, the commitment was formalised of stimulating supplier enterprises and privileging them, during qualification, in obtaining a quality certification and eventually also an environmental one. As testimony of the efforts made in realising this objective, the data of the last three years show a constant increase in invoicing of certified suppliers.

During 2003 Sabaf also introduced an ethical clause in contracts with suppliers, inspired by the SA8000 standards, which obliges suppliers to provide guarantees with respect to certain prerequisites in terms of human and social rights.

Even the dimension of values assumes importance in relations between Sabaf and their suppliers. Among the commitments made towards suppliers, the following is noted, which expresses the will to:

“favour sharing of common values and information of the development of Sabaf strategies”.

An example of how this translates into concrete action is given by the Chief of Human Resources:

“The choice of a supplier of temporary work was not made on the basis of criteria of a purely economic nature, in terms of convenience, but on the basis of a dimension of dependability and sharing of a certain orientation of values... in fact, we selected a company that adheres to an association that has formalised a code of values”.

Actions towards the community and territory

On the basis of the Sabaf commitment as a “good citizen” within the community where they operate, there is the conviction, as stated in the 2002 Social Balance Sheet, that:

“The application of principles of corporate social responsibility by enterprise in general and by all actors in civil society contributes constructively to increasing well-being in society”.

This commitment takes the form of intervention in social, cultural, educational and sports initiatives. Concerning contributions and sponsorship, Sabaf allocates 0.5% of their net profits to support disbursement of donations.

The company is also attentive towards the professional growth of young people, and contributes to their education through collaboration with educational institutes and universities. Frequently, for example, the firm hosts students at the company to support them in writing degree theses or in performing periods of company stages.

“We often host young people from professional institutes for a week of stage, during which we shadow them with a Sabaf trained specialist, who follows their day to day operations. We are highly interested in reinforcing our ties with the territory and making investments to become a ‘receptacle’ for persons with a high degree of professionalism”.

The commitment towards young people also entails promotion and diffusion of the culture of corporate social responsibility and the ethics of business in the entrepreneurial world and among university students.

“Sabaf is strongly involved in divulging their model of socially responsible enterprise, in the hope that a similar approach may be followed by others, in the territory of Brescia and throughout the national territory”.

Locally, Sabaf has attempted to create an open dialogue with various authorities, in order to promote shared industrial development. In this view, the company systematically supplies the City of Ospitaletto copies of analyses relative to atmospheric emissions determined by production in their installations.

Actions towards the environment

There are two principle types of environmental initiatives at Sabaf: (i) actions intended to reduce emissions; (ii) actions to improve the quality of the working environment in general.

Sabaf's main product lines of taps, thermostats and burners for gas cookers for domestic use, are characterised by attentive use of natural resources. The use of combustible gas for the production of heat, for example, allows higher yield than what is obtainable with electric cookers.

Atmospheric emissions of productive units are low and kept constantly under control. A good part of Sabaf's atmospheric emissions are derived from activities defined as being "marginally polluting". Additionally, the level of efficiency of purification systems is ensured through regular maintenance and periodical monitoring of all emissions. Additionally, the use of methane fuel allows Sabaf to keep "greenhouse effect" gas emissions to a minimum. Finally, Sabaf products are easily recycled, because they are made almost entirely of brass, aluminium alloys, copper and steel.

The Company's move to the new Ospitaletto installation represented an opportunity to experiment innovative solutions for the reduction of environmental impact and improvement of the working environment. Some examples of Sabaf's commitment in this sense are the installation of a new centralised oil mist suction plant for by-products of the mechanical processing division; an installation for the transportation and treatment of shavings and lubricating and refrigerating oil which, by avoiding dispersion of oil and shavings on the floor, ensures a more comfortable and safe working environment. Finally, in the new installation, all machinery has been equipped with a suction plant that collects air and conveys it towards the external environment, thereby considerably improving the quality of the working environment.

Sabaf has adopted a system of environmental management in conformity with ISO 14001 standards, which, in the intentions of the firm, will be the embryo of an integrated system of quality, health and safety management in the workplace. Certification is foreseen by the end of 2003. As stated by the Chief of the Quality, Environment and Safety Office:

"Our objective is to have an integrated quality, environment and safety management system, in order to turn existing synergies to account in the best possible manner. Following environmental certification, which is an instrument to keep environmental risk under control, we shall begin procedures to obtain health and safety system certification, to obtain critical recognition of correct management".

The motivations at the basis of the will to obtain environmental certification reside more in an internal itinerary of the company's than to an explicit requirement of the external environment, as appears evident from this statement:

"The objective of environmental certifications is primarily internal. Outside, this requirement is still not felt: our clients, for example, do not request their suppliers

to have this as a preferential prerequisite. Basically, this itinerary involves the principles announced in the social balance sheet, the values in which we believe...and the awareness of having to do business in full respect of all interested parties, going beyond the formal technical aspects of compliance with the law...".

Final considerations

Sabaf is a firm that has often been cited in the press in recent years as a model of corporate social responsibility.

The itinerary the firm has followed, which has led to being taken as a model, started a few years ago and definitely cannot be said to be finished, since in the view of the management we have interviewed, it is a process of "*continuous improvement*".

The social balance sheet represents an essential instrument in this process. It is the management instrument par excellence, in evaluating the achievement and efficacy of the economic and social objectives the company has set for itself.

"The social balance sheet as an instrument of management and not of communication, permits measurement from one year to another of how we are moving in the desired direction. It is the compass that guides continuous improvement, and which serves for the long term".

Before arriving at a social balance sheet, nevertheless, it is necessary to start from farther away - from a dream, a vision that is clearly in the mind and heart of the General Manager - who is the prime mover recognised by everyone in this itinerary:

"It takes a leader to undertake the path of corporate social responsibility. It cannot be done by someone who is just a manager, who usually has short-term objectives. It requires a long-term vision, leadership and a dream.

It takes a leader... not a common CEO, but a leader capable of taking his men on an adventure, who is not concerned with short-term objectives and who has the support of the ownership. It takes a strong project...".

The strong attention towards the dimension and internal value of corporate social responsibility is an element that is very much present and evident. The reason lies in the importance of people's competence for a manufacturing company like Sabaf, which operates in a market where technology "*makes the difference*".

"The social balance sheet is an obligatory element for companies that must obtain trust. A manufacturing company that does not pollute, pays its taxes, has no pressures from the financial world or from clients, who in this field are somewhat behind us, does so through internal value.

Corporate social responsibility means above all being able to attract and keep the best people and having a low turnover of personnel, keeping competence within

the company. Competencies are in fact exclusive and reside with people... keeping competencies internally means continuing to have the ability to innovate, which is critical in our division...”.

The strong internal focus allows corporate social responsibility to find application, particularly, in the variables related to people. This is also reflected in the importance given to people within the company. This idea is deeply rooted throughout the management interviewed, as clearly emerges from assertions of this nature:

“Corporate social responsibility is intimately related to people... anyone who behaves badly under normal circumstances will behave worse when things are difficult...”

The company where we work is, in part, the people who work there...

The centrality of people is fundamental... the quality of the company is the quality of the people that make up the company... in order to express ourselves in the best possible manner, we all have to find proper recognition, motivations, correct environmental conditions, good interpersonal relations, friendly collaboration, the absence of contrast...”.

The centrality of people in the general sense is explicitly theorised in Sabaf’s values, of “*thinking, acting, believing and communicating*”, which originate from the Person and permit people to express themselves fully.

Such explicit attention to the individual person brings us back to the fact of an enterprise acting in accordance with a strongly ideal matrix, as also asserted in the Social Balance Sheet:

“The centrality of the Person represents a universal value, a hyper-norm that is applicable without temporal or spatial differences. Such a moral commitment implies renunciation a priori of all choices that do not respect the physical, cultural and moral integrity of the individual Person, even if such decisions may appear efficient, economically convenient and legally acceptable”.

It is therefore natural that corporate social responsibility is considered a cultural process, which requires the most extensive possible involvement of the entire firm. It becomes an important element of identification for persons and supports the gradual, but decisive process of change that the company is undergoing. In this context, the function of Human Resources plays a fundamental role. The change desired by the management consists in a greater involvement of employees with respect to company choices, and greater awareness of the implications of one’s actions. Regardless of the objective difficulty of this itinerary, management is convinced that it is a path of no return:

“Thanks to this new environment, people change, even if the process is slow, because we still don’t have the habit of exchanging opinions... Like in all processes of change, there is a moment of stall and of suspicion, before people get used to

values and adopt them as their own... like all cultural changes, it will take time to involve all personnel...”.

During the initial months of 2002, on occasion of the transferral from Lumezzane to Ospitaletto, the organisation proved that it knew how to respond to difficulty, confirming for management the importance and efficacy of the itinerary undertaken in terms of motivation and involvement of people, as witness by this account:

“In the first quarter of 2002, on occasion of the move, we went through a potentially difficult time, because on one hand we had to move all of the machinery, and on the other we had a very high demand to satisfy from the market... despite these difficulties, we succeeded in satisfying all of our clients’ requirements; at a time of need, the entire organisation responded in an excellent manner... This result for was made possible thanks to cohesion and will...”.

An important and characteristic element of the approach to corporate social responsibility adopted by Sabaf is the fact that this dimension is an integrated and founding part of the company vision and mission, representing a veritable “organisational cement” that makes it possible to *overcome family capitalism*, guaranteeing at the same time a continuity with the company’s past and traditions.

This intertwining of the purely cultural dimension and the dimension of competitiveness as an aspect of corporate social responsibility is extremely interesting. On one hand the tension concentrated on employees and the creation of a socially responsible culture within the company, on the other the external aspect of this company culture in terms of greater competitiveness and greater profits.

The connection between corporate social responsibility and competitiveness on the market is explicit, and management is unanimous in recognising its propulsive force as a lever to create value:

“I see no conflict between values and economic performance... in the end, acting responsibly entails management efficiency and greater guarantees for investors, in addition to guarantees for workers.

Corporate social responsibility is like quality: I can attempt to satisfy the minimum possible quality, but if I want to beat competition, I have to have the maximum quality possible. The objective of our firm is to maintain a position of leadership on the market, through continuous improvement. To obtain this, it is necessary to go beyond the minimum required prerequisites: stopping at the minimum leads to involution, with the consequent loss of competitiveness”.

The causal connection between corporate social responsibility and competitiveness resides fundamentally in the dimension of the importance of attracting and maintaining exclusive competence in the company, in addition, of course, to the more general dimension of “how things are done” in every organisational and functional ambit.

The explicit assertion of an immediate and direct repercussion of social responsibility

on the profits of the enterprise is also peculiar to Sabaf, albeit this is not exactly quantified, as emerges from this statement:

“There is a close relationship between social responsibility and profit, at least in our own experience: in fact, profits have increased since we have undertaken this path...”.

Moreover, the dimension of long term investment associated with corporate social responsibility is also present, according to a more “traditional” and consolidated view.

“We always have to think of the long term, even when there are situations that appear inviting... it doesn’t make sense to invest in the long term to earn two tenths of a percent over the short term...”.

In the picture outlined, the dimension of accountability plays an extremely important role. Fixing objectives of a social and environmental nature – an not only of an economic nature – and successively measuring their achievement, are a fundamental and valorising part of Sabaf’s social balance sheet.

“Social responsibility must be measured. The social balance sheet must be externally certified... the social balance sheet is a company objective: to achieve it means that you have shared a series of responsibilities, from fiscal responsibility to social responsibility... It is a path that begins with a certain sensitiveness, which then becomes responsibility and finally takes the form of a certified social balance sheet...”.

Measuring achievement of objectives also takes place through a two-way dialogue with the stakeholders, in relation to whom the social balance sheet is drawn up, through feedback, meetings and structured dialogue.

Sabaf’s public of reference, nevertheless, goes beyond their stakeholders and is enlarged to a vaster horizon. The awareness of the importance of their action has led Sabaf to strive to be an example for other company realities as well:

“We well know that in order to achieve this objective, we must be excellent from the economic point of view. We wish to succeed in demonstrating that satisfying the interest of the smallest shareholder means succeeding in satisfying the interests of the largest shareholder as well...”.

We feel the need to shout these values to the market place, to create cultural fervour and engage the factor of imitation... Our objective is to have others imitate us. We do not want to be isolated, but to create a choir of voices...”.

Corporate Identity Centres on Corporate Social Responsibility

Marella Caramazza and Caterina Carroli

Introduction

The case of UniCredit, one of the major players in the banking division in Italy, analyses the role that corporate social responsibility may have in building the corporate identity and in defining a reference system of values, both internally and externally.

Corporate social responsibility is interpreted by management as an opportunity to redefine the relationship between UniCredit and their stakeholders: shared values to build a strong identity, which permit correct management of company activities and at the same time allow the firm to listen and respond to the ethical requirements and civil commitment that are increasingly developed in the company.

The actions of corporate social responsibility recounted in this case are articulated in the following themes: the quality of work; relations with the market and territory; the environment; listening and dialogue and, finally, enterprise citizenship.

The various themes transversally address the different stakeholders identified by the company, namely, the community, clients, employees, shareholders and suppliers. The choice of describing actions of corporate social responsibility divided by theme areas corresponds to the desire to represent the “transversal” nature of the three dimensions of sustainability (economic, social and environmental) in a more efficient manner.

The case history also intends to dwell somewhat on the crucial question of the process of dissemination of a culture of social responsibility within the company, to ensure that it becomes a shared patrimony, capable or actually inspiring daily choices and behaviour.

History and organisational asset

UniCredito Italiano S.p.A. was formed in 1998 from the aggregation of Credito Italiano and Rolo Banca 1473 with Cariverona, Cassa di Risparmio di Torino, and Cassamarca, during 1999 the Group also aggregated Cassa di Risparmio di Trento e Rovereto and Cassa di Risparmio di Trieste.

(*) Marella Caramazza and Caterina Carroli prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.
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(**) We thank Unicredito Italiano for their willingness to participate in the project, in particular: Andrea Monari, Riccardo Della Valle e Luigi Celli.

Between 1999 and 2000 the first steps in the Group's strategy to penetrate markets in the New Europe began. It acquired control of Bank Pekao, the top private bank in Poland, the Slovakian Pol'nobanka (now UniBanka), Bulbank, the top bank in Bulgaria, Dimirbank in Romania (now UniCredit Romania), the Croatian Zagrebacka and Splitska Banka (sold to Bank Austria in April 2002).

In 2002, the bank also acquires the Global Investment Management Division of Pioneer in Boston, and named Pioneer Global Asset Management.

At the end of 2001 the "project S3" started, a far-reaching structural and functional reorganisation of the Group's seven Italian banks (Credito Italiano, Rolo Banca 1473, Cassa di Risparmio di Torino, Cassamarca, Cariverona, Cassa di Risparmio di Trento e Rovereto, Cassa di Risparmio di Trieste) into three banks, specialising in different client sectors:

- UniCredit Banca aimed at families and small business concerns;
- UniCredit Banca d'Impresa for medium to large businesses and other bodies;
- UniCredit Private Banking specialising in customers with high assets.

During this period the Group's expansion in Europe went. In 2002 the Group signed an agreement with Koc Group (one of the most important private groups in Turkey), aimed at establishing a partnership in the banking and financial services. In 2003, the Group acquired Zivnostenska, one of the first commercial banks in the Czech Republic.

Today UniCredit is a multi-specialised group operating in Italy and in Central and East Europe, through a network of banks, financial and services companies. Furthermore, the group is present in other parts of the world through branches and delegation offices.

The group's present organisation is structured in 4 divisions:

- Retail;
- Corporate;
- Private & Asset Management;
- New Europe.

To carry out all of its activities in Italy and abroad, the group can count on a global network of over 4,500 cashier's windows and 70,000 employees.

Mission, Values, Guiding Behaviour

The entity and importance of the organisational change that has invested the UniCredit Group in recent years is worthy of note, including the creation of a new logo, symbol and expression of a new bank, which has taken on a new mission and values, simultaneously attempting to retain the enormous patrimony of values and cultural identity inherited from the seven original banks.

Following long creative work, involving numerous experts and clients through research, focus groups, interviews and semiotic analyses, the new brand identity of the Group was created, which is characterised by a single graphic symbol and the common

root “UniCredit”, which groups the common traditional values of the UniCredito Italiano Group, and by the four chromatic declinations: red for the Group Leader, orange for UniCredit Banca, blue for UniCredit Banca d’Impresa and green for UniCredit Private Banking.

The new logo is the expression of “a new way of banking”, the essence of UniCredit’s new mission:

“We currently are, and want to continue growing as one of the largest European financial and business groups with a strong presence in the areas where it operates. We want to do banking in a new way to generate a high value over time for:

The community. We act as a corporate citizen that promotes sustainable growth from an economic and social standpoint wherever the Group operates. We make social responsibility a characteristic feature of our operations, and realise that we are an important part of society and the communities in which we act.

Customers. Customers are the centre of our focus and operational decisions. We take care of our customers and help them to carry out their projects and optimise their returns. We want to guarantee them the best levels of service and products with a high quality/price ratio through dedicated structures specialising in their needs. We strive for excellence based on our ability to stay close to our customers and build long-lasting relationships with them based on quality, mutual trust, competence and open dealings. We constantly measure their level of satisfaction and make them aware of it.

Employees. We take care of their professional growth, seeking out and promoting the use of growing skills. We aim to be the ideal company for capable and motivated people. We want to develop and maintain their skills as a natural result of an overall well-managed, humane and professional structure capable of offering the same opportunities to everyone and rewarding excellent performance. We want to attract competent individuals with values similar to our own.

Shareholders. Our commitment to our shareholders is to provide a high and growing return on capital and dividend growth, increase our market value and provide appropriate risk management. We also want our shareholders to be satisfied with results and proud of the distinctive style we use to achieve them. We must constantly strive to achieve the best return and growth as a reward for quality, efficiency, business attitude and adherence to a precise, well-defined, widely shared code of ethics”.

The profile of values that inspire UniCredit in asserting their identity and in the manner in which they do business include values such as:

“*Ethics/Responsibilities.* Ethics is our conviction that ‘doing business’ means following the rules: those connected with our duties to shareholders, those that affect relationships with stakeholders and the community where we operate, and also those dictated by our conscience. This concept is also reflected in the

assumption of responsibility as an ethical choice for anyone who deals with the consequences of his actions, and in loyalty as a minimal competitive principle.

Creativity/Entrepreneurship. By creativity we mean the orientation towards innovation and the constant search for better solutions. The incentive to improve and face new opportunities with a positive attitude enhances our spirit of enterprise, which distinguishes our Group as an innovative and entrepreneurial player.

Competence/Growth. Competence is seen as the continuing commitment of individuals and the organisation to develop skills and build on experience and develop a specific, distinct knowledge base. Thus, growth is the result of enhanced skills and constant striving to achieve important goals.

Listening/Discussing. This business will be built by growing together, involving all individuals and entities that make it up. The collaboration necessary to be effective is possible only when there is a real desire to listen, and open discussion is encouraged including the discussion of differing ideas, which will lead to the creation of better solutions.

Fairness/Openness. For us fairness means giving everyone the same opportunities based on merit, potential and need on the basis of in-depth knowledge and reasonable assumption of trust. Open dealings and information lead to long-lasting relationships with people, customers, investments and suppliers”.

Each value, to avoid becoming a vain expression that does not lead to consequent behaviour, is defined in terms of guiding behaviour, which represents a veritable reference to resort to and be inspired by in operational activities and in the various roles. In order to involve the entire company population in spreading the values and behaviour, the initiative of the “Values Laboratory” was created, as described by the Director of Human Resources:

“We didn’t want to run the risk of having values and behaviour given *ex-machina*. That’s why the “Values Laboratory” was created, which involved 100 people, divided into groups of ten, who debated the behaviour described in the “Charter of Values” for four and a half days. The objective of the discussion was to understand whether the participants found this type of behaviour in their daily work. At the end of the discussion, each group defined five concrete behaviour patterns that were relevant in their daily work. To date, some 1,400 persons have been involved in the initiative, half of whom are volunteers and half of whom were enlisted”.

Corporate Social Responsibility and the Company Identity

Corporate Social Responsibility has played an extremely important role in the process of transformation that has accompanied UniCredit over the years and which has led to redefinition of the cultural horizon and system of values, as stated by Alessandro Profumo, General Manager of the Group, in an interview that was included in the Social and Environmental Report 2002:

“It is in the very implementation of this transformation process that our vision of corporate social responsibility has strengthened. This means knowing how to respond better to the needs of the market and the various environments in which we operate while maintaining the same level of professionalism. The only way to effectively accomplish this transformation is to reinforce our identity and our local presence, and at the same time, absorb the experience and skills that our counterparts and partners are able to share with us [...]

A strong and clear set of values is the best possible guide to enable us to do our job well, guaranteeing that the company will have a long and prosperous life, while an identity based on principles of social responsibility can ensure that both our partners and us benefit from this”.

It appears evident that CSR is interpreted as an opportunity to redefine the relationship between UniCredit and their stakeholders, in terms of shared values to build a strong identity that permits correct management of company activities and simultaneously allows the firm to listen and respond to the ethical requirements and civil commitments that are increasingly developed within the company.

On the organisational level, the unit that deals with the theme of the group's identity construction, defining strategies and instruments, is Corporate Identity Management, which is responsible for, through brand coordination, management of public and institutional relations, management of internal communications - in conjunction with Human Resources - and public communications, the the coordinating with Unidea Foundation and the development of *corporate social responsibility policy*. To this purpose, the Corporate Identity Management avails itself of the organisational function "Corporate Social Responsibility and Territorial Coordination", which is responsible for the social report realisation, the development of environmental policy, the coordination of the Local Committees and the promotion of the dialogue with the stakeholders.

The Group's commitment towards corporate social responsibility is articulated in the following main thematic areas of intervention:

- The quality of work
- Market and territory
- Environment
- Listening and dialogue
- Corporate citizenship

The various thematic areas transversally address the various stakeholders identified by the company, namely, the community, customers, employees, shareholders and suppliers. The choice of describing actions of corporate social responsibility through the division in thematic areas corresponds to the desire to represent the “transversal” nature of the three dimensions of sustainability (economic, social and environmental) in a more efficient manner.

The Quality of Work

The thematic area of the quality of work concerns investments made in favour of employees, with the objective of guaranteeing that they enjoy constantly improving working conditions and have opportunities for professional and personal growth. There is very strong focus, coherently with the process of transformation underway, on the ability to increase internal competence and develop a sense of belonging to the Group, as can be clearly understood from the words of the General Manager, contained in a recent volume with the meaningful title of “Plus Valori”⁷³.

“Intelligence is an absolutely scarce resource today. It cannot be wasted and we must therefore be able to count on a very strong ability to hold onto it, to attract it, to keep it in the company and allow excellent resources to grow. And I know that we can attract, maintain and develop excellent resources, to the extent that we can develop a strong and positive identity, thanks to which people are pleased to work with us, consider it stimulating over the long term and identify with the company’s system of values”.

There have been numerous initiatives to develop and promote the growth of competence among personnel. By way of example, we cite the “Giovanna Crivelli Scholarship”, a € 100,000 scholarship for the training of researchers in the fields of political economics, financial market economics and economic policy.

The “Young Talents Project”, on the other hand, is a training itinerary addressed to high potential personnel within the Group. The project calls for a series of common and individual activities for participants, including a common programme for the development of professional and management competence and individual activities designed especially for each participant. One hundred eighty persons have been involved in this project to date.

An analogous itinerary for growth was developed specifically for the banks in the New Europe sector of the Group, dubbed “Young Talents Programme”. Additionally, the Group promotes a Masters Degree course in Economics and Banking for young degree holders from the seven Eastern European countries where it is present. The meaning of this initiative was stated by the Director of Human Resources:

“The purpose of this programme is not to enhance the position of participants within the Group, but to contribute to creating goodwill between our countries”.

Market and Territory

The focus of actions in this thematic area is oriented towards interlocutors and partners in the operation of the enterprise, from clients to local authorities, in a process of collaboration whose purpose is to enhance business results.

⁷³ Giovanni Moro, Alessandro Profumo, “*Plus valori - La responsabilità sociale dell’impresa*” (n.t.: “*Surplus Values - Corporate Social Responsibility*”) Baldini & Castoldi, 2003.

In this process, an important challenge for UniCredit is to improve the quality of services and increase the level of customer satisfaction, while remaining a point of reference in the various territorial realities where the ex-banks that are now confederated with the Group once operated. To this end, the Local Committees were created, with the objective of listening to and monitoring the territorial communities, to understand the dynamics of transformation and take action as an important promoter of local development.

In 2001 the project entitled “Regional Initiative to Guide Local Entities” (Itaca) was initiated, in support of the Group’s management in redefining their strategies for capillary presence in the territory and reorganisation of their presence on the local level. It was a research and intervention project that was rich with implications on the level of reinforcement of UniCredit’s ties with their local stakeholders. UniCredit strengthened and extended their dialogue with individual communities on themes of corporate social responsibility and sustainable development, as objectives that were compatible with pursuing greater economic results, for the overall benefit of the territory and its development.

The initiatives undertaken in managing sustainable development were also recognised by the market and its actors. In 2002, in fact, UniCredit was selected by the Dow Jones Sustainability Index and by the FTSE4Good.

On the level of services offered to the customers, UniCredit’s growing commitment in favour of greater transparency in relations with clients is worthy of mention.

In this connection, in collaboration with “Cittadinanzattiva”, a movement that promotes civic participation and the protection of citizens’ rights, UniCredit has started a project to redefine contracts between the bank and clients, with a view to attaining a greater degree of transparency towards clients.

This means:

- Texts reformulated in simpler and more understandable language;
- Modification of norms or contractual conditions communicated directly to the client’s domicile;
- Longer terms for rescission from the contract in the event of modification of conditions;
- Competent Court: the legally established court, even for private non-consumer clients;
- No charges for correction of accounting entries.

Globally, over 3.5 million current accounts in the UniCredit Group will be modified in favour of clients.

Additionally, UniCredit supports the “PattiChiari” Project (n.t: “Clear Pacts” Project) – a project promoted by the Italian Banking Association (ABI) with the objective of establishing clear rules between the banking system and clientele, defining concrete initiatives to allow clients to make choices with a greater degree of awareness and ease. More in general, the intent of the project is to rewrite the system of relations between Banks and Society on new and more positive bases.

Environment

On the environmental front, UniCredit's action envisions direct management of the environmental impact of activities carried out on the eco-system and promotion and dissemination of correct environmental values and behaviour within the community.

The most significant aspects connected directly with banking activities are energy and paper consumption. In this connection, equipment with energy saving systems to reduce consumption and the use of recycled paper for all company requirements have now been introduced.

During 2002, UniCredit obtained ISO 14001 and EMAS environmental certification.

The commitment to protect the environment goes beyond the management of the direct impact of activities on the ecosystem. The commitment to manage the indirect environmental aspects is enhanced on two fundamental dimensions.

First of all, the Group is committed to creating and promoting financial products and services that provide ad hoc solutions and that encourage its customers to promote environmentally responsible policies and conduct.

A second important area that UniCredito Italiano works on is the implementation of credit policies linked to an increasing consideration of the environmental variable as an assessment element. Measures currently being taken include, for example, the issuance of credit policy guidelines for all Italian and foreign banks in order to introduce the environmental variable in their customer assessment process. Furthermore, a proposal is being studied to launch a procedure for the proper assessment of counterparts with respect to environmental risk, emphasising excellence in the area of ecology.

On the suppliers' side, UniCredit is committed to raise awareness among suppliers to make them aware of the impact of their activities and the measures necessary to minimise it and to implement procedures to assess and select suppliers based on environmental and safety criteria. This enabled the company in 2002 to assess all suppliers that participated in competitive bidding for the award of contracts during the year and simultaneously create a list of environmentally qualified suppliers.

Listening and Dialogue

Under this heading comes UniCredit's commitment to activate a process of active listening with their stakeholders, in the conviction that it represents a strategic choice of corporate governance. This is clearly stated in the 2002 Social and Environmental Report:

“UniCredit has planned an innovative strategy aimed at developing relationships

with greater mutual benefits. It attempts to identify the expectations and needs of various counterparts, assess the impact and repercussions of pending and future initiatives on sustainability, and most importantly, foster the development of new ideas and proposals”.

In the process of consultation with stakeholders started in 2002, particular emphasis was given to internal listening and dialogue, with the objective of understanding the opinions and problems of employees in the various organisational realities involved in the “S3 Project” and communicating clearly and transparently to them all aspects related to the reorganisation.

To this end a poll was taken of the climate in the seven different banking realities to obtain a reading of the impact on persons of the deep changes taking place and their expectations for the future. As stated by the Director of Human Resources:

“We performed a survey of all employees in Italy for the first time, obtaining a 60% response rate, or about 22,000 persons. We intend to repeat this annually to obtain an employee satisfaction index, which will allow us to analyse long-term evolution. As a first step, the survey will be conducted throughout the entire group next year”.

Corporate Citizenship

The theme of corporate citizenship concerns the commitment, on the part of the company, to be an active social protagonist to improve collective well-being. The Social and Environmental Report states that:

“To act as a socially responsible entity means, on the one hand, acting directly within the social fabric with a maximum focus on the weakest social strata and continual support of organisations dedicated to fund-raising programmes; and on the other hand, promoting and sharing the culture of corporate responsibility and citizenship through the creation of solid, profitable relationships with entities that have always had a commitment to these areas”.

In 2002, 7.5 million euro were allocated in support of initiatives of solidarity.

In 2003, UniCredit created UNIDEA, a non-profit foundation to support social intervention promoted initially by the bank, whose purpose is to be a “stimulus in the community where it operates”. The priority objective of the Foundation’s action is the theme of underdevelopment and the suffering that it generates in many populations. Alessandro Profumo summarises the Foundation’s action as follows:

“We decided to build a Foundation that would focus its intervention in the field of social assistance, with the priority of implementing meaningful actions that would leave a mark, to avoid wasting investments, even though we take into account less important positions. Our rationale involved the concept of the overall utility of our social assistance; the availability of an investment that could create an

indispensable mass of inertia to produce a series of results (...). This is the most important trait of our intervention. We would like to experiment an original method, to make the Foundation a driving force for other, quantitatively more marginal, but equally significant experiences, projecting them within the enterprise and local community, involving company employees in relations with the community.”

The Group allocates between 8 and 10 billion euro to the Foundation annually. The sphere of activity concerns sustainable financing (and therefore not *una tantum*) of projects located prevalently in the following geographical areas:

- Developing countries with shortfalls in primary basic services, especially in the social and health sectors (Africa and Latin America);
- Central and Eastern European countries, with particular attention to countries where the Group operates;
- Areas in difficulty posing problems of collective safety due to natural disasters.

The Foundation’s action is limited by the fact that it is impossible for them to “finance activities that could be traced to commercial purposes”.

Concerning organisation and governance, the Foundation is an independent organism: the Board of Directors, in fact, is made up of persons who do not belong to the Group, with the single exception of the Directors of Corporate Identity and Human Resources.

The constitution of the Foundation also acquires an important role in building a system of Group identity, in the eyes of the management. This emerges in a statement by the Managing Director:

“Certain initiatives are indispensable to manage a system of company identity – this is not charity, but a reasonable way to uphold relations between the company and its clients”.

Final Considerations

It is impossible to analyse the theme of corporate social responsibility in a company like UniCredit, one of the most important realities in the Italian banking system, without taking into consideration that the world of banking is going through a difficult time, when trust on the part of public opinion is vacillating. Nevertheless, because of the very nature of the banking business, the financial system must be extremely sensitive to this theme, as asserted by Alessandro Profumo:

“In my opinion banks have a higher level of social responsibility than other types of businesses. We handle families’ savings and finance enterprise and in both cases we could cause extensive damage by making transactions whose usefulness may not be entirely perceived. We are responsible for the future of families: the guarantors of fundamental prospects contributing to the solidity of social mechanisms. The same line of reasoning applies to companies: if we over-finance a

company, we risk leading it towards bankruptcy. If we under-finance it, we do not help it to grow. In both of these circumstances, it is the responsibility of the people who deal with clients to decide”.

Starting from this assertion, the case of UniCredit allows us to bring to light how the theme of corporate social responsibility represents an important element in defining the horizon of values of the company, becoming an element of differentiation.

Coherently with this extremely close relationship between corporate social responsibility and company identity, formal supervision and responsibility for this theme are entrusted to Corporate Identity Management, whose director illustrates how it is included within a much wider framework:

“UniCredit is a company that has come a long way, on one hand to incorporate other banks, and on the other to undertake a positive itinerary of rationalisation of processes, in virtue of which it is currently the most profitable bank, even though results are always temporary...

Today we could envision mid to long-term improvement if the company faces its surrounding reality. This means that internal interlocutors must do their job well and that relations must be improved with external ones, helping them to recognise the benefits that the bank provides for society, increasing the ability to listen. This is corporate social responsibility for us.

Concerning identity, UniCredit has had to face the need to unite different identities, allowing them to converge towards common values, capable of expressing the distinctiveness of the company. In fact, this means building a significant and cohesive differentiation, with which people can identify.

Corporate social responsibility affects this itinerary internally, because social responsibility makes people feel at home; externally, on the other hand, you cannot have an identity if you do not first define a mission and values. This is what we have done in defining equity, transparency, the ability to listen, responsibility, etc. as values, and disseminating them throughout the company through value laboratories”.

The theme of company development and growth through strong values capable of creating cohesion, such as the value of CSR, is confirmed in the words of the General Manager:

“Today the Group has operating revenues of 20%, which reaches 33-34% prior to taxes and a cost/income ratio below 50%. Under these conditions it is difficult to improve from one year to another, even though this is what is required of us. That's why social commitment has become a fundamental element for us in managing a group that intends to maintain long term profitability and therefore requires a strong identity, which motivates employees beyond the mere fact of their salary and economic incentives, and an equally strong ability to attract excellent resources. At this point the question of positive feedback is posed: namely, of the advantages we get back in return from the improved social context in which we operate...”

Such a strong accent on the values of corporate social responsibility and its important role in reinforcing the company identity, however, poses the question of CSR as a problem within the company structure. In other words, beyond formal responsibility, represented by supervision of the theme, how can this value become a patrimony shared by all, especially those who have daily relations with clients? In fact, it is essential for those who manage the savings of families and enterprises that the processes of corporate social responsibility invest the entire body of the company and do not remain the patrimony of a few illuminated managers. The importance of this question is also apparent to the Managing Director, who asserts, in a passage of his book:

“The colossal problem for a company like ours is its size: there are seventy thousand of us. Forty-five thousand of us deal face to face with our clients every day. So we must create a system in which all of the forty-five thousand indispensable employees who spend their workday dealing with clients have assimilated the system of values that we have identified for ourselves in management of corporate social responsibility. Of course, it is up to the top echelons of the company, who have defined the relative behaviour, from the point of view of the contents, who decide what product to sell, through which contracts, in what form and in what manner (...). We all have to entrust ourselves to the sensitiveness and awareness of those who deal directly with clients. This relationship embodies the destiny of a choice”.

Corporate social responsibility is therefore characterised by a cultural factor, which must mature within each individual. The accent changes therefore to individual responsibility, while the task of the management is to create a system of organisational and cultural coherence.

As recounted by the Director of Corporate Identity:

“Corporate social responsibility involves only people’s thinking and values. It consumes no resources or time. Therefore, it is not tied to productivity, but only to people’s orientation. Corporate social responsibility is related to the personal qualities of managers”.

The operational spin-off from asserting these values as part of one’s own system of values, however, cannot be neglected. A few examples of this were related to us by the Director of Human Resources:

“From the practical point of view, being socially responsible means not doing certain business, such as trading in arms, for example. We have revoked credit lines of persons trading in arms, and we no longer intend to do this type of business. It was a precise decision by the top management. Additionally, we are very careful about financing activities that have environmental impact. The important thing is to have a precise strategic commitment and to stay away from certain matters”.

The theme of choosing not to do certain types of business is quite delicate of course, and poses the question of the degree of freedom of action that a joint stock company may have in this field. The perception of management is almost unanimous:

“We have no owner who tells us to do some things rather than others. Ours is a joint stock company which, since we feel totally independent, can decide to do or not to do certain things. We answer only with the results: we have operating revenues that are more than double those of our direct competitors. Our freedom has been purchased with our results”.

Finally, there remains the subject of communication, which is crucial if the fact is taken into consideration that corporate social responsibility is an important part of UniCredit’s system of values. In this sense, a sign of change can be seen in the approach to communications, from the “temptation of silence” to an orientation of “creating culture”, as related by the Director of Human Resources:

“Concerning communications, this is a low profile company. But if things are done without saying them, you fail to produce culture, either internally or externally. Additionally, we feel that the responsibility of setting an example for smaller banks...is a duty that the division leader cannot ignore...”

**PART 6 – THE RESEARCH IN THE LARGE COMPANIES:
THE GERMAN CASE HISTORIES**

BMW GROUP [©]

Walter Schadhauser

Company portrait

The history of the company began in 1916 with the establishment of the “Bayerische Flugzeugwerke AG”, which mainly manufactured aeroplane engines. This is the origin of the company logo: an airline propeller rotating in front of the white-blue sky. In 1923, motorcycles were added to the range of products, and automobiles came in 1928 after the Eisenach automobile plant was purchased. Today, the products of the BMW Group include BMW and Mini cars – and soon Rolls Royce as well – and BMW motorcycles.

The development in the past few years is shown by the following facts and figures from the Annual Report 2001:

BMW Group in numbers

Vehicle production	1997	1998	1999	2000	2001	Change in %
BMW	672,238	706,426	755,547	834,519	904,335	8.4
Mini					42,395	
Motorcycles	54,933	60,152	69,157	93,608	100,213	7.1
Workforce	117,624	118,489	114,952	92,284	97,275	5.4

In euro million	1997 HGB	1998 HGB	1999 HGB	2000 HGB	2000 IAS	2001 IAS	Change in %
Revenues	30,748	32,280	34,402	35,356	37,226	38,463	3.3
Capital expenditure	2,311	2,179	2,155	2,138	2,781	3,516	26.4
Depreciation	1,812	1,859	2,042	2,322	2,435	2,159	-11.3
Cash flow	2,518	2,479	2,807	3,198	3,779	4,202	11.2
Profit from ordinary activities	1,293	1,061	1,111	1,663	2,032	3,242	59.5
Net profit for the year	638	462	-2,487	1,026	1,209	1,866	54.3

In the year 2002, the BMG Group sold over a million automobiles for the first time. New record values were additionally achieved for revenues and profit. The group has also planned a lot for the future: “As part of the product and market campaign, the BMW Group will more than triple the number of model series by 2005, in comparison to

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1992. Within the next six years, the sales of the BMW Group will grow by around a third to 1.3 million vehicles; during this period, revenues will increase to a new magnitude of over 50 billion Euro" (Corporate News 02.10.2002).

By the year 2008, the BMW Group will put 20 new models on the market. The number of employees has since risen to over 100,000.

An impressive record of success can be seen here. In the 1/03 issue, the German business journal "manager magazine" analysed the "white-blue miracle" in its cover story "BMW - Die Erfolgsformel" (BMW - The formula for success) and came to the following conclusion: "The secret lies in the persistence with which BMW has followed its business strategy over the decades; in a corporate culture that has matured over the same period of time, which inspires trust and demands performance. Or, the other way around: The success of the BMW Group is not based on clever management concepts, nor on a fashionable management style. Catchphrases and patent remedies are ignored by the Bavarians. They rely on continuity and long-term thinking." (p. 41).

The success formula consists of four elements:

- *Continuity*: The BMW Group has concentrated on the strategy of being a premium supplier for over 40 years;
- *Consensus*: The entire top management circle is involved in important decisions;
- *Collegiality*: High performance is demanded from the staff, and much trust is placed in them in turn;
- *Staff development*: The top management always comes from the same company.

In this form, the success formula contains a competitive and a management strategy. The competitive strategy of a premium supplier is the following: "Eberhard v. Kuehnheim, who shaped BMW from 1970 to 1993, constantly drummed into his team where the enemy was: 'We do not always want to be number two; we want to be better than Mercedes.' This simple message has given rise to a coherent and stable corporate culture. The sense of community is cultivated almost obtrusively."

The management strategy has two sides. On the one hand: "What distinguishes the group... from many other companies is the effort to achieve consensus." On the other hand: "If people repeatedly miss agreed targets, they know that they have to reckon with consequences. Such as a painful reduction in the variable salary. 'In hardly any other company is there such a strong sense that targets are binding', a former BMW board member confirms." Discussions with internal and external employees corroborate this. Internally: "There is a culture of freedom in regard to the employees." Externally: "An open style of management is perceptible in the majority."

Manager magazine emphasizes: "The tranquillity and calmness of the management ... stands out against the zigzag course that characterises the strategy of other companies." A significant reason for this is that the BMW Group is still mostly in the hands of one family, despite the size that it has reached: Johanna Quandt, Stefan Quandt and Susanne Klatten own the majority of shares together with Allianz (6.52 %). The solidarity of the Quandt family with the company can be seen, for example, in the fact that Johanna

Quandt recently gave the eulogy at the funeral of Kurt Golda, who was the chairman of the central works council for many years.

The strategic objective, which is the most important thing for the BMW Group, was clearly formulated in the Annual Report of 2001 by Joachim Milberg, the chairman of the board of directors at the time: "Our first and foremost objective is profitable growth." This means a strategy of sustainability:

"Since we do not see growth as a purpose in itself and since size alone is not the benchmark that we apply, the crucial point is the profit contribution we achieve in our current business and how much we are able to invest in our future. Whoever wants to grow profitably must look constantly for innovation not only in product development. Rather, a premium offer constitutes an extensive promise of performance to us".

The BMW Group is an example of how a corresponding image can be successfully developed by a coherent business culture. The view of an external employee is prototypical for this:

"BMW is an exclusive brand name, radiates a sporty spirit, is a cultivated enterprise, builds high-quality automobiles, stands for the combination of exclusivity and sportiness, very fine technology, innovative technology. This also extends to the areas that do not directly involve the product that much. At BMW, almost everything revolves around autos. I think this is an advantage. Mini fits in unexpectedly well. As an employer, the image is also very good. People say that the company is doing well - especially right now, when nothing else is doing so well. You have a good image yourself when you work for BMW".

This is confirmed by a survey carried out by manager magazine at the end of 2001 among university graduates and people entering the workforce: On the question of their favourite employer, the BMW Group placed first among both economists and engineers. Manager magazine goes so far as to identify the image lead of the BMW Group over their competitors as the company's decisive competitive advantage. This secures the (family) strategy of growth through their own effort as a result of high yields and correspondingly high investments, which has been pursued for decades:

"Nonetheless, on a world scale, BMW remains a niche supplier that lives above all from one commodity: its extraordinary image. This jewel has to be polished by the team constantly. For this reason, BMW entered the expensive formula 1 circus two years ago. The plan has worked out. In 2002, the crew already placed second in the team ranking, before their arch-rival Mercedes".

Sustainable management and sociopolitical responsibility of the BMW Group

In the BMW Group, they emphasize that the subject of sustainability goes back to the origins of the company. The topic was already in existence after the war. It was just

referred to differently then. The employee orientation in particular has always been taken very seriously in the BMW Group.

In the category of “Public Affairs”, the BMW Group presents the “principle of sustainability” on the Internet: “The corporate philosophy: responsible commitment”:

“The process of market globalisation has led to many changes. Corporate responsibility now extends to encompass not only the needs of employees but also the environment and society as a whole. As industry grows in strength and importance, it is also being called upon to share the benefits of its growth with members of society. The global economic system needs to show a more human face.

In this respect, companies must ensure that their traditional focus on corporate profits and shareholder value is accompanied by equal concern for the needs of society and the environment. The safeguarding and creation of jobs and commitment to the environment are just as important as innovative, problem-solving expertise and open dialogue.

The principle of sustainable business development is synonymous with this philosophy. It is based on the fundamental belief that no generation should live at the expense of successive generations. In recent years, this economic principle has evolved into a key factor determining entrepreneurial management. Companies that are committed to sustainability place equal importance on economic, ecological and social concerns in the formulation of their business strategies”.

In the BMW Group, sustainable business management has been a reliable contributor to the success of the Group’s corporate philosophy for many years. This is exemplified not only by the Group’s integrated approach to environmental protection and by its contributions to intelligent traffic concepts. The BMW Group is also committed to the development of far-sighted models for planning of working hours. It offers extensive social benefits, and provides substantial funding of science, the arts and programmes for young professionals. It works towards maintaining a critical and open dialogue with international partners from government and the public sector. Every individual within BMW Group is called upon to actively implement these objectives in their individual sphere of influence.

At the responsible office in corporate communications, sustainability is regarded as a networking subject:

“This topic is embedded in the company through the network in which the BMW Group moves, through the network and outside – the so-called stakeholders. These are investors, the public, customers, society as a whole, employees and trade unions, the suppliers and the financial markets. In this partner network of stakeholders, people have expectations of us. According to the classic definition of sustainability, these comprise three pillars: economic, social and ecological dimensions. These are the three expectation horizons that confront us. We have to be economically excellent, but we also want to have a top personnel and social

policy with our employee orientation. Furthermore, we want to manage the company in an environmentally responsible way. The employees can be considered internal stakeholders, as can the works council, which plays a very important role here”.

In formulating the corporate philosophy of sustainable action, the BMW Group has set the following priorities, which are derived from the corporate tradition and the way the company sees itself:

- The future of individual mobility, e.g. hydrogen power;
- Environmental protection: ecological optimization of the products and the production;
- Corporate citizenship: social commitment;
- Dialogue with politics and society: e.g. support of the “Global Compact”;
- Employee orientation.

CSR topics in corporate communications

In the discussion of the sustainability approach, it has already become clear that the Internet presence of the BMW Group leads the visitor to this topic in a very direct way. Detailed statements of the company on all important areas provide a high degree of transparency. Great expense and care went into the design. A typical comment from an external employee makes these strengths and the weakness clear:

“The Internet presence is very good: clear, understandable, could be more topical. It is mostly self-portrayal and could be more of a portal where BMW-related things happen every day. It would be interesting for the internal and external people if there were more daily news”.

The abundant information cannot be documented here in detail. The annual reports as well as the sustainable value report can be read online and also downloaded or ordered free of charge. The “Public Affairs Letter” series especially stands out; this discusses current BMW Group topics in detail and in an attractive design. Particular emphasis is placed on CSR topics.

The Internet presence gives expression to a very congruent corporate identity which completely corresponds to the image of the BMW Group. This can be characterized by the following core elements:

- Premium strategy, exclusivity;
- Design orientation;
- Innovative technology and sportiness;
- Concentration on basically one product: high-quality automobiles;
- Responsible corporate management and social commitment, whereby the product is also at the centre of attention: sustainable mobility and CleanEnergy.

The large amount of space that CSR activities are given in the *Annual Report 2001* is also remarkable. Detailed accounts are found in the following chapters of the Group’s status report:

Title	Topics
Almost 5,000 new jobs created	Training sector Promotion of young talent Further training and qualification of employees Working-time models Teleworking
Environmental protection: BMW Group continues to set the trend	Element of sustainable management Certification of all plants Involvement of suppliers Sustainability Management System Recycling
BMW Group presents Sustainable Value Report	Proactive management of the economic, social and ecological tasks of the future Member of the Dow Jones Sustainability Indexes
CleanEnergy on a world tour	Hydrogen technology

Naturally, the company is also doing public relations work and image maintenance here. It stands out from others, however, because of its high degree of transparency and the very well-founded, serious reporting. This is continued in the Sustainable Value Report 2001/2002, which has the title “Environment, Economy, Social Responsibility: Meeting the Future” and is the central element of the company’s reporting in this subject area. It will therefore be discussed in more detail in a separate chapter.

Dow Jones Sustainability Indexes (DJSI)

The financial markets are an important motivating force for above all large, globally active companies to try to achieve transparency. This holds the risk, however, that short-term goals will be pursued at the expense of sustainability concepts and the shareholder value will be given undue priority for company action at the expense of other stakeholders. In contrast, the results of the Dow Jones Sustainability Indexes have shown that companies that credibly implement the principle of sustainability are among the most successful ones in their respective industry over the long term and are therefore especially attractive for the financial markets as well.

Digression on the idea of the DJSI: “Corporate sustainability performance is an investable concept.”

Companies whose management practice is determined by the principle of sustainability in all areas are interesting especially for long-term-oriented investors:

“Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic,

environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks.

The quality of a company's strategy and management and its performance in dealing with opportunities and risks deriving from economic, environmental and social developments can be quantified and used to identify and select leading companies for investment purposes"⁷⁴.

This should yield a win/win situation not only for those who are directly involved:

“Corporate sustainability performance is an investable concept. This is crucial in driving interest and investments in sustainability to the mutual benefit of companies and investors. As this benefit circle strengthens, it will have a positive effect on the societies and economies of both the developed and developing world”.

The concept of the Dow Jones Sustainability Index is directly and coherently derived from a clear definition of the needs of financial markets in this area:

“Increasingly, investors are diversifying their portfolios by investing in companies that set industry-wide best practices with regard to sustainability.

Two factors drive this development. First, the concept of corporate sustainability is attractive to investors because it aims to increase long-term shareholder value. Since corporate sustainability performance can now be financially quantified, they now have an investable corporate sustainability concept. Second, sustainability leaders are increasingly expected to show superior performance and favourable risk/return profiles. A growing number of investors is convinced that sustainability is a catalyst for enlightened and disciplined management, and, thus, a crucial success factor.

What private and institutional investors needed was a global, rational, consistent, flexible and, most importantly, investable index to benchmark the performance of their sustainability investments. They also needed an independent reliable index as a basis for derivatives and funds focused on sustainability companies.

In response, Dow Jones Indexes, STOXX Limited and SAM Group launched the Dow Jones Sustainability Indexes (DJSI)...

The DJSI components are selected by a systematic corporate sustainability assessment and include only the leading sustainability companies worldwide. The DJSI therefore provide a bridge between companies implementing sustainability principles and investors wishing to profit from their superior performance and favourable risk/return profiles”.

⁷⁴ All quotes in this chapter from: www.sustainability-index.com

It is therefore an honour for a company to be included in this index at all – regardless of how well it does in detail.

BMW Group in the DJSI

The BMW Group endeavoured to be represented in the DJSI early on. Their success is reported on the Web site of the DJSI:

“BMW Group has an overall sustainability performance that positions it among the sustainability leaders of its industry. BMW’s management capabilities in the economic dimension are among the best in the industry. This is underlined by a particularly strong performance in scorecards and measurement systems and brand management. In the environmental dimension, BMW scored close to the industry average. BMW performed among the best in the social dimension, particularly in tracking of employee satisfaction and organizational learning.”

Detailed explanations of the history and motives for this involvement are given in the BMW Group:

“BMW Group was number 1 in 1999 and 2000. Later on, the BMW Group slipped to number 3 because of Rover, and this year they have climbed back to number 2. In the index, German companies dominate in the automobile area. We have achieved this success with our model of a social market economy and the exemplary relationships with employees that have developed. This is not a result of such indices or the topic of sustainability or the EU; it has evolved on its own, out of the German tradition of social market economics and environmental consciousness. Here we beat the Americans and surpass the Asians as well. We could display much greater self-confidence here than simply chasing some indices. These reports are brought to us from outside; they are a passing fashion from Anglo-Saxon countries which is being propagated worldwide. We have to establish and define our own criteria about where we want to go, from inside our company.

The index contains the best companies of every industry and can be purchased by financial investors. Investors put money into these financial products. Many investment companies are only allowed to invest in stocks that are listed in a Dow Jones index. This increases the standing of the BMW Group with investors as well as with the critical public, such as environmentalists. Both have the same interest, from different motives. Investors naturally have no interest in us treating our employees badly either”.

This shows that:

- The primary benefit of the DJSI for the BMW Group is the access to the Dow Jones index family, which is of central importance in respect to the financial markets.
- BMW Group thereby follows its genuine company tradition and looks at the entire group of stakeholders according to the principle of sustainability.

Sustainable value report 2001/2002

From environmental reporting to the concept of a sustainable value report

“Since 1997, the BMW Group has kept the public informed about the latest ecological developments through an Environmental Report published every two years. BMW has taken this a step further in 2001 with its first Sustainable Value Report. Based on the company’s sustainability policy, this new report outlines BMW Group personnel policies and the company’s sociopolitical commitments”.

BMW Group takes an approach to reporting that combines transparency with meaningful examples. A large number of significant key figures – usually in time series extending over several years – are presented and connected with individual projects that are typical of the BMW Group.

Example: CleanEnergy

The BMW project CleanEnergy is an example of the advancement from the protection of the environment to a comprehensive concept of sustainable management that corresponds to the special characteristics of the company. It is embedded in “The BMW sustainable mobility model”.

Intelligent networking of various means of transportation

- Obtain maximum benefit from each carrier
- Reduce transportation costs and space required for vehicles

Continuos reduction of average fuel consumption

- Conserve natural resources
- Reduce exhaust emissions

Develop alternative drive concepts

- Long-term preservation of quality of life and economical use of personal transportation
- Promote global implementation of hydrogen and the vision of using hydrogen as a renewable energy source

Recyclable products and return/recycling of used vehicles

- Conserve natural resources
- Eliminate/reduce waste”⁷⁵.

The BMW Group wants to permanently secure “the ultimate driving machine”. A central component of this is the decarbonized fuel concept.

⁷⁵ All quotes from this chapter are from the Sustainable Value Report 2001/2002, www.bmwgroup.com.

CleanEnergy stands for the cleanest fuel that is available today: hydrogen produced with renewable energy. The BMW Group has already made great progress in research and development here and has the world's first hydrogen-powered auto that is produced in a limited series, the 750hL. This vehicle has a conventional combustion engine that produces over 200 horsepower when operated with hydrogen.

“Until a network of hydrogen fuel stations becomes available, the bi-fuel internal combustion engine will be capable of running on either hydrogen or gasoline. Switching between fuels – even when the vehicle is in motion – is fully automatic or can be manually activated at the touch of a button. Hydrogen fuel extends the range of the BMW 750hL by around 350 kilometers. The hydrogen is stored in a 140-liter steel tank located behind the vehicle's rear seat and maintained in a cryogenic, liquid state at a temperature of minus 253°C. This system is designed to meet the highest safety standards. One of the key advantages of hydrogen technology is that the exhaust emissions primarily consist of vaporized water. When the liquid hydrogen fuel is produced from renewable energy sources, noxious emissions are reduced by a substantial 99.9 percent compared to conventional gasoline-powered vehicles”. (p.11)

The next step, which is to take place parallel to the creation of a hydrogen infrastructure, will be the development of the first series-production model with this technology. CleanEnergy also includes fuel cell technology. In the 750hL, the usual car battery is replaced by a compact fuel cell battery. This does not require any more space than a conventional wet-cell storage battery and is superior in performance and endurance.

“The BMW Group vision of the future focuses on CO₂-free hydrogen. Leading experts from the science and political communities clearly support this concept. CleanEnergy is less concerned with environmentally compatible automotive technology than it is with comprehensive, sustainable energy strategies for the future. Integrated into all BMW research activities, the objective of the CleanEnergy concept is to create a renewable energy cycle based on hydrogen.” (p.11)

Sustainability goals of the BMW Group

The BMW Group does more than only present individual current topics with examples. In the Sustainable Value Report, goals are set, measures are defined and the implementation progress is documented for all three areas – the environment, the economy and social responsibility. At the same time, on-going goals from past reporting periods and new goals are set. This topic is treated in depth in the chapter “Employee orientation” of this case study, using the new goals 2001/2002 from the social area as an example.

The reporting of the BMW Group follows a realization that is formulated as follows by the responsible person at the head office:

“One cannot make points anymore by presenting pretty projects. This trend has

passed again. In order to be credible, one has to show that principles are also practised at a company”.

Best practice example 1: BMW Group presents its vision of sustainable mobility at the World Summit in Johannesburg

In late August of 2002, the United Nations held their largest world summit ever in Johannesburg under the motto “People, Planet, Prosperity” – for the BMW Group this was a good opportunity to promote the idea of sustainable management with a contribution of their own.

A very unusual presentation form was selected with the so-called “EarthLounge” in the immediate vicinity of the conference center:

“Twelve meters high, 24 meters in diameter, the balloon-silk structure had the form of the planet Earth and had space for up to 250 people inside. This globe, which had been specially made for Johannesburg, became a symbol of the sustainability summit for many visitors”⁷⁶.

A laser show, which took place every evening with the stylised globe as a projection surface, was a particular attraction as well.

The EarthLounge served as a venue and meeting place for summit participants.

Under the motto “Sustainability. It can be done”, the UN activities were linked with the specific commitment of the BMW Group throughout the world and especially with the activities in the host country of South Africa, which is also a production location of the BMW Group. The following is only a very short overview:

- The BMW Group announced the endowment of a professorial chair for sustainability at the renowned South African University of the Witwatersrand. Among other things, this is to contribute to the creation of a sustainability network.
- Publication of the English-language version of teaching material for secondary schools: “H2 – Mobility of the future”.
- Exhibit: “CleanEnergy WorldTour 2002”.
- An event to promote cooperation between NGO’s with industry and the financial world, organized by the independent Swiss asset management company SAM – Sustainable Asset Management: “Sustainability meets Finance”.
- Focus presentations on social responsibility, innovative products and clean production.

The success of the EarthLounge was demonstrated by the 15,000 visitors, including the German Chancellor, Gerhard Schröder, and the executive director of the environmental protection program of the United Nations, Klaus Töpfer.

⁷⁶ All quotes in this chapter from the Public Affairs letter of September 2002.

Best practice example 2: Sustainability management at Designworks/USA

In 1991, the BMW Group acquired a majority shareholding in Designworks/ USA and the remaining shares in 1995. This subsidiary was selected for a pilot project that concerns the development of a sustainable management system (SMS). The results of this were presented at the Global Compact Learning Forum in Berlin on 12 December 2002. The BMW Group considers this to be the currently most advanced state in the practice of sustainable company management. The step has been taken to achieve a comprehensive sustainability management in which sustainability goals are measurable and binding for the management on all levels and the achieved progress can be continually checked. This best practice example will therefore be presented in detail here⁷⁷.

Company profile of Designworks/USA

Designworks/USA is a company with 80 employees and \$15 million turnover. Roughly half of this is from customers outside of the BMW Group. The company is active in four areas: Automobile Design, Product Design, Transportation Design and Advanced Communications Design. “Designworks/USA has developed a standard workflow process to manage client engagements. Table 1 describes the objectives and main participants of each workflow element.

Table 1. The Designworks/USA creative process

Element	Objectives	Main players
1. Define	Define the client’s needs and demands, determine the project scope and primary participants.	Design Client
2. Understand	Investigate the possible user profiles and the current market situation in terms of brand identity, product positioning, distribution, and retailing. Based on these findings, identify opportunities and strategies for concept exploration.	Design Engineering
3. Explore	Idea generation and visualization.	Design Engineering
4. Refine	Benchmark the various concepts against the original program criteria to prioritize design ideas. Resolve design concept, complete preliminary engineering and prototyping. Liaise with material suppliers and manufacturers.	Design Engineering
5. Implement	Transfer the design idea to the manufacturing process.	Design Engineering Client Third-parties

⁷⁷ All data, quotes and tables in this chapter are from: *Designing Sustainability at BMW Group: The Designworks/USA Experience*, authors: Michael W. Toffel, Haas School of Business, University of California, Berkeley; Natalie Hill, Human Rights Center, University of California, Berkeley; Kellie A. McElhaney, Haas School of Business, University of California, Berkeley, November 2002.

Development of an SMS standard in the BMW Group

There has been an environmental management system (EMS) in all plants of the BMW Group throughout the world since 1999. All production locations are validated according to the European ecological auditing directive (EMAS) or certified according to ISO 14001. Non-manufacturing areas, such as dealers and suppliers, also have to meet the highest environmental standards. The management responsible for these areas has developed the idea to include the other elements of the concept of sustainable management and develop an SMS.

Designworks/USA was selected as a pilot project because it also works for other customers and the development periods for design are much shorter for other products in comparison to vehicles. The successes of SMS can also therefore be evaluated much faster. Designworks/USA is furthermore a very clearly organized company.

The first step was to develop an “SMS standard” in analogy to ISO 14001. It comprises the following elements:

- “Create a sustainability policy;
- Identify and prioritize SMS aspects and impacts;
- Establish objectives and targets;
- Develop programs to achieve objectives and targets;
- Evaluate progress via periodic internal audits and management reviews”.

“Implementation of the Designworks/USA SMS began in January 2001. To begin developing its SMS, management created an SMS Steering Committee, which was initially comprised of Designworks/USA’s Director of Finance and the Director of Operations. A year later, the committee structure was expanded to include a representative from each department”.

Sustainability policy

One of the first steps the SMS Steering Committee took was to develop a Sustainability Policy. The policy includes a commitment to continuous improvement of environmental, economic, social and ethical performance. Furthermore, the policy commits Designworks/USA to encourage all of its stakeholders—including suppliers, contractors, and clients—to implement similar practices. The SMS policy is available on the company’s website: www.designworksusa.com.

Environmental issues are directly addressed in many portions of the company’s SMS Policy, including a commitment to continuously improve environmental performance and to incorporate “responsible resource use” and “environmental protection” into products designed for clients. Furthermore, the policy calls for Designworks/USA to incorporate the BMW Group’s Environmental Guidelines into decision-making. Social issues are also directly referred to in Designworks/USA’s SMS policy. The policy commits the company to “meeting or exceeding all ... health and safety legal requirements” and to continuously improve social and ethical performance. The policy also requires Designworks/USA to incorporate social

responsibility into product development and advanced communications consulting services.

SMS aspects

After developing the policy, each department was tasked with creating a comprehensive list of environmental, social, and economic aspects.”The nature of the procedure will be explained using the social aspects as an example:

Table 2: SMS Aspects analysis

Department	Activity	Aspect	Impact	Significance
Personnel	Hours worked	Workload, sufficient staffing	Employee satisfaction and health; quality of life	28
Purchasing	Procurement	Child/forced labor and human rights screening criteria applied to suppliers/vendors	Awareness of supplier/vendor organizational behavior	26
Designers	Teaching at local design schools	Dissemination of information and idea generation	Opportunities for environmental, social and economic awareness in design	24
Design/Engineering	Product options and attributes brainstorming	Identify opportunities to include environmental and sustainability criteria into product attributes and performance evaluation, and to expand scope of client’s business considerations	Potential to reduce environmental impact of manufacture, use, disposition of products, and of product processes	26

Aspect prioritisation

All aspects were prioritised along the following seven dimensions: probability of occurrence; intensity; duration; legal and regulatory requirements; stakeholder concerns; leadership potential; and level of control”.

Objectives, targets, and action plans

After identifying and prioritising aspects and impacts, each department created an *SMS Action Plan*. This document listed several prioritised aspects and described an objective for each one. To achieve each objective, one or more targets were established, and an individual was assigned the responsibility for meeting the target by a particular deadline. These plans are revised frequently following the SMS discussions that begin each department’s weekly meeting. After a few targets were met, each department added other aspects, objectives, and targets to their SMS Action Plan.

An example from the area of design:

Table 3. SMS Action Plan excerpt

Department	Aspect	Category	Objective	Targets
Design	Dissemination of information and idea generation on “green design careers”	Economic & Social	Propagate SMS thinking in design schools curricula via teaching program commitment, with goal of enhancing recruiting and expanding design and engineering	Identify at least five design schools (or in house design firms in our client base) to be targeted with teaching program Prepare teaching materials for use by design and engineers in teaching program Deliver at least 4 teaching sessions

Evaluation

Internally:

“The audit scope includes examining the policy, aspects, objectives and goals, the development of each SMS Action Plan, compliance with legal and other requirements, and the extent to which each department applies SMS to customer relations and onsite activities. Internal audits have been conducted semi-annually since August 2001”.

Externally, the technical inspection agency TÜV Süddeutschland was engaged to perform the certification.

“In December 2001, Designworks/USA became the first industrial design firm in the world to be certified to ISO 14001. Two months later, Designworks/USA became the first company in the world to achieve third-party SMS certification”.

Results to date and further development of the SMS

A complete summary cannot be given in this context. A few important results and further development approaches will be briefly sketched, though:

- The BMW Group considers the results of Designworks/USA to be exemplary and will use them to develop a group-wide SMS.
- At Designworks/USA, sustainability considerations have been completely integrated in the design process:

Element	Means of incorporating sustainability considerations
1. Define	Build discussion of sustainability into initial discussion with client. Bring client’s attention to sustainability issues that might arise in the design process and discuss brand attributes of sustainability.
2. Understand	Consider life-cycle impact of various design alternatives.
3. Explore	Gather information on alternative materials and design solutions.
4. Refine	Ensure technical feasibility and further refine material choices and design.
5. Implement	Seek to ensure sustainability-based choices are implemented in product manufacturing.

- A number of SMS management tools have been developed on this basis; for example, there is a database with materials that should be preferentially used due to environmental considerations.
- Designworks/USA is developing a bonus system that also includes SMS criteria.

The further development of the SMS at Designworks/USA faces two difficulties in particular. On the one hand, the social aspects in many areas first have to be operationalized to the extent that they can be integrated in the design process on the same level as environmental aspects. On the other hand, many customers still have to be convinced that the expense of developing design alternatives under SMS criteria is worthwhile for them.

UN Global Compact

The BMW Group has committed themselves to observing the UN Global Compact principles. SMS makes an important contribution to the implementation of this commitment in practice.

“As part of its participation in the Global Compact Learning Forum, BMW Group wrote a case study describing its Clean Energy Project in Germany, which implements the three environmental principles. The current case study is a second step BMW Group has taken to share its practices with other companies interested in the Global Compact”.

Corporate Citizenship

Main emphases

The BMW Group has set the following main emphases for its social commitment:

- Traffic safety;
- Intercultural learning and international understanding;
- Educational grants for highly gifted children and youth;
- Sustainable training;
- Community relations.

These main emphases are derived from the sustainability model, and they are closely associated with the product range of the BMW Group and the corresponding worldwide commitment in the areas of economics and the environment. Each of these main emphases comprises a multitude of individual central and local projects.

South Africa, which is a clearly structured area and a production location of a BMW Group subsidiary, will be used as an example to show how the BMW Group understands and practices their social responsibility.

Best practice example 3: “BMW South Africa – A responsible corporate citizen”⁷⁸

BMW South Africa considers itself to be a responsible corporate citizen and “believes in partnerships which result in sustainable community development”:

“The company invests millions of rands every year in empowering these communities, developing sustainable skills and contributing in the long run to a better quality of life. Our investment can be categorised into six key areas: the environment, education, science and technology, sport development, local community development and the arts”.

Since 1996, BMW South Africa has been pursuing a program in which commitment to the environment is combined with commitment to education:

SEED - Schools Environmental Education Development Project

This is to promote environmental consciousness and community spirit among South African children. It began with 15 schools in the direct vicinity of the BMW plant in Rosslyn. The pupils learn vegetable growing, gardening and hygiene standards, for example. This strengthens more than just the environmental consciousness. As a result, every pupil at the involved schools also receives fresh vegetables to eat from the school garden every day. This would otherwise not be possible in these poor communities. Each school carries out a sustainable environmental project each year, and the children’s positive attitude towards the environment is carried over into their families and communities. Over 60 schools are now involved, and the SEED program will be extended to the entire country in the years to come.

Main emphasis on science and technology

In supporting education and vocational training, BMW South Africa concentrates above all on the subjects of mathematics, natural sciences and technology, in addition to the environment. For this purpose, training programs for teachers were carried out many years ago and are now finding use in selected primary schools and in high schools. BMW South Africa explains, “We aim to transform these partner schools into BMW Centres of Excellence in Science, Mathematics and Technology. ...

The main goals of the programme are to:

- supply mobile science and technology classrooms;
- increase the number of science literate students leaving high school;
- stimulate more parental and community involvement and awareness and;
- increase teacher skills by implementing mathematics, science and technology;
- empowerment programmes”.

⁷⁸Title of a brochure of BMW South Africa from which the quotes in this chapter are taken.

Several other projects from this area of emphasis also deserve special mention:

- Technology laboratory at Vista University;
- The BMW-sponsored Technology in Motion project utilizes a mobile technology unit, equipped with hand-on science and technology experiments and demonstrations to reach high school learners and communities”;
- Multimedia libraries for the partner schools.

Employee programs and support of the neighboring communities

As a corporate citizen, BMW South Africa assumes responsibility for its employees and the communities in which they live; for example, with the following projects:

- “Adult basic education classes” and further training programs for employees;
- BMW Early Learning Centres in Rosslyn and Midrand for the children of employees who are between three and six years old;
- Tekprep for the older children of employees;
- “This programme is aimed at increasing technological awareness and includes instruction in mathematics, science and English”;
- Student exchange program in which the children of employees spend a year in Germany;
- HIV/AIDS workplace programme, supplemented by support for the construction of a “holistic community-based Multipurpose Care Centre. This planned facility, due for completion in 2003, will house an HIV/AIDS information, counselling and testing centre, a health services clinic, municipal services, and mother child care facilities”;
- Support of programs for the handicapped.

The diverse welfare programs that BMW South Africa supports as well as the promotion of sport and art will not be discussed in detail here.

The example of BMW South Africa shows how even a global player can implement local programs that correspond to the development stage and the needs of the respective country. The BMW Group not only co-operates with large NGO’s but above all with CBO’s (community-based organisations). At the same time, the group also always has an eye on its own long-term interests - for example qualified young talent.

Employee orientation

In the area of personnel policy, the BMW Group emphasizes continuity:

“The success of a company depends on its employees. A value-oriented personnel policy was clearly defined by BMW in 1993. The company’s sustainable growth is based on its employee-oriented personnel policies. This is absolutely essential to the prosperity of the BMW Group. The success of this approach is demonstrated by the fact that in the past 39 years, there have been no layoffs resulting from operational conditions”⁷⁹.

⁷⁹ All quotes in this chapter are from: Sustainable Value Report 2001/2002, page 60ff.

The director of personnel, Ernst Baumann, categorizes employee orientation as a genuine component of the corporate strategy:

“Working as a member of the BMW Group means meeting the high standards of a premium automobile manufacturer and sharing the enthusiasm for the brand name and the products. It also means high quality work, a willingness to learn, and versatility on the job. Most importantly, it means contributing to the continued success of the BMW Group in keeping with the company’s approach to sustainability. Following the principle “Compensation for Performance,” the BMW Group offers excellent employment conditions and social benefits. This is what makes BMW one of the world’s best places to work.

In order to attract the best-qualified personnel and encourage a sense of commitment, a company has to offer the right personnel policies. It also has to be appealing. The work histories and life plans of today’s workforce are more diverse than ever before. Employers of the future are evaluated according to four criteria: A stimulating atmosphere (great company), challenging work (great job), above average remuneration (great pay) and high compatibility between work and private life (great balance).

At the BMW Group, responsibility for the workforce and social involvement are not just passing fads. Both of these attributes have been an integral part of our corporate ethos for many years. We plan to continue to set the standards in these areas and serve as a model for other companies. In other words, we are doing everything we can to ensure that our responsibility to our workforce and to the society as a whole continue to meet ‘premium’ standards – today and tomorrow”.

The fact that the BMW Group implements their value-oriented personnel policy consistently as well is documented very comprehensively by the Sustainable Value Report. The attractiveness of the BMW Group as an employer has already been emphasized as a significant component of their image. This is confirmed by surveys of employees as well as of external stakeholders, the works council and the business press. The BMW Group offers a wide range of social activities and financial benefits for their employees: from supporting young talent in schools to programs for company pensions and private retirement provisions; in their reporting, they do not shy from listing concrete figures and documenting the respective development during the past years.

The BMW Group has continued to plan a lot in the social area as well for the next few years and clearly defines the goals with individual measures – each with specified deadlines.

European and global CSR standards

The personnel policy in particular makes it clear that the documented social responsibility of the BMW Group is the expression of a corporate culture that has grown over many years.

They are proud to be recognized as a socially esteemed partner, which is apparent in the following successes:

- 1st place in the Dow Jones Sustainability Ranking 1999 and 2000;
- 1st place in the Bavarian "Advancement of Women Award 2000";
- 1st place in the Corporate Responsibility Ranking of the OEKOM AG 2000;
- One of two representatives of the automotive industry in the ethics index FTSE4Good-Europe, 2001.

They declare their support for internationally significant declarations:

- BMW Group supports the UN Global Compact initiative and commit themselves to observing the principles named therein;
- BMW Group supports the Basic Principles and Rights at Work ratified by the International Labour Organization (ILO) and the guiding principles of the OECD for multinational companies.

They are not afraid to be judged by independent experts:

- All BMW Group production sites have uniform environmental standards. They are certified according to the international environmental management systems DIN ISO 14001 or according to the ecological auditing of the European Union, EMAS;
- A sustainability management system is being developed. It will be implemented step-by-step and then certified externally as well.

The BMW Group has considerable reservations, however, about comparative standards that are set "from above" and thwart the voluntary efforts of companies. At the organizational unit responsible for sustainability policy, they complain that the EU does not sufficiently involve companies:

"At the stakeholder forum, for example, we do not have any possibility for participation. Only associations are included; companies can only be observers at most, although they are the ones that are actually doing the pioneering work. I was interested in being there for this CSR dialog, but that is decreed from above".

When standards are developed to be valid for all companies, there is a risk that the established corporate culture will suffer as a result.

DATEV REG. CO. (*)

Gudrun Ludwar-Ene

A brief description of the history and development of the company, or, a short story of a success

DATEV was founded in Nuremberg, as a co-operative by tax-consultants on the 14th of February, 1966⁸⁰. The name stands for the German equivalent of “Data Processing and Service for Tax Consultants”. The new commercial opportunities offered by data processing, the lack of employees during the economic boom years, together with the anticipated introduction of Value Added Tax in 1968, were the reasons these tax consultants joined forces in a co-operative. The purpose of the co-operative, whose foundation was initiated by Dr. Heinz Sebiger, born in Nuremberg, and later appointed an honorary citizen of his home-town was, and still is, commercial support for the members of the co-operative by offering a selection of appropriate services. During his time this took the form of managing the book-keeping for clients co-operatively, and at affordable prices, by means of electronic data processing using a programme developed especially for the purpose. The basic idea behind a co-operative guarantees that, in the long run, concrete productivity will benefit all members.

During the first few years after the founding of the company, data from the various members of the co-operative were stored on punch cards in their own offices and passed on to an IBM computer service centre for processing according to DATEV parameters. After a short time, the rapid increase in the number of members, together with the resulting volume of accounts indicated that it would be economically viable to install their own data processing centre and this went into operation on the 31st of January, 1969. Five years later, in 1974, members were able to forward their data electronically. Up until then it had been necessary to forward the punch cards by mail, to Nuremberg.

In 1976, DATEV began to establish its own VTAM net between the members’ offices and the Nuremberg data centre, thus establishing the basis for the development of new computer-based services such as interactive tasks and data banks.

A decisive change in the structure of the services was achieved with the establishment of the DATEV-distribution system (DVS), in 1984. Up until then the data collected in the tax consultants’ offices were processed exclusively in the data centre in Nuremberg. The distribution system provided the members firstly with the advantages of electronic

(*) Gudrun Ludwar-Ene prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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⁸⁰ This section is based on a text written by Eva Klesatschke to be found in the DATEV-broschure “DATEV and the History of Nuremberg” (undated).

processing of data stored in their office PCs, together with the advantage of a connection to processing through the main frame data base. Since 1989 DATEV-designed internal programmes have enabled the execution of procedures on office PCs.

DATEV has continued to extend the services offered over the years. Increasingly tax consultants are being used by their clients as business advisers so the co-operative developed, to assist its members, a comprehensive service of business advice and expertise programmes. Thus DATEV's task has changed from one offering purely the services of a data processing centre to an efficient software and systems business with all-round service for those involved in taxation. In this new service structure, the data processing centre is increasingly taking over the task of a data and logistics centre where, at the moment, the data of two thirds of all German companies is processed and stored and where each month around seven million wage and salary statements are issued. In 1998 DATEV started to offer a programme for tax consultants' business, for inter-professional societies and legal advice companies. The company has been able to carry on, without any operational dismissals, in spite of the fact that many severe structural changes have had to be carried out. Long term planning, the offer of in-service training and tailoring to the specific employment situation has meant that a harmonious solution has always been found.

Today, the co-operative, which started with 68 members and not even its own premises, is a data processing service centre and an information service company which handles an annual turnover of five hundred million euro and has almost 39,000 members. In 2002 the turnover was 566 million euro, an increase of 3,3 percent over the previous year, although there was a general crisis in the information and communication branches. A comparison of members over the last ten years, indicates a steady increase which also applies to the number of employees. Around 4,600 of the 5,400 DATEV employees work at the various offices in and around Nuremberg, the rest distributed throughout Germany in the various DATEV-information centres. This means that DATEV - as a co-operatively, organised business, unique for the information technology branch- is one of the companies with the highest number of employers in the area of Central Franconia.

DATEV's further business development is based on the guiding principle of the company which consists of two criteria:

“The services offered are aimed to enable our members to be more competitive. Moreover DATEV will develop to be THE European service provider for all information and communication requirements in the fields of taxation, legal advice and chartered accountancy”.

DATEV a symbol of sustainability

As can be seen from the description of the development of the company, sustainability has been a concept, enveloping, and not restricted to the world around us, a concept which has been represented and practised at DATEV for many years without it really being an issue. That other areas of life can, or should be determined by this sustainability has been made apparent to the public mind, above all, through the declared common

goals of the principle of sustainability, economic development, the environment and social responsibility, agreed upon at the UN conference in Rio, in 1992. Thus the concept of Corporate Social Responsibility which developed from this conference, targeted these goals at companies where economic, ecological and socially responsible dimensions were to be integrated.

Sustainability in the form of environmental protection

DATEV has practised and placed a great deal of emphasis on ecological sustainability as an aspect of environmental protection. This was evident in the environmental principles decided upon by the board of directors in 1996.

Environmental aspects are anchored in the principles of DATEV's organisational structure. They are executed in the form of a work group which functions as a co-ordinating committee with far-reaching access to information. Together with an environmental officer whose responsibility it is to establish, instigate and develop an environmental management system.

As early as 1990, a working group within DATEV had begun to be committed to the application of environmentally friendly resources, environmentally compatible materials and to drawing up an environmental balance sheet in regard to company policy. As a result of this, in 1997, the environmental officer established an environment management system which has been continually developed and improved. Internal environment audits are supposed to activate a process of continual improvement (KVP) in environment management. In all three audits of this type are held each year by the inspector, working together with the environmental officer in the departments, in order to establish that all environmental requirements are being carried out and that the environmental management system is functioning well. In 2000, for example, the areas of company catering, waste management and purchasing were controlled. The results were positive: failing would have resulted in improvement measures, instigated by the KVP, for environmental management.

Every two years voluntary reports on environmental areas are issued. In early 2001 this was carried out for the fifth time with instructions for the further development of the environment management system, for the environment balance sheet of 2000, for the environment programme for 2001, for environmental and socially just aspects and for information and communication about the environment within businesses. This environmental report was, as a result of the 2000 annual financial report, subject to external auditing, according to the standards of chartered accountants IDW PS 820 (The Institute of Chartered Accountants Examination Standard 820) The art and manner of the process of examination is clarified at the end of the report on the environment in the accompanying auditor's certificate. It certifies that the information presented in the report is "overall and specifically accurate and does not disagree with other information or evidence presented", and that the report adequately describes "in all essential matters, the first hand influences of the company's activities on the environment", in the report year of 2000.

The environmental principles of the company also stipulate active and environmentally oriented communication and information which can take a variety of forms both within and outside the company. As far as internal information is concerned, for example, a handbook on the environment has been prepared which lays out the entire environmental organisation within DATEV. By means of Intranet, employees can access the constantly up-dated version of the environment handbook from their desks, thus informing themselves adequately of all aspects to do with the environment within their company.

According to environmental principles, the members of the co-operative are also involved in this communication and information process. At the time of preparation of the environment report for 2000/2001, ecological advice for the members was being introduced in order to help answer questions to do, for example, with environmental costing and accounting or environment balance sheets.

DATEV is particularly aware of all the developments in environmental law and is quick to introduce the necessary innovations. The experience thus gathered is passed on to the members through one of the company's publications "Area of Counselling-Ecology". By means of the company's internal media system which provides members with research service helping them to obtain material about the environment, members are kept up-to-date about environmentally legal back-ground information.

The great significance of environmental protection within the company is indicated, not least, by the fact that a staff position was created by, and is responsible to the financial director, for a full-time company environmental officer and co-ordinator for environmental matters.

Expansion concept: The three-pillar model of sustainable economics

Even in the environmental report of 2000/2001, which was the last to appear under this name and included a report with the sub-title "DATEV as evidence of sustainability". In this ideas are offered on how to develop sustainably in a way that is ecologically viable. This was initially in the form of the well-known definition stemming from the Brundtland report of 1987, whereby long-lasting development is only development when present needs are met whilst, at the same time, ensuring that the needs of future generations will also be able to be met. The publisher of this report on the environment went on to claim, from this very general definition, that in order to achieve development which is long-lasting, it must be in accordance with the three pillars of ecology, economics and social justice. These demands were initially only partially introduced such as in the areas of economics and social justice but these activities and achievements were carried out under the name of ecology. As before the environmental report covered a much greater area.

In the new form of report which appeared in September 2003 "Sustainability Report 2002/2003", the point was expressed "all three pillars of sustainability - economics, ecology and social justice should be applied more clearly in order that development may be documented", as the chairman and the financial board wrote in their combined introduction to the first DATEV report on sustainability. They consider the most

important new aspect of the report to be the definition of principles for sustainability, leading to that factor being anchored to business policy. Using these principles, the process of improvement should be further encouraged and sustainable business gradually introduced. Applying business principles which are sustainable and oriented to the future means that DATEV is obliged, according to the report, to consider the future commercial, ecological and socially just effects of all business activities, in order that the future commercial success of the company is guaranteed. At another point mention was made of the “interaction of commercial productivity, social responsibility and environmental protection”.

This broader attitude was the outcome of general public discourse, but above all the result of the active work carried out by DATEV in study groups and networks such as COUP 21 (Co-operation of the Department for the Environment and Pioneer Companies in the 21st Century). This latter study group in which, at the moment, more than thirty companies have participated, was started two and a half years ago in Nuremberg, in order to exchange broad ideas about sustainability.

The sustainability report itself is the result of a lengthy, comprehensive internal series of discussions in which many involved in the company participated. In order to facilitate the project, the board established a study group in which all areas of the company were represented, generally by staff employed at middle-management level. These people, in turn, returned to their work place to pass on the information gleaned, to those in their own area of responsibility.

This appreciation of sustainability reflects upon the principles of sustainability themselves, as well as on the report at the end of 2002, and consistently places equal weight on the three areas of economics, ecology and social justice. Thus, economics, ecology, and social justice are of equal importance which are then formally expressed by equal performance. Consequently, the area of economics was entitled “Sustainable Business Development“ and that of ecology given the programmed title of “Environmental Protection-Management’s Task”. The heading “Employees and the Community“ for the area of social justice reflects that DATEV considers its responsibilities go beyond the restrictions of company structure.

The following description of sustainable business as demonstrated by DATEV, follows this three-pronged approach which, at the same time, makes no claim to balance.

The report on sustainability closed with a tabular view of the established goals and the concrete means planned in order for to attain them.

The sustainability report, together with the preceding environmental report of 2000/2001 were subjected to IDW PS 820 auditor standards, a standard developed for the examination of environmental reports. There is no set standard for examinations of sustainability, so the IDW PS 820 was used analogously, thus breaking new ground. This explains the formulation of the attestation accompanying the report that the examination was carried out “under the equivalent conditions to the IDW examination standards: the basic principles were carried out in a regular manner according to (IDW PS 820). Detailed statistics followed explaining the content of the evaluation which

took place, over a period of three weeks, in the various DATEV departments. The environment officer who was responsible for the entire co-ordination of the sustainability assessment, summed it up as “an incredible amount of work“.

The term Corporate Social Responsibility is hardly known and seldom used in discussions at DATEV, but the issues behind the term, such as responsible business practice and ecological and socially attitudes to the environment are alive and kicking.

Sustainable business development

In order to fulfil the aim and contract of the commercial interests of the members-the tax-consultants, auditors, and lawyers- by means of providing appropriate offers of services, it is necessary for DATEV to consider the market just as any other company. Performance and competitiveness need to be continually ensured, in order to make a profit. These are, of necessity, the pre-requisites for enduring, long-term successful business development. The achievement of profit is not contrary to the basic ideas behind a co-operative.

Preservation of performance and competitive strength

Consistent business planning

Consistent and continually controlled business planning is the basis for reliable, future business, in DATEV as in every other commercial enterprise. Annually, five-year plans for turn-over and cost trends are projected and the financing of business activities and constant liquidity in the face of aspects of risk clarified.

The commercial goal of DATEV is constant moderate growth and has, up until now, always been reached, as can be seen from the comparison of turn-over development in the past. Turnover in the period from 1991 to 2002 increased from 397 million euro to 566 million euro, and in the last five years there has been a constant increase, despite the general economic trend.

Reliability and quality

One of the major reasons for the success of DATEV, besides consistent business planning, is the reliable contact with the members. This reliability is in regard to the product and services themselves as well as data privacy and integrity. It is ensured through the use of a quality security management system which is an integral part of the continuing process of improvement.

Innovative energy and flexibility

Innovative energy plays an important role at DATEV in the effort to achieve sustainable development. DATEV invests around 16 per cent of the annual profit on new development and extension and modernisation of their programmes whilst maintaining delivery of the classical products in the areas of accounting, annual statements, payroll accounts and taxation. These latter services provide the necessary surplus to finance

investment in offering new products and services until these generate their own profit and thus promote growth.

Flexibility is for DATEV as an IT-service centre also very important, for it implies the ability to immediately react upon changes and new opportunities. Innovative technology should be as modern as possible in order that likely potential for the company and its clientele be checked and made available to the offices as early as possible.

Risk management

A company like DATEV, involved in information and communication technology, is confronted by a number of risks in the form of markets, technological progress and changes in the laws which it is necessary to confront in the interests of survival. The company relies on an efficient and anticipatory form of risk management to surveillance and control potential problems. In this way DATEV fulfils the regulatory established demands for the control and transparency of companies (KonTraG).

The members have benefited from this successful growth, a result of the efforts the company has made to safeguard its commercial service and competitive edge. They enjoy a reliable, economically strong partnership and high investment protection related to the success of the company, thanks to the well-balanced dividend policy in the form of co-operative reimbursements. In the last seven years (1996-2002) the extent of this reimbursement has been between 4,4 and 6,5 per cent of annual turn-over.

Developing new business and markets

DATEV attempts to have a cutting edge on competition with their investments in new information technological products and services. Many companies deem information technology as an essential part of competitiveness but, at the moment, are holding back on investment. The IT-branch anticipates considerable, medium term growth. Hence DATEV is continuing to invest in the development of possible future business areas such as Internet, multimedia, security of electronic data network and e-business.

However, the inland sales market will only expand to a certain limited extent even with these new developments. At the same time the mutual dependence of the European economic zone is increasing, which requires of the members, when dealing with their clients, improved information and trade with other countries. Thus, the most important challenge to DATEV is to find markets outside German borders and to be an important partner within Europe in the field of IT-services for the tax consultancy profession. A start was made in December 2000 with the creation of the Czech Sales and Distribution Company DATEV.cz.s.r.o. This was followed by establishing companies in Austria and Italy and the next area to be a branch in Poland.

Part of a long-term profit guarantee is also strategically important targeting in order to reach those market players behind the tax consultants, without scaring off their established clients.

An example of long-term new developments at DATEV is, among others, the business *area of security in the electronic data net, and e-learning.*

Example: security of electronic data communication

The security of data in electronic business communication is playing an increasingly important role. The product DATEVnet enables the members to access the Internet with the greatest possible security, for DATEV's Internet usage is protected by means of a SmartCard which can also be used for further services such as the encoding of e-mails and digital signatures. Optimal security of legal matters is offered by the Trust Centre which was authorised in March 2001, as one of the first to be primarily concerned with signature law.

Example: e-learning

A further, relatively new area of business in which DATEV has invested is that of e-learning. The company, together with tax consultant organisations, founded their own company in 2001, Tele Tax Ltd. with its headquarters in Berlin, for the creation of electronic self-learning media concerned with the subject of tax-law. This is supposed to cover the current and individual needs for further education in the area of e-learning in an economical and up-to-date manner.

Customer relations

Company principles ensure that all company employees encourage consistent customer orientation. DATEV's clients are, as a consequence of the co-operative legal status of the members, owners and share-holders of a union of people. The spectrum of activities, the expectations and the needs of the clients- from the one-man-business to the largest bonus companies with hundreds of employees- are heterogeneous. This can sometimes create conflict concerning matters such as pricing or the weight of business abroad. The company is aware of this heterogeneity and attempts to conciliate and integrate the varying expectations and demands of their clients. Large and small tax consultants' offices are supposed to be treated and satisfied in the same manner and this is assisted by the company's open information- and communication policy. As has already been mentioned, DATEV is in lively exchange with its members and involve them in product development thus ensuring that the product is just what the customer wants and without any short-comings. Continuing processes of improvement guarantee that the reason for customer satisfaction is the high standard of quality. The outcome of these efforts is controlled through customer questionnaires which are carried out regularly each year by a well-known institution.

Targets and measures for 2003/2004

Measures and aims mentioned in the development of the company in 2003/2004 concerning sustainability were:

- Establishing new business areas
 - Measures:

- Investment in foreign branches/partner and market observation;
- Development of new products directed at providing maximal customer satisfaction.
- Promote electronic legal transactions
 - Measures:
 - Trust centre: encoding and digital signatures to safe-guard data communication;
 - The pilot project Curiavant: for the introduction of SmartCards in council administration (“virtual town hall”).
- Continue to develop risk-management
 - Measures:
 - An annual record of the vital areas of risk and their influence on the investment, financial and profits situation.

Environmental protection as a management task

Ecological responsibility

The decision on sustainability principles means that the environment is a firm aspect of future DATEV business policy and that ecological aspects will be relevant to company decisions. Environmental topics are part of internal information and in-service training and exchange can be of an informal nature, amply displayed in the annual quiz held by the environment officer in the employee magazine “Green Finch”.

DATEV-Consulting is an internal, fast expanding business area established by the company, where 80 consultants are meanwhile involved in business administrative counselling for tax consultants. Lately it has been seen that there is, as well as consultation on business administration matters, an increased need for advice concerning ecological requirements. It is precisely the medium-sized businesses which have been influenced by the laws on recycling and waste removal with their subsequent effects and it is here that DATEV can offer know-how.

The company’s activities and involvement with the environment goes beyond company limits and members. It participates in the municipal COUP 21, and also in the Nuremberg sustainability pact, together with many other further initiatives and networks. Exchanges of ideas and experience with other participating companies may result in new impulses which could be of use to DATEV.

Results of the 2002 report on the environment

The annual reflection of important energy and resource usage is an essential and indispensable aspect of the environment management system. It is only from a long-term comparison of statistics of consumption data and development that worthwhile targets and measures can be established of benefit to the environment.

In the sustainability report of 2002/2003, the data and development most relevant and important for the environment were presented in a seven-year comparative (1996-2002) study by means of a bar chart. The areas covered were: consumption of paper, packaging and energy, fuel used by company cars and the amount of waste created. The trend was in general positive, but analyses of increases in particular areas were made in order to establish reasons.

The following were points were exemplary. DATEV has attempted to encourage employees to use public or more environmentally friendly forms of transport in Nuremberg and success has been described as Best Practice.

Best Practice Example: DATEV's transport policy

The "job ticket"

DATEV encourages its employees to use public transport. This is achieved in the form of an annual pass obtained from the bus transport company for the area around Nuremberg- the company's annual environment pass- which costs about half the normal price. On top of this, DATEV subsidises this environmental pass in relationship to the number of zones travelled. A "job ticket" for zone 2, for example, is rewarded with a subsidy of 400 euro a year.

Around 1,600 of the 4,600 employees in Nuremberg take advantage of this cheap offer and use public transport to travel to work.

This subsidy of "job tickets" costs DATEV the impressive sum of 450,000 euro a year. The acceptance of these "job-tickets" was of immediate benefit to the company for it meant that 1,600 fewer parking spots were required. This met the demands, according to environmental aspects, by reducing the amount of land used.

Internal courier service for personnel

DATEV has created an internal courier service for personnel which runs between the various buildings within the town centre. Three mini-buses, one fuelled with environmentally friendly natural gas, commute every 25 minutes between the buildings. A time-table helps employees to gauge exactly when they need to travel for the company. The year 2002 saw this service in use 45,000 times.

Encouraging travelling to work by bicycle

DATEV is also trying to make cycling more attractive for its employees. There are roofed cycle stands at all buildings and many offer showers for the use of cyclists. In summer 2003, DATEV took part in an activity organised by the AOK (a health insurance company) called "to work by bike": 81 feeder teams cycled to work for four weeks. DATEV's board offered their own prize which was awarded to the winning team by means of a raffle.

Bonus system for the choice of an environmentally friendly company car

In 2000 a bonus system was introduced which made it simple for employees to choose

an environmentally friendly company car and the system has shown initial success; a large number of the fleet can in the meantime be categorised as being optimal (which means having pollution of less than 180 grams of carbon dioxide per kilometre). This means, when compared with former times, a saving, through the bonus system, of more than 250,000 litres of fuel per year. Almost 70 per cent of the sales representatives in particular have chosen to drive a car of this nature.

Targets and measures 2003/2004

The following measures and goals were introduced in order to improve the environmental balance sheet for 2003/2004:

- Improve efficiency of resource use
Measures:
 - Renew the air-conditioning in building 51;
 - Check and continue the encouragement system to promote the choice of environmentally friendly cars.
- Optimise paper use in the printing centre
Measures:
 - Change to online-revision with Hunkeler Schneider and avoid empty pages (c. 5%);
 - Annual payment notification duplex (saving: 23 m. pages).
- Introduce more environmentally friendly toner
Measures:
 - Use toner with as few dangerous elements as possible and encourage producers to lower their limits.
- Improve attitudes to the environment
Measures:
 - In-service training on the subject of the environment;
 - Annual environment quiz.

Employees and Society

Responsibility towards the employees

A company is dependent upon motivated and well-trained employees in order to run a lasting, successful business. This applies particularly to the IT branch which is characterised by rapid technological progress and therefore by necessity to have high expectations from employees in regard to flexibility, performance and further training. The companies themselves can do a great deal to create a working atmosphere which promotes these characteristics.

Employee satisfaction

DATEV has a reputation in the area for being a company that does a lot for its staff. This

reputation no doubt contributes to the high number of applications, among them from highly qualified IT specialists, which the company receives.

The workers themselves substantiate the good reputation of their employer in the questionnaire which is carried out every two years. Since 1998 DATEV has permitted an institute from outside the company, to question staff about job satisfaction. In the last questionnaire, which was carried out in October 2002, well over half the employees took part. In almost all areas an improvement was noticeable when compared with the previous project, and particularly so in the areas of leadership and information. The number of classified employees who consider themselves fans of the company and are satisfied life there has risen from 39 per cent at the time of the first questionnaire to 53 per cent at the last.

Staff satisfaction is less directly but more clearly expressed by the very low fluctuation rate of 3.18 per cent and 3.67 per cent and that during the boom years of the IT market, from 1997 to 2001. In 2002 this figure sank to the exceptionally low rate of 1.77 per cent although here the disastrous development on the labour market needs to be considered. The continuity of employment too says something about staff satisfaction, for at DATEV it is, on an average, 12.2 years while around 45 per cent of the employees have been with the company for between 10 and 19 years and 15 per cent between 20 and 29.

Why does DATEV have this good reputation and a high degree of worker satisfaction? The opinion of the staff is an important facet of DATEV's business culture. It takes concrete form in the most attractive working conditions which the company offers its workers. These can be listed as:

- Broad training and further training programmes;
- Interesting scope of duty;
- Flexible and innovative work models;
- Frank information policy and constructive discussion;
- Comprehensive social benefits;
- Salary according to performance;
- Competitive salary and bonus system;
- Ergonomic workplaces;
- Secure positions.

The estimation of the staff can be expressed financially when considered that the distribution of almost 90 per cent of the real net output goes to them. Wages and salaries make up to 71 per cent of staff costs whereas 14 per cent are for regulatory costs and 15 per cent for extra services.

To this can be added, DATEV's training programmes which are somewhat extensive such as Best Practice and the various conditions the company arranges for its staff so that family and profession can be organised more easily.

Qualification structure concept: training programmes

Training and executive training, together with job related and general further training, are of great importance to DATEV as an IT business. The company lives to a very particular degree from the know-how of its staff, so it must guarantee that this not only remains the case but that there is continual and sustainable business progress.

Training:

At the moment DATEV offers 140 training positions in the accounting and technical fields, whereby during the past few years the offer of training positions has been relative to the employment picture in the world of IT business.

For over eleven years, a central element of training has been the junior company JUBIT, which is a small business with all the departments of a normal company - personnel and accounting, public relations, general administration and in the case of IT-service supplier-software development. Under the principle of learning by doing, young trainees gain an insight into the commercial relationships and business undertakings of the company. They are supported throughout by their mentors.

As far as the relationship of males to females among the trainees is concerned, in a six-year survey, from 1997 to 2002, it was found that the figures for the last three years were almost equal. In the years before, there had been more female trainees than males, although the women were primarily distributed in the accountancy side.

Young people with university entrance qualification who begin to study a related subject either after or during their training can be employed as working students and complete their thesis under the auspices of the company (www.datevstadt.de).

Each year the company provides roughly 150 work experience placements for students at universities, technical universities, and vocational colleges.

Whoever completely fulfils the opportunities of training offered by DATEV has good possibilities of being taken on by the company.

Further training:

DATEV offers its staff a great number of extensive possibilities for in-service training and seminars, either related to their professions or of general interest. In this way a solid basis for a successful future is established. In the period from 1998 to 2001, the annual number of places for extra work-related classes was particularly high with 23.000 participants, but this had to do with the challenges created by the development of products, by the installation of the operating system Windows, the end of the millennium and the introduction of the euro. After the completion of the programmes designed especially for these tasks, the number involved dropped back to the more normal figure of 19,000 in 2002.

Training courses and seminars for computerised word processing and particularly for

product development are essentials in professionally related further training programmes.

As well as this staff can take part in a number of courses in their spare time. DATEV's evening school offers a broad programme covering classes in computerised word processing, self-management and communications as well as the areas of foreign languages and health. Lectures on current topics such as technological or organisational innovation take place regularly.

The internal company "face-to-face" classes have developed from a series of e-learning courses, in which the staff study by themselves, to professionally specific courses in which they can participate, such as computerised word processing or software development, as well as general subjects like foreign languages or self-management.

The importance of training at DATEV is reflected in the interest shown in an MBA programme and the administrative commercial academy VWA, which offers professional training for those in the trades, something greatly valued by the company.

Professional prospects for men and women

DATEV basically recognises that men and women should have the same professional opportunities and for an IT service supplier the balance between the two sexes is relatively even. At the end of 2002 the number of women employed by the company was 41 per cent, but it must be mentioned that the sexes are weighted differently in various professional areas. Over the last six years, it has been noticeable that the lack of interest displayed by women in technical areas, such as computer sciences, has meant that women are under-represented in the new field of software development. The number of new male employees is between double and three times that of women.

Work structuring taking consideration of personal circumstances.

DATEV offers its staff the possibility of organising their employment, and the hours involved therein, in such a way that they harmonise with their personal style of life. The most common reason for staff to want to change from a full-time- in person in the company- to a part-time job, is the care of one or more children. It is obvious from the commonly played roles in families that it is normally the female employees who use these possibilities.

Best Practice Example II: Establish pre-requisites for the combination of family and profession

One of these possibilities is an innovative and flexible working project- the part-time and the tele-commuting models, and both forms are increasingly requested. Alone in the last five years, the percentage of part-time working places has increased by four per cent to 17,5 per cent. It is, above all women who choose to do various types of part-time work.

Tele-commuting is being promoted intentionally through a work's agreement. It offers a further possibility for qualified women to re-enter the workforce more easily, after maternity leave. The number of women selecting tele-commuting as an alternative is increasing but relatively slowly probably because of the inherent organisational difficulties.

About 4 per cent of the work force, at the moment 208 employees, have taken parent leave which offers the possibility to commit oneself completely, for a period of up to three years, to the family. DATEV decided in a company agreement, long before government legislation was passed to the effect, to allow a period of three years for the raising of a child. The term "parent leave" has deliberately replaced the former terms "educational leave" or "maternity leave" although the number of males amongst the employees who take advantage of the offer remains relatively low. If necessary, employees can extend this time of leave by a further six months.

In order to provide the staff with an atmosphere in which work can be carried out in a calm and concentrated manner, or at least to ease the situation, DATEV has introduced and tested several types of assistance with varying degrees of success: a company kindergarten, the intranet platform "Child care" and the new project "Family Service".

Company kindergarten

In 1996 the company donated a large sum of money, together with Nuremberg Town Council, in order to set up a kindergarten with the capacity of taking 49 children belonging to DATEV employees. The concept of the company kindergarten has however, proven to be unsuccessful, the reason being that employees travel in from a very wide area and a centrally placed kindergarten is normally only used if children could not get a place in their local kindergarten. As soon as a place became available close to home the child would be taken out of the company kindergarten and sent to the one in the vicinity of home. This type of action-tearing a child out of a well-functioning group-is most unsatisfactory from the pedagogical point of view, and cannot be condoned. As a result this family directed activity was wound down and substituted by the intranet platform "Child care".

Intranet platform "Child care"

This organisation is a type of exchange whereby the mother herself makes an offer, or the child care centres itself advertises. However, it has not been as successful as expected for many employees have reservations about combining family and business quite so closely. As a result, the idea arose of putting the work of child care into the hands of an agency of experts

Project "Family service"

At the moment DATEV is working, together with professional parents, on a twelve month pilot project with qualified councillor and mediator. This is called the pme Family Service Ltd. Which was founded in 1991 by a personnel specialist at a large German company, a

sociologist trained in youth work, together with a team of experts. In the meantime there is a national network between all major cities in Germany, including Nuremberg, in Austria and in Switzerland. DATEV staff can get advice here on the best concept of child care for all the family's needs and are able then to obtain suitable information about a child-care centre. The choice available to the family centre is carried out with care according to social-pedagogical and psychological principles; selection of carers is based on their good reputation and an impeccable health testimony. The costs of this counselling are borne by DATEV.

Targets and measures for 2003/2004

The setting of the following goals and the carrying out of the following measures are planned for the personnel:

- Staff qualifications

Measures:

- Investment in numerous educational forms (student development programmes;
- MBA programme, probationary stage for new employees, personal development;
- seminars, offers of evening classes etc.).

- Personal development

Measures:

- Extending tele-commuting/work outside the office;
- Project "Compatibility of Family and Profession".

Community involvement

As one of the largest employees in the area DATEV has responsibilities beyond the framework of the company.

Participation and membership of initiatives, clubs and associations

One form which this civil responsibility takes is the involvement in initiatives, clubs and associations.

DATEV already participates in the sustainability network COUP 21 and on the sustainability agreement with Nuremberg, at municipal level. As well as this DATEV is also active, for example, in the Nuremberg Initiative for Communication Commerce inc.(NIK), in various study groups for the Association of Chambers of Trade and Industry (IHK), and with the Nuremberg taxation discussion group.

DATEV participates, on the national level, at BITKOM, the German Association of Computer Businesses, telecommunication and new media as with B.A.U.M. inc. the national German study group for environmentally friendly management.

The initiatives and organisations mentioned in which the company participates to a greater or lesser extent, is only a tiny fraction of DATEV's activities.

Charitable-social involvement

In 2002, DATEV helped the ill and handicapped with donations to the tune of 250,000 Euro, 75,000 Euro going to the Centre for the Blind inc. in Nuremberg. For almost fifteen years the company, accepted and followed by the staff, has renounced Christmas gifts for the employees and their clients and has instead distributed this sum to appropriate institutions.

The company also delivers hard and software, but above all PCs which are no longer up to date enough for company use but still quite all right, to many schools in Nuremberg and the surrounding areas.

The so-called Dürer patronage however, binds the evident bias of education at DATEV, to education with social engagement.

Example: Dürer patronage

Since 1997, when DATEV became a patron of the Nuremberg Dürer Grammar School- selected because of the choices they offer in the information technology subjects, pupils from the 10th class of the school can spend a year at a High School in the USA.

The idea behind this was that a stay of this nature in a foreign country, in order to be trained or for the further education of young people brings with it technical and personal experiences and knowledge which in turn provides, under the present employment conditions, better professional and life opportunities.

In the five years from 1998 to 2002, DATEV has spent in total around 107,000 euro on the Dürer patronage.

Targets and measures for 2003/2004

The sustainability report named the continuation of civil engagement as a goal for this period with the measures to be taken as:

Working together with regional and national study groups and co-operating with the city of Nuremberg (NIK, IHK, COUP 21, Nuremberg tax representatives and BITKOM) as well as continuing the Dürer patronage.

Conclusion

“A company of the size of DATEV has a considerably mentionable influence on the economic, ecological and development of social justice in the area and therefore carries responsibility“.

These were the common words of welcome at the presentation of the sustainability report for 2002/2003, used by the Chairman and the Financial Director.

The resulting activity should show quite clearly the manner in which DATEV Ltd. has carried out these tasks in a long-term approach for future trade within and outside Germany.

DR. R. PFLEGER GMBH[©]

Michael Nürnberger

Company Profile: Dr. R. Pflieger GmbH – Competence and Responsibility

“Those who conduct research with the aim of improving human health carry a great deal of responsibility”.

This quote by Professor Dr. Robert Pflieger captures the essence of the goals and efforts of the pharmaceutical company founded by him. Technical skill, responsibility with respect to customers and employees and a commitment to social and charitable causes are its real manifestations.

At Dr. Robert Pflieger GmbH, competence and responsibility do not refer only to the immediate environment of the company, but to its internal structure and the promotion of the cohesion among its approximately 260 employees. The slogan often heard among the employees “We are Pflieger” is a reflection of successful employee-oriented company policy.

The sole shareholder of the company is a foundation, i.e. the Dr. R. Pflieger GmbH of Bamberg, Germany is an asset held by the foundation. This structure enables the company to provide considerable resources for basic and clinical research, with the foundation taking responsibility for the allocation of the resources and the company generating the resources.

In the year 2002, the company posted sales of € 40 million. Measures involving expanded trade in the prescription drugs segment and greater specialization in the areas of urology and dermatology have since been implemented to help the company surpass this sales mark in 2003. However, the current political and economic situation in Germany could present a roadblock.

Company operations can be broken down into the following mutually supporting units:

- Administration:
 - Accounting and Controlling;
 - Human Resources and Social Services;
 - Materials Management;
 - Organizational and Data Processing;
 - Technical Support.

[©] Michael Nürnberger prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.
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- Production / Sales:
 - Marketing and Sales;
 - Production;
 - Packaging;
 - Medical Science;
 - Pharmaceuticals;
 - Fine Chemicals Production;
 - Contract Production;
 - Export;
 - Quality Assurance.

Thanks to the introduction of increased group work and a reduction in the number of production groups from four to two via *business process engineering*, greater group productivity and a flattening of the management hierarchy have been achieved. Since the implementation of these measures, the departments operate with the support of group speakers and management teams who report only to the responsible production supervisors.

Company Culture and Management Principles

The company adheres to an “open door” policy and relies to a great degree on the freedom granted to its employees to take the initiative and to demonstrate personal responsibility. While the company’s efforts to promote and secure these values include the distribution of special guidance brochures to the management, the remainder of the employees regrettably receive no such support material. That being said, the employees do have an opportunity to internalize the aims of the guidelines by taking account of the examples set by the management. It is not surprising that the company enjoys an illness-related absentee rate of only 2% per month and an extremely low employee turnover rate. The responses of those interviewed were altogether positive, with none voicing reservations when asked for a candid opinion.

Principles of Production and Quality Management

These are provided for by the strict laws and regulations that apply to pharmaceutical companies in Germany. It warrants mention in this context that the Dr. R. Pflieger GmbH was the first company in the federal state of Bavaria to be certified according to GMP¹⁸³ and that the company has been regularly subject to government and FDA¹⁸⁴ (exports) controls.

¹⁸³ Good Manufacturing Practice

¹⁸⁴ United States Food and Drug Administration

Management Guidelines

This brochure was expressly drafted for the management of the Dr. R. Pfleger GmbH. The objective of the brochure is to help the management effectively and sensibly meet the continuously changing challenges posed by the pharmaceutical market, to contribute to the further development of the company [...] and to secure the Doctor Robert Pfleger Foundation the means it needs to fulfil its public-interest mission¹⁸⁵. The guidelines make clear that the employees are to take the initiative and to assume personal responsibility. They also indicate how they can be supported in this regard by the management.

What follows is a summary of the guidelines.

1. The company's strategic objectives, which are established in light of both future risks and opportunities, have an impact on our thinking and acting.
2. We promote the taking entrepreneurial initiative on the part of our employees by arriving at individual and fair goals together with them.
3. We agree upon measures together with our employees and implement these measures vigorously and on schedule.
4. We provide our employees with important information in a timely manner.
5. We evaluate our employees fairly and in accordance with agreed upon and measurable criteria.
6. We reinforce the positive capabilities of our employees by showing enthusiasm and expressing praise and constructive criticism.
7. We take a future-oriented approach and support our employees.
8. We are aware of our role as a model and work to establish mutual understanding and trust.
9. We have time for our employees and rise to meet challenges together with them.

These guidelines were inspired by an employee survey and an assessment carried out by an external consulting company in 1999. Both the survey and the assessment indicated that individual units within the company were characterized by massive managerial deficits. These resulted in part from the fact that the company was run in a strictly hierarchical fashion for 50 years - an environment in which the participation of the employees was unwanted and little value was placed on informing the employees of important matters.

While a brochure describing specific guidelines for employees does not exist, another brochure, "Drugs - Competence and Responsibility", has been made available to them. This second brochure lists the following principles whose aim is to emphasize the importance of assuming personal responsibility and securing lasting quality¹⁸⁶.

1. Pharmaceutical competence and responsibility form the foundation of the development, production and marketing of drugs at the Pfleger Company.

¹⁸⁵ Preamble to the management guidelines of Dr. R. Pfleger GmbH

¹⁸⁶ Dr. R. Pfleger, Drugs - Competence and Responsibility; p. 3

2. Progress for Dr. R. Pfleger GmbH means the consistent application of scientific findings in the area of business practice to secure the continual improvement of existing products and the continual development of new products.
3. Reliable performance, quality and cost effectiveness characterize the products of Dr. Robert Pfleger GmbH.
4. A commitment to the greatest conservation of natural resources determines the conduct of business at Dr. R. Pfleger GmbH.
5. The promotion of patient health is the overarching goal that Dr. R. Pfleger GmbH pursues in cooperation with all of those involved in the healthcare system.
6. The ability of the employees of Dr. R. Pfleger GmbH to take the initiative and to assume personal responsibility represents prerequisites for the attempt to achieve this goal.
7. Economic self-sufficiency and independence are the basic conditions for the business activities of Dr. R. Pfleger GmbH.

These guidelines are supplemented by further guidelines conceived to maintain and secure the continuation of the noble objectives of the company founder¹⁸⁵.

1. Cost effective and high quality products secure the independent presence of Dr. R. Pfleger GmbH in important therapeutic areas and on relevant markets in the pharmaceutical sector.
2. Continuous and strict quality inspections guarantee that the products of the Pfleger Company enjoy the greatest degree of pharmaceutical safety.
3. Effective and committed research optimizes quality and establishes new pharmaceutical applications.
4. Consistent market orientation helps to create the flexibility that will be required to remain active on the healthcare markets of the future.
5. A commitment to people and health belongs to the self concept of Dr. R. Pfleger GmbH and its employees.
6. Profitability, competence and responsibility in the service of health promotion will continue to guide the business activities of Dr. R. Pfleger GmbH into the future.

Social Responsibility

The Dr. R. Pfleger GmbH and its sponsor, the Dr. Robert Pfleger Foundation, have established various areas in which to demonstrate their commitment to social responsibility.

- Promotion of scientific research;
- Promotion of opportunities for youth;
- Support for the unemployed;
- Promotion of youth social work programmes and institutions;
- Support for the sick, elderly and disabled.

¹⁸⁷ Dr. R. Pfleger, Drugs – Competence and Responsibility; p. 22

*Promotion of Scientific Research*¹⁸⁸

“Professor Pflieger assigned two great tasks to his foundation. The first is the promotion of pharmacological, toxicological and clinical research. [...] In responding to this task, DM 17 million has been invested in nearly 300 research projects since the foundation received official approval to begin operations. Since 1991, the beneficiaries also include the federal states of the former DDR, as these are in dire need of financial support and an improvement in basic clinical facilities”¹⁸⁹.

Approximately 1,800 foundations are active in the promotion of science and research in Germany. The area of medical science, with 360 sponsors, is one of the most prominent areas. The biggest difference between these foundations and publicly-funded or state-sponsored programmes is not a matter of financial clout, but a matter of the foundations’ “independence, willingness to venture along self-selected routes, openness to new developments, joy in cutting across the grain of book learning, grazing beyond the fences of experts’ gardens and playing beyond the barrier of established experience”¹⁹⁰.

Best Practice Case: The Dr. Robert Pflieger Award for Outstanding Scientific Work Relating to the Foundations and Future of Medicine

Conferred every two years since 1986, this award for medical achievement, in particular for foundational and inspiring concepts with pathbreaking potential in all areas of medicine (basic research and clinical research for the diagnosis, treatment and prevention of disease), represents one of the ways in which the Dr. Robert Pflieger Foundation is committed to the promotion of scientific progress. A panel of five experts submits the names of researchers it considers to have made outstanding contributions in the area of medical research to the foundation’s executive committee and the executive committee then selects those individuals from among those proposed who it feels are especially deserving of distinction. The award is usually endowed with _ 50,000, and with twice that amount for exceptional cases.

Support for the Sick, Elderly and Disabled, Promotion of Projects to Improve the Prospects of Unemployed Youth, Promotion of Youth Social Work

It warrants pointing out in this connection that the foundation has acted in the past 25 years in the continuous awareness of the growing requirements of science and its political responsibility to adapt its priorities to the needs of times.

The second major task to which the foundation has committed itself is the promotion of projects of a social and charitable nature. Up until now the focus has been on

¹⁸⁸ Cf. <http://www.umweltministerium.bayern.de/aktuell/newsroom/reden/2000/010700.htm>; Minister of State, Dr. Werner Schnappauf; Conferral of the Robert Pflieger Award 2000

¹⁸⁹ Festschrift: 25 Years of the Doctor Robert Pflieger Foundation, Competence and Responsibility, p. 14f

¹⁹⁰ Cf. Hubert Markl at the 75th anniversary of the Association of Foundations for Science in Germany.

providing support for projects involving the care of needy and elderly citizens, the mentally and physically handicapped, and children and youths in and around the city of Bamberg. The foundation has donated a total of DM 7 million in connection with the following *large projects involving the building, furnishing, expansion or renovation of support facilities*:¹⁹¹

- The Dr. Robert Pfleger Rehabilitation and Nursing Home;
- The Dr. Robert Pfleger Day Care Center;
- The Dr. Robert Pfleger Nursing Home;
- The Wilhelm Löhe Nursing Home;
- The Albrecht Dürer Nursing Home.

Further donations amounting to approximately DM 1.5 million were channelled into the construction of a physical therapy department in the neurology ward of the St. Getreu Neurological Clinic in Bamberg, into the renovation of the Heilgarten Nursing Home of the von Bodelschwingh Bethel Institute in Bielefeld and into the construction of nursing station and facilities for the severely disabled at the nursing home in Rattelsdorf and the Seniors' Center of the Bamberg Workers' Welfare Association.

Further donations amounting to DM 7 million served the purchase of vehicles for the transport of the disabled, the purchase of emergency medical services vehicles and vehicles for social welfare stations throughout the former West and East Germany. Warranting special mention in this regard is the purchase of the first medical services airplane and, after its irreparable damage, the use of the proceeds gained from its sale to purchase three travel busses for the disabled, which were then donated to the Red Cross.

But it is not only the disabled who benefit from the donations. Attention is also given to current developments on the job market. In order to promote social work in the city of Bamberg and to improve the prospects for unemployed youth, DM 160,000 was donated to the City Youth Agency of Bamberg for the development of model projects involving youth social work in the schools and DM 700,000 was donated to the Kolping Educational Services Agency to equip a workshop center for the Bamberg region¹⁹².

Assuming Responsibility for Employees

The importance of assuming responsibility for employees is codified in the company's management guidelines. Given that Dr. R. Pfleger GmbH is operated in accordance with a flat hierarchy, it is easy to convert an "open door" policy into practice. The employees enjoy a real opportunity to remain in personal contact with the management. In this regard, they may take advantage of the closeness to air their concerns or simply talk about the latest performance of the Bamberg basketball team. This practice helps to establish a sense of community that one does not frequently encounter in other organizations.

¹⁹¹ Festschrift: 25 Years of the Doctor Robert Pfleger Foundation, Competence and Responsibility, p. 20ff

¹⁹² Festschrift, 25 Years of the Doctor Robert Pfleger Foundation, Competence and Responsibility, p. 40

Thanks to the introduction of group work in certain areas, a refined payment system, annual working hours, a bonus system, support of external and company activities and opportunities for further education for all employees, this sense of community can be found in almost all departments, and one often hears the “We are Pfleger” credo.

Support for External and Internal Activities

In order to reinforce a sense of community among the employees, the company offers a wide array of internal programmes. For instance, there is a company Big Band that is paid for by the company and whose members are allowed to practise during working hours. Similarly, there is a company theatre group that offers performances on special occasions such as Christmas celebrations and other events. Furthermore, there is also a basketball team and a bowling club whose members use facilities, uniforms and other equipment that are financed by the company. What is more, the company also finances an annual company trip to various locations in Germany for all of those who wish to come along. And finally, employee suggestions, such as the installation of seating in the outdoor area to make for more pleasant breaks, also receive careful consideration.

A further offer made by the company is the raffling of seasons tickets to the Bamberg Symphony Orchestra, to the Bamberg basketball games and other events and performances organized by various institutes and associations in the areas of art, culture and sports.

Annual Work-Time Accounts

Dr. R. Pfleger GmbH was one of the first companies in Germany to introduce an employment system based on annual work-time accounts. The company’s employees are granted a work-time account and extensive flexibility when it comes to maintaining the account. As the amount of the Christmas pay supplement is dependent, within certain contractually arranged limits, on employee presence during the course of the year, employees with absences can charge these to their work-time accounts in order to secure the full payment of the Christmas supplement. However, those employees who prefer more free time can refrain from debiting their work-time accounts and accept a reduced Christmas supplement. This places important time-management priorities – time off or more pay – at the discretion of the employees.

Workplace Safety Guidelines

Dr. Robert Pfleger GmbH was the first pharmaceutical company in the federal state of Bavaria to become certified in accordance with GMP, and this standard determines many of the safety measures implemented by the company. This includes, for instance, regulations for machine clearance distances. In addition to this, operational safety is monitored in the company by a work safety management system known as OHRIS. While this system has not yet earned the full recognition of the employees, it may well be the chief reason why the only accidents that occurred to the safety officer to report

during our interview were caused by company sales representatives with their cars. This safety officer, an employee of an external engineering office specializing in workplace safety, spends 500 hours per year in the company, checking safety measures and, whenever necessary, initiating improvements. This is also the aim of the above-mentioned system that forces the company to establish ever new goals when it comes to safety within the company and to attempt to reach these goals with suitable measures.

Further Training for Employees

The realization that a well-trained employee is a good employee came early. Dr. R. Pflieger GmbH gives its employees ample opportunity to continue their training. The exact form such opportunities take is left largely to the discretion of the management, which receives support in this regard from the senior management. To the extent that immediate job relevance can be demonstrated, the company assumes the costs incurred (e.g. travel and seminar costs) and releases the employees from their work duties for the duration of the further training programme. In the case of opportunities that are less job-related and involve more personal benefit, the human resources department decides on the degree of support. A special incentive to take advantage of further training programmes is offered to the non-managerial employees. In the context of arranging a goal that is to be reached via a specific further training measure, employees can earn bonuses that they can then apply to their annual work-time accounts or to their company retirement plans. The responsibility of the employee's superior here is to support the employee in the attainment of the goal. The employee should neither feel intimidated by the goal that has been set nor lacking a sense of challenge, as the important elements of personal motivation and responsibility may otherwise quickly revert into their opposites. To the extent that the employees do not come forward with concrete proposals of their own, the type of further training programmes offered is partly determined by the management and partly by employees' council on the basis of employee surveys.

Company Pension Scheme

“It is the wish of the company that this pension scheme will help to enable our employees – after many years of committed service – to live out the time of their retirement without material worries”¹⁹³.

“Our positive experience in the application of voluntary contributions to earnings-based social security payments has encouraged us to take the social-political initiative and to reform the company pension scheme in connection with an efficient form of private retirement planning. The chemical industry's labour contract on retirement plans has made a decisive contribution to the drafting of this pension plan.

¹⁹³ Pension scheme of Dr. R. Pflieger GmbH, as amended on January 1, 1999; p. 5 below

The answer to the retirement problem came with the realization that flexibility and personal initiative are indispensable elements for a future-oriented pension scheme”¹⁹⁴.

A three-pillar model was developed on the basis of this realization. The model’s flexibility gives the employees the opportunity to compensate for the gaps in the statutory earnings-related pension scheme.

This flexible pension scheme includes:

1. Company-financed pension scheme;
2. A collectively bargained retirement plan and direct insurance based on salary retention;
3. Deferred compensation - retirement supplement based on salary retention.

A further component comes in the form of a pension fund. This is nothing other than component 3, only for workers who are paid on the basis of a collectively bargained contract.

Company-financed Pension Scheme

This applies to all employees and their surviving dependents whenever the following conditions obtain:

- The employee is not subject to the pension scheme valid prior to August 1, 1986.
- The employee has neither a temporary or laid-off status at the moment of or after the coming into effect of the pension scheme.
- In case the employee entered the company after December 31, 1998, the employee had not yet completed his 55th year.

Retirement payments (old-age benefits, early retirement benefits, disability benefits) and payment to dependent survivors (spouse benefits, orphan’s benefits) are guaranteed as long as the employee has completed a pensionable 5-year service period and so long as the insured event occurs as a result of an official work-related accident or so long as the employee’s relationship to the company is terminated as a result of an insured event. The annual savings rate for the company pension scheme (retirement component) depends on the applicable operating result and accrues interest during the employee’s active work phase at an annual rate of 7%.

The formula for the calculation of pensionable service time, further information about the forms of retirement benefits (amounts and calculation formulae) as well as information on the treatment of special cases are contained in the text of the pension scheme for Dr. R. Pflieger GmbH as amended on January 1, 1999 (paragraphs 1-19).

Collectively Bargained Pension Scheme and Direct Insurance Based on Salary Retention

¹⁹⁴ Pension scheme of Dr. R. Pflieger GmbH, as amended on January 1, 1999; p. 5.

“The employees are given the opportunity here to improve their general pension situation via an employee-financed company retirement plan, and thus to secure their living standard after retirement by expanding upon the statutory earnings-related pension scheme via the establishment of direct insurance based on salary retention. This is brought about by arranging a direct insurance policy with the company and shall apply on condition that the corresponding direct insurance policy is executed”¹⁹⁵.

According to the terms of the plan, the standard monthly employee contribution of _ 40 is supplemented by an _ 11 contribution made by Dr. R. Pflieger GmbH for a monthly total paid into the plan of _ 51. The employee also has the option of paying bonuses and other benefits (vacation and Christmas payments) into the plan up to a total of _ 1,752 (i.e. the premiums for the policy are paid by the company). The employees surrender a portion of their salaries and other benefits in order to improve their retirement benefits. This proves advantageous for the employees as the payments are subject to a flat tax of only 20%.

The plan includes the following benefits:

Retirement benefits in the form of a one-time capital payment with annuity option
Benefits for surviving dependents in the form of a one-time capital payment
Occupational disability benefits

Further information in this regard is contained in paragraphs 20 to 29 of the above-mentioned pension scheme.

Deferred Compensation – Pension Supplement Based on Salary Retention

“The employees waive on a one-time or continuous basis a portion of their variable salary payments. The company uses this amount to finance a reinsurance policy [...] provided by an insurance company. The company simultaneously issues the employee a retirement pledge in the amount of the asset resulting from the reinsurance policy. The retirement plan shall apply on condition that a corresponding reinsurance policy has been executed”¹⁹⁶.

The plan proves to be advantageous in that it lowers the employee’s active income and thus the amount of tax owed on income. Seeing as how the corresponding retirement benefits are subject to a lower tax rate, the employee profits from double tax relief.

Those entitled to take advantage of the plan include all those employees who receive payments beyond the contractually bargained payments.

Further information in this regard is contained in paragraphs 30 to 40 of the pension scheme.

¹⁹⁵ Pension scheme of Dr. R. Pflieger GmbH, as amended on January 1, 1999; p. 20

¹⁹⁶ Pension scheme of Dr. R. Pflieger GmbH, as amended on January 1, 1999; p. 28

Pension Fund

For those employees who are paid in accordance with the collectively bargained contract, this plan goes hand in hand with the deferred compensation plan. Unfortunately, this subject is not addressed in the text of the pension scheme.

Company Suggestion System

This system represents an effort to achieve improvements not only from external sources through the deployment of new technical capacities or as a result of audits, but rather through recognition of ideas and suggestions that come from within the company. Who knows a machine better than the person who operates it five to six hours a day?

The idea mobile offers an example of the company's suggestion system. The mobile is no more than a folding board that wanders from department to department and on which problems are listed that have not yet been solved. The folding board is cared for by a moderator who is responsible for gathering, comparing and evaluating the various ideas. The advantage of the system is that it enables one to arrive at interdisciplinary solutions through the participation of various departments.

Should solutions or proposals for improvement appear that might be appropriate for other divisions, the employees can consult so-called PICM officers (PICM = Pflieger Ideas and Change Management) who are supervised by a PICM coordinator. The suggestions may be rewarded by an amount of up to 10% of the annual value of the proposal. This amount is usually remunerated in the form of gasoline vouchers, seeing as how any monetary payment would be subject to taxation. Thanks to a cooperative agreement with a gas station, the employees whose suggestions have been adopted usually receive a reward that is more valuable than a cash payout. This also represents an example of how the management is always on the uptake for ways in which to better utilize the resources of the employees.

Conclusions

In summary, it is safe to say that although the term corporate social responsibility is relatively unknown at Dr. R. Pflieger GmbH, the ideals of the founder concerning social responsibility are practiced within the company and especially in the foundation financed by it - whether this be via the responsibility that the company assumes for its employees or via the personal responsibility the employees are encouraged to assume. The identification that the employees have with the company and which is best expressed in the credo "We are Pflieger." as well as the high degree of employee contentment are characteristic of Dr. R. Pflieger GmbH. The expressed mission of the sponsor, the Dr. Robert Pflieger Foundation, to promote general welfare and to assist the disadvantaged in our society, and at the same time to promote medical progress, makes the company unique. There remains only the hope that this contribution will also be recognized by those in political office, and that the company will not be forced by lawmakers to limit this form of social responsibility. It is also worth hoping that company has an opportunity to remain a reliable employer.

HVB GROUP ^(*)

Walter Schadhauser

HVB Group: The bank in the heart of Europe

HVB Group, which calls itself “the bank in the heart of Europe,” carries out most of its German activities through HypoVereinsbank, which is the country’s second largest privately held large banking institution. In Austria, HVB Group’s Bank Austria Creditanstalt (BA CA) is the undisputed market leader: “With over 66,550 employees, 2,100 branch offices and over 8.5 million customers, we are the number one bank in the heart of Europe – that is to say, in our core markets, Germany and Austria. We are also favorably positioned as a network of banks in the growing Central and Eastern European markets. We are European private and corporate banking specialists and are also active in the field of capital markets”⁸¹.

HVB’s management and organizational structure makes a clear distinction between strategic management of the corporate group and operational responsibility for the organization’s various areas of activity, and accordingly is divided into three activity groups: the company’s activities in Germany and those in Austria and Central and Eastern Europe mainly focus on maintaining close relations with European private and corporate customers, while corporate and market activities focus on core competencies in the realm of capital markets.

In 2002, HVB Group’s private banking activities in Germany were consolidated into the HypoVereinsbank brand with a view to capitalizing on cost saving potential and achieving synergy by optimizing the bank’s 800-unit branch office network. The resulting multichannel banking system provides customers with the option to carry out their transactions at branch offices, by phone or over the internet. HVB has also expanded its range of services by offering investment fund solutions from third party investment fund companies, as well as insurance products from Münchner Rück, with whom HVB has an exclusive partnership agreement. HVB’s expertise in company funding enables the bank to provide its 400,000 business customers with effective integrated corporate financing solutions. HVB is a leading German and European asset manager that administers over EUR 70 billion in assets.

Bank Austria and Creditanstalt merged in Austria in mid-2002, with the result that HVB Group now provides banking services to over 1.8 million customers through over 400 Austrian branch offices.

^(*) Walter Schadhauser prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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⁸¹ www.hvbgroup.com

HVB Group has over 3.3 million customers and 950 branch offices in Central and Eastern Europe. Poland's third largest bank, BPH PBK, is an HVB affiliate with over 550 branch offices and 2.6 million customers, making it the largest banking network in Central and Eastern Europe. BPH PBK intends to substantially increase its commitment to this high growth region, and to increase its inventory of private banking customers to 4.2 million by 2005.

HVB Group company spokesman Dieter Rampl describes the current situation in the banking industry in these words: "In 2002 the German banking industry experienced its worst year since the end of World War II. And conditions in the banking sector outside our home market were also considerably weaker than expected. All in all, we were challenged as never before in our history"⁸². The company's share price decreased by 56% and no dividends were paid in 2002. The following financial data are indicative of HVB's performance over the past year⁸³:

HVB Group	2002	2001	2000
Selected annual financial data (€ millions)			
Net interest income	6649	7331	5150
Provisions for losses on loans and advances	3797	2074	1186
Net interest income after provisions for losses on loans and advances	2852	5257	3964
Net commission income	2684	2877	2423
Trading profit	787	592	548
General administrative expenses	7076	7716	5117
Balance of other operating income and expenses	115	485	55
Operating profit (loss)	-638	1495	1873
Net income (loss)	-858	967	1184
Balance sheet figures (HVB Group)	2002	2001	2000
Total assets	691.2	728.6	716.5
Total lending volume	487.9	503.1	449.2
Shareholders' equity	14.2	25.1	19.6
Share information			
Share price: Year-end (€)	15.22	34.32	60.30
High (€)	42.55	68.06	72.85
Low (€)	11.75	27.40	55.30
Market capitalization (€ billions)	8.2	18.4	32.3
Employees	65,926	69,520	72,867
Branch offices	2,104	2,238	2,421

Dieter Rampl thinks that HVB has a bright future ahead of it:

"I assure you that we are working relentlessly to significantly improve our share price and market cap on the basis of sustained gains in profitability. (...) Our priorities are

⁸² Letter to shareholders, 2002 annual report, p. 14

⁸³ 2002 financial report, p. 94

cost efficiency, resizing, and transformation. (...)... our top priority – along with the reduction of risk assets and costs – is to concentrate on our core business. This simply means being the premier bank in Europe for retail and corporate customers”⁸⁴.

Corporate governance

HVB Group guidelines for corporate governance are set forth in the company’s 2002 annual report, which defines corporate governance as follows:

“Generally speaking, governance is understood to mean the good and responsible management and supervision of an enterprise in a manner suited to promote the long-term creation of company value. The transparency of decision-making and monitoring mechanisms is an especially important aspect of corporate governance because it enhances the trust and confidence of investors”⁸⁵.

And it goes without saying in this regard that HVB adheres to all applicable legal regulations, particularly those pertaining to shares and securities. The company is especially vigilant when it comes to the prohibition against insider trading, as well as its ad hoc reporting obligations. To ensure effective enforcement in this arena, the bank has also instituted guidelines governing employee translations and has appointed a compliance officer. On December 3, 2002 HypoVereinsbank issued a counterpart⁸⁶ to the German Corporate Governance Code. In addition, the company’s Code of Conduct has been instituted as an organization-wide standard of integrity for employees.

Deutscher Corporate Governance Kodex (German code of ethics for corporate governance)

This code of ethics was published in 2002 by the Government Commission for the German Corporate Governance Code and was adopted by HypoVereinsbank in the same year. The foreword to the Code states its purpose as follows:

“The Corporate Governance Code (...) summarizes the main laws and regulations applicable to the management and supervision of listed German companies, as well as internationally and nationally recognized standards of good and responsible corporate management. The Code aims at making the German Corporate Governance system transparent and understandable. Its purpose is to promote confidence of international and national investors, customers, employees and the general public in the management and supervision practices of listed German stock corporations. ”The advent of the Code was greeted with enthusiasm by the HVB board of directors “because it contributes to a better understanding of the management and supervision mechanisms of German joint stock corporations”⁸⁷.

⁸⁴ 2002 annual report, p. 15, 16

⁸⁵ 2002 annual report, p. 25

⁸⁶ available in the company’s 2002 annual report (p. 30) and at www.hvbgroup.com/german/investorrelations

⁸⁷ 2002 annual report, p. 26

Code of Conduct

It is crucial that employees of financial institutions meet a high standard of integrity. This goal can only be met insofar as each employee can count on the probity of their co-workers and superiors at all times. HVB Group places great emphasis on the applicability of its Code of Conduct to all of its business units worldwide and states the following in this regard: “The Code applies in all respects and equally to all HVB Group employees including managers and board members”⁸⁸. The company couches the specific responsibilities of business units, managers and employees in these terms:

“The group’s management and staff not only refrain from performing illegal or dubious acts but are sensitized to morally questionable transactions and business practices.

Managers at all levels of the HVB Group are responsible for performing business transactions efficiently and in compliance with group’s ethical standards. At the same time, they are responsible for preventing questionable transactions.

It is the primary responsibility of each staff member to act according to ethical standards and to meet moral obligations”⁸⁹.

The conduct of all employees with business partners, customers and government agencies must be “fair, trustworthy and transparent”.

HVB Group takes the view that the standards defined by legal regulations and practised by the company’s competitors do not go far enough.

The Code of Conduct encompasses all potential conflict of interest scenarios – conflicts of interest in regard to partners, secondary employment, remuneration (all forms), making donations, handling confidential information, and conduct with friends and in informal relationships with partners – and places great emphasis on resolving or avoiding potentially compromising situations of this nature. The Code also contains comprehensive guidelines regarding money laundering and insider trading, as well as the prevention of bribery and corruption.

The Code of Conduct aims to promote not only the company’s commercial success but also its practices in regard to environmental stewardship and social responsibility. The Code defines the following environmental protection standard: “The HVB Group contributes actively to environmental protection and sustained development. It supports national and international efforts for progress in these areas. In projects in which we are engaged as a financial institution, we do not ignore or evade environmental protection regulations. We make efficient use of resources”⁹⁰. (The manner in which this voluntary commitment is implemented in actual projects is described below). It should be noted that the Code requires all HVB Group employees to comply with environmental regulations and standards throughout the world. The section entitled “Respecting employees, business partners and competitors” mainly

⁸⁷ www.hvbgroup.com/Codeofconduct, p. 2

⁸⁸ *ibid.*

⁸⁹ *ibid.*, p. 8

deals with the importance of avoiding discrimination of all kinds and measures that can be taken to prevent workplace harassment and bullying.

Adherence to ethical principles is particularly important where critical situations or difficult decisions are involved. HVB Group makes every effort to create an atmosphere in which such adherence can be achieved.

“We aim to create an atmosphere of trust in which mistakes, problems and critical incidents can be discussed openly and the reporting employee under no circumstances is disadvantaged”⁹¹.

To this end, the company strives to achieve optimal transparency within the organization and insists on thorough and careful documentation of all relevant processes, decisions and incriminating factors. “We will not tolerate any negligence, forgetfulness or loss of files as justification for violations.”⁹² Compliance with the Code of Conduct is the personal responsibility of every company employee and manager.

“The HVB Group ensures observance of these norms through its internal bodies. These include Auditing, Compliance, the ombudsman and the money laundering and data protection officers. (...) Disciplinary measures will be taken in the event of violations of the Code of Conduct. This also applies to negligence in communicating this code”⁹³.

Corporate social responsibility in the context of sustainable development

Sustainability is moving – from environmental report to sustainability report

Corporate social responsibility is a modern paradigm of corporate governance in an age of economic globalization – a paradigm rooted in a holistic model of corporate citizenship that integrates the economic, social and ecological dimensions of corporate social responsibility. HVB Group is one of many large (and in some cases innovative) enterprises whose commitment to this paradigm is of long standing, although in some cases this commitment is realized under other guises than that of corporate social responsibility. This commitment was explicitly set forth in HVB Group’s 2000 environmental report and guidelines. The sustainability paradigm is constituted by the link between environmental awareness and current approaches to comprehensive corporate social responsibility. HypoVereinsbank issued an environmental white paper in 2000 entitled “Im Zeichen von Nachhaltigkeit” (The role of sustainability), which states the following:

“There is nothing new about calls for striking a balance between economic, ecological and social priorities. But this criterion has taken on greater importance in the two decades that have elapsed since publication of the Club of Rome’s

⁹¹ *ibid.*, p. 10

⁹² *ibid.*, p. 11

⁹³ *ibid.*, p. 12

“Limits to Growth” report and the international debate over the implications of industrial activities. The UN Conference on Environment and Development that was held in Rio de Janeiro in 1992 devised sustainability guidelines according to which environmental protection, economic development, and social policy objectives are all to be given equal weight”⁹⁴.

The environmental guidelines issued by HypoVereinsbank in 2000 address the manifold concerns of the bank’s various stakeholders – above all customers, shareholders, employees and subject experts. These guidelines, which still apply to HVB Group today, are as follows:

- *“THE FUTURE BEGINS RIGHT NOW*
Our lending and wealth management activities have an impact on human beings and the natural environment. We conduct our activities in accordance with society’s expectations. Consequently, we align the success of these activities with ecological and social norms.
- *SUSTAINABILITY PAYS OFF*
Companies that operate and develop sustainably enjoy greater success in the long run. Thus, sustainability is in the interests of our customers, shareholders and employees.
- *WE ARE ALL INVOLVED*
Our lending activities take account of environmental opportunities and risks. We act in accordance with the standards of international institutions such as the World Bank.
We are particularly supportive of those of our real estate customers that wish to construct healthy and environmentally friendly buildings.
We endeavor to offer our customers high-yield investments that are also ecologically and socially responsible.
We use resources efficiently and thereby minimize costs. Each of our employees contributes to this effort in their daily work.
Our enterprise cannot be successful without productive employees. One basis for achieving this is the healthy and environmentally safe working environment that we create”.

Our 2000 environmental report contains empirical sustainability benchmarks pertaining not only to ecology (product and corporate ecology) but also to economic and social policy factors. In issuing its “Sustainability is moving” environmental report in 2002, HVB Group successfully made the transition from an environmental report to a sustainability report. The report will henceforth be issued every two years and will be drawn up in accordance with the guidelines of the Global Reporting Initiative (GRI). A benchmark study of the world’s 100 largest enterprises ranked HVB Group’s sustainability report fifth worldwide and the best of all German enterprises, well ahead of tenth-ranked DaimlerChrysler. The study was conducted by the prominent British consultancy organization CSR Network – which specializes in strategies for corporate social responsibility – with a view to documenting best reporting practices in the spheres of environmental protection and social responsibility.

⁹⁴ Environmental white paper, “Im Zeichen von Nachhaltigkeit” HypoVereinsbank 2000, p. 4

HVB Group's reporting processes encompass CSR concerns pertaining to sustainability reports and human resources management.

Economic sustainability in a globalized economy

For HVB Group, belief in sustainability is no corporate slogan but is instead based on ethical convictions and scientific facts. The economics section of HVB Corporates and Markets has issued a change study entitled "Nachhaltige Ökonomie im Zeitalter der Globalisierung"⁹⁵ (Economic sustainability in a globalized economy") that explores current issues in this sphere, the urgent need for solutions and a possible way forward. Although a detailed description of the report lies beyond the scope of the present document, the main thrust of its argument and the attendant conclusions will now be summarized.

The need for economic sustainability arises from two factors: economic growth is a process that is necessarily subject to limits and to the process of globalization. Against this backdrop, the report defines the various factors that come into play and divides them into the following core areas of economic sustainability: natural resources, sociological evolution, economics and international policies. All of these areas harbor two crucial areas of uncertainty that lie along the path to sustainability.

"In short, the first crucial area of uncertainty that emerges from the subject experts' questionnaire is the manner in which the global world order should evolve. Can a global world order be created on the basis of a consensus regarding the ground rules? Or is the development of binding rules for all players precluded by short-term self-interest, intercultural conflicts and/or unilateral power plays? Is it possible to define and implement values consensually that would be shared by all actors? In our view, two polar values are inherent to the critical uncertainty of the global order: 'failure' and 'success'"⁹⁶.

"We define the marketplace of ideas as being the second area of uncertainty. Are the economic actors engaged in mutually beneficial and productive competition aimed at finding optimal solutions and ideas? Or has a counterproductive competitive process been unleashed that mainly aims to achieve short-term gains and advantages? Are the players playing fair? Are regional alliances being forged between equals or do such alliances mainly help the strong to become stronger? We define the polar values of this critical uncertainty as 'counterproductive' and 'successful'"⁹⁷.

Combining these two critical uncertainties gives rise to the following four scenarios of economic sustainability:

⁹⁵ www.hypovereinsbank.de/research

⁹⁶ *ibid.*, p. 13

⁹⁷ *ibid.* p. 15

	Productive marketplace of ideas	
VSR: voluntary self-imposed restraints		Garden of Eden
Failure	Global order	Success
Après moi, le déluge		A principled society
	Counterproductive competition	

The four possible economic sustainability paradigms⁹⁸ mainly differ in respect to their implementability, desirability and the degree of stability they might be expected to provide.

“The path to the Garden of Eden is more direct compared with other scenarios, although out of hand dismissal by society at large is probably unavoidable. Successful implementation of this paradigm is within reach, but comprehensive strategies are indispensable, particularly in order to smooth over cultural differences between regions. Unlike the principled society scenario, the Garden of Eden model seeks not to restrict economic development but rather to distribute natural resources as widely as possible. Inasmuch as the Garden of Eden scenario contains the critical uncertainties that are the drivers of success for economic sustainability, it would appear to be the most stable of the four models, providing it can be implemented successfully. In the Garden of Eden scenario, the enterprises whose strategies are consistent with the tenets of global responsibility are most likely to prosper”⁹⁹.

In discussing the actions that need to be taken, the report places particular emphasis on two points. First, the report takes for granted that economic sustainability can best be implemented through cooperative arrangements that consciously strive to create win-win situations. The second point is the importance of productive competition:

“In order for economic sustainability to be implemented, an impetus-generating mechanism must be established that is amenable to all types of cultural and technological benchmark scenarios. Competition must be structured in such a way that all actors realize that it is in their best interests to move forward constructively. Market-oriented maximization of the benefits to the players concerned of ground rules that promote consensus has traditionally been, and remains today, a key driver of technological progress and efficiency optimization”¹⁰⁰.

Sustainability management in HVB Group

The underlying idea of economic sustainability – that meeting the needs of the current generation should not jeopardise fulfilment of the economic, ecological and social

⁹⁸ see *ibid.* p. 15-18 for a more detailed description of these paradigms

⁹⁹ *ibid.*, p. 19

¹⁰⁰ *ibid.*, p. 19

needs of future generations – requires enterprises to think and act differently than they have in the past. This includes the following:

“Creating greater transparency with regard to their impact on the environment and society.

Dealing with the consequences arising from changes in the global/local environmental situation and social conditions.

Designing business processes and products that help to alleviate ecological and social problems”¹⁰¹.

Although the banking industry has relatively little direct impact on the environment, banks can greatly help to reduce energy consumption through the ways they manage their buildings and operate their equipment. Banks also have relatively large work forces. However, it is important from a socioecological standpoint that banks take account of the indirect impact their activities may have on their customers.

“To make the most of these opportunities and to pre-empt the risks, banks can offer solutions relating primarily to the following areas:

Avoidance of ecological and social risks with financial side effects for customers, by implementing environmental risk analyses, and environmental social standards for loans;

Financing of ecologically and socially compatible production processes and products, such as renewable energy resources;

Integration of ecological, social and ethical values and customer expectations in products such as investments”¹⁰².

A good example of a win-win situation between customers and lending institutions within the framework of the path to economic sustainability outlined above is constituted by environmental sustainability auditing:

“Identifying and managing ecological and social risks together with customers reduces the danger of unforeseen default and obviates the need for corresponding loan-loss provisions”¹⁰³.

HVB Group firmly believes that sustainability will increase shareholder value. In addition to reducing credit risk, HVB Group anticipates that economic sustainability will create new opportunities for growth and earnings through, for example, emission certificate trading and long-term investments as well as through optimized business processes. The indirect positive effects of corporate social responsibility for the bank include increased customer satisfaction, a more positive corporate image, the increased appeal of the bank’s shares as long-term investments and of the bank itself as a potential employer.

¹⁰¹ Sustainability is moving, p. 13

¹⁰² *ibid.*, p. 14

¹⁰³ *ibid.*, p. 17

In view of the importance of corporate social responsibility to the bank, a sustainability management team has been formed that reports directly to the board of directors. The team's most important functions are as follows:

- "To create and maintain the internal and external network used to shape and implement sustainability management;
- To initiate, coordinate and support sustainability-related activities in the network
- To monitor the agreed targets and work programs;
- To perform quality management and benchmarking for the activities;
- To take responsibility for HVB Group's external sustainability communications"¹⁰⁴.

Inasmuch as specific projects are implemented by the operational units of the bank's various areas of activity, the lead team has at its disposal an expanded team for organization-wide coordination and monitoring of the various sustainability action areas. This extended team is made up of the lead managers from all the relevant business segments. The members of this team meet once or twice yearly to approve the overarching sustainability management action plan. The team also promotes awareness of sustainability within their areas of activity. The sustainability action plan is mainly implemented through a series of projects that are coordinated by a number of working groups whose members include the lead managers from the various areas of activity and subsidiaries. Stefan Lobbert, head of HVB Group's sustainability management team characterizes the aforementioned process as follows: "What makes the sustainability management system at HVB Group so special is its comprehensive network structure. This enables us to develop the issue of sustainability throughout the corporate group on a solid foundation"¹⁰⁵.

Objectives to be achieved by 2004

HVB Group aims to achieve the following sustainability objectives by 2004:

- Expand and intensify our sustainability information system in HVB Group
- Enhance our sustainability information system using an external database.
- Make the issue of sustainability in HVB Group known to a broader public by means of internal and external communications.
- Reinforce the competence of HVB Group in ecologically and socially responsible financial services.
- Support the establishment of sustainability in the (international) financial sector more vigorously"¹⁰⁶.

¹⁰⁴ *ibid.*, p. 18

¹⁰⁵ *ibid.*, p. 19

¹⁰⁶ *ibid.*, p. 19

HVB Group's corporate responsibility ratings and sustainability indices

Dow Jones Sustainability Index (DJSI)

The underlying premise of the DJSI is that enterprises whose management practices are governed by sustainability guidelines will enjoy greater long-term success, which will in turn attract long-term investments. It is thought that such companies will do particularly well when it comes to risks and opportunities that are outgrowths of economic, ecological and social factors. Striving for sustainability tends to promote innovation and discipline among company managers and thus is increasingly being regarded as a pivotal strategic success factor. The DJSI was developed jointly by Dow Jones Indexes, STOXX Limited and SAM Group on the basis of the following premise:

“Corporate sustainability performance is an investable concept. This is crucial in driving interest and investments in sustainability to the mutual benefit of companies and investors. As this benefit circle strengthens, it will have a positive effect on the societies and economies of both the developed and developing world”¹⁰⁷.

Corporate sustainability becomes an “investable concept” through the quantification of key economic, ecological and social factors that are used by leading enterprises as criteria for investment decisions in various business segments. Thus the DJSI is an analytical tool that shows the share prices of companies worldwide that rank in the top ten percent in their segment in terms of sustainability. HypoVereinsbank has been listed on the DJSI since September 2000, thus making HVB Group a worldwide sustainability leader in the finance industry. In their company abstracts, SAM group summarizes HVB Group's sustainability performance as follows:

“HypoVereinsbank AG has an excellent sustainability performance compared to its industry peers and positioned it as one of the sustainability leaders. In the economic dimension, HypoVereinsbank scored well above the industry average with a clear outperformance in codes of conduct/compliance and crime prevention. HypoVereinsbank's management capabilities in the environmental dimension are above average compared to its industry. This is highlighted by a strong performance in environmental management systems. In addition, HypoVereinsbank's performance in the social dimension is above average in its industry, especially in organizational learning”.

FTSE4Good

Founded as a joint venture between the London Stock Exchange and Financial Times, FTSE Group is the world's leading independent provider of financial indices, the most prominent and trusted being¹⁰⁸ the FTSE All-World index and the real time FTSE

¹⁰⁷ www.sustainability-index.com

¹⁰⁸ http://216.239.51.104/search?q=cache:isTlkL6OkQ8J:www.ftse.com/about_ftse/About_FTSE.jsp+%22ftse+group%22+index+%22financial+times%22&hl=en&lr=lang_en|lang_fr|lang_de|lang_it|lang_es&ie=UTF-8

Eurotop series. Investors use these products extensively for securities analyses, to assess investment results, and to compare index-related funds.

In 2001 FTSE Group launched a new family of real time indices named FTSE4Good. It is based on the London Stock Exchange's Socially Responsible Investment Index (SRI) which lists companies with high standards of social responsibility in their business segments. In order to be listed on this index, companies must come up to certain environmental management and human rights standards. The environmental standards, which were issued in September 2002, are now as strict as those for corporate social responsibility. The FTSE4Good family of indices covers four markets: UK, Europe, USA and Global. Four tradable and four benchmark indexes make up the FTSE4Good series.¹⁰⁹ HVB Group was listed in both the FTSE4Good Europe 50 and FTSE4Good Global 100 benchmark indexes from their inception, thus demonstrating once again its leadership in respect to sustainability management.

The oekom research Corporate Responsibility Rating

HVB Group is particularly proud of the fact that it is currently the top ranked enterprise in the 2002 Corporate Responsibility Rating of the renowned research agency oekom research.

Oekom research AG specializes in sustainability investments and has emerged as a leader in this field since its inception in 1993. Oekom provides information regarding the ecological and social responsibility performance of companies, business segments and countries which is obtained through a scientific rating system containing a comprehensive spectrum of criteria. The agency optimizes its criteria and paradigms on an ongoing basis.

The oekom research staff consists of a multidisciplinary team of analysts that is supported by an independent advisory board and a worldwide network of experts on environmental and social issues.

In addition to ascertaining corporate responsibility and ecological performance levels, the agency's research on ethical investments also includes an extensive negative screening process that factors in both the country and the company in question. Regardless of a company's overall ranking, comprehensive negative screening is conducted in accordance with clearly defined criteria.¹¹⁰ This enables customers with specific ethical concerns to filter companies according to controversial practices and/or areas of activity. The screening is conducted according to clearly defined operational criteria. Oekom classifies the following areas of activity as controversial:

¹⁰⁹ http://216.239.51.104/search?q=cache:WpTNw_5h_1QJ:www.ftse.com/media_centre/press_releases/2003/20030314_SRI_Industry_Experts_Join_New_FTSE4Good_US_Committee.doc+FTSE4Good+markets+global&hl=en&lr=lang_en|lang_fr|lang_de|lang_it|lang_es&ie=UTF-8

¹¹⁰ http://216.239.51.104/search?q=cache:JxahzJalJHcJ:www.oekom.de/ag/english/negative-screening.htm+oekom+%22negative+screening%22&hl=en&lr=lang_en|lang_fr|lang_de|lang_it|lang_es&ie=UTF-8

- Alcoholic beverages;
- Arms manufacturing and selling;
- Biocides;
- Chlororganic mass products;
- Embryo research;
- Fur production and retailing;
- Gambling (operation of casinos, betting agencies and the like);
- GMOs (production of genetically modified seeds and the like);
- Military;
- Pornography;
- Tobacco industry;
- Oekom deems the following business practices to be unethical;
- Alleged/proven malfeasance such as corruption, accounting fraud and the like;
- Animal testing;
- Child labor;
- Controversial environmental/socioenvironmental practices;
- Violation of human rights;
- Violation of labor rights.

In August 2002 oekom research issued the results of its study of the banking and finance industry. The 93 banking and finance institutions included in the study were ranked on an A+ to D- scale.

“Oekom gave the industry an average rating of C- for its environmental performance. There is a great deal of room for improvement here in the realm of product design. Corporate social responsibility received a C+, a high rating relative to other business segments studied. There was a large spread between the highest and lowest ranked companies”¹¹¹.

An assessment on the basis of 200 ecological and social criteria yielded the following results:

“On a scale of A+ to D- HypoVereinsbank received top ranking (B), followed by Deutsche Bank (Germany), Westpac (Austria) and UBS (Switzerland), each of which received a B-. Sumitomo Mitsui Banking (Japan) was rated 43rd and received a D. The majority of the 50 financial institutions included in the study proved to be so lacking in transparency that their environmental and social responsibility performances could not be analyzed in depth”¹¹².

HVB Group added the following comment in their press release:

“The top ranking given to the bank constitutes an assessment of the measures we have taken in regard to our organization-wide employee Code of Conduct for employees,¹¹³

¹¹¹ oekom research press release, August 1, 2002, www.oekom.de/ag/german/pressemeldungen

¹¹² *ibid.*

¹¹³ *see section 2.2 above*

our corporate governance practices¹¹⁴ and our compliance with international standards. HVB Group also received a high ranking for its sense of responsibility towards its employees as well as its ecological standards, which are implemented through an organization-wide sustainability management system and by marketing environmentally and socially responsible bank products. The assessment was also positive because the bank's lending activities take account of environmental standards¹¹⁵.

Sustainable banking products

Investment products

In addition to classic investment criteria – expectations regarding profitability and liquidity, and the willingness to take risks – customers' ethical concerns also come into play when decisions are made in regard to sustainable investments. These criteria allow for the exclusion and/or inclusion of specific countries (and, for example their bonds) or enterprises whose activities are undesirable or whose share or corporate bond practices are suspected of being illegal, in accordance with environmental or social responsibility standards. Sustainability indices such as those described in the previous section, can be helpful guideposts. In addition to earning a profit on their financial resources, sustainable investments enable investors to have a positive impact on the environment and society in general, while at the same time the enterprise enhances its transparency. Here, the social and environmental impact of enterprise activities become more visible, thus bolstering the company's awareness of these issues and increasing the likelihood of avoiding untoward effects. Interest in such banking products has greatly increased in recent years and they have become much more widely known. However, their market share is still negligible.

HVB Group is making efforts, particularly through its customer and employee newsletters, to make both customers and employees more aware of the opportunities afforded by sustainable investments and, to this end, offers customers two proprietary products of this type:

- “Launched in 1990, *Activest Lux EcoTech* was one of the first environmental funds on the German market. It is also best in class in terms of performance. It was ranked as the third-best environmental fund in 2000 and in 2002 was named best sustainability fund by the consumer products magazine *Oko Test*. The *Activest Lux EcoTech* fund consists of international investments in companies that develop environmentally friendly products and technologies. These investments help make the environment healthier and cleaner, and play a role in reversing existing ecological damage. The fund invests primarily in the following business segments: air pollution monitoring, geothermic energy, recycling, refuse incineration, water treatment and biotechnology. The fund does not invest in the tobacco or nuclear

¹¹⁴ see section 2 above

¹¹⁵ www.hvbgroup.com/german/press

energy industries or in companies that mainly operate gambling casinos or make alcoholic beverages”¹¹⁶;

- HypoVereinsbank issues *the Dow Jones Sustainability Index certificate* which entitles the bank’s customers to invest in the Dow Jones Sustainability Group World Index¹¹⁷ and thus in a large number of countries and industry segments around the world. This product reduces the risk that would otherwise accrue to investments in individual stocks, while at the same time ensuring that customer investments meet economic, environmental and social responsibility standards. Such investments meet the needs of customers with a greater awareness of sustainability issues who wish to improve the quality of their lives and at the same time protect the environment. Enterprises that adopt such strategies in a timely manner create excellent growth opportunities for themselves and gain a competitive advantage. The index is audited annually. Changes in its makeup are effected on the second Friday of July and become effective on the succeeding work day¹¹⁸.

Since 2002 HVB Group has been marketing investment products, including sustainability investments, from third party capital investment companies. Following are two funds that HVB Group recommends in particular:

- Pictet Global Sector Fund Water, a share fund with investments worldwide: Water supply industry: “The water supply industry consists of drinking water suppliers, water treatment and desalination companies, supply, bottling, trucking and freight forwarding companies, companies that specialize in the treatment of wastewater as well as fluid and chemical waste, water purification facilities operators as well as equipment vendors, engineers and consultants for the water supply industry.”¹¹⁸ Approximately 80 enterprises worldwide meet the criteria of the Pictet fund, which requires that the selected companies carry out at least 20% of their activities in the aforementioned segments;
- The investment strategy of the Sarasin ValueSar Equity fund is as follows: the fund “invests in companies whose activities promote a sustainable economy. In pursuing this strategy, the fund invests in industry leaders who use environmentally and socially responsible management as a strategic opportunity and in so doing also achieve economic success. The fund refrains from investing in the following business segments: tobacco, pornography, armaments, nuclear energy, automobile manufacturing, chlorine manufacturing, agromchemicals and gene technology. The fund also avoids investments in companies that use child labor or promote cigarette consumption.”¹¹⁹ Sarasin uses a proprietary evaluation system in defining industry leaders. Each candidate for the fund is rated on the basis of 140 questions pertaining to 60 criteria in five areas of environmental and social responsibility. The fund then invests in 30 to 50 “value star” enterprises. It is particularly noteworthy that representatives of environmental organizations sit in on investment committee meetings.

¹¹⁶ Sustainability is moving, p. 38

¹¹⁷ see section 4.1 above

¹¹⁸ product information from HVB Corporates & Markets, November 2002 (see also www.hvb.de/indexing)

¹¹⁹ HypoVereinsbank fund prospectus, July 10, 2003

¹²⁰ *ibid.*

The examples above show that most sustainable investments are made in the stock market. As for fixed interest securities, HVB Group has thus far left it up to customers to decide which countries or companies they prefer from an ethical standpoint.

HVB's church and foundation investors have expressed a great deal of interest in sustainable investments. HVB Group is currently endeavoring to devise a sound and well founded approach that will allow customers' values and performance expectations to be incorporated into the investment process and that will lead to the development of products that are particularly appealing to church and foundation investors.

Real estate financing

HVB Group can increase its customers' awareness of the importance of sustainability through its lending activities. "A building is considered sustainable when it is constructed in an energy-optimized, healthy, environmentally friendly and cost efficient way, and can also be run accordingly. This applies equally to residential and office properties, new and renovated buildings."¹²¹ The following core aspects of sustainability are addressed here:

- The social dimension "Health, well-being and satisfaction at home and at work, with minimum noise and hazardous material pollution";
- The environmental dimension "Resource preservation using energy optimization, economical use of materials, closed material cycles and lower land use for construction purposes";
- The economic dimension;
- "Economical coverage of real estate needs, affordable living and office space suitable for needs, inclusion of life cycle costs".

HVB Group uses two dedicated tools to ensure that this approach is integrated with the bank's real estate quality standards. These tools are *ImmoPass* (new and renovated residential buildings) and *Healthy Office* (commercial buildings).

"The ImmoPass is simultaneously an initiative launched by HypoVereinsbank and a certificate awarded by the DEKRA inspection organization. It is the first European quality seal for holistically sustainable construction standards, comprising alongside the certificate primarily:

- a set of principles describing the major criteria for sustainable construction;
- a planning check to compare the plans against the criteria;
- building controls to ensure consistent quality on the construction site".

The ImmoPass was awarded prizes for building construction innovation in 2000 by the daily newspaper *Frankfurter Allgemeine Zeitung* and the real estate industry journal *Immobilien Manager*.

¹²¹ All quotes in this section are from "Sustainability is moving," pp. 30-34

“The project-based Healthy Office model sets out planning principles for the creation and operation of cost-effective sustainability and health-compatible offices. Taking into account the entire lifecycle of an office block, the economic and ecological impact of structures, building systems, and buildings are assessed using the latest planning tools”.

The main characteristics of a sustainable office building are as follows:

- A versatile and well organized overall structure;
- Reduced energy consumption through the use of intelligent technology;
- Environmentally friendly and low-emissions building materials;
- Healthy and comfortable interior temperature and humidity levels;
- Natural ventilation and natural light at workstations;
- Functional and appealing interior design.

An environmental audit is conducted within the framework of HVB Group’s building loan risk management process. In this audit, toxic wastes are identified so that they can be eliminated insofar as possible, with a view to protecting customers against unanticipated damage and liability claims, and to protect the bank against incalculable risk. To this end, HVB Group deploys extensive expertise that is also used to provide customers with solutions to toxic waste problems. Bank Austria’s involvement in the European Union’s Cabernet project is a prime example of HVB Group’s ongoing commitment to sustainability. This program involves the rehabilitation of abandoned factories for use by new manufacturing companies, thus reducing the amount of open space used by such facilities. In order to help its customers construct and/or renovate buildings that meet sustainability standards, HVB Group advises customers in regard to subsidies that might be available, thus helping them find their way through the complex labyrinth of real estate subsidy options.

Lending

HVB Group’s lending guidelines promulgate adherence to ethical principles in connection with bank lending activities. Corporate social responsibility in the sphere of lending policy entails two things: compliance with minimum standards so as to prevent financed projects from having a negative impact on society or the natural environment, and the willingness to commit to projects that promote sustainable development.

World Bank standards and the Equator Principles

The minimum standards set forth by the World Bank constitute the banking industry’s most significant lending guidelines. In 1998 HVB Group became one of the first banks to voluntarily adopt these ecological and social policy criteria. The ecological criteria include hazardous emission levels, the manner in which hazardous substances are handled and prohibitions on the use of specific materials in production processes. The key social policy standards pertain to relocation measures, protecting the rights of native inhabitants, and the banning of child labour.

The World Bank standards were taken a step further by ten leading project financing banks and the International Finance Corporation (IFC), a private investment bank that is a member of the World Bank group. The document in question, known as the Equator Principles,¹²² was adopted on June 4, 2003. In it, the signatory banks agree to apply the Equator Principles to all project loans in all business segments worldwide, including environmentally sensitive industries such as coal mining, petroleum and forestry. The introduction to the Equator Principles states as follows:

“In adopting these principles, we undertake to review carefully all proposals for which our customers request project financing. We will not provide loans directly to projects where the borrower will not or is unable to comply with our environmental and social policies and processes”.

The Equator Principles call for the environmental risk of each project to be screened and categorized in accordance with the environmental and social process criteria of the IFC as described in the Principles.

“A proposed project is classified as Category A if it is likely to have significant adverse environmental effects that are sensitive, diverse, or unprecedented (...) Category B if its potential adverse environmental impacts on human populations or environmental important areas – including wetlands, forests, grasslands, and other natural habitats – are less adverse than those of Category A projects.” Category C projects are “likely to have minimal or no adverse environmental impacts”.

The rigor of the auditing process to which projects are subjected is determined by the category in which they are placed. For example, borrowers whose projects fall into Categories A or B are required to carry out an environmental impact study, while Category A borrowers are strongly urged to submit an environmental management plan. According to the IFC spokesperson, among the benefits the banks hope to derive from these guidelines are the following:

“The banks will be able to estimate more accurately the risks entailed by projects in developing countries and thus avoid damaging their reputations”¹²³.

On its web site, the HVB Group states the following in regard to its reasons for participating in the development of the Equator Principles, and applying them:

“The increasingly critical public surveillance of project financing in threshold and developing countries has resulted in the establishment of the Equator Principles. These are an endorsement of our pioneering role and of the positive experience we have made in applying World Bank standards in our project financing. The Equator Principles will help to remove competitive distortions, facilitate the implementation of World Bank standards and speed up progress towards sustainable development”¹²⁴.

¹²² www.equator-principles.ifc.org

¹²³ www.equator-principles.com

¹²⁴ www.hvbgroup.com/german/aboutus/sustainability

Special loans and financing for environmentally beneficial projects and export products

Many government subsidy programs are available for environmental investments. In Germany, HVB Group is one of the industry leaders in this type of financing:

“In 2001 HypoVereinsbank successfully increased its volume of special loans for environmental investments to 21.2% of total new business. At Vereins- und Westbank, the ratio is in the region of 65%, for a total of € 236 million, with the focus on loans promoting wind power”.¹²⁵

Export loans are granted for environmental protection technologies and equipment, while the focus in the sphere of energy loans is mainly on environmentally friendly natural gas-fired power plants and local combined heat and power generators. The bank’s water and renewable energy loan activities encompass wind power plants, hydroelectric plants, drinking water treatment systems, desalination plants, and biomass power plants.

These projects are undertaken in a large number of countries. Following are only a few representative examples of the types of projects involved:

- Here is an example of an EPR biomass power plant that was constructed by EPR Ely in the UK: “The world’s biggest straw-fired power plant producing 36 MW of electricity was commissioned in January, 2002. HypoVereinsbank and NIB Capital together arranged financing in the amount of € 84 million. The biomass power plant can supply 80,000 households with electricity. Emissions from the facility are up to 50% lower than those from a fossil-fueled power plant”¹²⁶;
- Bank Austria granted export loans amounting to over € 32 million for a drinking water treatment plant in Vietnam;
- In the HVB Group focus region of Central and Eastern Europe, HVB granted a loan of € 28 million for the construction and operation of the region’s first privately owned sewage treatment plant in Maribor, Slovenia.

Sustainable banking

HVB Group defines sustainable banking as follows:

“The objective of sustainable banking is to provide all of the infrastructure necessary for banking operations, from office building and office equipment to waste disposal. The relevant parameters for implementation are cost efficiency, environmentally and socially acceptable use of resources and high employee satisfaction. The closer a company comes to this goal, the more the shareholders profit from the cost savings, the employees from a healthy and motivating work environment and society from conservation of resources. In addition to economic and ecological

¹²⁵ Sustainability is moving, p. 27

¹²⁶ *ibid.*

optimization of a company's material and energy flows in what is classical operational ecology, the workforce and suppliers must be included in the improvement process. Given this background, today's terminology is no longer "operational ecology" but rather "sustainable banking"¹²⁷.

In order to establish priorities in this realm, HVB Group has developed a portfolio of sustainable banking "action areas." In this portfolio, the various action areas are classified according to cost and sustainability effect. "Construction" incurs the highest cost, followed by "Travel." However, both of these action areas are highly effective from a sustainability standpoint. But the same high degree of sustainability effectiveness can be achieved at substantially lower cost through the "Energy" action area and even more so through "Purchase guidelines." As for the remaining action areas, "Paper" is associated with medium or low costs, and "Disposal" with relatively low costs.

Up until now, calculations for key indicators were performed in HVB Group's various business units using widely varying methods. In order to achieve statistical comparability and synergy through organization-wide teamwork, HVB Group decided to "standardize eco-controlling as a central controlling element in corporate ecology for the participating Group members." With this goal in mind, in March 2002 HypoVereinsbank, Bank Austria, Vereins- und Westbank and Vereinsbank Victoria Bausparkasse formed a sustainable banking working group whose goals include "specify[ing] potential for improvement by "setting benchmarks and regularly sharing experience" so as to "implement joint projects" and "incorporate additional Group members".

Inasmuch as sustainable banking activities lack distinguishing characteristics, no attempt was made to describe all areas of activity in detail. Instead, the project aimed to describe one project from each of the HVB Group's two priority areas of action.

In terms of business travel, the goal is to optimize operational mobility. This means that in HVB Group, indispensable business trips should be consistent with the bank's sustainability objectives of minimizing such travel and prioritizing the use of environmentally friendly modes of transport. To this end, in 2002 the HVB Group instituted a comprehensive mobility project.

"Initially, three corporate locations in Munich will be analyzed with regard to their traffic patterns, infrastructure and internal processes and action fields will be derived. Here, the focus will be on business traffic and employee movement. Following this stock-take, possible measures will be prioritized using as an ABC analysis and implemented accordingly. We will constantly take into account the opportunities to transfer the results to other locations and subsidiaries. Thus the members of the Sustainability Banking working group will regularly receive progress reports on the project, and will be involved as necessary".

¹²⁷ All quotes in this section are from "Sustainability is moving," pp. 42-61

The Healthy Office project has already been described in connection with real estate loans. The guidelines elaborated for this project, “The healthy office – guidelines for implementation of sustainable and healthy office buildings” have been in use in HVB Group since 2001.

“Ecological aspects, high workplace quality and low operating and building maintenance costs are important criteria which are given consideration in this new development. Binding goals, requirements and standards were already formulated when the competition was announced.

The focus was on personal well-being, flexible building utilization and consistent use of natural resources. Thus the offices are ventilated using windows. The specifications expressly included the use of technically complicated and expensive full air conditioning for the facility. Heating and cooling are implemented using what is known as isothermal tempered concrete core, heat supply through district heating and heat pumps. (...) Facility management, which occurs simultaneously with planning, has the goal of minimizing future operating costs for energy, cleaning and maintenance already in the individual construction phases. In this way, changes and improvements can be carried out in a timely fashion”.

Human resource management

HVB Group’s human resource management philosophy was described in section 2.2. This section provides two examples of HVB Group’s commitment to corporate social responsibility in the human resource sphere.

The following table shows the Group’s 2001 index figures for human resource sustainability:

Employees	Total for all branch offices	Trend since 1999
Female employees	59%	
Women in managerial positions	28%	+
Part-time employees (HVB Group)	13.7%	
Part-time employees (HypoVereinsbank)	18.5%	+
Trainees (HypoVereinsbank)	8.6%	+
Female trainees	63%	
Expenditure on initial job training	€ 40,290,230	
Expenditure on further job training/job retraining	€ 85,097,486	
Employee turnover (adjusted)	10.6%	
Turnover rate (HypoVereinsbank)	7.2%	+
Illness rate (HypoVereinsbank)	3.3%	+/-

A striking fact here is that while 59% of all HVB Group employees are women, women account for only 28% of the organization’s managerial personnel. There are no female board members and there is only one female senior executive in the entire Group – Dr. Regina Prehofer, head of the Bank Austria corporates divisions. Against this

backdrop, a Diversity program was instituted in 2000 whose primary goal is to ensure that men and women in HVB Group have equal opportunities. The program supports women by requiring that “high potentials” be identified in a timely manner and that special training seminars be conducted for female managers and high potentials. High-potential women are also mentored by successful company executives. In addition to this program, which serves the interests of women, other measures have been taken to enable women to find a healthy balance between their private and professional lives. “The following instruments are particularly important in this respect:

- Flexible working hours;
- Part-time work and telecommuting;
- Care of employees on parental leave and returning to work;
- Child care”¹²⁸.

HypoVereinsbank has instituted a remarkable flexitime program which enables employees to:

“shape the hours they work in their own situation, based on operational requirements. Core times have been abolished. Instead, our employees coordinate within their own teams, and adjust their working hours to accommodate the current work situation and customer needs. They can build up a maximum of 80 to 120 hours overtime or deficit. Flexi-days can also be taken to coincide with weekends and vacations”.

“In June 2002 HypoVereinsbank become one of the first two companies in Germany to receive the “Re-Audit Beruf und Familie” certificate devised by the non-profit Hertie Foundation from the German ministry of economics in Berlin. This confirms that HVB pursues a family-friendly personnel policy and is constantly working to promote an acceptable balance between professional and family life”¹²⁹.

In 2002 HVB Group’s performance was adversely affected by the downturn in the financial services industry. Tougher competition and increased price pressures necessitated a reduction in the Group’s workforce from 2,338 in 2001 to 2,028 in 2002. The company has no choice but to follow through on plans to lay off an additional 9,100 employees in 2004. The following table provides an overview of the statistical aspects of the HVB Group’s work force from 2000-2002¹³⁰:

¹²⁸ Sustainability is moving, p. 67

¹²⁹ *ibid.*, p. 68

¹³⁰ HVB Group 2002 annual report, p. 85

	2002	2001	2000
Total work force			
HVB Group:	65,926	69 520	72 867
of which:			
Employed in Germany	32,901	34 387	35 293
Employed internationally	33,025	35 133	37 574
Total work force			
total no. of employees at HypoVereinsbank	21 956	22 847	24 975
of which:			
Trainees	1 646	1 824	1 867
Part-time employees	3 972	3 882	3 875
Limited contracts	309	421	489
Temporary workers	16	188	616
Part-time employees nearing retirement age	929	845	765

The aforementioned job cutbacks pose a tremendous challenge for the company's human resource managers. In carrying them out, HVB Group operates on the assumption that such cutbacks do not necessarily entail furloughing employees. Job cutbacks must be carried out in a socially responsible manner and insofar as possible, in a manner that meets with the approval of employee representatives. The process of natural attrition is also used as a tool in this regard. The attrition rate of approximately 8.3% at HypoVereinsbank allows for substantial personnel cutbacks since available positions can be filled by current employees. A Group-wide hiring freeze has been in effect since the spring of 2001. In 2003, HVB Group instituted a personnel reduction program¹³¹ with a clearly defined three-stage timeline:

- Stage 1: Opportunity to annul the employment contract
All employees are given a deadline by which they can voluntarily annul their employment contract. In this case, the employee receives severance pay whose amount is determined by the wage contract.
- Stage 2: Managers select employees who will be offered the opportunity to annul their contracts. Employees eligible for early retirement, part-time employees nearing retirement and other special groups are also eligible for this program.
- Stage 3: Job layoffs for operational reasons.

This phase is avoided wherever possible. To this end, the following human resources restructuring tools are used, in descending order of priority and deployment:

Early retirement

Reclassification as a part-time employee nearing retirement

¹³¹ The information given here stems from the HVB Group 2002 annual report and a human resources memo issued by HVB Group Human Resources Management on March 27, 2003.

Quitting voluntarily
Encouraging employees to work part-time
Unpaid leave
Offering employees the opportunity to annul their contract
Job creation organizations
Operational layoffs

The company wage agreement provides for a number of job cutback programs that go beyond the minimum statutory requirements. For example, in addition to the legally mandated program whereby employees nearing retirement are entitled to work part-time when they turn 60, in HVB Group employees are eligible to do this when they turn 55 for a minimum of two years and a maximum of five years. The wage agreement provides for higher expenditures than the amount mandated by statutory regulations. The unpaid leave program contains regulations regarding sabbaticals and unpaid leave taken following expiration of the statutorily mandated parental leave period. A large number of other human resource tools that were developed for other social policy-related reasons are also used in this regard to avoid laying off employees when positions are eliminated.

One example of such a program is the in-company placement office HVB TransFair whose mission is to promote employee mobility and flexibility: "HVB TransFair coordinates the placement of employees whose jobs have been eliminated as a result of restructuring measures. These employees are taken into a so-called Task Force, where they are given temporary assignments. At the same time, TransFair provides employees with help restarting their careers, ranging from targeted continuing education programs to advice on starting a new business of their own. To date, 894 people have been accepted into this program: 85% have been placed in new positions, 5% still work at TransFair and only 10% have left the company"¹³².

HVB Group also has an in-house employment agency, HVP Profil, which maintains a pool of approximately 500 employees and tries to find jobs for them both within HVB Group and outside it. HVP Profil also provides job retraining through HVB Akademie, which has developed (among other programs) a workshop that provides management personnel with training in human resources management methodologies.

Corporate citizenship; support of cultural endeavours

HVB Group is strongly committed to supporting the communities in which it does business, even during economic downturns. This commitment is realized within the framework of the company's Corporate Citizenship guidelines whose main focus is the promotion of youth activities, humanitarian help and, as the leading banking group in the heart of Europe, support for European integration. The activities of Bank Austria are exemplary in this regard. For over a decade, Bank Austria has been actively involved in the establishment of a series of Europa Clubs,¹³³ initially in Vienna and Brussels, and

¹³² 2002 annual report, p. 84

¹³³ see www.european-club.net

then in a number of southern and eastern European capital cities. Bank Austria also operates a web site for the younger generation¹³⁴ that deals with European topics and also sponsors a conference whose aim is to promote the development of the Danube region. The theme of the Third international Danube Region Conference held in 2001 was “Danube maritime traffic and intermodal transport.” The fourth conference was held in Bucharest in July, 2003. HVB Group has stated the following in regard to its active sponsorship of this event:

“Employees of our HVB Group subsidiaries are involved in the local preparatory conferences in the central and southern European countries. The topics of the conferences are: transport and logistics, infrastructure, water management, municipal technology, environment and energy, and their accompanying financing. Our experts are especially in demand for all types of subsidies of co- and public-private partnership financing”¹³⁵.

It should also be mentioned that HVB Group provides wide ranging support to cultural endeavors. These efforts mainly focus on monuments and regional development projects including fine arts, music, film and literature, which are too numerous to describe in detail here. For further information in this regard, see the HVB Group annual report, the sustainability report and the company’s web site.

¹³⁴ www.europe2go.com

¹³⁵ Sustainability is moving, p. 82

INA GROUP

with the Focus on INA-Schaeffler KG ()*

Anke Lechner

Company Portrait: A Multi-National Business

In 1946, the two brothers E. H. Georg Schaeffler and Wilhelm Schaeffler, both holders of Ph.D. degrees, founded INA (Industrial Needle Bearings) in Herzogenaurach, located in Northern Bavaria's "Central Franconia" region. In 1949 Georg Schaeffler invented the cage-guided needle roller bearing, which led to an enormous global expansion in the decades to follow. The first foreign factory was built in France in 1956. Today, the company has 180 subsidiaries in almost every country in the world. INA Holding Schaeffler KG (INA) consists of the INA Group, whose major company is INA-Schaeffler KG, the LuK Group, the FAG group, Rege and since August 2003, präTec - precision technology GmbH, based in the German state of Thuringia.¹³⁶ The Group supplies a wide spectrum of products ranging from rolling and plain bearings to linear units and systems to engine components, transmissions and clutches. Sales in 2002 totaled slightly below 7 billion Euro. Over 50% of these sales were achieved in various industrial sectors and the rest in the automotive industry. The company is thus broadly represented on the market, which ensures that the corresponding risk diversification is available. An example of this was the automobile manufacturer Ford. With approximately 6% of all sales a few years ago, Ford was one of the largest customers, and this led to a slight dependence on a single client. INA, which is one of the largest privately owned companies in Germany, has enormous innovative power. In Germany it is among the top fifteen companies for patent registrations each year.¹³⁷ The continuing work on the further development of the company can be seen in the expansion of the research and development center at company headquarters in Herzogenaurach. The new R&D building annex was opened in 2002. This facility will play a crucial role in securing the company's success in Germany and will provide relief for the employment market.¹³⁸ Top company executives place a great deal of emphasis on quick coordination and decision-making, the clear distribution of responsibility and constant improvement of the information flow, thus ensuring that the company's technological lead on the market is maintained¹³⁹.

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¹³⁶ http://www.ina.de/inaupdate/firma/unternehmensprofil/ina_schaeffler_gruppe_de.asp, 28.07.2003
http://www.ina.de/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm849011_de.asp, 15.09.2003

¹³⁷ http://www.ina.de/inaupdate/firma/profil/mitarbeiter_de.asp, 28.07.2003

¹³⁸ http://www.ina.de/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm800017_de.asp, 28.07.2003

¹³⁹ Guest contribution, "„Gut gerüstet für die Anforderungen der Zukunft - Familienunternehmen erleben eine Renaissance“, Maria-Elisabeth Schaeffler, in: Harting tec.News, 10.11.2002, p.7

After the deaths of the two company founders, Maria-Elisabeth Schaeffler, Georg Schaeffler's widow, assumed the leading role of partner of the company along with her son Georg F.W. Schaeffler, who works as an business lawyer in the U.S. Mrs. Schaeffler has been involved in the business operations of the high-tech company, and has led and managed the company in the founders' best interest for many years now, focussing on sustainability, a strategy that has made the company so successful.

The numerous awards won by the company demonstrate the outstanding performance of the 54,000 employees worldwide, 7,000 of whom work at company headquarters in Herzogenaurach.

In 2001, INA-Schaeffler KG received the "GM Supplier of the Year" award from the world's largest carmaker General Motors for the ninth consecutive year and was also named "Company of the Year." This award is the result of INA's commitment and creativity and is based on outstanding achievements for deliveries, quality and service, as well as technology and price. INA has received quality awards from numerous customers, and in turn recognizes the achievements of its own suppliers¹⁴⁰.

The competitive strategy used by the "hidden champion"¹⁴¹ includes the following: act as the customer's preferred development and business partner, assume the leading role in the market, constantly develop technology, achieve zero-defect quality in all business divisions and provide secure jobs. The company aims to achieve qualified growth, which includes increasing the speed of deliveries and the ability to react, globalization i.e. the further expansion of the company on a worldwide scale, as well as promoting customer and employee satisfaction. In the long-term, customers will be convinced that INA is the right company to work with through the leading role it has in terms of quality, technology, product reliability, efficiency, its reliability as a supplier and good service. INA constantly takes a proactive approach in maintaining and expanding its competitive edge. This approach includes making high investments for new developments, constantly modernizing manufacturing technology, working closely with customers and promoting and qualifying employees. The company's success has shown that this approach is the right one. INA is among the three leading suppliers in all the markets where the company has operations. Apart from this, sales have increased by an average 14 per cent since 1997, which clearly exceeds the increase rate for the entire rolling bearings sector.¹⁴² Of course, being close to a customer location anywhere in the world goes without saying for a multi-national company. "Apart from the close development partnership with our customers, we feel that intelligent manufacturing technology is the most important contributing factor for our success"¹⁴³.

¹⁴⁰ http://www.ina.de/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm30042002_de.asp, 28.07.2003

¹⁴¹ Hidden Champions can be considered to be very successful companies which are generally not very well known by the general public. They function internationally and apply a long-term strategy which means they become market leaders in their field. cf. Haussmann, H.: Spezifische Erfolgsfaktoren von Hidden-Champions im Internationalisierungsprozess, in: Holtbrügge, D. (Hrsg.): Management Multinationaler Unternehmen. Heidelberg et al. 2003, p. 105-120.

¹⁴² Guest contribution, "Gut gerüstet für die Anforderungen der Zukunft – Familienunternehmen erleben eine Renaissance", Maria-Elisabeth Schaeffler, in: Harting tec.News, 10.11.2002, p.7

¹⁴³ http://www.ina.com/inaupdate/firma/profil/unternehmen1_de.asp?anzeige=p11, 19.09.2003

This is reflected in the company's image, which is not only exceptional as a business, but also as an employer. INA is recognized as a qualified partner by its customers and has the reputation of being a sound, technologically outstanding, reliable and forward-looking company. It is well-known that company management takes its responsibilities towards employees, the community and the environment very seriously and is currently leading the way in environmental protection. Cooperative management is practiced at INA. According to this management pattern, employees are involved in decision-making and information processes in certain situations. The degree of involvement is determined by the complexity of the situation and the employee's experience. Actions are to be based exclusively on clear, unambiguous and permanent actions. Maria-Elisabeth Schaeffler, Georg F. W. Schaeffler and Dr. Jürgen M. Geißinger, President and CEO of the Schaeffler Group and INA-Schaeffler KG, have provided a clear explanation for the binding nature of the way management is understood at INA and of the management principles, which will be treated in the following section¹⁴⁴.

Company Culture and Philosophy

“Values such as the solidarity and responsibility of economical operations, the stability of corporate development and the active configuration of the connection between corporate history and corporate structure have always been a special concern in this kind of enterprise (family-owned business). This “family economy” demonstrates its unchanged power and payload, particularly in view of the current difficult economic situation. ...Family-owned businesses can tackle long-term goals and even a corporate vision and use the time it takes to implement this vision consistently”.

Mrs. Schaeffler wrote in an article that appeared in the ‘Harting tec.News’¹⁴⁵.

“Openness, integrity, fairness, common appreciation and clarity mark INA's relationship with everyone the company deals with. A good company atmosphere is regarded as the basis for teamwork, as is the individual's responsibility for his/her own actions. The focus is on improving the quality of the company, both internally and externally. There is a very strong feeling of togetherness in the company, and this makes a great deal of cooperation possible”.

This is the result of the long family tradition in the company and the close bonds between the Schaeffler family and company employees. At the company, the general attitude can be increasingly observed that in the long run, it is not the strongest and the largest who dominate the market and are successful, but rather the company that is the most flexible. The resulting policy practised at the company is to promote and challenge employees. INA is thus convinced that a rapid adjustment process is only possible when short communication channels are available, teamwork is practiced and old fashioned ideas are eliminated. Knowledge management is embraced, and communication is

¹⁴⁴ “Unser Führungsverständnis“, in: INA-Führungsleitsätze, February 2002, p. 5

¹⁴⁵ Guest contribution, “Gut gerüstet für die Anforderungen der Zukunft – Familienunternehmen erleben eine Renaissance“, Maria-Elisabeth Schaeffler, in: Harting tec.News, 10.11.2002, pp.7, 8

constantly improved. A new corporate culture has arisen that is present at all hierarchical levels.

Management Principles

INA's management principles define the leadership style and behavior to be practiced by managing personnel, and these principles are accessible to each and every employee. Excerpts from the latest version of this document (2002) are discussed below:

“Clear, Unambiguous and Binding Standards

- We perform our management duties in accordance with clear, unambiguous and binding standards. This allows our management behavior to be transparent and easily understood.
- We make and communicate decisions in a timely manner.
- The consistent implementation of necessary actions makes our management style predictable.

Serving as Role Models

- The success of our management principles depends on the exemplary conduct of all executives, which is based on a clear understanding of ethics and values.
- We obey the law.
- We accept responsibility for protecting our environment.
- Our openness in dealing with employees and managers creates relationships based on mutual trust.
- In our function as executives, we think and act like entrepreneurs. This requires both technical expertise in our respective fields as well as excellent inter-personal skills.

Bewaring Aware of One's Responsibility

- Responsibility entails accepting tasks, achieving goals and being accountable for the consequences of our own actions.
- This requires in-depth knowledge and consistent application of the company's management principles.
- Being aware of one's responsibilities means having a thorough knowledge of the tools at our disposal and their proper application to attack the tasks before us.

Goals

- The goals we set to fulfil our vision are demanding, but achievable.
- Measurable goals include descriptions of the desired results and the timeframe within which they are to be attained. These descriptions allow us to monitor and fairly assess performance. In addition, they enable us to recognize impending success or failure and to take the appropriate actions.

Employee Development

- The developmental of our employees' talents and skills represents a significant investment in the company's future.
- To do justice to the employee capabilities and performance potential, we make use

of various tools available to identify their abilities and implement programs to promote them.

- Innovative Thinking.

Innovate Thinking

- We proceed deliberately and systematically to find solutions.
- We grant our employees ample freedom so that they can perform their tasks creatively to find innovative solutions. This enables us to satisfy the most demanding customer requests.
- We encourage communication and allow employees the freedom to voice their perspectives.

Working Together

- Only when we consolidate and align our efforts can we maintain our competitive position in the long term. In working together and creating team structures, we will achieve a high degree of efficiency.
- Effective communication is a significant part of our success. Those without the requisite communication skills are deficient in their managerial competencies.
- We support a consistent policy of 'one face to the customer.' This policy applies to internal and external customers alike.

Work Should be Fun

- We strive to create an environment in which our employees enjoy their work, and we put forth a special effort to recognize performance.
- We help our employees see changes as business opportunities.
- Changes offer our employees the chance to learn and to demonstrate their abilities.

The Final Decision

- When we delegate responsibilities, we also transfer the authority to perform all relevant tasks.
- While we include our employees in the decision-making process, we remain fully responsible for the outcome and must, therefore, reserve the right to make the final decision where warranted¹⁴⁶.

Environmental Certification to ISO 14001 and EMAS

"We are committed to meeting the social responsibility towards our employees, society and the environment. Effective environmental protection measures that go far beyond current legal requirements are in place at all of our plants. This allows us to maintain the essential daily living standards, meet social expectations and guarantee INA's competitiveness in the long term"¹⁴⁷.

Environmental protection is a company goal defined in the company's Management Principles, and here, as in many other fields, INA plays a leading role. One reason for

¹⁴⁶ INA management policy, February 2002

¹⁴⁷ The 2001 environmental statement 2001 of the INA German plants, p 6

this is that environmental protection measures are all of the same high standard worldwide. This means that all the larger plants are certified in accordance with both ISO 14001 and the much stricter EU Environmental Management and Audit Scheme (EMAS)¹⁴⁸. Even non-European INA-Group plants must meet these strict EMAS regulations and are validated accordingly. "In this way we can be certain that an up-to-date environmental management system is in place at our plants..."¹⁴⁹ INA has had its environmental management system audited for conformity and verified worldwide, and the company documents its environmental policy on a regular basis in the form of an environmental statement. In contrast to the environmental report, certain information is required in all statements, and these are audited by an external body for correctness. The pioneering role INA has is clearly demonstrated by the the recycling system association Partslife of which INA is among the founding members.¹⁵⁰ In this program, INA provides its expertise for smaller companies involved in automobile parts reuse. In addition, INA is a member of the Bavarian environmental agreement¹⁵¹.

The company deliberately regards environmental protection and quality management as two separate subjects since they have a different focus and require different tools for differing approaches. At company headquarters in Herzogenaurach, an Environmental Protection department is responsible for auditing and supporting the continued development of environmental protection measures, such as the environmental compatibility of facilities and machines at locations throughout the world. Environmental coordinators at every INA subsidiary report to Headquarters Environmental Protection.

The advantages of a separate environmental protection function that is not part of the quality management system are that environmental issues have a greater significance at the company and are taken more seriously by the employees, which in turn provides a higher degree of effectiveness.

INA also maintains very close contacts with customers with regards to life cycle assessments and has installed an environmental data coordinator, who uses special software to prepare life cycle assessments for products.

Environmental Statement and Environmental Policy

The reason that INA decided to follow the European EMAS standard was that it provides a framework for environmental statements. In contrast to environment reports, certain kinds of information must be included in the environmental statement. An independent

¹⁴⁸ EMAS abbreviation for Eco-Management and Audit Scheme previously EU Ecological Audit Regulation; further information from http://europa.eu.int/comm/environment/emas/pictures/menu/home_2.gif, 24.09.2003

¹⁴⁹ Environment protection, in: http://www.ina.com/inaupdate/firma/profil/umweltschutz/umwelt1_de.asp, 28.07.2003

¹⁵⁰ see <http://www.partslife.com/deneu/ueberuns/index.php>, 24.09.2003: "Partslife" is an initiative founded by the market for automobile parts to meet the high demands of the recycling economy and the numerous regulations, laws and levies resulting therefrom."

¹⁵¹ More information at http://www.umweltministerium.bayern.de/agenda/umw_pakt/u_pakt.htm, 17.10.2003

body then confirms whether the statement represents a true description of actual conditions. These are the two basic differences from ISO 14001. However, INA still carries out validation to ISO 14001 because this standard is also of central significance, and no extra effort is required to reach conformity. The standard currently followed is EMAS II, which is based on ISO 14001. Besides this certification, it is very important for INA to verify legal conformity and the associated certainty that the company does not make the newspaper headlines because of environmental hazards.

The first audit was carried out in 1996 at the Herzogenaurach location. This was accredited by EMAS in the summer of 1997. In 1998, all the German locations were certified followed by all the European plants in 1999, and all the larger plants worldwide in 2000. This means that a total of around 30 INA locations have been certified and each future plant will be adapted to this standard as soon as possible.

The reasons for this environmental protection program are twofold: first, there are customer requests and demands for environmental protection, and second the company can lower costs by minimizing internal risks. Some examples of using environmental protection management to reduce risks include substituting dangerous materials for less dangerous materials, training employees and introducing protective measures. Insurance providers are also in favour of these measures serving to minimize risks and grant lower insurance premiums accordingly. INA realized very quickly that the cost of protecting the environment is only one aspect to be considered. On closer examination it was found that the savings are substantially higher than the cost of environmental protection. However, it is difficult to determine the limits of environmental protection. The benefits of protecting the environment are not only monetary, but also include the legal conformity mentioned above, employee motivation and a substantial improvement in the company's image. These are all advantages for which no monetary value can be determined. How the company is viewed by regulatory bodies is another motivating factor behind INA's environmental protection actions. Building permits and approvals are issued earlier, because the authorities can rest assured that INA will follow all laws and regulations. Oftentimes this means that requests submitted by INA only have to be checked one time instead of multiple times. Obtaining quick approval is an enormous financial advantage, and this is also difficult to express in monetary terms.

The INA Group's environmental policy lays the foundation for the environmental management system. The elements of the environmental policy described below have mainly come about because the company has realized that an environmental protection policy that is embraced has significant positive effects on company success. The environmental policy has been defined in writing and is available to and mandatory for all employees.

“These principles demonstrate that we meet our responsibility in society to do our part in preserving the well-being of all - today and for subsequent generations”.

Efficient Environmental Management	At all manufacturing locations we have an efficient environmental management system that is subjected to continuous improvement measures. We align our facilities to state-of-the-art technology. Our contract partners and suppliers are included in our environmental targets.
Regular Audits	We have made the obligation to follow all environmental legislation and specifications. Conformity is checked during environmental audits that are performed on a regular basis. In-house requirements go above and beyond the regulations specified in government legislation. We regularly monitor the impacts our operations have on the environment as well as the success of the environmental management system.
Minimum Environmental Impacts	For all activities we want to prevent harmful impacts on the environment by planning properly in advance. We use raw materials and energy sparingly. We put forth every effort to generate as little waste as possible. Reusing waste for good purposes takes precedence over waste disposal. The proper environmental protection actions serve to reduce wastewater quantities, noise and other emissions.
Environmentally Friendly Products	We manufacture environmentally friendly products and take the entire product life cycle into consideration - from product development to manufacturing all the way down to reuse or disposal.
Responsible and Dedicated Employees	We regularly inform our employees about important environmental issues and hold training programs to increase employee awareness and achieve more responsible behavior towards the environment.
Preventive Measures	We want to protect our employees from health hazards and prevent damage to the environment. To achieve this, we implement comprehensive measures to prevent accidents and limit damaging effects on the environment.
Open Communication	We maintain open communication channels with our customers and with the public. We provide information on the environmental effects of each location. Authorities and associations receive our full cooperation. ¹⁵²

Table 1: The INA Group's environmental policy (Source: in-house policy at: http://www.ina.com/inaupdate/firma/profil/umweltschutz/umwelt3_de.asp?2=2, 28.07.2003)

One outcome of INA company management efforts to reduce paper in computer and office procedures was the founding of the COI-Consulting for Office and Information Management GmbH in 1988. The INA consulting company informs other companies about successful applications and services used for working with documentation. The ideas laid down by the European Commission in their green book on integrated product policy (IPP)¹⁵³ has been a standard at INA for a long time now.

Most Prestigious Environmental Award in Bavaria

In 2002, the German state Bavaria honoured the INA Group's outstanding achievements in environmental protection by awarding the company the environmental medal. The company's pioneering role and the sustained linking of economic, ecological and social aspects were highly praised. INA was recognized for

¹⁵² Environmental policy of the INA group, November 2002, described by Dr. Jürgen M. Geißinger

¹⁵³ More information under <http://europa.eu.int/scadplus/leg/de/lvb/l28011.htm>, 17.10.2003

progressive and innovative thinking as well as its exemplary attitude towards a better environment and quality of life¹⁵⁴.

In the plant in Herzogenaurach, for example, INA installed a waste heat recovery system that has allowed energy savings to be achieved. A well on the company's premises supplies INA with the necessary water for the production process, which allows the consumption of drinking water to be minimized. In addition, innovative filter systems and noise reduction equipment were installed, which greatly improve the quality of life of the employees and the people who live near the company. Reducing resource consumption, consistently collecting waste separately and a machine used to make briquettes from oily grinding sludge, which reduces oil content to 10% and allows recycled oil to be used in manufacturing, are only a few of the measures which INA has implemented in an attempt to protect the environment in ways far beyond those regulated down by law.¹⁵⁵ In addition, INA is attempting to implement an environmental controlling system and a worldwide system for ecological building planning for INA plants¹⁵⁶.

Ford Environmental Award

The following was announced in an INA press report:

“For the second consecutive year, the INA Group has received the “World Excellence Award” from the Ford Motor Company for the leading role INA plays in environmental protection. The award belongs to the category recognizing “achievement and environmental leadership.” Decisive for receiving this award was both the certification of all INA plants to ISO 14001 and the company's efforts regarding product responsibility and life cycle analysis.

Each year, Ford recognizes supplier achievements with its “World Excellence Award” in various categories. At the 2000 awards ceremony held in March of this year in Detroit, from among 1200 Ford suppliers, only one other company besides INA received an award in the environmental category.

To receive the Ford award, suppliers must meet a number of requirements including those for their manufacturing locations and capabilities for recycling products. Ford requires that all suppliers have at least one manufacturing location by the end of this year (2001) that is certified to ISO 14001. All locations must have this standard by the middle of 2003. At INA, all plants worldwide had already been certified to ISO 14001 by March 2000 and also had also achieved the even stricter European Union EMAS validation. This means that INA was two years ahead of schedule in meeting Ford's goals”¹⁵⁷.

¹⁵⁴ http://www.ina.com/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm800018_de.asp, 28.07.2003

¹⁵⁵ Environment statement 2001, location Herzogenaurach, p. 2-10

¹⁵⁶ http://www.ina.com/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm800018_de.asp, 28.07.2003

¹⁵⁷ http://www.ina.de/inaupdate/news/activity/umwelt_audit/ford_de.asp, 10.06.2003

Even before this, INA frequently received awards from the Arbeitsgemeinschaft Selbständiger Unternehmer (= Association of Private Companies), for the company's awareness of environmental issues in management policy¹⁵⁸.

Responsibility for the Community

In a guest article that appeared in the Harding company publication tec. News, Maria-Elisabeth Schaeffler stressed that: "Owners of family-owned companies are...passionate and dedicated entrepreneurs who regard themselves as being linked to the public good. That is the reason we have been successful in the past and will continue to be successful in the future"¹⁵⁹.

INA does indeed fulfill its commitment to society on a daily basis and has stated this commitment publicly.

"Social well-being, justice and consideration, equal opportunity, health protection, training opportunities and pension programs are not just empty phrases at INA. The company group shows its solidarity with society, and this is the right path towards sustainability"¹⁶⁰.

It is precisely this commitment on the part of Maria-Elisabeth Schaeffler that is reflected in the following awards she has received for her outstanding social commitment. Her incredible entrepreneurial achievements and social involvement have made her a sensation, and she was recognized for this with the "*Verdienstkreuz am Bande des Verdienstordens der Bundesrepublik Deutschland*" (German Cross of Merit with Ribbon) in April 2001. The businesswoman takes an active role in cultural and social issues and actively promotes organizations like the Bavarian Red Cross, the Nuremberg Conservatory of Music and the university prep school in Herzogenaurach. Her commitment to business affairs in the region also earned her the "*Kammer-Ehrenmedaille*" (Honorary Medal) of the Nuremberg Chamber of Commerce where she has served on its board and is the first woman to be elected vice president.¹⁶⁰ In July 2003, INA's energetic representative was awarded the "*Bayerische Verdienstorden*" (Bavarian Order of Merit). The Bavarian state government decided to grant Mrs. Schaeffler this award because of her outstanding service to Bavaria and Bavarian citizens¹⁶².

Mrs. Schaeffler also took an active role in the following best-practice examples that demonstrate INA's commitment to social responsibility.

¹⁵⁸ more information at www.asu.de

¹⁵⁹ Guest contribution "Gut gerüstet für die Anforderungen der Zukunft - Familienunternehmen erleben eine Renaissance", Maria-Elisabeth Schaeffler, in: Harting tec.News, 10.11.2002, p.8

¹⁶⁰ Environmental statement 2001 from the German INA location, p 8

¹⁶¹ http://www.ina.com/inaupdate/news/activity/verdienstkreuz/verdienstkreuz_de.asp, 28.07.2003

¹⁶² http://www.ina.com/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm849009_de.asp, 28.07.2003

Best Practice Example 1: Training for Young People

Even during business downturns and recessions, INA has not forgotten its responsibility towards young people. In July 2003, INA expanded its training centre in Hochstadt by erecting a new building. INA employs about 260 new apprentices each year. A total of roughly 800 apprentices at one company is well above the national average for Germany. The quota of trainees at INA is well above 4%, making the family-owned business among the leaders in Germany. In her speech at the opening ceremony for the new training center, Mrs. Schaeffler confirmed that the availability of apprentice jobs results from internal decisions rather than pressure from outside:

”INA has a reputation for high training standards that will contribute to our competitive edge in the future”¹⁶³.

Available apprenticeships range from technical to commercial training jobs. When they complete the program, most apprentices unusually have high grades, and INA is proud of this achievement. It is also remarkable that all trainees completing an apprenticeship at INA have subsequently found jobs at the company. Considering the job-market situation today, this no longer goes without saying. In addition, the company offers university students and college graduates various internship and thesis programs. Combined study-trainee programs are also offered.

INA is an example of a company that accepts its responsibility to society and does not have to be forced to provide apprentice training by politicians or trade organizations¹⁶⁴.

Best Practice Example 2: Donations for Flood Victims in 2002

Germany was hit by catastrophic flooding in 2002. The eastern part of the country in particular suffered terribly, and a wave of sympathy and a desire to help could be seen among INA, FAG and Rege employees as well as top group executives. Donations totaling around 175,000 euros were collected in a large drive, and the company matched this amount. The money was intended for private households who had received only little aid. It was decided that the donation should go to the town of Zeithain in the east German state of Saxony. In Zeithain, people from over 2,000 households lost almost everything they owned in the flood, and the town had not received much monetary assistance. This was partly due to the fact that the media showed little interest in the area. But as is so often the case, INA and the company’s dedicated owner wanted to help those having very little influence over their situation. To ensure that the 350,000 euro donation went directly to the victims without the deduction of administrative costs, the company asked the mayor and the church congregation of Zeithain to distribute the money since they were best informed about

¹⁶³ http://www.ina.de/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm800040_de.asp, 28.07.2003

¹⁶⁴ http://www.ina.de/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm800040_de.asp, 28.07.2003

the problems of particular citizens. This contribution to rebuilding the town carried out by INA and company employees is exemplary¹⁶⁵.

Responsibility for Employees

In spite of global expansion, the company is firmly rooted in Germany and in particular in the town of Herzogenaurach where the business founded, which means that securing jobs and the well-being of employees is a very important concern of the family business. Maria-Elisabeth Schaeffler describes the relationship between company employees and company owners as follows: "In return for the strong ties that the Schaeffler family has to its employees, company staff has an extraordinarily high degree of willingness to serve the company, and loyalty is very high. The strong emotional tie is mutual, and it has stood the test of time. Everyone can rely on each other, everyone knows each other, trusts each other and can focus their energy on tracking joint goals"¹⁶⁶. This top class manager is well liked by employees. Through her openness with people and commitment to social matters she has gained the trust of all those around her as well as company employees. The company places a great deal of importance in high performing and satisfied employees and does what it can to achieve this goal. INA offers its employees numerous benefits, ranging from retirement programs to reduced premiums with insurance companies to company sports facilities, excursions and celebrations all the way down to social counselling and medical services. Occupational safety is also important at INA. Company management ensures that employees are given the opportunity to take part in numerous training programs. This has also been defined in INA's management principles just like the goal to ensure that work should be fun at the company and not torture. For this reason, INA ensures a positive communication atmosphere and ample freedom to allow for unconventional thinking and ways to get the job done. INA views creative employees as the key to success¹⁶⁷. Careers that span an employee's entire life are not at all uncommon at INA, and one can often find that entire families work at the company. This is welcomed and highly regarded by company management because the company arose from the entrepreneurial spirit of a family that still manages the company today.

Best Practice Example 3: Job Security Package

At the end of 2001 the INA Group and the works council reached an agreement on a comprehensive package aimed to secure jobs at INA locations and promote employment at INA's German locations. For the time being, this agreement is valid through December 31, 2004. INA employees thus have secure jobs even at a time when the economy is not doing well. Company management also agreed to inform the works council on projects that have an effect on all company employees. The works council

¹⁶⁵ http://www.ina.de/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm800016_de.asp, 28.07.2003

¹⁶⁶ Guest contribution "Gut gerüstet für die Anforderungen der Zukunft – Familienunternehmen erleben eine Renaissance", Maria-Elisabeth Schaeffler, in: Harting tec.News, 10.11.2002, p.7

¹⁶⁷ http://www.ina.de/inaupdate/firma/profil/mitarbeiter_de.asp, 28.07.2003

thus has a say in company decisions and can vote on issues that pertain to the well-being of both the company and employees. An agreement was also reached on more flexible working hours in order to adjust capacities to utilization and thus ensure jobs for the long term. It was important for company management to reach a consensus and arrive at a peaceful settlement¹⁶⁸.

Best Practice Example 4: Aid for Employee with Leukaemia

In 2001 around 2,000 employees at INA had blood tests performed to determine who could donate bone marrow for a co-worker with leukaemia. The drive was initiated by company management and employee representatives and implemented by INA's task force on health in Herzogenaurach. The task force includes representatives from Human Resources, the works council and company doctors and is headed by INA's social counselling service. The Bavarian Red Cross and the head doctor of the company's medical services were also involved. Each blood test cost around 100 German marks, and overall costs totalled about 200,000 marks, which was paid by the company. The overwhelming willingness of company management and employees to help a co-worker demonstrates once again the strong feelings of togetherness at the company and the need of people to care for each other. A significant contribution was also made to society, because the data of everyone tested at INA were stored in a global database, which means that there is now a better chance of finding a donator for someone suffering from leukaemia somewhere in the world¹⁶⁹.

Best Practice Example 5: Company Social Counselling and Medical Services

“Whatever we do, the focus is always on people.“

This motto, which appeared in the September 2000 issue of the brochure “Innovation,” is truly embraced at the company. Only very few companies offer their employees such comprehensive and professional help for health-related and other problems. Job security, social counselling and medical services are an essential part of personnel policy.

High quality and well equipped medical facilities with excellent medical personnel are available at all INA plants (medical services). The doctors who work at these facilities are well trained and administer first aid when accidents occur, handle rehabilitation measures for employees, advise and provide vaccinations before travel abroad and prepare first-aid kits for business trips. These are only some of their many activities.

In 1991 the introduction of a drug addiction aid system led to the installation of an internal social counselling service. Knowing that there are underlying causes for

¹⁶⁸ http://www.ina.de/inaupdate/news/aktuelleProdukte/pm_unternehmen/pm08112001_de.asp, 28.07.2003

¹⁶⁹ http://www.ina.de/inaupdate/news/activity/leukaemie/leukaemie_de.asp, 28.07.2003

addiction and that other social problems arise due to addiction, the company decided to put a comprehensive assistance service in place that goes beyond addiction treatment. The company's social counsellor initiates, accompanies and encourages development and problem solving processes. The goal of this service is to improve employee health and performance, to increase work satisfaction as well as to promote health and safety. The social counsellor provides psychological and social assistance for personal and psychological problems, problems related to a person's family and social sphere as well as problems on the job or problems resulting from high debts. The counsellor helps people with addiction problems and informs and trains employees, company management and trainees in order to prevent addiction. The social counsellor is also responsible for providing help both at and outside the company, organizing health promotion measures such as re-entry into the work force after rehabilitation and preparing employees for retirement. Social counselling at the company is one of company management's administrative departments, and all services provided are free. What must not be overlooked here is that this investment pays for itself since significant costs savings can be achieved through fewer lost working hours and better employee performance due to higher motivation. These activities also mean savings for the federal government and society as a whole.

Sustainability at INA

According to INA's 2001 environmental statement, sustainable development can be defined as

“development that can satisfy current requirements without taking away this same ability from future generations. On the way to sustainability, economic as well as ecological and social questions must be considered”¹⁷⁰.

INA views sustainability as a combination of factors that have previously been treated separately. This combination of factors provides a challenge and new opportunities for the company. Firmly rooted at INA is the insight that viewing economic, ecological and social matters simultaneously will bring about new solutions and have positive effects on the company and on society as a whole.

INA includes the topic of sustainability in its mission statement:

- Health as a social aspect
INA works closely with employees having long-term illnesses and employees undergoing rehabilitation.
- Future-oriented training and education
By taking on a large number of new apprentices every year, INA occupies a leading role in training. Many apprentices stay with the company after completing their

¹⁷⁰ Environmental statement 2001 of the German INA locations p.8

industrial or business training and utilize INA's comprehensive educational program in order to stay up-to-date both with regard to their job and their personal development.

- Commitment to people

At INA, all employees are treated equally. This principle can be found in the "Action Guidelines for INA's Personnel Policy" and provides equal rights to all employees - regardless of sex, race or nationality.

- Retirees are not left out

There are a number of ways for retirees to keep in touch with their company¹⁷¹. These principles are not just hot air, and the fact that they are taken seriously at INA is demonstrated by the medical and social counselling services provided, the training centre in Höchststadt, the way Mrs. Schaeffler manages the company and the numerous events and activities for INA retirees.

¹⁷¹ Environmental statement 2001 of the German INA locations p.8

NURNBERGER PRESSE GmbH & Co. PUBLISHING HOUSE[©]

In particular:



Anke Lechner

Company Profile - the Nürnberger Presse Publishing House, a Newspaper Company in the Centre of the City

The history of the company started in 1945, when the Allies handed over the document License No. 3 to PhD Joseph E. Drexel, who made a significant contribution to the setting up of the *Nürnberger Nachrichten* (NN) together with his commercial partner Hans Walter. In 1949, Heinrich G. Merkel, the second license holder, joined the enterprise. Eventually, the publishers Drexel and Merkel received Bruno Schnell into the managing team of the company in 1950. In 1974, Schnell became a personally liable partner and he has been guiding the fate of the publishing house as publisher and editor until today.

Production took place in Zirndorf which is located south-west of Nuremberg until 1949, when the publishing house moved to Nuremberg. From 1952, the newspaper has been published daily. In the past 57 years, the number of employees has been increasing from about 30 to approx. 1550. About 900 staff members work in the technical department, the others work in the administration and the editorial department¹⁷².

In 2002, the Nürnberger Presse publishing house produced approx. 116 million newspaper editions which were published in the complete Central Franconian region, in parts of Upper Franconia and the Upper Palatinate (see figure 1). Furthermore, about 5 million books, magazines and other printed works were published.¹⁷³ In addition to the *Nürnberger Nachrichten* published by the Nürnberger Presse publishing house, the printing house of the latter also prints the *Nürnberger Zeitung* which is published by the Nordbayerische Verlagsgesellschaft publishing company. Both companies are connected by a joint advertising medium.

The *Nürnberger Presse* also produces the sports magazine *kicker* which is published by the Olympia publishing house as well as advertisers, subsidiary editions and various regional newspapers. Since 1959, the latter have been working with the Nürnberger Presse publishing house as a community of interests in which the *Nürnberger*

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¹⁷² Anniversary supplement "50 years of NN", 1995, pp. 7; environmental statement 2001, pp. 6

¹⁷³ Updated environmental statement 2002, environmental operational balance, output

Nachrichten co-operates with 12 newspaper publishers¹⁷⁴. Bruno Schnell started this co-operation which is unique in the world of newspapers and went down in the media history as the praiseworthy “NN-model”. This progressive agreement was made in order to safeguard journalistic diversity, as the co-operating publishing houses remain completely independent in journalism and in publishing. This casing provides an attractive daily paper, its force as advertising medium is participated and the respective editorial offices fill the local sections. On the other hand, the advantages provided by the respective locations like intense distribution and an optimum adaptation to the readers’ requirements of information make a contribution to the balancing of interests of all partners of the co-operation¹⁷⁵.

<i>Daily</i>	<i>Weekly</i>
<i>Nürnberger Nachrichten</i> <i>Nürnberger Zeitung</i> <i>Altmühl-Bote (Gunzenhausen)</i> <i>Der Bote (Feucht)</i> <i>Erlanger Nachrichten</i> <i>Fürthener Nachrichten</i> <i>Fränkische Landeszeitung comprising</i> <i>5 editions:</i> - <i>Ansbach</i> - <i>Dinkelsbühl</i> - <i>Feuchtwangen</i> - <i>Neustadt/Aisch-Bad Windsheim</i> - <i>Fränkischer Anzeiger (Rothenburg o.d.T.)</i> <i>Hersbrucker Zeitung</i> <i>Nordbayerische Nachrichten comprising</i> <i>3 editions:</i> - <i>Herzogenaurach/Höchstadt</i> - <i>Forchheim</i> - <i>Pegnitz/Auerbach</i> <i>Neumarkter Nachrichten</i> <i>Pegnitz-Zeitung (Lauf a.d.P.)</i> <i>Rotb-Hilpoltsteiner Volkszeitung/</i> <i>Hilpoltsteiner Zeitung</i> <i>Schwabacher Tagblatt</i> <i>Treuchtlinger Kurier</i> <i>Weißensburger Tagblatt</i>	<i>Sonntagsblitz</i> <i>Nürnberger Stadtanzeiger</i> <i>Wochenanzeiger</i> <i>Fürthener Landkreis Nachrichten</i>

Table 1: Publication frequency (source: presentation by *Nürnberger Nachrichten* according to <http://www.nordbayern.de/auswahl.asp?man=3>, 02.09.2003)

The main editions and the subsidiary editions of the *Nürnberger Nachrichten* as well as the connected regional newspapers are published daily. However, advertisers are published weekly (see table 1).

Production is effected on 3 high-pressure web-fed rotary presses and since 2003 the newspapers have been printed on the new rotary offset printing machine. Since the

¹⁷⁴ Environmental declaration 2001, pp. 7

¹⁷⁵ Anniversary supplement “50 years of NN“, 1995, pp. 7-8

new offset printing technology was commissioned, high-pressure technology has been reduced gradually¹⁷⁶.

“Economic strength secures independence in journalism”¹⁷⁷, that’s the competition strategy of one of the major regional newspapers in Germany. Economic strength is not only the most important condition for a newspaper to keep up with technology and to be published permanently, but it is also the basic condition for safe jobs and social security of the personnel. All employees have been getting the benefit from the social stipulations of the contract set up in the early days of the company until today.

The basic principles of the management strategy have not been changed in more than 50 years of the company’s history. The personnel is expected to be loyal and willing to work. In return, the management trusts the employees and they can rely on the their employer who uses their work capacity in a responsible way. Bruno Schnell has often expressed that he feels obliged to the social policy even when times are hard with regard to economy. Above all, he criticises the increasing tendency to an unrestrained capitalism which is exclusively orientated towards economic profit.

The renowned enterprise focuses on competent information, discerning press coverage of contemporary issues and reporting of international, national, regional and local events.

Helmut Kohl, former German Federal Chancellor, stated the following in the anniversary supplement for the 50th anniversary of the *Nürnberger Nachrichten*: “Regional daily papers are the core of the German press”. In spite of all changes in the world of multimedia, the strategic objective is directed at the future of the daily newspaper. The consistent practise of matching contents and forms is an important feature of the newspaper making it a branded article¹⁷⁸. A regional newspaper has the advantage of being able to keep up with the latest trends on the spot and the part of the readership consisting of young persons, pupils and students shall also become conscious of this fact.

The image of the responsible and very much socially committed publishing house as well as the sponsorship of the latter and Bruno Schnell in the fields of art and culture is deeply rooted in general public. The publishing house is considered regional provider of information and it is known for standing up for fringe groups and minorities. The rather left-wing liberal political image of the *Nürnberger Nachrichten* is the journalistic alternative and contrast to the *Nürnberger Zeitung* with its Christian conservative attitude.

Company Culture and Management Principles

Company culture and management principles have been extended in the course of time, however the foundations have remained the same since the newspaper was

¹⁷⁶ Environmental statement 2001, pp. 6

¹⁷⁷ Anniversary supplement “50 years of NN“, 1995, pp. 8

¹⁷⁸ Anniversary supplement “50 years of NN“, 1995, pp. 2

established. Outwardly, the paper feels obliged to preserve its extensive journalistic independence from any interest groups. This comprises political associations as well as advertising customers. The advertising business and editorial contributions have never been linked and will not be linked in future. Inwardly, the working atmosphere is characterised by intensive social responsibility towards the employees which also takes into consideration that there are highly-efficient and less efficient staff members. It is the task of the executives to assign work to each staff member in accordance with his/her its abilities and qualifications for the benefit of the enterprise. Qualifications can be extended by training and further training if necessary. A characteristic feature of the company is its social responsibility appreciating a good working atmosphere where frank and honest talks and discussions take place, even though conflicts might occur sometimes. Furthermore, the enterprise tries to make decisions by forming an opinion together with all persons involved to the largest possible extent instead of acting from higher to lower hierarchies. Particularly the personality of Bruno Schnell guarantees that the basic social and democratic values are maintained.

Guidelines for the Basic Attitude of the Nürnberger Nachrichten

In 1979, the guidelines for the basic attitude of the *Nürnberger Nachrichten* were stipulated in writing by the publishers Merkel and Schnell. The basic idea behind it is that private management in the press bears public responsibility and it is obliged to guarantee freedom of information, speech and the press and defend them as fundamental rights. The eight guidelines of which extracts are quoted in the following are a binding part of the employment contract of each member of the editorial staff.

1. The commitment of the editors working for the *Nürnberger Nachrichten* with regard to the “basic law for the Federal Republic of Germany” demands opposition to all attacks on the free democratic basic order. It excludes any tendencies endangering peace or chauvinistic tendencies as well as the defamation of religious, ideological or racial groups.
2. The newspaper is an important medium for the formation of the public opinion and therefore, it takes a particular responsibility. It refuses to look after one-sided group interests and it keeps a critical distance to parties and governments. It opposes any kind of abuse of power.
3. On the basis of this progressive, liberal and social basic attitude, the paper acts on behalf of further development of the social circumstances towards a system of social fairness and individual freedom.
4. It stands up for social market economy as part of economic order adequate for this system. Besides, it is recognised that control measures run by the state play an important part on all levels of economic development.

(...)

8. The columns provided for the expression of the readers' opinions can also contain opposing convictions in accordance with the multitude of opinions in a pluralistic democratic society. Regarding the strong position of the NN among the press media of Central Franconia and considering the extensive diversity of political orientations

of this region, this is not only an imperative of journalistic fairness, but also an obligation for the journalists¹⁷⁹.

These guidelines exist for the editorial work as well as for the complete company. They show the orientation of the enterprise towards the free democratic basic order and social market economy and not towards ruthless greed for profit.

Environmental Statement

The first environmental statement was prepared within the context of the certification in accordance with the EC environmental audit regulation of 1998. There were two clear motives for the auditing in accordance with the European standard EMAS (eco-management and audit-scheme). On one hand, the company as an organ acting in public has a certain exemplary function with regard to responsible and considerate handling of resources and showing responsibility for future generations. On the other hand, systematic and continuous environmental management provides an economising potential.

One of the company's intentions was the integration of the concept of environmental protection in its business philosophy in order to integrate all employees into its implementation. In order to supplement comprehensive business management, an environmental management system was introduced. The environmental manual which is accessible in all parts of the enterprise serves for the observance and implementation of the environmental management system. The environmental statement is validated each year and a complete environmental audit is carried out every three years. It is the task of the company management to evaluate the events and to carry out the required modifications if necessary.

The profit the company realises by using this system is an increased motivation of the staff, the discovery of economising potential, particularly with regard to energy, and increased safety due to conformity with law and deregulation¹⁸⁰. Many goals have already been attained and other targets are being aimed at and pursued as stipulated in writing in the environmental statement of 2001:

¹⁷⁹ GUIDELINES for the basic attitude of the "Nürnberger Nachrichten", 1st January, 1979

¹⁸⁰ Environmental statement 2001, pp. 24

Goal	Action
encouragement of the own initiative of the personnel	continuation of the environmental suggestion system continuation of the "healthy enterprise" campaign
information about the effects of the company on the environment	continuation of the environmental performance measurement system
reducing the consumption of resources and energy	check if the special requirements are fulfilled new technology retrofitting of various ventilation plants installation of new windows with double glazing reducing the amount of paper used for environmental documentation by computerised documentation
further improvement of the possibilities of waste separation	providing new collecting boxes and inserts
informing the general public about environmental protection in the region	specific application of advertising efforts and public relations conscious purchase of advertising materials

Table 2: environmental goals and actions (source: presentation by *Nürnberger Nachrichten* according to environmental statement 2001, page 26)

Environmental Policy

The environmental policy is the basis for the environmental management system. Environmental guidelines for the above mentioned policy have been developed and stipulated in writing; these guidelines are presented in the following outline:

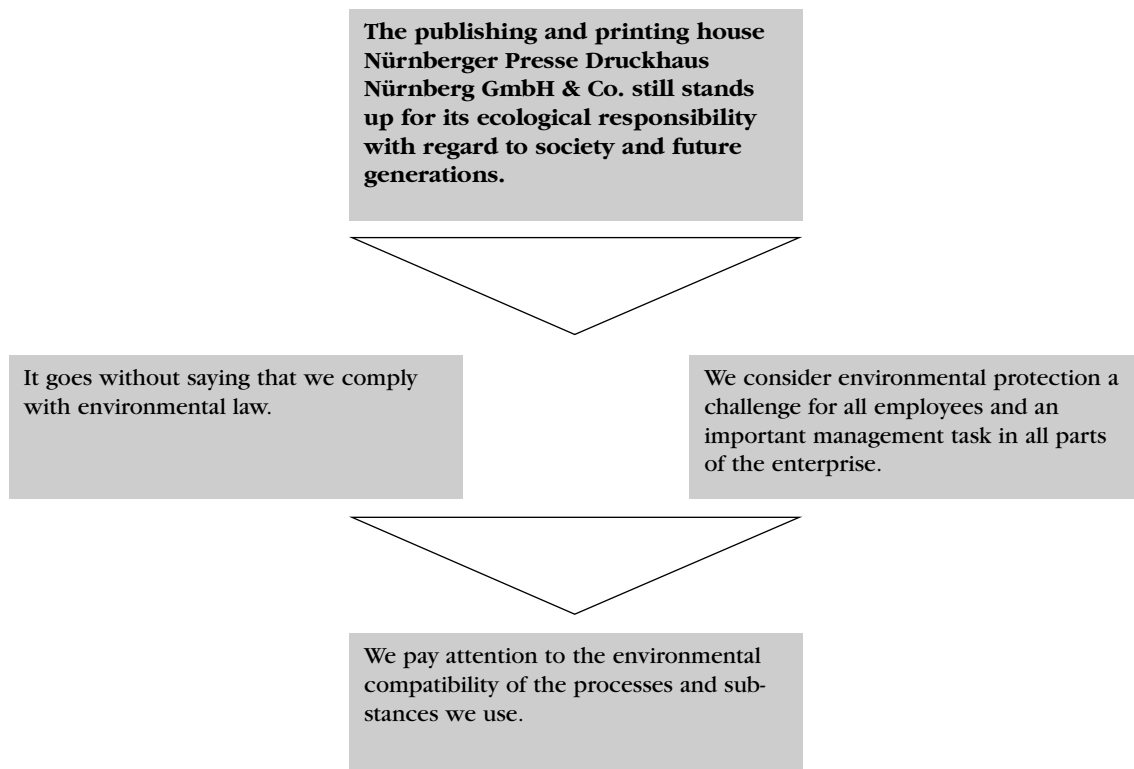


Figure 2: environmental guidelines (source: environmental statement 2001, page 9)

Social Responsibility

The NN publishing house has a long history of social engagement which is strongly characterised by the personality of its publisher and editor, Bruno Schnell. Reference is made here to a mere few of the outstanding examples of social responsibility as practised by the publishing house Nürnberger Presse and Mr. Schnell. We would moreover point out that many of the activities in this sphere are financed largely from the publisher's own private means and not by NN. Neither is it a question of sponsorship, as the company name receives no advertising publicity in connection with these activities.

Numerous support actions are undertaken without any great public awareness. For example, *Region Nürnberg e.V.*, the association involved in augmenting the region's image is promoted by NN. The Drexel Foundation trust set up by the company supports a diversity of cultural activities. Numerous grants are made to associations and institutes. The support given for the setting up of a break yard and class trips for schools is an example. Film-makers and theatre producers are given a helping hand to realise projects that would otherwise have no chance of succeeding. As the need for brevity prevents a more detailed elaboration of the full extent of the *Nürnberger Nachrichten's* social involvement, three representative examples are given below.

Best Practice Example 1: „The Nürnberger Nachrichten Arts Award“

In 2003 the very valuable „*Nürnberger Nachrichten Arts Award*“ will be presented for the 11th time. The award is one of the most important fixed events arts calendar in the North Bavarian region. The prize is awarded for painting, sculpture and original graphics or drawing with the focus on object-oriented art. Along with the aesthetic quality of the work, the prize takes into account the level of artistic craftsmanship employed. The motivation for the award is the recognition and promotion of exceptional artists who are living and working in Northern Bavaria or are natives of the region.

The three main awards are prizes of Euro 8000, Euro 5300 and Euro 2800 for first, second and third places, respectively. In addition several commendation prizes of Euro 1000 each are awarded. The close association of the Nürnberger Presse Group and Bruno Schnell with contemporary art in Northern Bavaria is further evidenced by the award of the additional „*Nürnberger Nachrichten Special Publisher's Prize*“ which is likewise for 8000 Euro. This accolade is awarded by the NN publisher Bruno Schnell personally to an individual artist without the involvement of an adjudication panel. The especially diverse and sustained promotion of the arts and artists over many years was and continues to be of particular importance to Bruno Schnell and the publishing house he runs¹⁸¹.

Best Practice Example 2: „Joy for All“

The *Nürnberger Nachrichten* Christmas action „Joy for All“ was initiated 32 years ago. NN editors appeal in numerous articles for donations for the aged, sick and destitute in

¹⁸¹ „10 x Nürnberger Nachrichten Arts Prize“, 2002, pp. 2-3

Nuremberg and the region. The project is managed by the NN in such a way that every cent donated reaches the needy individual. The administration costs arising are borne exclusively by the company. As many as possible individual cases are presented, and readers are able to determine precisely who shall benefit from their donations. In 2002 numerous readers again demonstrated their support and confidence in this project. The NN was able to distribute a total of Euro 1.569 million received in donations. 4774 applicants benefited from these timely donations. Qualified social education workers and statutory care agencies for the towns and districts in the region submit annual proposals for candidates urgently in need of this support. The donations accounts held by savings banks in Nuremberg, Fürth, Erlangen and the post office remain open for donations after Christmas also. The processing and postage costs involved of Euro 5352 were more than covered by the contribution of Euro 15,000 made by the company. Donations received continue to provide help in cases of dire need throughout the year. Experience shows that the main causes of extreme need are house fires, sudden serious illnesses and accidents, or disconnection of power to households with children. The Christmas action is known throughout the region and as a result of being run for so many years has become a hallmark of NN.

Best Practice Example 3: "Readers help Flood Victims"

Taking the Christmas action "Joy for all" as its model the *Nürnberger Nachrichten* and the collaborating regional newspaper publishers made an appeal to readers in mid-2002 for the relief action "Readers Aid Flood Victims". The catastrophic floods in Lower Bavaria, Saxony and Saxony-Anhalt had disastrous consequences for the people affected. The reporting of individual cases from the flooded areas aroused great sympathy in Franconia and the Upper Palatinate and encouraged readers to make generous donations. When compared with similar relief initiatives, the enormous sum raised of Euro 1.52 million represents a record result. Along with many tragic individual cases, community and social establishments as well as trade and industry were given the unbureaucratic help they urgently needed. With the money it was possible to ameliorate the immediate need and make a partial contribution to the restoration effort. Just as with "Joy for All" the total administration costs were borne by the publishing house thus guaranteeing that every donation was used for the benefit of those in need.

Best Practice Example 4: "Franconia helps Guinea"

At the beginning of 2003 the *Nürnberger Nachrichten* and collaborating regional papers initiated a further action "Franconia helps Guinea" in support of *Plan International's Children's Aid Work*¹⁸². The newspapers appealed for sponsors for children in Guinea, one of the poorest countries in the world. The TV broadcaster *RTL Franken Life* joined the *Nürnberger Nachrichten* and affiliated regional newspaper editors in calling on people to take up sponsorship. This form of development aid employs the money donated by sponsors to change the social structures in the long term. For example, village residents are involved in building schools, wells and health

¹⁸² Further information on www.plan-deutschland.de

clinics and teachers and nurses employed. The underlying intention is that the native population will gain experience in running and using these facilities and so contribute to the development and democratisation of the society, so that as a consequence the aid not only effectively supports the individual child, but the whole village community. This action was successful in raising 220 sponsorships from the greater Nuremberg area. Here too the *Nürnberger Nachrichten* editorship met its social responsibilities by successfully convincing people that despite the fact that Guinea is a long way away we cannot close our ears to the appeal for help.

Responsibility for the Staff

The company can look back on a long history characterised by a marked sense of “family”, which in turn gives employees a strong feeling of belonging. Careers encompassing an entire professional life are no rarity. The company does not regard itself as an abstract entity but as the sum total of the contributions of its employees. Great significance is therefore attached to staff welfare and the assumption of social responsibility for the employees.

Basic Tenets of the Company's Personnel Policy

The company's basic philosophy is to provide work for its employees where at all commercially feasible and to take care of them in accordance with the principle of social responsibility. This principle means that the company must comply with the directives of the basic law which obliges companies to take into account the social concerns of their employees. This in turn means that when changes are made in the company redundancies must be avoided where at all possible. This has always been achieved to date. The management is reminded of its duties to find meaningful alternatives for employees who must be provided with new jobs as a result of company changes. The company activates the financial resources for retraining, further training and development for this purpose. The challenge clearly lies in finding a synthesis between the employee's potential and its employment for the benefit of the company.

Great importance is attached to good working conditions, which do not just exist on paper but which are put into practice and are palpable. This means that each staff member must be perceived and recognised as an individual. Good working conditions are achieved not only by a providing a challenging job content, but also by the pleasant work environment and design of the workplace. This involves providing suitable premises, furnishing, equipment and technical facilities along with cleanliness, which in the production area particularly is associated with considerable financial outlay.

Within the company, the term “human capital” is considered ugly. The inhumane dimensions of personnel policies in large concerns that can result in decisions on the axing of hundreds and thousands of jobs and livelihoods being made without due deliberation are condemned without exception. Bruno Schnell referred in various leaders to the responsibility of companies to their employees and criticised moreover the tendency to unfettered capitalism.

The “family“ motto has been maintained since the foundation right up to the present day by the management of the company as a partnership. This manifests itself in a marked social stance, humane ideas, a sense of responsibility towards and concern for the welfare of the employees. This is evidenced by the continual pursuit of personnel policies that stipulate the commitment to maintaining apprenticeship places as well as safeguarding jobs - even in commercially and economically difficult times, on the one hand and the numerous staff benefits provided by the company on the other. These benefits range from the provision of canteen facilities to financial help for employees (who through no fault of their own find themselves in difficult circumstances), information and help on addictive illnesses in form of a brochure produced by the social committee of the works council, anniversary festivities, excursions, private and company pension schemes, and extend right down to the payment of the “May bonus“. The “May bonus“ became a customary means on the introduction of the 1st May holiday for employers to show recognition of the employees’ contribution. Today it has almost dropped out of use, as most companies have already abolished the practice many years ago. This detail is also characteristic of the sense of responsibility the *Nürnberger Nachrichten* feels towards its employees.

Best Practice Example 5: No Lay-offs despite Introduction of New Technologies

Modernisation of various plants was undertaken involving an investment of about 120 million Euro to bring the printing works up to the technological state of the art. A new editorial system and dispatch technology were installed, along with a new offset rotation plant. Additionally, the necessary infrastructure and structural adaptations were carried out. In the planning phase of the investment one of the technical equipment suppliers declared that a potential manpower saving of 100 jobs in the short term and as many as 300 to 400 jobs in the medium to long term was possible. The enormous rationalisation programme thus made numerous employees superfluous. The company does not however take the easy route of laying off employees, but instead invests large sums in restructuring jobs and training and retraining employees. Only the low fluctuation rate and age-related resignations were employed in the adjustment of the workforce. The company seeks other means of optimisation to achieve cost cuts. Investment in the necessary modernisation of technical processes was undertaken without loss of jobs.

Conclusive remarks

Long before the concepts of sustainability and corporate social responsibility became fashionable the Nürnberger Presse publishing house embodied these principles. The management partnership does not permit the “family“ values that create a sense of community in the company to become obsolete. In particular the personal engagement of Bruno Schnell guarantees adherence to social and democratic principles. The cultivation of an enlightened, liberal and social philosophy is an important feature in all areas of operation. The company demonstrates that responsible use of resources results in commercial success in the long term. The fact that Bruno Schnell reinvests almost all profits achieved in the company is a case in point. At the *Nürnberger Nachrichten*, everyone knows that Bruno Schell is a very special publisher.

SIEMENS[©]

Walter Schadhauser

Company portrait: Siemens – a global network of innovation

Siemens considers itself to be a “global network of innovation”:

“Siemens is a network encompassing well over 400,000 people in 190 countries. We take pride in possessing in-depth knowledge of customers’ requirements, the expertise to create innovative solutions in electrical engineering and electronics, and the experience to successfully navigate even rough economic waters. But our greatest asset is undoubtedly our people, with their unparalleled motivation and their passion for outperforming our competitors. Linked via a global network that enables them to exchange ideas with colleagues around the world, Siemens employees strive continuously to increase company value.

We at Siemens do not measure value solely in terms of short-term profitability. For us, it is just as important to be a respected corporate citizen in all the countries in which we operate. Ever since our company was founded 154 years ago, sustainability has been a top priority at Siemens. This applies to all our activities – from information and communications technology to automation, transportation, medical solutions, power and lighting. Our global network is a network of innovation – a network that draws on the best of many diverse cultures for the benefit of our customers, our investors, our employees and our partners”¹⁹⁷.

The “global network of innovation” connects an internal, cross-national network with stakeholders all over the world. It is formed by the interlocking of technical, personnel-strategy and technological developments at the different locations and the intensive dialog with societies throughout the world.

In addition to the variety of company groups that are combined here in one corporation, Siemens is characterized above all by its size - it is the ninth largest private employer in the world -, its global position and its self-image as an innovative and responsible company.

A few key figures of the company illustrate its development over the past few years:

[©] Walter Schadhauser prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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¹⁹⁷ Blurb from the Annual Report 2001

Financial highlights in millions of euros ¹⁹⁸	2002	2001	2000
New orders	86,214	92,528	83,426
Net sales	84,016	87,000	77,484
Net income (after taxes)	2,597	2,088	8,860
Net cash provided by operating activities	5,564	7,016	6,154
Net cash used in investing activities	-810	-5.886	-435
Research and development expenses	5.819	6.782	5.848
Shareholders' equity (September 30)	23.521	23.812	28.480
Employees (September 30, in thousands)	426	484	448

The strongly declining number of employees has been unduly dramatized in the press. Initially, a large number of new employees were added in 2001 due to the acquisition of VDO. The decline in 2002 primarily reflects the deconsolidation of Epcos and Infineon. Only around 16,000 jobs were cut, and this was furthermore accomplished without lay-offs for the most part. At the same time, around 10,000 new employees were hired, and a high research and development expenditure has been maintained, which will secure the future in all areas. The fact that the individual company groups have been affected very differently by the general economic trends becomes clear when one considers the wide range of products. The operational business of Siemens is divided into the following units, each of which operates worldwide:

Information and Communications:

- Information and Communication Networks;
- Information and Communication Mobile;
- Siemens Business Services GmbH & Co. OHG.

Automation and Control:

- Automation and Drives;
- Industrial Solutions and Services;
- Siemens Dematic AG;
- Siemens Building Technologies AG.

Power:

- Power Generation;
- Power Transmission and Distribution.

Transportation:

- Transportation Systems;
- Siemens VDO Automotive AG.

¹⁹⁸ The current key figures of the company can be found at www.siemens.com; each business year ends on September 30.

Medical:

- Medical Solutions.

Lightning:

- Osram GmbH.

With this variety of business activities, it is decisively important to ensure a balanced portfolio and to avoid cross-subsidation, at least in the long term. Siemens places great value on this strategy.

Even though Siemens has long been a global player, the company has been able to improve its global position considerably and grow, especially abroad, in the past few years. The greatest progress has been achieved in the USA and in China. China is now the third-largest market for Siemens. In 2001, the regional sales distribution¹⁹⁹ turned out to be the following:

Sales by region	2001
Germany	22%
Europe (excluding Germany)	30%
America	30%
Asia-Pacific	13%
Other	5%

In the number of employees, Germany remains at the top by far, as previously:

Employees by region	2001
Germany	41%
Europe (excluding Germany)	25%
America	23%
Asia-Pacific	10%
Other	1%

Very different components from the various countries and the diverse company groups affect the public perception of Siemens. It is therefore difficult to develop a uniform image for the overall company. This is also the way things are seen at the corporate headquarters:

“Siemens has an enormous breadth of market, from dictating machines to power plants. This applies to each of the seven company groups. The differences among the individual countries are also enormous. In Germany, the image is especially

¹⁹⁹ The data in the two following tables comes from: Siemens - Facts and Figures, p. 5

influenced by white goods. Keywords: quality, reliability, innovation, also expensive. For a long time, people spoke of the “bank with affiliated electronics department.

In America, Siemens was little known until a few years ago and was often confused with other companies: people thought of Siemens, a manufacturer of inexpensive furniture on the East Coast with a high name recognition. In Asia: human integrity, quality, great engineering performance - people think, for example, of the huge underwater cables that supply electricity to previously isolated segments of the population. These country-specific tones are viewed positively by Siemens. One thing that different countries and company groups have in common is the subject of innovation”.

This is also the direction in which Siemens would like to develop their image. The following quote from a male employee shows that the company has made very good progress in this respect:

“People primarily think of telephones and cell phones. However, Siemens do their biggest business with products that nobody knows: communication systems, energy. Especially in Germany, their image has changed very much towards that of a progressive company, for example due to the fact that Siemens sponsored the 4 Hills Tournament. This is something dynamic. They are moving away from being a dusty corporation”.

The statements of a female employee from the area of mobile communications are also very apt:

“In my field, Siemens strives for a more dynamic market appearance and emphasizes the “young dynamic” segment. In the meantime, Siemens has learned to implement this, to meet the demands of these fast-moving products. The public sees Siemens as a very respectable, conservative, traditional company. The Siemens brand name stands for quality. The image is strongly influenced by household appliances. Everybody uses them. In the case of cell phones, there are a very large number of suppliers who have strongly specialized in them, whereas for Siemens they are only one product among many. With Osram, for example, most people do not even know that it's Siemens”.

None of the interviewed employees and customers spontaneously thought of the image of Siemens in terms of being an employer. At the corporate headquarters, however, they place great value on it:

“Siemens is the ninth-largest private employer in the world and wants to be attractive to new employees - for the best in the world. Siemens Management Consulting, for example, also wants to be attractive in comparison to McKinsey or Roland Berger, and in this context, the responsibility that Siemens has within society also makes us attractive to young people, in addition to our internationality and diversity of employees. We are attractive because of our products, markets, opportunities for personal development, and the support provided by the

company. Employees are proud when they have attained their 25th anniversary, and the company honors that”.

Corporate culture and leadership principles

The most important documents on the culture of the company and on the leadership behaviour at Siemens are the brochure “Our Principles” and the “Business Conduct Guidelines”.

“Our Principles”

This small brochure is given to all employees when they are hired. It was also known to all conversation partners. This mission statement is summarized in seven concise guiding principles:

1. The customer determines our actions.
2. Our innovations shape the future.
3. Successful management means: we profit from profit.
4. We achieve world-class performance through excellent leadership.
5. We continually improve through learning.
6. Our cooperation knows no limits.

Since the seventh guiding principle is of particular interest in our context, we will quote it in its entirety:

7. “We embrace corporate responsibility. With our knowledge and our solutions, we help to make the world a better place. We support environmental protection. We are a recognized member of society in all countries in which we do business. Qualification through knowledge ensures the future of our employees. Integrity guides our conduct toward our business partners, colleagues, shareholders and the general public. Cultural differences enrich our company”.

At the corporate headquarters, the following explanations are given for the origin of the mission statement:

“The mission statement was revised in 1996 in the run-up to the 150th anniversary of Siemens. The previous mission statement was checked at three levels:

- Vision workshops of the top and middle management;
- Worldwide employee surveys;
- Comparison of the results of the workshops and the employee surveys with the statements of the company founder (for example on the subject of pensions or: ‘I won’t sell the future for momentary gain’).

The mission statement - here we are talking about the feeling of being part of Siemens, which becomes especially clear right now, when great restructuring efforts are going on. Such a mission statement is intended for 5 to 7 years”.

In the meantime, it has since been reformulated accordingly²⁰⁰. The interviews for the present study were carried out on the basis of the previous version. These interviews showed that the resonance of this mission statement was predominantly positive among the employees. It also seems to have an actual practical effect and is furthermore generally supported by the works council. "The corporate philosophy of Siemens is very good on the whole: Siemens is a company that is active worldwide, people are respected everywhere in the world, and laws are observed throughout the world. Siemens has a global position. I think that this is something to be proud of. The fact that a company that is active in 190 countries practices the same guiding principles throughout the world is a really positive thing".

"Business Conduct Guidelines"

"Integrity guides our conduct toward our business partners, colleagues, shareholders, and the general public. This basic statement of our Corporate Principles constitutes the foundation of the Business Conduct Guidelines. Both our strategic considerations and our day-to-day business must always be based on high ethical and legal standards. ...The Business Conduct Guidelines are globally binding rules applicable to every employee. They shall help us meet ethical and legal challenges in our day-to-day work".

With these words, the President and Chief Executive Officer, Dr. Heinrich von Pierer, introduces the Siemens Business Conduct Guidelines²⁰¹. They contain basic behavioral requirements, rules for dealing with fair competition legislation, antitrust legislation and donations, against corruption and for avoiding conflicts of interest, as well as rules for handling company property and information; they establish environmental protection, technical safety and occupational safety as company goals with a high priority and give every employee the right to submit complaints. The company commits itself to implement and monitor these guidelines, in order to ensure that the document does not remain an ineffective piece of paper:

"The management of the Siemens Aktiengesellschaft, its Groups, and its subsidiaries throughout the world shall actively foster the widespread distribution of the Business Conduct Guidelines and see to it that they are implemented properly. Compliance with the law and observance of the Business Conduct Guidelines shall be monitored worldwide in all Siemens' companies on a regular basis. This shall be done in accordance with the national procedures and legal provisions in question. In order to ensure a fair and corruption-free competitive conduct, Compliance Officers are specially designated at the level of Siemens Aktiengesellschaft and subsidiaries as well as at the level of the Groups".

Every employee receives the Business Conduct Guidelines. Employees paid above the union rate and employees from the wage group who have negotiation power commit

²⁰⁰ Corporate Responsibility Report 2002, p. 13

²⁰¹ www.siemens.com, "About us", Corporate citizenship, this is the source of all quotes in this section, here p. 2

themselves with their signature to compliance with these guidelines. The importance of the guidelines to the company is also emphasized in the following statement of the works council:

“It is important to have such guidelines, because due to globalization, inappropriate behavior in one country affects the company as a whole. I share the values found there and this is generally true in the company. If there are accusations against individuals, Siemens can say, ‘This person has not only violated national law, but our values as well’”.

Corporate Citizenship Report 2001

At Siemens, they do not speak of corporate social responsibility

“because to us, that is a reactive description of a phenomenon and we want to demonstrate activity. Corporate citizenship expresses that in a much stronger way: We are active citizens in society”.

At the corporate headquarters, they oppose

“the claim that companies are there to solve the problems of mankind; that cannot be the task of companies. At the same time, we are aware of the social responsibility that we bear. We have wanted to shape this responsibility according to our personality – very much to the benefit of mankind – since the company has existed. We have also reported about this for several years now”.

The core element of this reporting is the Corporate Citizenship Report. Since the activities of Siemens are presented on the Internet²⁰² in a very analogous way, the following explanations will be limited to the Corporate Citizenship Report 2001 as well as individual best practice examples. The following motives are given for this reporting in the Preface:

“The aim of this report was to extend our dialogue with all our stakeholders – our customers, our suppliers, our employees and the general public – by explaining the steps we are taking in community initiatives around the world”.

Siemens sees corporate citizenship as two large fields of action:

- 1) Responsibility for society and
- 2) Responsibility for employees.

In the following, each area is discussed in detail in a separate chapter.

The Corporate Citizenship Report 2001 basically comprises a large number of memorable examples from very different countries. This report is 48 pages long and

²⁰² www.siemens.com, About us, Corporate citizenship

divided according to Siemens-specific company groups. In 2001, the examples were supplemented for the first time by a section called “Facts and Figures”, which was intentionally kept short. Due to the enormous social differences in the countries in which Siemens is active, uniform statistical parameters are normally not very meaningful. For this reason, Siemens publishes separate national reports for all countries in which they are strongly represented.

The evolution of reporting on corporate responsibility at Siemens – as at many other German companies – began with environmental reporting. The topic of corporate citizenship was first reported on in independent publications starting in the year 2000. In January 2003, a Corporate Responsibility Report appeared for the first time. “Building on the previous Environmental and Corporate Citizenship reports, this publication is our first to link these issues to business topics, resulting in a comprehensive new report reflecting our understanding of corporate responsibility. This encompasses a commitment to business excellence, environmental stewardship, and corporate citizenship”²⁰³.

Responsibility for society

Main emphases

Siemens places three main emphases in their social commitment:

- Learning and research,
- Public welfare,
- Arts and culture.

In the Corporate Citizenship Report 2001, Siemens characterizes the concerns of the company in the field of learning and research:

“As a leading technology company, we collaborate closely with schools, colleges and universities, because we rely on up-and-coming generations for new ideas and inspiration. We work to promote interaction between research and industry. We aim to generate an interest in science and technology among young people the world over, and we strive to advance the best and the brightest”²⁰⁴.

At the center of the activities at colleges and universities are international exchange programs for students and lecturers, along with the financing of tuition fees, scholarships for semesters abroad and the offer of internships at Siemens in the respective countries. To promote research, a supranational cooperation network named “Knowledge Interchange Network” was created, which pursues the goal of advancing the systematic transfer of knowledge among universities and companies in order to develop pacemaker technologies. In the field of school education, the competition “Join Multimedia”, which was carried out in Germany, France, Russia and the Czech Republic

²⁰³ Dr. Heinrich von Pierer, Corporate Responsibility Report 2002, p. 11

²⁰⁴ Page 27

during the business year 2001, is worthy of special note. In addition, Siemens has long been involved in the further training of teachers, especially in order to integrate information and communications technologies in teaching.

Many Siemens regional companies have foundations for the promotion of science and technology, which, for example, award scholarships and sponsor competitions.

On the subject of public welfare, Siemens explains, "We like to focus our community initiatives on certain key issues - on educating and training young people, for example. We consider this to be the best means of improving the lot of disadvantaged sections of the population, particularly in less-developed countries and regions. In addition, we place high priority on responding quickly and effectively when acute need or emergencies arise. Plus, we believe in aligning our efforts with specific local needs."²⁰⁵ As a result of this local orientation, there are a multitude of individual projects, which cannot all be listed. Three examples will illustrate the approach of Siemens in this field:

"In the fall of 2001, several Siemens companies and business units [in the U.S.] participated in the pilot launch of Siemens Caring Hands, a program designed to encourage employees across the country to become involved in making their communities better places to work and live. Caring Hands aims to achieve a total [of] 150,000 hours of volunteer work in the U.S. during 2002.

'Switch - the other side' is a collaborative project launched by Siemens Information and Communication Networks and the city of Munich. As part of an onward training program, company managers spend a week in selected charity organizations, working with young people, the homeless, AIDS victims, and the disabled. Both sides benefit: The organizations gain in that they are frequently able to win managers' long-term support for their activities and profit from a fresh influx of ideas. And for Siemens, this adds a whole new aspect to its citizenship work, as well as advancing the social competency of its management-level employees"²⁰⁶. Switch is an instrument for personnel development at Siemens: When management-level employees learn that disadvantaged people also deserve respect, they simultaneously acquire social abilities that they need for dealing with colleagues. Siemens considers itself to be the first address in the case of catastrophes and provides help without being asked. The flood catastrophe in Germany in the summer of 2002 is an example of how commitment functions at Siemens: Siemens organized a national accommodation service for flood victims via the Internet and through a Siemens call center. In addition, vouchers having a total value of 5 mil. euros - financed by the Caring Hands program - were distributed. At the corporate headquarters, they explain how this was done and what was intended: "... vouchers for 500 euros, which were distributed by the local authorities and could be used for Siemens appliances at electronics stores. This benefited the affected consumers and merchants and did not neglect the responsibility that we have to our employees to make money. ... The overall understanding of Siemens is also shown by the fact that employees were released from work and were also provided with vehicles and office equipment".

²⁰⁵ Page 31

²⁰⁶ Page 31

The activities for arts and culture are based on the following self-image of Siemens:

“Out of a long-standing tradition, we consider ourselves an integral part of local society and culture in all of the countries in which we operate. It’s a way of thinking that allows us both to tap into local ideas as a source of inspiration and to reciprocate by delivering new and innovative products to meet society’s needs. We support museums and artists through private foundations and through our Regional Companies’ initiatives. We also help promote contemporary art and the development of new art forms through the Siemens Arts Program”²⁰⁷.

Siemens supports different local projects throughout the world. Examples and details for this can be found on the Internet²⁰⁷ and in the Corporate Citizenship Report.

Best practice example 1: Meeting and tolerance

As part of the project “Meeting and tolerance” (Begegnung und Toleranz), trainees from Siemens Berlin and students of the Werner-von-Siemens high school in Gransee, Brandenburg (Germany) have developed a web site called “Forced labor for Siemens in Ravensbrück”, together with the Ravensbrück Memorial Museum. After an increasing number of xenophobic, racist and anti-Semitic acts of violence in Germany, this project was launched on November 9, 2000 in Berlin after the demonstration and rally “We’re standing up! For tolerance and humanity”. Siemens management and works councils had also called upon workers to attend this demonstration. The project goals were defined as follows in an internal presentation:

- “Examination of the ‘dark chapters’ of German history and the company history using primary reference materials;
- Sensitization for values such as tolerance, freedom and solidarity;
- Understanding the connections between politics, the economy, the world of work and personal history;
- Creation of a multi-media documentation on ‘Siemens in Ravensbrück’;
- Independent learning in the framework of a ‘real’ customer project with defined result requirements”.

The developed web site “Forced labor for Siemens in Ravensbrück” was presented to all those involved at a final gathering in Ravensbrück on June 28, 2002. It is installed in the Youth Meeting Place and is linked to the Internet pages of the memorial museum. Parallel to this, a public poster campaign against xenophobia, violence and discrimination was carried out at workplaces and on the fronts of buildings as a joint initiative of the Berlin Siemens management and the Berlin works councils. It had the motto “Moral courage has our face – In solidarity for tolerance and human dignity”. These posters are still hanging at the workplaces.

²⁰⁷ Page 35

²⁰⁸ www.siemens.de, About us, Corporate citizenship, Arts and culture

Responsibility for employees

The responsibility for employees is anchored in the management principles:

“Every manager bears responsibility for the employees entrusted to him/her. Every manager must earn their respect by exemplary personal behaviour, performance, openness, and social competence. He/she shall set clear, ambitious, and realistic goals, lead by trust and confidence, and leave the employees as much individual responsibility and leeway as possible. Every manager shall also be accessible in case employees wish to discuss a professional or personal problem”²⁰⁹.

On the whole, employees also acknowledge that the corporation fulfils its responsibility to them. The surveys have shown that Siemens programs in this area are known to the employees and are judged positively for the most part. Above all the project ProDiversity is repeatedly emphasized. Critical comments concern, for example, the reintegration after assignments abroad or the subsequent practical implementation of further training measures. The biggest current problem is the necessary reduction in personnel, which understandably is viewed critically by the works council:

“The relationship of the workers’ representatives to the company management is quite positive: even when things get heavy – the most important matters are sorted out in consensus. The main problems are reductions in personnel and outsourcing. As workers’ representatives, we cannot agree with that because the people would have preferred to stay with Siemens. At Siemens – more than at most other companies – the employees have a strong feeling of belonging to the company. For the employees, Siemens is a value in itself. This is always noticeable when jobs are outsourced. These are often employees of many years’ standing who consider Siemens to be their home in a certain way.”

Main emphases

The three main emphases in this area are succinctly presented in the Corporate Citizenship Report 2001:

“Training For Siemens, playing an active role in shaping and driving technological change is essential so as to safeguard and extend its lead in electronics and electrical engineering. One fundamental prerequisite here is a well-qualified employee base - which is why we place special emphasis on providing thorough training and continued education. By making sure our people are equipped to adapt to today’s and tomorrow’s rapidly changing work environment, we protect not only their career opportunities but also our ability to compete effectively as a company”²¹⁰.

“Diversity is about celebrating those unique differences – cultural background, religion, gender, nationality, skin color, and age – that make each of us so individual.

²⁰⁹ Business Conduct Guidelines, p. 8

²¹⁰ Page 11

As a global, networked company, we thrive on the diversity of our employees, their talents and their skills. Mutual tolerance and respect in our dealings with one another are essential to successful collaboration and, by extension, our ability as a company to compete effectively in the long term. That's why we're taking active steps to promote them"²¹¹.

"Employee-oriented policies We strive to promote a corporate culture that builds motivation, encourages excellence, and helps our people expand their knowledge. Providing a safe and healthy work environment naturally has top priority. But we also do a whole lot more to help our employees where we can - with continued education offerings, sports and leisure activities, assistance in everyday family life, and provisions for old age"²¹².

Best practice example 2: the Competence Exchange Center

Siemens Business Services (SBS) has developed the "Competence Exchange Center"(CEC) as a contribution to safeguarding employment through capacity adjustment. Siemens is confronted with the necessity to reduce personnel in some areas. The CEC makes it possible to adjust capacity without laying off employees. It takes on employees for 18 months with the option of extending for another 12 months. The initiative to go to the CEC comes from an employee and his or her manager. In this way, structural adjustments can be implemented quickly and periods of low employment can be bridged. The goal is to find employees future-oriented jobs in the CEC. To check the individual prerequisites for this, the following aspects are first examined in an interview with CEC managers: alternative careers, training needs, regional areas of deployment for temporary projects, alternative new locations for new permanent tasks, and limitations for job placement. The employee changes jobs on a voluntary basis. Conversely, the CEC is not obliged to take on the employee. If both sides want the change, the interview leads to a concrete agreement that fixes the results of the interview. The personnel costs are then borne by the CEC, which receives a service fee for the hire. The employee can be deployed within external and internal projects at SBS. The placement of new jobs is possible within the entire Siemens corporation and, in Germany, outside of Siemens as well. Alternative careers are also possible. The employee therefore contributes to success by being flexible in respect to content and location. The employee is given the opportunity to have a proper job with future prospects - supported by specific training and, if necessary, by a trial period financed by CEC. In Germany, CEC is able to offer its employees for all job vacancies in the Siemens corporation. After the assignment time to CEC has passed without a successful placement, the employee can return to his or her previous area of employment.

Best practice example 3: promoting diversity

Siemens has given itself "Guiding Principles for Promoting and Managing Diversity".

²¹¹ Page 15

²¹² Page 19

“These principles are intended to highlight diversity as part of our corporate strategy and to call for action”.

The aim is to promote diversity and equal opportunities throughout the world, whereby the activities are adapted to the respective needs of the individual countries.

“In the U.S., Siemens has launched the Diversity Strategic Initiative, a five-year scheme aimed at capitalizing on the country’s social diversity. The Siemens companies are committed to becoming truly discrimination-free, multicultural organizations where all employees have the freedom to develop their own distinct abilities. Managers are also trained to create diverse teams and foster environments where diversity can flourish. The aim is to make Siemens an employer of choice for all ethnic and racial groups”²¹³.

South Africa:

“Our Affirmative Action Policy is designed to proactively nurture individual skills, leading to the empowerment of employees from previously disadvantaged backgrounds. This policy follows the guidelines set out in the government’s Employment Equity Act. The program’s goal is the early recognition and fostering of the leadership potential among Siemens employees. Previously disadvantaged groups currently fill 30 percent of positions at middle or senior management level. In the next five years this figure should increase to nearly 50 percent in South Africa. We are regularly monitoring the program’s effectiveness. Additionally, Siemens offers a continuing education program to all employees wishing to improve their mathematical, reading, writing and PC skills”²¹⁴.

One main focus of the program is the promotion of women, particularly in Germany under the title of ProDi.

“The project’s two most important objectives are to increase substantially the number of women at all levels throughout the corporate hierarchy during the next few years and to encourage and support as many young women as possible in taking up a technical profession”²¹⁵.

Specifically, the board of directors has set the goal of doubling the share of women among the employees paid above the union rate from September 2000 to September 2003. For this purpose, uniform key figures were developed for the top management and additional key figures that should produce a differentiated picture in the individual company groups. The objective is to be attained through recommendations for day-to-day work and a series of long-term measures. Two examples: on “Girls’ Day” the daughters of the staff are invited, in order to get to know the world of work. Every year, 100 especially good female high school graduates are to be recruited nationwide for

²¹³ Corporate Citizenship Report 2001, p. 15

²¹⁴ Page 16

²¹⁵ Page 17

technical studies and accompanied throughout their studies. In three years from now, every second person receiving a Siemens scholarship should be a woman.

To review performance, all group directors will regularly examine the results in relation to the important parameters, which are also part of the Siemens Management Review.

With ProDi, Siemens wants to support cultural change in a positive way and propagates the following guiding principles among its managers for this purpose:

“Family responsibility through parental leave or part-time work broadens people’s personal horizons (social, organizational competences).

If we want to be attractive to creative, unconventional thinkers, we have to get used to young fathers on parental leave or temporarily working part-time.

We will have to adapt to the specific needs of dual career couples.

Leadership tasks and part-time employment do not rule each other out (case-by-case examination).

We have to view employees as a whole and help them to find a balance between work, family and private life”²¹⁶.

The topic of sustainability at Siemens

“I won’t sell the future for momentary gain!” This statement was made by Werner von Siemens in 1884. It has been taken up again by the current chairman of the board of Siemens AG, Dr. Heinrich von Pierer: “At Siemens, despite the short-lived nature of individual business transactions, we want to remember what has supported our company and made it great over the past 150 years. That is the maxim of sustainability”²¹⁷.

With this maxim, Siemens is following the experience that sustainable success can be attained when a company harmonizes the responsibility for its business with the responsibility for the environment and society.

The company reporting takes place under this maxim, and Siemens also engages in dialog with society under this maxim:

“Active social responsibility calls for dialog with the public. We seek constantly to communicate with groups and communities who have special relationships with our company, including the general public, political groups, forums and associations, and non-governmental organizations (NGOs). We take our stakeholders’ ideas and opinions seriously, drawing on them as a constant source of inspiration and an opportunity to challenge our own beliefs”:²¹⁸

²¹⁶ <http://intranet.cp.siemens.de/prodi>. Further examples can be found on the Internet on the topic web sites of the individual countries under the keyword “Diversity”.

²¹⁷ 03.04.2001 at the Siemens Forum Munich

²¹⁸ Corporate Citizenship Report 2001, p. 23

The success of all these efforts is shown, for example, by Siemens's performance in the Dow Jones Sustainability Index (DJSI)²¹⁹, which has an economic, an environmental and a social dimension. It is an honor to be listed in the DJSI at all, since only companies that have designed their technological and social processes according to the principle of sustainability are admitted. For Siemens, it is therefore an important goal to be permanently listed in the DJSI. So far, that has succeeded very well, as summarized by the rating agency sam, which publishes the DJSI:

“Ranked as the sustainability leader of the communications technology industry, Siemens has made public commitments on various aspects of corporate responsibility. The company's supply chain management is one of the best among its industry peers, favoring suppliers who have obtained ISO14001 certification, an internationally recognized environmental management auditing system. The company regularly conducts internal environmental audits of its operations and manufacturing locations worldwide. Siemens has also made progress in optimizing its transport and logistics network to minimize greenhouse gas emissions. It maintains an active and regular dialog with stakeholders. Through surveys, workshops and work council meetings, the company gauges the views and satisfaction of customers, trade unions, suppliers, non-governmental organizations and the community. Siemens has made great strides since becoming a member of the Dow Jones Sustainability Index in 2000, evidenced by its excellent public reporting on sustainability issues“.²²⁰

European and global CC/CSR developments

Siemens is active in many networks around the world that promote corporate citizenship/corporate social responsibility. A few examples:

- Global Reporting Initiative: Its goal is to create globally applicable reporting recommendations for businesses' and organizations' economic, environmental and social performance on a voluntary basis.
- Econsense – Forum for Sustainable Development: A platform for discussing German industry's tasks and opportunities in the area of sustainability with politicians, non-governmental organizations, the scientific community, and the general public. Siemens is one of the founding members.
- German Business Ethics Network: This initiative seeks to foster an open exchange of views on all issues of business ethics and to promote ethical conduct in business.
- Transparency International: A globally active NGO dedicated to combating corruption.
- Center for Corporate Citizenship at Boston College: The college offers training programs, consulting, surveys and comparative analyses to assist 350 leading companies in achieving high standards of corporate citizenship.
- German Business Group for Sustainable Development (China): This group promotes collaborations between governments, industry, and organizations in

²¹⁹ On the idea behind the DJSI, cf. the case study of BMW

²²⁰ www.sustainability-index.com

Germany and China in environmental protection and resource-conserving urban development²²¹.

These and other examples stand for a variety of activities with local and global orientation. Siemens emphasizes this variety and takes the point of view that neither their activities nor their CSR reporting lends itself to standardization. The differences among the companies, branches of industry and countries require a great degree of flexibility. For that reason, they regard with skepticism attempts by the EU commission to standardize and regulate reporting and monitoring at the companies. They fear high costs for bureaucracy, the stalling of creative processes and the divulgence of competitive advantages. Siemens especially advocates the principle of voluntary action in respect to external certification: "Mandatory external verification does not necessarily increase the credibility of reporting. Third parties can verify formal aspects such as figures and procedural conformity. The accountability for real performances remains within the company and its own credibility. It should be up to companies to choose whether they want to consult a third party for advice or auditing. We consider self-declaration as the best tool to demonstrate our performance"²²² At the corporate headquarters, reservations against the CSR activities of the EU commission are expressed even more clearly:

"We are not taken seriously by the commission: On the one hand, they emphasize that everything should be voluntary, and then they immediately insist on minimum standards. They set up a stakeholder forum and say right away what results they want. And that combined with the announcement that they reserve the right to implement legislative measures if, for example, the desired results do not appear after a two-year communication phase and an intensive stakeholder dialog".

The position of the company is completely supported by the workers' representatives, who believe that this could hinder the activity of the work councils, particularly in Germany:

"In the area of social issues, charity begins at home. If European standards were valid today, then we would lose our works constitution etc.; we would lose the national advantages that we have here as workers' representatives. The rights of co-determination are very different in the individual countries, and workers in other countries do not necessarily want the German industrial constitution law either. The role of unions is also different. European law would degrade the standards."

²²¹ Corporate Citizenship Report 2001, p. 24

²²² From the Siemens statement on the Green Paper on Promoting a European Framework for Corporate Social Responsibility of November 22, 2001

**PART 7 – THE RESEARCH IN THE LARGE COMPANIES:
THE FRENCH CASE HISTORIES**

MEDEF ISÈRE [©]

Francois Leccia

Introduction

Le Mouvement des Entreprises de France Isère (French Enterprise Movement) - MEDEF Isère - is one of the MEDEF's 126 regional divisions; it is a federation of employers, whose main role, generally speaking, is to represent, accompany and promote entrepreneurs.

To do so, the MEDEF Isère follows the MEDEF guidelines while actively participating in local concerns and issues.

Raising the question of CSR at the MEDEF, unavoidably pushes the door (or doors) wide-open, because due to its political conviction (in the etymological sense of the word), this organization is quite naturally involved in the matter on a daily basis.

However, and to go further than the plain semantics, there remains to discover precisely how CSR is practiced in an organization which is essentially run by volunteers, entrepreneurs to that, who all have their own understanding of the problem.

We have therefore decided to introduce the MEDEF in a general manner to begin with, so as to measure its principal commitments and highlight the CSR practices. Given the number of economic and social issues currently at stake - economic competition, 35 hour week, environmental battle, unemployment - we will only look into a sample of questions raised at the MEDEF.

Without claiming to have dealt with the subject exhaustively, it enables us to measure to what extent the issue is under analysis and the frame of mind in which the employers' federation deals with the question.

To this effect, we will turn to the MEDEF Isère in order to describe in detail an action that would be representative of such a movement - Job Ways - without forgetting, however, to first explain what the notion of CSR means to certain managers and the leverages that are used.

Chronology “ from CNPF to MEDEF ” some important dates:

1946-1998 The hay days of the CNPF (Confederation of French Employers)

1946-1952 The reconstruction, cement of the emerging CNPF

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1946 (12th June): On 12th June 1946 during the first General Assembly, the statutes are voted and passed for the creation of the CNPF (National Confederation of French Employers). Georges Villiers is elected President and two large commissions are formed: the General Economic Commission and the Social Commission

1947 (14th March): A first agreement is reached within the framework of contractual politics with the creation of a supplementary insurance and pension fund for engineers and middle-management (AGIRC).

1949 (30th September): On the initiative of the President, Villiers, the European Industrial Federations Committee is formed (CIFE).

1950: Creation of an important Commission for International Economic Relations.

1953-1965 Wealth in France and European construction

1956 (July) : The CNPF takes a stance in favor of the European Common Market

1958 (31st December) : Signature of the agreement creating the Unemployment Benefit Fund (UNEDIC).

1961 (8th December) : Signature of the agreement for the creation of a supplementary pension fund for non-managerial staff (ARRCO).

1966-1973 Giving a social dimension to the economy

1968 (21st February): Agreement for the compensation of partial unemployment

1970 (20th April): Common declaration by the Employers' Federation and the Trade Unions in favor of monthly wages

1973 (21st November): Launch by the CNPF of a study concerning adult further education.

1974-1980 : Modernization of the Economy

1975 : Creation of the Enterprise Institute (IDEP).

1977 (12th May) : Organization by the CNPF of a national open day for youth employment

1977 (15-18 October) : Fourth National Enterprise Congress (in Paris): «Man, the enterprise and society» and the direct social achievements of the Employers' Federation.

1978 (1st February) : The Employers' Unions become direct members of the CNPF.

1981-1985 Rehabilitation of the enterprise

1981 (17th July): Agreement on the flexibility and reduction of working hours

1982 (October): Creation of a Territorial Action Committee in order to strengthen the Employers' Unions and help them face local authorities, which due to decentralization policies, now benefit from more responsibilities

1983 (4th February): Agreement on retirement at the age of 60

1984 (10th January): Agreement for the reform of the system of unemployment benefit (UNEDIC).

1986-1991: The European Market and the globalization of the economy

1986 (20th October): Agreement on economic redundancy procedures (creation of staff replacement policies).

1989 (January): Creation of CNPF International.

1992-1996 Getting out of the crisis

1992 (8th January): Bosses-union agreement on apprenticeship training

1993 (2nd March): Proposals put forward by the CNPF “ to get out of the crisis ”.

1996 (25th April): AGIRC-ARRCO agreement: By 2005, guarantee the future of supplementary pension funds.

1997 Battle against the 35 hour working week

1997-1998 From the CNPF to the MEDEF: “Enterprise, full steam ahead ! ”

1997 (17th November): The CNPF decides to organize an Enterprise committee devoted to the problem of the 35-hour week and youth employment. Meetings are scheduled with the entrepreneurs and supported by the Employers’ Unions.

1998-2002, the MEDEF puts the entrepreneur at the heart of French society

1998-1999 Defending the freedom to venture

1998 (15th December): 1st General Assembly of the MEDEF. Themes dealt with: the 35 hour working week, youth employment, pensions, the implication of the Government, the role of the social partners

1999 (7th January): Interviewed by Paris Match, Ernest-Antoine Seillière welcomes the arrival of the Euro: “it is a wonderful step forward for the French and the European economy ”.

1999 (16th March) :The MEDEF puts forward proposals on the 35 hour week : requests the postponement of the implementation of this legislation.

1999 (22nd September): Social Security finance law: reaction by the MEDEF. Hostile toward three new taxes instated by the Government (profit contributions, eco-tax, overtime contributions).

2000-2001 The Social Reform

2000 (3rd February) : First official encounter between the MEDEF, the CGPME, the CGT, the CFTD, the CFTC, the CFE-CGC and the FO (employee trade unions) with an objective to launch 8 Social Reform projects :

1. Ways and means to reinforce collective negotiation.
2. Unemployment benefits, fight against insecurity, insertion of young people
3. Health and safety at work, prevention of professional risks and accidents
4. Evolution of supplementary pension schemes
5. Adaptation of professional training
6. Professional equality
7. The implication and the role of management
8. Social welfare.

2000 (14th June): Creation of the PARE (new unemployment benefit scheme).

30th August 2000: 2nd Summer camp on the theme: “New Economy, new society ”

2000 (20th September): The MEDEF attacks the 35 hour week again. Ernest-Antoine Seillière asks for a moratorium on the implementation of the Aubry law, as 90% of the SME entrepreneurs “have not yet done anything” about the 35 hour week

2001 (19th June): Lionel Jospin meets with Ernest-Antoine Seillière who announces that the MEDEF will not proceed with the renewal of its administrators in the Social Security offices until «the missions, the responsibilities and the funding» have been clarified.

2001 (29th August): 3rd Summer camp of the MEDEF on the theme: “Create value, respect value”.

2001 (1st October): Social Security : exit of the MEDEF : “quit to rebuild”.

2001 (12th October): «Enterprise and France, full steam ahead» : becomes the baseline of the MEDEF which decides to put forward its proposals for the coming elections. Seven forums are animated by Ernest-Antoine Seillière and Denis Kessler.

2001 (25th October): First forum in Angoulême. The MEDEF campaign gets off to a good start since roughly 2000 company managers attend the forum.

2001 (12th November): MEDEF International : Ernest-Antoine Seillière in Japan. The appeal of France as a site.

2001 (14th November): Forum in Clermont-Ferrand: «How to reconcile the enterprise, man and the environment».

2001 (19th November): Forum in Lille: “Developing initiative and company spirit ”.

2001 (20th November): Forum in Strasbourg: «The reform of social welfare».

2001 (4th December) Forum in Nantes: «For the true revival of social dialogue».

2001 (12th December): MEDEF International: General Assembly. The Minister of Foreign Affairs, Hubert Védrine and 50 foreign ambassadors stationed in Paris attend: «The current international situation; consequences and perspectives for French companies».

2001 (13th December): Forum in Marseille: «Improve the appeal of France».

2002 (9th January) : Forum in Champs sur Marne: «Enterprise and risk».

2002 «Enterprise and France, full steam ahead!».

2002 (15th January): Exceptional MEDEF Congress in Lyon. More than 2000 bosses adopt 8 resolutions that will be submitted to the candidates of the Elysée

2002 (19th February): Ernest-Antoine Seillière wishes the next five-year term of office to be «one of reform, change and adaptation in our country».

2002 (25th March): an IPSOS poll reveals that the French support the MEDEF’s request to participate in the public debate (59%), as well as several proposals put forward by the employers’ association. Ernest-Antoine Seillière regrets the lack of audacity of the presidential candidates.

2002 (5th April): The MEDEF puts forward proposals to encourage entrepreneurship and the creation of companies and to liberate growth and ensure the perpetuation of SMEs

2002 (24th June): MEDEF’s proposals for «Success in globalization».

2002 (26th June): «Convention on the future of Europe»: MEDEF’s proposals

2002 (17th October): Creation of AERES (French association for the reduction of the greenhouse effect).

The organization of the MEDEF in France

Le Mouvement des Entreprises de France, the MEDEF, was established on 27th October 1998. It succeeded the CNPF, Conseil National du Patronat Français, (National Confederation of French Employers) with the objective of giving entrepreneurs and companies the position they deserve at the very heart of French society.

According to Ernest-Antoine Seillière, President of the MEDEF,

“it’s time to put the entrepreneur at the heart of French society. The ‘corporate’ France in the France that invests, that innovates, that is eager and encourages young people, it’s the France that wins!” .

Leading entrepreneur organization in France, the MEDEF represents more than 750.000 companies of all sizes and from all sectors (industry, commerce, services), throughout the region. 35% of its members have less than 10 members of staff, 70% have less than 50 employees.

Through its regional and professional network, the MEDEF:

- “promotes entrepreneurs and corporate spirit in France and encourages entrepreneurship;
- gives entrepreneurs the possibility to voice their opinions to public authorities, the media and the public at large;
- provides information and support to entrepreneurs in every field of activity related to the existence and development of their companies;
- represents the entrepreneurs within the principal economic and social authorities and contributes to establishing the appropriate social dialogue with the social partners to face the challenges of the 21st Century².

The MEDEF network also counts thousands of experts, 7.000 entrepreneurs who work in proposal and action groups and workgroups and 35.000 employer representatives. In compliance with the MEDEF statutes, the President is elected for a five-year term. He is the spokesman of the French entrepreneur and as such, he translates and reflects the hopes and expectations of the companies in the field.

The MEDEF represents the leading entrepreneur network in France with 85 professional federations grouping together companies from the same sector of activity and 155 regional MEDEF organizations which unite companies on a local, district or regional level. The 85 federations or professional branches group all the companies from the same profession into 600 primary unions. Whether it be in industry, commerce or services, the professional federations cover the entire economic activity. Their mission is to promote the professions that they represent, prepare for the future and animate social dialogue.

With 155 regional offices, the regional network of the MEDEF covers the whole of France. It counts 126 local or district offices, 22 regional MEDEFs and 7 MEDEF agencies over-seas and therefore counts just as many direct links with entrepreneurs in the field. By communicating under the same banner, the regional MEDEF organizations contribute to strengthening the power and weight of representation of the network. Besides the active members who represent the federations and the regional MEDEF offices, the MEDEF also counts ten or so associated members, legal entities which also contribute to the defense and the promotion of entrepreneurial values within the French society today.

The MEDEF's international activities

In a global economy, the MEDEF's mission is to defend the interests of entrepreneurs and French companies overseas. It expresses its position on multilateral issues such as the World Trade Organization (WTO). Europe has always been one of the major concerns of the MEDEF which withheld standpoints throughout the various stages of its. Construction (Euro, enlargement, European summits...).

The Europe

The MEDEF is very aware of the importance and necessity of maintaining permanent contact with the European Institutions. For this reason, it has a permanent representation office in Brussels which follows the progress of the Commission's projects on behalf of the companies. The MEDEF is also an active member of the UNICE (European Employers' Confederation). And of course the MEDEF also maintains regular relations with the European Parliament.

The rest of the world

The MEDEF is active in defending and promoting the interests of French companies world-wide. It ensures that the rules and practices of international trade, commercial politics, investments, competition and international relations in the broad sense, take the interests of French companies into account. Moreover, the MEDEF International was created in 1990 in order to develop bilateral relationships between French and foreign companies. The MEDEF International does its utmost to anticipate economic and political events on the international scene and entertains regular contacts with its foreign counterparts.

The MEDEF Isère

The MEDEF Isère therefore belongs to this huge organization and is managed by an administrative committee composed of 34 entrepreneurs who internally elect their executive board of 11 members. Naturally these company directors participate as volunteers.

They are assisted by a few employees who take care of daily administration and contacts with members; in effect, the MEDEF Isère develops 4 types of activity:

- Processing information in relation with the MEDEF, partners and members;
- Collecting funds from members and prospecting for new companies;
- Corporate services, and in particular, legal advice (social law to mention the most prominent);
- A representation role for over 360 tenures within labor organizations.

Documented description of CSR actions

As we underlined earlier, the field of application of CSR practices is large, due to the political connotation of the organization.

Therefore, and without attempting an exhaustive approach, we are about to introduce some of the issues dealt with by the MEDEF (work/employment; training; social welfare; environment/safety; economy/tax law; regional development; corporate legislation; creation; company transfer; research/innovation; Europe/international) as well as those themes handled during summer study camps over the past four years.

The contents below come from various sources, documents, reports or interviews and demonstrate the MEDEF's positions with regard to the respective subjects dealt with.

Work / employment

Labor law, wage policies, new forms of labor contracts, employment of young people, the physically and mentally handicapped, teleworking ...the MEDEF endeavors to establish "an efficient employment policy" in France. It also aims, wherever possible, to give a new lease of life to social negotiation. "An efficient social dialogue, which respects the different actors and encourages in-field problem-solving, is absolutely essential to maintain France's dynamism".

An example : economic redundancies

As recently as 5th February, the President of the MEDEF wrote a letter to the trade union organizations to propose discussions on the social aspects of corporate restructuring. Such negotiations, which come under the " Social Reform, year II " program, seek to jointly reach proposals that can be submitted to the public authorities in order to adapt current bills.

The session began by recalling the objectives, which according to the MEDEF and employers' organizations, should act as guidelines to negotiations:

- economic efficiency (the company must have the possibility to restructure when necessary);
- social efficiency (transparent communication with employees, prevention, anticipation);
- and finally legal efficiency (clarification and security of procedures).

At the close of the session, a representative from the MEDEF declared:

"As far as we are concerned, and I am speaking on behalf of the MEDEF, the UPA and the CGPME, our main concern remains in aligning the demands of the market, the risks of the company and due respect to the employees. We think that employment, and hence restructuring, should be considered from these three angles, without forgetting that before every redundancy there is a hired position.

We established an agenda together. Our idea is to conduct this negotiation within the year 2003, bearing in mind that we must take our time, because it is a serious matter, but not waste time because it concerns the livelihood of companies and people. We will ask two renowned experts, Bernard Bruhnes and Raymond Soubie to present us with current practices, may they be good or bad, that they have observed through their case studies. This state of affairs will form a base for future negotiations taking these current practices into account".

Training - debates and prospects

Give responsibility to companies

The MEDEF states that professional training for young people and staff, undertaken within the framework of an employment contract, can only be at the initiative of the companies and their representatives and under their full responsibility. Thus, the MEDEF is defending the right for companies to maintain their freedom of attribution of professional tax, an essential link between the educational and economic worlds. The terms of tax attributions related to the funding of the two existing apprenticeship contracts and training schedules should be the sole responsibility of the companies and their representatives.

Contractualisation, a source of progress and efficiency

Largely in favor of the development of unison in the field of professional training for young people, the MEDEF intends to encourage the professional branches and local regional councils to sign agreements containing operational objectives. "The MEDEF will make sure that further education professionals respect the existence of multiple actors and rules of competition, which implies that the actors in question systematically call for tenders".

Clearly identified domains of responsibility

In order to implement these principles, the MEDEF assumes that education and professional training should be structured in 4 broad categories:

- general education;
- initial professional training;
- training for the unemployed;
- further education & training for staff.

The responsibilities of each of the actors and the terms of their agreement should be defined, recognized and assumed along the following lines:

- General education at a secondary or university level fall under the responsibility of the State, which can delegate them to local governments partially or in full;
- As regards initial professional training, the distribution of roles should result in the following:
 - The full responsibility of the training contents and authorization of higher education establishments lies with the State. Company representatives request that they participate in developing course contents with the establishments which should evolve from being consultative to deliberative whether at a secondary or university level, - the regional council has the responsibility of mapping out these training courses. In order to establish a chart of these professional training programs, the MEDEF requests that agreements containing objectives be signed with the professional sectors; in implementing the objectives that figure in the contracts, the regional council will be brought to offer complementary training on a local level, depending on the needs of the companies;
- Shared responsibility between the regional council and the companies or their representatives as concerns apprenticeships;
- Training for the unemployed falls within the scope of;

- Local authorities as concerns those unemployed who are not covered by unemployment benefits;
- Social partners and the UNEDIC for training programs that will favor a rapid return to employment for the unemployed under their responsibility;
- Further education or staff training can only be assumed by the companies or their representatives. It is they and they alone who are apt to define the priorities and directions in terms of;
- Insertion policies for young people by means of insertion contracts and alternate in-house training;
- Staff training programmes.

The MEDEF requests that the missions, the composition and the methods employed by the authorities concerned by education and professional training be redefined on a national and regional level, with a view to diminishing and simplifying the processes.

Skill management “People, the principal asset of a company”

Information and Communication technologies encourage network methods and the implementation of new management tools. They accelerate the evolution phenomenon and make our economic environment less and less predictable. The capacity to create added-value is an essential function of a company and constantly requires increased reactivity and flexibility.

In the coming future, the principal asset of a company will no longer be its machines or its procedures, but its men. Their individual and collective capacity to make the organization evolve is the best guarantee possible for customer satisfaction.

Skills management lies at the very heart of the new conditions of productivity. Abolish the definition of jobs as a list of predefined tasks. Strict category classification systems are obsolete. New management methods must be designed and built on the basis of personal development and the use of skills. The managers, whose positions are considerably disrupted, play an important role in this essential change. But evolving towards skill management does not just mean employing new management techniques. It implies that General Management be genuinely concerned by the perpetual improvement of their staff's competencies.

Bringing together staff expectations and corporate competitiveness

In an environment that is heavily influenced by uncertainty and competition, the MEDEF intends to promote a style of skill management that is based on convergence. The staffs' hopes for a better appreciation of their potential should meet the entrepreneurs' aspirations of an increasingly efficient organization.

Calling upon the motivation of staff only makes sense if it is accompanied by the acknowledgement of their know-how. Organizational evolutions are of no interest unless they adapt to the market demands. The coincidence of these two factors strengthens corporate competitiveness. In order to achieve this however, all the actors are concerned; Management must improve its position within the new organizations. The employees and their representatives must accept constant adaptation of their skills and a different style of career management. Tomorrow, individuals will be confronted

with multiple and evolving organization charts. They will have to prove their ability to broaden their scope of competencies. Thanks to this capacity, they will increase their value on the job market.

For the revival of social dialogue

Converging interests between companies and employees is one of the most solid foundations of the revival of social dialogue. The definition of skills is not just a technical operation; it is the result of a debate which enables one to establish what is of value in working activities, validation methods and acknowledgement of the know-how employed. The mutual commitment by companies and individuals can only happen if such rules are defined through social dialogue.

For both parties, the development of competencies constitutes a real investment. The convergence will only exist if the investment and return are balanced for both. The employer will seek to increase his staff's responsibilities and improve performance. The employee will demand the consolidation of his professional qualities and the valorization of these competencies with a view to a more diversified career plan. The employer associations will demand more flexibility in labor legislations, but will assume their responsibilities in the progression of competencies and consequently in terms of the 'employment value' of their employees.

A new asset for French society

The worrying aspect about the French initial education system is the race for qualifications. It is a reflex which boasts an important failure rate and it is not surprising... the diploma or qualifying certificate seems to be the one and only key to social recognition. This has heavy consequences in shortening the working life cycle which is revealed by the increases in the State budget. It is most important that companies show that evolution and promotion are possible. In this perspective, it is essential that, throughout his professional life, the employee benefits from an acquisition and validation system of newly acquired skills. It would be assumed by the companies and recognized by the authorities.

France probably went too far in expecting the school education system to provide young 'turn-key' employees, perfectly adapted to working in companies. One must specify once again the role of schools in the transmission of basic theory and techniques that are necessary in the professional course of life. Companies must also assume their responsibilities by building and validating professional skills that will lead to the master of a trade and professional autonomy.

Social welfare

The example of the PARE

The Pare (create a company when unemployed), which was implemented in July 2001, is the result of an agreement signed by social partners as part of the social Reform. It is a contract which entitles its beneficiaries to perceive unemployment benefit and have access to job-searching facilities, starting with a skills & proficiency evaluation.

In counterpart, the beneficiary must promise to willingly participate in the evaluation of his professional capacities and attend the regular interviews that are scheduled as part of his personalized support scheme.

Professional equality

According to the MEDEF, professional equality can be managed better, if dealt with on 3 levels:

- “Public authorities may intervene in the professional orientation of young girls by directing them towards careers that offer dynamic professional evolution prospects. They can also adopt measures which allow women to conciliate professional and family life, even if we must admit that the legislative measures in this domain are relatively limited, especially in Northern Europe;
- Companies must be more voluntary in implementing policies in favor of the internal promotion of female employees, as is the case in the United States;
- Women should benefit from the present relative lack of manpower in order to embark on careers with responsibility, or even tackle jobs that were out of their reach up until now”.

Le MEDEF considers that for companies, the employment of women employees is a major gauge of their competitiveness and future development that they should not and indeed do not intend to ignore. It will be a central theme in years to come. Companies must endeavor to ensure the promotion of women to responsible positions.

New labor contracts

Short-term contracts - fixed-term or temporary - no doubt represent less than 9% of employment in the commercial sector, about 1/3 of which is in replacement of absent staff. Resorting to this type of contract generally-speaking is not a problem, even if over the past few years we have observed an increase in these contracts related to the recovery of economic growth. Certain professional sectors are more familiar than others with fixed-term or temporary contracts for obvious economic reasons: launch of a new activity, a new product, seasonal variations.

In light of the above, the MEDEF suggests that:

- In as much as fixed-term or temporary contracts only represent 9% of jobs in the commercial sector, there is no reason to foresee an application of specific inter-professional measures designed to reduce the use of such contracts and temporary work, nor modify current legislation in the matter.
- On the other hand, the professional sectors concerned could negotiate the creation of new types of contracts in parallel with the existing short-term and temporary ones, and which would nevertheless be more flexible than permanent contracts. These new contracts could facilitate the integration of the beneficiaries within the company, offer them the same social benefits as the other employees and contribute to their training.

Then there remains for the legislation to build the legal framework. In some instances, companies can predict the increase in workload related to a given project or mission. This type of activity implies that the employment of the personnel will come to end at the same time as the project or the mission. In the construction industry, such increases

in workload are managed by means of “site contracts”, permanent contracts, which in accordance with current labor legislation, can be interrupted without there being grounds for economic redundancy.

Certain professional sectors could expand the notion of «site contracts», to encompass «project», or «mission» contracts and correspond to work related to building TGV railway lines, telephone plants, computerization projects, etc. Certain professional sectors lack visibility as far as mid-term employment needs are concerned (such as high-technology sectors for example), and this hinders or postpones the creation of new jobs. New contracts, such as an ‘activity’ contract which was already proposed by the companies in 1997, could be negotiated by sector of activity and experimentally used to anticipate employment opportunities and increase their volume.

Pensioners

This project of reform, which was presented by the MEDEF and the employers’ organizations was designed in the best interests of all employees, their companies and the retired population of today (for whom nothing will change) and tomorrow (for whom purchase power will be maintained).

This reform, while refusing an increase in contributions and a decrease in pensions at the same time, leans towards the progressive increase in the duration of contributions and the individual choice of the ideal age of retirement.

For the MEDEF, it is a realistic reform which is coherent and progressive. It will run over the next twenty years, twenty key years for unavoidable demographic reasons: we must act urgently.

Environment

Conciliate development and environment

Now a national, if not to say a planetary priority, sustainable development is more than ever at the heart of company concerns. To support companies, the MEDEF has defined several lines of actions and has decided to establish a structure to accommodate contemplation and discussion on the subject.

On 13th November 2001, during the forum entitled “Enterprise, France - full steam ahead” Denis Kessler declared:

“sustainable growth can be considered as a new constraint, but it is also a new challenge for entrepreneurs, an opportunity for corporate values to take the lead”.

No doubt French companies are aware of the matters at stake. Now they have to include them in their corporate strategy. It is a way to ensure that they will stay in the race of efficient companies in the dawn of 2010.

With this perspective, the MEDEF has defined 7 measures that are necessary to initiate a mid-term work program which would satisfy the new demands of sustainable growth:

- Have the Kyoto agreement ratified as soon as possible and implemented on a national level in accordance with all the actors concerned;
- Take the objective of sustainable growth into account in the policies led by national and European public authorities;
- Open the way to negotiated commitments and define the objectives in association with the companies and sectors of activity;
- Implement the necessary market tools which will enable companies to achieve their defined objectives with the best possible cost/efficiency ratio;
- Organize and encourage research in 'eco-efficient' products and methods in renewable energy sectors;
- Promote sustainable growth to companies, namely by the definition of guidelines and best practices;
- Make companies' efforts in terms of sustainable growth more efficient and visible.

Polluted sites and land: to clarify the rules

Many French companies find the legislation too complicated as regards the historic 'responsibility' of a given site. To help them clarify and simplify the rules on a European level, the MEDEF published a practical guide for polluted land.

As far as the European Community is concerned, certain member States favored an approach based on the quality of the soil and associated pollution thresholds.

Given the very dissuasive cost of this approach and the absence of justifications in terms of protection of the environment, the MEDEF has always defended a more pragmatic approach to the problem. So in 1994 they worked in collaboration with the Ministry of the Environment in order to publish national methodological guidelines, developed in association with all the actors concerned and which depended on the specific nature of each polluted site. In parallel and given the extent of the problems raised by the project to modify the legislation concerning the rehabilitation of polluted sites and land (definition of the holder, notion of site use, relationship between the operator and the owner), the MEDEF and the public authorities created a 'responsibility search' workgroup.

In order to face the operational costs of rehabilitating polluted sites and land, the MEDEF considers that is already essential to:

- Develop funding possibilities which are differentiated by the financial risks and size of the companies;
- Clarify the rules for designating the responsibility of rehabilitating polluted sites by adopting the principle of 'the polluter pays'.

Finally, from an accountancy point of view, the MEDEF favors the introduction of measures in the stock market commission rules which would force quoted companies to state the financial risks incurred due to environmental legislation in their annual report.

Industrial risks

The MEDEF took a stance with regard to the bill concerning industrial risks. In 1999 France counted 500.000 establishments that were subject to declarations, 64 000 subject to authorizations, 1250 classified SEVESO II , 680 of which were considered to be major risks. Most of them were built before specific legislation was enforced. Aware of the role it had to play, the MEDEF took a stance with regard to the bill concerning industrial risks.

Regional development

On 12th November 2002, Daniel Tardy, President of the National Federation of Public Works and presidents of the MEDEF's regional development committee, declared in the daily French newspaper, Les Echos : "This new phase should help reduce waste, useless repetition and tax pressures". For the MEDEF, decentralization should be approached from two angles: efficiency and cost.

The new project of decentralization launched by the government rouses the country's energies. In the 26 regions of the country and overseas, councilors, economic actors and citizens met to discuss the new regional structure of France. The regional assemblies for local independence which were launched in order to prepare this vast reform will close on 18th January 2003, after 3 months of intense discussions.

"Regional organization and rethinking the distribution of the missions on a local and national level is going in the right direction. Providing of course, that it is a source of savings".

The company managers who attended the assemblies made sure that the MEDEF's voice was heard and in particular the proposals contained in a report entitled: "Decentralization at the service of regional appeal".

Daniel Tardy adds:

"This new phase should help reduce waste, useless repetition and tax pressures".

For Ernest-Antoine Seillière :

"Decentralization should be approached from two angles : efficiency and cost. From this point of view, the detachment of professional tax from property tax is dangerous because it signifies that one can tax companies, that it is allowed. It is a bad measure as far as the implantation of companies on French soil is concerned".

To this effect, the reform can only be a success if it makes our institutional system more comprehensible and responsible and if it helps to alleviate global fiscal pressure.

Corporate law

Corporate Government

A liberal system can not exist without faith in the legislation and its application. Recent events and the revelations concerning dubious accounting practices which affected companies on a world-wide scale have created a loss of confidence. In April 2002, the MEDEF and the AFEP (French Association of Privately-owned companies) asked Daniel Bouton, President of the Société Générale bank to examine the operations of the management organs of quoted companies and the quality of the financial information.

The recommendations of the workgroup presided by Daniel Bouton, "*For the improved government of quoted companies*", were made public on 23rd September 2002 during a press conference.

It is not the first time that the MEDEF has, in association with the AFEP, taken a closer look at corporate government issues. In July 1999 a report was authored and published by a group of presidents of quoted companies. It was the Viénot N° 2 report, a sequel to the Viénot report N° 1 which was published in July 1995 and entitled "the administration board of listed companies". In both cases, it was at the initiative of the companies themselves, anxious to highlight certain principles of good practice and transparency, in an effort to improve their management and their image for the benefit of the public and investors alike.

Public tender rules

The MEDEF noted with satisfaction that the government had retained a large number of the proposals put forward in its white paper on the modernization of public purchasing laws. It was the case for the simplification of the rules, the introduction of a general policy of best-proposal, the creation of a single payment schedule and the abandon of certain procedures. These measures give SMEs in particular access to public bidding. The MEDEF regrets however that this reform has not resolved all the problems and especially those concerning the competition between the public and private sectors. It would like the public authorities to tackle the abolishment of competitive distortions in this domain.

The summer camps

In the space of just four years, the MEDEF summer camps have become the big event of the economic and social season. An important factor of cohesion for the MEDEF network, they also represent a moment of contemplation and conviviality. Over three full days, hundreds of entrepreneurs from all over France and from all sectors of activity leave their ties and jackets in the cloakroom and get together on the HEC campus in a studious, yet, relaxed atmosphere.

The summer camp is a rendez-vous that promises prospective, exchange, dialogue, confrontation; it is the perfect opportunity for entrepreneurs to nurture their thoughts, put their convictions to test, dissect the arguments of each other, but also of university professors and of economic, political and social decision-makers.

So far the themes have been:

2002: Entrepreneurship in a world of uncertainty. For its fourth season, the MEDEF summer camp deals with a theme that was largely inspired by current economic affairs: the slow-down of the global economy, terrorist threats, increase in all kinds of pressure, globalization.

2001: Create value, respect value. This third edition of the summer camp welcomed, among other celebrities: Claude Allègre, Jean-Pierre Chevènement, Franck Riboud and Alain Juppé. How does one reconcile economic growth, scientific progress, financial demands and high hopes for improved environmental protection, more ethics, more dignity?

2000: The new economy. The second edition of the MEDEF's summer camp was held under the banner of the "new economy". Participants reviewed the impact of new technologies on all of the activities of French society. They discussed the technological, financial, social and human matters at stake in this emerging new economy.

1999: The enterprise and society. Whether it concern the demographic turn-around, social welfare, corporate government, State reforms or even education, culture or communication, entrepreneurs cannot remain indifferent, they cannot remain silent. It is their responsibility as managers and as citizens.

Discussion and interpretation of the particular "responsibility organization" studied

In view of all the themes presented above, and which indeed only represent part of the work done or currently in progress at the MEDEF, we have concentrated our analysis on the MEDEF Isère branch so as to give a clearer picture of how CSR is practiced within the organization.

How should CSR be defined?

Perhaps the first thing to point out is the fact that CSR is not actually considered as such at the MEDEF Isère. Indeed, the various members of the executive board that we interviewed seem to have different appreciations of what the theme really represents, given the fact that they are first and foremost managers of different companies (various sectors of activity and sizes). So there is no "official" or rather 'known' position on the subject.

For the MEDEF Isère's President - and President of the supervisory board of a large group (2043 employees) - social responsibility can be seen by the company both from an internal and external point of view. Internally, the objective will be on the one hand, to respect the shareholders and on the other hand, to find staff and motivate them in order to keep them; externally, social responsibility will cover the respect of the

environment, thinking about future generations and also looking after the clients of the company.

For another member of the executive body – CEO of a company that employs 170 staff – CSR takes us back to the notion of citizenship with the idea “looking after others” in order to “make humanity progress” under which there “necessarily” lies principles such as “do not pollute, respect legislation for environmental protection or even go one step further, aim to satisfy customers and more generally, all of the company’s partners”.

Beyond the individual interpretations of each member, there does appear to be a general «consensus» regarding CSR issues at the MEDEF Isère whose “role is to generate ideas, lines of action, say what a company can do and have companies considered as true citizens and not just vulgar ‘exploiters’”.

The point of view of the regional deputy representative of MEDEF Isère (employee of the organization) seems to sum it up.

For him, CSR covers the notion of a “citizen company, which *a priori* means absolutely nothing”; an initial approach recalls the principle of “the main aim of a company is to earn money” because if no wealth is produced, there are no taxes (and therefore social organization is impossible) and no jobs. So a company’s primordial social responsibility is to ensure its perpetuation as an economic figure so as to guarantee positive social consequences and not the opposite, if the case were contrary.

Nevertheless this notion raises a problem for the regional deputy representative since in France “earning money” is almost “taboo” and gives a negative, if not to say, “dirty” image of business. By the way, one must note that this point comes up frequently during the interviews and the interviewees point out that whereas CSR is subject to a great deal of discussion and debate, it might be a good idea to make the other parties, especially the public institutions, recognize their own CSR.

According to the regional deputy, another approach to CSR is the respect of the law, whether the bills be useful or not; in this respect, it is important to support companies, to encourage them to be “legalists”, which does not prevent the MEDEF from voicing its opinion and indeed opposition towards certain measures such as the 35-hour week, to mention but one.

Finally, over and above these two aspects, there is “managerial” responsibility which consists in having, beyond the legal aspects, certain values in management methods (behavior, employment opportunities, security...).

In any case, for the regional deputy the notion of responsibility can only mean something when in correlation with the notion of sanctions; in this respect, legal responsibility for example is more and more present with the idea of penalizing business affairs or even the external pressures which constantly endanger business livelihoods (consumers, associations...).

Leverages of CSR actions at the MEDEF Isère

Due to the nature of its very existence, the MEDEF Isère is quite naturally involved in all the questions directly or indirectly raised on the issue of CSR. If the companies it represents can be considered as the “first” party concerned, due to its collective strength, the MEDEF can raise leverages that a company on its own would never be able to; it is therefore authorized to partake in public initiatives in collaboration with State representatives or organisms for example.

Thus the representation of MEDEF Isère within the management of labor organisms (URSSAF, industrial tribunals...) is one type of action that enables this organization to voice the opinions of its members.

Moreover, the MEDEF Isère is often called upon to contribute to a number of local affairs relating to social livelihood, such as the creation of an observatory of corporate risks in the chemical industry (Claix plant), the development of a public dumping-ground in the Isère region (Izeaux), bringing local schools and universities together, or even the traffic problem in Grenoble, to mention but a few.

As regards the daily concerns of its members, the MEDEF Isère offers an advisory service and advises them in legal issues which are on the ever-increase and in particular in relation to social law. Likewise, the MEDEF Isère is a member of the administration board of the APM Club, the objective of which is to train and inform company directors, and it also steers the Club Esprit Service which is also focused on making company managers aware of present matters at stake.

So we can indeed measure the extent of CSR within an organization, which without contemplating on the subject, practices its principles in the field *de facto*.

A concrete example of CSR implementation: The “Job Ways” initiative

In order to better understand how CSR is really practiced at the MEDEF Isère - and therefore the MEDEF itself - we decided to linger on a specific action entitled ‘Job Ways’.

This action which is aimed towards the insertion of people in difficulty, might seem out of line with the primary objectives of an employers’ organization. However, it does fall within the range of a company manager seeking to “employ people, motivate them and keep them”.

Without communicating specifically on this type of commitment and through its participation in a third-party association, the MEDEF is seeking to participate actively in social matters by supporting the insertion of people in difficulty. After having introduced the logic behind this action and its actual implementation, we will examine the results achieved by examining the evaluations that the public authorities made obligatory.

Presentation of "Job Ways"

The "Job Ways" actions which involve the search for job opportunities that are open to people in difficulty on the job market, began in 1992, and since 1994, they have also been part of an experiment within the framework of article 19 of the State/region agreement plan.

Since then, the action has developed throughout the region; the Isère region has been involved since 1998 and two representatives (one for North and one for the South Isère) run the action program within an association called "Interprofessionnelle pour Insertion dans l'Isère" (IP2i) (Inter-professional Insertion Organism for Isère), whose director is in fact the regional deputy representative of MEDEF Isère, as well as being a member of the board.

The action is funded by the State (Regional Office for Work, Employment and Further Professional Training), the Regional Council, the County Council and European social funds.

The position of "Job Ways"

In this context, two individual approaches are in fact complementary. On the one hand, we have the mission of Job Ways which stems from companies' recruitment needs, needs to which people in difficulty could possibly respond. On the other hand, there are the structures and employment and insertion organisms that support and have a deep knowledge of those people who have difficulty in accessing employment.

The fact that this mission is undertaken by the regional MEDEFs - and therefore, here by the MEDEF Isère - facilitates company prospecting, makes recruitment people more aware of the problems of this population, justifies the regulating mission before and after the recruitment and encourages a relationship of trust with the company.

In as much as the representatives personally interview the candidates that have been selected by the partners mentioned above to fill specific, identified job positions, the risk of losing touch with this population, its aptitudes and difficulties is nil.

The "Job Ways" Population

Those concerned are:

- Beneficiaries of the RMI (minimum income level);
- Long-term unemployed (+ 24 months);
- Young people with little or no qualifications (up to and including 5th grade at secondary school);
- Single parents;
- Unemployed aged over 50 and without a job for more than year.

The objectives of “Job Ways”

The aim is to:

- Identify, create and negotiate low-qualification employment opportunities;
- Enable people who are having difficulty in finding a job to fill these positions in association with local employment and insertion actors (public unemployment service, structure of insertion by economic activity,...);
- Support the companies during the recruitment and job integration processes and follow up thereafter.

The principal stages of “Job Ways”

Within the companies the representatives:

- Prospect, in order to find low qualification jobs that would be suitable for people in difficulty;
- Give companies an objective outlook on people in difficulty, based on real experience;
- Redefine with the company its expectations with regard to the vacant situation—*which means an exhaustive description of the job and exchanges with the people who are likely to be in contact with the person who fills it* – and identify the pre-requisites necessary to hold down the job;
- Negotiate on a case by case basis the contents and the extent of the means made available by the companies : conditions of integration and its phases, gradual increase in workload, knowledge transfer, availability of an internal monitor, three-tier follow-up system (the company, the representative and the employee);
- *The representative must succeed in making the employer understand that the success of the Job Ways approach largely depends on their commitment and the extent to which adequate means are made available by the company;*
- Advise and inform the company on the existing employment measures and on possible external training programs.

In relation with the acting partners, the representative

- *Transmits the analysis of the position to a network of engaged partners* who have lists of possible candidates, drawn from the population of people in unemployment difficulties. This network has evolved and today counts all of the employment and insertion actors:
 - Local Unemployment Agencies and more specifically advisors who specialize in dealing with people in unemployment difficulties;
 - Local parishes and PAIO;
 - PLIE;
 - County Council Services in charge of assisting RMI beneficiaries to go back to work;
 - Insertion Structures through Economic Activity;
 - Local parish employment services;
 - Accomodation centres, charities, youth legal protection groups, prison insertion and probation services.

There is also a “word of mouth” phenomenon that exists between people in difficulty which prompts personal initiatives to get in touch with the representatives. The job description analysis is transmitted to the partners on paper, and the candidates are often located by means of a follow-up sheet to which their CVs are attached. This follow-up sheet provides complementary information about the candidates past insertion records and employment situation (duration of unemployment, status, particular constraints or limitations, degree of mobility, location, family responsibilities etc...). When necessary, the Job Ways representative and socio-professional representatives or monitors discuss the situation vacant, the pertinence of the candidate, the history of a person. These exchanges and the mutual trust that they necessitate, guarantee the quality of the relationship that has been built between the partners involved.

The interviews of “those concerned” (namely the Employment-training advisor, Inter-communal Office, Head of the Town Hall’s Social Welfare department, County Council) follow this direction and suggest that beyond “belonging” to the structures, the “*intuitu personae*” relation is the foundation of the smooth running of the network.

- *Give an individual evaluation & motivation interview to each of the candidates selected for the position* in order to identify to what extent he/she is suitable; the suitability ratio of position/candidate is never perfect, so one endeavors to make them fit as neatly as possible, taking calculated risks and having identified the strengths and weaknesses in terms of know-how, but also in terms of the character of each candidate. It is on the basis of these terms that the candidate is proposed to the companies. Sometimes before the interviews, a collective information meeting is held in which the representative describes the position in detail to the candidates; thereafter, only candidates who are truly motivated by the position remain, the objective being to enlist the unemployed person in a job-seeking action.
- *After the interview, the representative reports back to the acting partners*, even if it is just to signal that the person did not turn up for the interview or that the candidate was unsuitable.

This report is part of the exchanges mentioned earlier and is just as crucial. The acting partners thus have another point of view, coming from a recruitment professional, on the people they are supporting and accompanying. As concerns the person/people selected by the representative and who will be introduced to the companies, one counts on the monitor to motivate the person, and to consider with him how certain outstanding problems can be lifted (accommodation problems, availability, location, child-minding, over-indebtedness...).

It can also happen that in agreement with the company, the selected candidates are given an on-site visit of the job after the interview. Indeed one of the objectives of the Job Ways mission is to obtain a real commitment from these people. It is therefore essential to offer them the possibility to retract and say no as early as possible in the recruitment process.

Thereafter and within the hiring company, the representative:

- *Presents his pre-selected candidates to the company.* The representative reports on

the advantages and the difficulties of the person/people selected, while strictly respecting certain candidates' wish to hide certain phases of their track-record (problems with the law, drugs, alcohol...). The representatives, with the authorization of the company, often physically accompany the candidate to his job interview. Indeed candidates often do not turn up for the appointments with the companies for fear of failure, or because they are anxious about going alone, or even because a job interview may not be the priority for people in difficulty. The journey to the company is an opportunity for the representative to "coach" the candidate and reassure him. Sometimes at the request of the company and in agreement with the candidate, the representative actually attends the interview. The people presented may or may not be selected by the company. When needs be, the representative relies on the huge array of apprenticeship contracts or training programs which favor the transfer of knowledge required for the position, or leverages an existing return-to-employment measure. Should the company wish to begin by hiring for a temporary mission, or it wishes to evaluate the aptitudes of one or several candidates, the representative can also help the company in this domain.

- *During the 6 months following the recruitment, the representative follows the situation in order to identify and counter any possible risks of rupture.* In 2000, the divide between desired profiles and those that were available on the employment market got wider. The people targeted by the mission, seemed to be further away from employment, more difficult to secure in a job. Between 1999 and 2000, the failure rate rose from 29% to 33%. These failures occurred more often than not during the first week of the contract and concerned people who left without an explanation. In 2001, faced with this situation, the representatives followed a training/action program animated by the insertion agents of ARAVIS on the theme of integration and post-recruitment follow-up. Objective of the follow-up: secure people more in their jobs by inquiring about and identifying potential risks of rupture before they happen, thus playing a regulating role which encourages the protagonists (company, internal monitor, employee...) to find solutions. The identification of the risks focuses on the job content and the acquisition of know-how by the employee. The prior analysis of the position gives a skills-orientated basis to the contents of the job. As for problems of a social nature, the representative may be brought to contact the employee's employer - monitor again in order to examine what solutions can be found and the role he has to play. In each case, the idea is to "get the actors to build" rather than "build on their behalf or instead of".

The two major issues of the follow-up are:

- To convince the company that follow-up is necessary and negotiate the conditions of that follow-up;
- To decide to what extent the follow-up should be implemented and adapt the conditions to each job placement.

The tools that are built in common and used by the representatives are:

- Job placement follow-up table;
- Three-tier regulating interview guide (company, employee, representative/regulator);
- Synthesis charts covering all regulation aspects so that nothing is overlooked.

Post-recruitment follow-up marks a true change of position of the Job Ways mission, and even more so because in every case, time must be spent for its construction and implementation.

The results

Some quantitative data

In order to measure the results achieved, we have copied below part of the “Interim financial report January/July 2002” presented to the steering committee of IP2i on 19th September.

- people: during the 1st semestre 2002, 254 were interviewed individually, 111 in North Isère and 143 in South Isère, 56% of which were women and 44% men;
- There has been a distinct rise in long-term unemployment figures (24% as opposed to 19% in 2001), beneficiaries of RMI still form the majority of the people seen (37% against 43% in 2001);
- 80% of the people met have an education level that is lower or equivalent to 5th grade;
- Alternating in-house apprenticeship contracts represent 16 % of positions, more than 50% of the positions offered by companies are long-term contracts.

The “30th June 2002 Report” presented to the Regional steering committee gives some additional information. In terms of “identified and analyzed positions”, on a regional level, 711 jobs were analyzed in companies as against 633 at the same date last year. The most common positions are: salesperson, store-keeper, manufacturing operator, stock-room employee or hotel/restaurant employee. Low qualification jobs for the most part, with little know-how requirements, but which require character and the capacity for the candidate to gradually become independent. Companies with less than 50 employees form the majority.

“People who were individually interviewed”: 1126 people in difficulty were interviewed as opposed to 110 last year.

“The sources of people interviewed” shows that direct applications have considerably decreased compared with last year (4% instead of 14%), whereas those sent by the Local parishes has almost doubled. This is an interesting statement of fact because it is a demonstration of the good relations that have been established between the representatives and insertion organisms which would not necessarily have been the case, given the different points of view inherent to their very nature (employers versus insertion associations that are more sensitive to employee concerns).

“People hired”: 234 people were hired by companies as against 246 last year (“depressing economic conjuncture highlighted by the latency caused by imminent presidential elections”).

“The contracts of the people hired” long-term and 6-month temporary contracts still figure as the majority of positions filled.

Recruitment examples presented in IP2i's interim report

“The representative was solicited by a company manager in view of the opening of a supermarket in the North Isère, to help him with his recruitment. Roughly 30 situations were vacant, most of which were low-qualification jobs. A working partnership was established between the representative and the local unemployment bureau in order to respond to the company's expectations:

analysis of the positions on offer
implementation of a recruitment process in collaboration with the company.

We decided to hold a collective information meeting over two days, followed by individual interviews for those interested. The company made appointments with those who had made direct spontaneous applications. The local unemployment bureau did some relational work and all the insertion partners were informed of the recruitments. Roughly 250 people were invited, 200 attended the information meetings and 140 people had individual interviews. 33 people are currently under gradual integration within the company. At the request of the company, the representative is following the progress of about 15 of them”.

Through the actions highlighted by this last example, we can measure just to what extent the MEDEF Isère and the MEDEF are committed to a theme that a priori does not concern their “core business”, which is the insertion of people in difficulty.

Yet it issues from an entrepreneurial approach which takes the human aspects of any organization into consideration.

The MEDEF Isère's commitment within an association that gathers together various partners, namely public ones, also reveals the convictions of those concerned and demonstrates that the various groups from different backgrounds can come together to reflect and act in “the common interest” and the backgrounds of the people interviewed by Job Ways also support this claim.

Finally we can note the MEDEF's discretion as regards this type of participation which could serve as a “social” communication tool, but which doesn't, because actions speak louder than words.

Conclusion

Not much thought is given to the CSR issue, as such, at MEDEF Isère.

However, the latter in its quality as the regional representative of the employers' federation, has a political role to play - in the social sense - by participating in a number of CSR-related projects (contributing to the establishment of an observatory of chemical risks on Claix's industrial site, participating in the development of a public dumping ground in the Izeaux area, bringing together schools and universities, examining Grenoble's traffic problems...).

Naturally, this type of commitment follows the national MEDEF line, which by the very nature of its status as a trade union organization, is brought to voice its opinion of behalf of companies on a local, national and international level and with respect to subjects which are directed related to CSR concerns.

In effect, the interesting aspect of the case studied in Isère, besides the obvious discussion and debate that it raises, is how the eco-system on which such action depends is taken into consideration.

“Job Ways” piloted at a regional level by an association and in direct collaboration with the MEDEF Isère indeed demonstrates a commitment to make a concrete contribution to areas that would not necessarily be considered as being the “core business” of an employers’ organization - the insertion of people in difficulty - and this in partnership with “those concerned” who a priori do not seem preoccupied by such matters - namely unemployment and insertion structures (ANPA,ALI...).

The achievements whether in terms of results (number of people being followed, number of positions offered) or their form (close relations with those involved - Unemployment Office, County Council, Regional Authorities for Work and Employment...) clearly reveal a most successful CSR activity in relation with a group of actors who have rallied around a “common interest”.

In this respect, it reminds us of one of the concerns mentioned by certain members of the MEDEF Isère’s executive board and company managers under its jurisdiction, where the human resources aspects of CSR are resumed by “find the men, motivate them and hold onto them”.

This also joins the concerns raised by the MEDEF and its President Monsieur Ernest-Antoine Seillière “that France should practice an efficient employment policy”. It is also seeking, wherever possible, to give a new lease of life to social negotiation; “an efficient social dialogue, which respects the various actors, and encourages problem-solving in the field is absolutely essential to maintain the dynamism of France”.

SALOMON [Ⓞ]

Responsibility as guarantee to fair and safe working conditions

Caroline Gauthier

Introduction

ADIDAS-SALOMON AG strongly communicates on its CSR actions.

It is committed to the regular and transparent communication of its sustainability performances. To this effect, ADIDAS-SALOMON AG publishes a Social and Environmental Report. Efforts to improve the way in which it engages with stakeholders and creates more productive partnerships with its supply-chain are recorded in this Report. It is has been published annually for the past three years.

This case study concerns SALOMON, one of the three brands belonging to the ADIDAS-SALOMON Group. Only the main CSR actions concerning SALOMON are reported here. Based on documents, readings and interviews, the REBUS methodology allowed us to perceive the degree of mountain sports culture in SALOMON CSR practices.

The main SALOMON CSR actions in application of the Code of Governance and the Code of Conduct of the ADIDAS-SALOMON Group concern the integration methods of the Standards of Engagement by suppliers.

On its own, SALOMON founded the SALOMON foundation, the aim of which is to help the social and professional rehabilitation of disabled athletes and mountain professionals.

Description and contextualization of the firm

History

SALOMON was founded in 1947 in Annecy (French Alps) by François SALOMON, his wife and son Georges SALOMON. The familial company expands and becomes in 1972 a world leader in ski bindings. During the nineties, SALOMON starts to move towards a summer activity and enters the bicycle world with the acquisition of the French company Mavic. In 1997, Adidas AG acquires SALOMON in order to become the European sports leader and worldwide number 2. The new international company is

[Ⓞ] Caroline Gauthier prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.
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named ADIDAS-SALOMON AG. The Group consists of three major sports brands: Adidas, SALOMON and TaylorMade-adidas Golf. Activities of the company and its 114 subsidiaries are managed from ADIDAS-SALOMON AG's headquarters in Herzogenaurach, Germany. SALOMON has become the Winter Sports business unit of the Group.

SALOMON is now a "three-dimensional" structure:

- an "equipment department" with technical products under the SALOMON brand;
- a "soft goods" department with shoes, apparel and accessories under the SALOMON, Cliché, Bonfire and Arc'teryx brands;
- a cycle components division under the Mavic brand.

Figures

Today, ADIDAS-SALOMON AG total net sales reach 6.5 billion euros and net income is 229 million euros. The Group's share of the world's sporting goods market reaches around 15 percent. SALOMON turnover hit 714 million euros in 2001.

ADIDAS-SALOMON serves the wholesale and retail markets around the world. It has approximately 14,700 employees worldwide. SALOMON employs around 1400 people in France. The Group represents a cross-section of cultures, ages and backgrounds. Women account for 44 percent of the employees.

ADIDAS-SALOMON works with independent suppliers from around the world who manufacture its products. 51 percent of all factories are located in Asia with 22 percent in the Americas and 27 percent in Europe and Africa.

Corporate mission

ADIDAS-SALOMON strives to

"be the global leader in the sporting goods industry with sports brands built on a passion for competition and sporting lifestyle".

"This means ADIDAS-SALOMON:

is consumer focused. We continuously improve the quality, look, feel and image of our products to match and exceed consumer expectations strives to bring technical and design innovation to footwear, apparel and hardware products, to help athletes of all skill levels achieve peak performance is a global organisation that is socially and environmentally responsible, creative and financially rewarding for employees and shareholders.

Our long-term strategy is to strengthen our brands and products continuously, to improve our competitive position and financial performance. It is based on the Group's values - authenticity, inspiration, honesty, commitment - which derive from sports".

Corporate Social Responsibility actions

ADIDAS-SALOMON describes its vision and strategy as follows:

“We believe that acting as good corporate citizens leads us towards becoming a sustainable company, we have outsourced our supply chain, but we have not outsourced moral responsibility for the way our products are made. Our vision is that all parts of the business – including our suppliers – share a common set of values and understand how to live up to them”.

ADIDAS-SALOMON is strongly committed to the regular, transparent communication of its sustainability performance. To do so, it leads concrete actions like establishing dialogue with stakeholders and defining good codes of governance and conduct.

Identification of key sustainability issues through dialogue with stakeholders

ADIDAS-SALOMON pursues a policy of open dialogue with stakeholders. Surveys and roundtable discussions lead to the identification of the following “key sustainability issues”:

- keeping prices competitive without compromising social and environmental standards;
- maintaining sustainability while introducing innovative component materials and complex manufacturing processes;
- meeting unforeseen consumer demands while keeping working hours within the maximum 60-hour week;
- enforcing compliance with our standards in countries where there may be no local regulations governing manufacturing;
- building and maintaining the compliance to Standards of Engagement (see below) within supply chains that are mobile and migratory;
- finding a sustainable formula for fair wages within unskilled, low-tech industries;
- improving production efficiency without adversely affecting factory wages and employment levels;
- meeting tighter delivery deadlines without cutting corners on compliance, balancing the risks and the advantages of transparent reporting”.

ADIDAS-SALOMON considers these complex issues would be too difficult to address on its own. So it is committed to a process of collaboration and open discussion with stakeholders. Dialogue with stakeholders revealed that working conditions in the suppliers’ factories is the most important issue to tackle. To ensure this, ADIDAS-SALOMON created a set of sustainability principles that guide the work in this area.

These principles are:

“LEGISLATION. We adhere to social and environmental laws, directives and guidelines while continually improving our own contribution to a sustainable society.

MANAGEMENT. We aim to analyse, evaluate and assess the social and environmental impact of new products, technologies and processes at the design and development stage; set clear targets; formulate action plans; monitor progress and publish the results.

SUPPLIER AND CUSTOMER RELATIONSHIPS. We expect suppliers' activities to be compatible with the ADIDAS-SALOMON Standards of Engagement. We encourage our business partners to take a proactive stance on the social and environmental impact of their activities, and work in partnership to improve our collective performance.

SUPPORT. We support social and environmental projects and develop partnerships with businesses and organisations whose direct and indirect output contributes to a sustainable society.

STAKEHOLDER DIALOGUE. We regularly provide appropriate information about the Group's social and environmental performance, to encourage an atmosphere of trust and respect".

A good Code of governance

ADIDAS-SALOMON is an international corporation with shareholders, customers, suppliers, employees and Executive and supervisory Board members from all over the world. In light of this fact, ADIDAS-SALOMON AG welcomes the German Corporate Governance Code and the greater transparency that it brings for both domestic and international investors.

ADIDAS-SALOMON has examined the subject of corporate governance in depth and already complies with the majority of recommendations and suggestions contained in the German Corporate Governance Code. This Code contains nationally and internationally recognized standards of good and responsible corporate governance.

A good Code of conduct (Standards of Engagement)

"Authenticity, Inspiration, Commitment, Honesty" are the core values of the ADIDAS-SALOMON Group. Standards of Engagement (SoE) were defined as a set of guiding principles to help measure and implement these values, particularly with business partners:

I. General Principle

Business partners shall comply fully with all legal requirements relevant to the conduct of their businesses.

II. Employment Standards

We will only do business with partners who treat their employees fairly and legally with regard to wages, benefits, and working conditions. In particular, the following guidelines apply:

- Forced Labour: Business partners shall not use forced labour, whether in the form of prison labour, indentured labour, bonded labour, or otherwise. No employee shall be compelled to work through force or intimidation of any form.

- Child Labour: Business partners shall not employ children who are less than 15 years old, or who are younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.
- Discrimination: While we recognise and respect cultural differences, we believe that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. We will seek business partners that share this value and that do not discriminate in hiring and employment practices on grounds of race, national origin, gender, religion, age, disability, marital status, membership of associations, sexual orientation, or political opinion.
- Wages and Benefits: Business partners shall recognise that wages are essential to meeting employees' basic needs and some discretionary payments. In all cases, wages must equal or exceed the minimum wage or the prevailing industry wage, whichever is higher, and legally mandated benefits shall also be provided. Wages shall be paid directly to the employee in cash or check or the equivalent, and information relating to wages shall be provided to employees in a form they understand. Advances and deductions from wages shall be carefully monitored, and shall comply with law. In addition to their compensation for regular working hours, employees shall be compensated for overtime hours at the premium rate legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate exceeding their regular hourly compensation rate.
- Hours of Work: Employees shall not be required, except in extraordinary circumstances, to work more than sixty hours per week, including overtime, or the local legal requirement, whichever is less. Employees shall be allowed at least 24 consecutive hours off within every seven-day period, and shall receive paid annual leave.
- Freedom of Association and Collective Bargaining: Business partners shall recognise and respect the right of workers to join and organise associations of their own choosing, and to bargain collectively. Where law specifically restricts the right to freedom of association and collective bargaining, the employer must not obstruct alternative and legal means for independent and free association and bargaining. In any case the employer shall implement systems to ensure good communication with employees.
- Disciplinary Practices: Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

III. Health and Safety

A safe and hygienic working environment shall be provided, and occupational health and safety practices, which prevent accidents and injury in the course of work or as a result of the operation of employer facilities, shall be promoted. This includes protection from fire, accidents, and toxic substances. Lighting, heating and ventilation systems should be adequate. Employees should have access at all times to sanitary facilities, which should be adequate and clean. The factory must have safety and health policies that are clearly communicated to the workers. These should apply to employee residential facilities, where provided by employers.

IV. Environmental Requirements

Business partners should aim for progressive improvement in their environmental performance, not only in their own operations, but also in their operations with partners, suppliers and sub contractors. This includes: integrating principles of sustainability into business decisions; responsible use of natural resources, adoption of cleaner production and pollution prevention measures, and designing and developing products, materials and technologies according to the principles of sustainability.

V. Community Involvement

We will favour business partners who make efforts to contribute to improving conditions in the countries and communities in which they operate.”

The SoE are based on the International Labour Organization’s conventions and the model code of conduct of the World Federation of Sporting Goods Industries.

Actions that apply the Rules :The case of the SoE Program

The Social and Environmental Affairs (SEA) team was built to help transform these guidelines into action. The members of the SEA team include engineers, lawyers, HR managers, former members of non-governmental organisations and industrial managers. People from SALOMON participate actively in that program. It collaborates closely with the global operations group, which is responsible for sourcing products from suppliers.

The SEA team has set plans for suppliers to integrate the SoE into their own systems. Particular initiatives conducted recently include:

- improving systems, guidance and training;
- developing new policies and management systems;
- improving monitoring and verifying systems.

Before a contract is signed with a factory, the SAE team undertakes pre-approval audits. Suppliers must sign a manufacturing agreement that commits them to comply with the SoE and to communicate these standards to each of their own suppliers. Whenever possible, local field auditors are used, drawing on first-hand knowledge of local regulations and relevant language skills, enabling more effective communication with suppliers and their workers. The SEA team uses the SoE as a tool to monitor and validate the suppliers’ performance too. In 2002, 460 international and local suppliers were audited, as compared to 427 in 2001.

The SEA team is responsible for promoting the SoE among suppliers. It published a Guide to Best Environmental Practice and distributed it throughout the supply chain. Advisory Notes about health, safety and environment were issued. Face to face training to explain technical issues and share best practices were conducted. During 2002, 111 training sessions to build internal capacity and skills were attended by regional SEA teams and 255 training sessions with factory workers and management were conducted.

The SEA team encourages suppliers to develop clear policies and procedures to implement SoE within their factories. A system of warning letters about ongoing

violation of the SoE was introduced at the beginning of 2002. A first warning is issued when the team finds a factory has serious labour or health and safety problems. The factory has to implement an action plan within agreed deadlines or else a second warning follows. If the breach remains unresolved, a final warning is given. To date, 14 suppliers have received a first warning.

All issues are listed in ADIDAS-SALOMON Social and Environmental Report 2002. All these actions concern SALOMON thanks to its belonging to the ADIDAS-SALOMON Group. On its own, SALOMON founded the SALOMON Foundation.

The SALOMON Foundation

The foundation was established in 1999, under the aegis of the “Fondation de France”, by the SALOMON family and the SALOMON company. The main priority is to help the social and professional rehabilitation of athletes and mountain professionals disabled after an accident during competitions, events or official training sessions or during their professional activity.

Marie Lazzarotto, Legal Department manager explains:

“We had lot of thoughts before founding it. Who needs help the most? Who will we help? We could have done something else”.

“The Foundation has nothing to do with our products, but everything to deal with mountain spirit”.

The foundation already took part in financing a wheel chair for a paraplegic mountain professional. It provided a grant to a disabled mountain guide for the creation of a company and decided to help a first-aid worker in his professional rehabilitation. It also helped an injured ski instructor to recover from injuries and supported the children of a deceased instructor. Decisions are taken by an Executive Committee. Around 40 people have been helped since the beginning.

Discussion

SALOMON’s belonging to the ADIDAS-SALOMON Group makes the SALOMON’s own CSR practices difficult to identify.

Transparent communication of sustainability performance comes more from the culture of the ADIDAS-SALOMON Group than from SALOMON.

Before its acquisition by adidas, SALOMON was relatively discrete concerning its CSR actions. Marie Lazzarotto, Legal Department Manager at SALOMON, recognizes

“adidas is at the origin of this chart; that corresponds to an intimate conviction of the board of adidas, that fits with the brand values – authenticity, commitment, honesty”

“There were media attacks against Nike for example, the whole industry reacted”.

ADIDAS-SALOMON has strong official values - authenticity, inspiration, honesty, commitment - that imply transparency in the communication strategy. Moreover it was attacked by the Report of the Global March against the Child Labour on football stitching.

Jean-Pierre Doux, Manager of Marketing France at SALOMON, reveals:

“We do not communicate on this (the Code of Conduct). Our world is winter sports; traditionally the people we address know that our products can not be manufactured by children. We do not sell footballs. We belong to the Convention of the Metallurgy for historical reasons”.

Marie Lazzarotto adds:

“SALOMON already had an Environmental Chart, but it did not cover human rights. When we were talked about it, we all agreed. But we did not want to make environmental or human marketing”.

So, the Code of Conduct did not exist before the acquisition.

However, Marie Lazzarotto considers:

“It (the Code of Conduct) distinguishes us a lot from our competitors. Some direct competitors have similar practices, Nike for example, but not in the same spirit of support and training. It is more a system of communication policy.

We consider we are more honest, we communicate little on the subject. This is however really subjective!. We give a lot of information to our partners about what we expect. We can't dictate. We help people without interfering in their management. We try to help improve suppliers' behaviour.

(At least), the over cost is important”.

And Jean-Pierre Doux adds:

“We are certainly better citizens than others due to our environment: the mountains, sports. They demand values that do necessarily apply to firms. Our values are humility, passion, implication at every level, will”.

We can deduct that entering the ADIDAS-SALOMON Group enhanced SALOMON CSR actions. SALOMON fully participates in the CRS strategy of the Group.

As far as Environmental Requirements are concerned, SALOMON remains the “black sheep” of the Group.

SALOMON still uses a lot of PVC materials

In the IVth rule of the Code of Conduct, Environmental Requirements, ADIDAS-SALOMON strongly commits to spreading best practices in that field. In particular it adopted in 2000 a policy to eliminate PVC materials from its products. PVC may have undesirable long-term effects on aquatic environments, PVC is difficult to dispose of safely and difficult to remove and recycle. Almost all of the adidas styles are now 100 % free of PVC materials, but some SALOMON products are still far from that ratio. It is the case for Alpine boots (0 % free of PVC materials) and helmets (only 30 % free) or Snowboards binding and boots (20 %), or Winter outdoor shoes (5 %) and snow shoes (50 %).

ADIDAS-SALOMON's explanations which justify the use of PVC are:

- no other material is available to meet functional requirements;
- replacement materials do not yet meet quality requirements.

SALOMON puts a lot of effort into R&D to solve these problems. However more experiments must be done before full implementation can be considered.

Since 2001, environmental indicators are used to measure and evaluate the environmental impact of manufacturing operations. However surveys did not produce accurate enough data. Several starting points for improvement have been identified. Results are still not available.

Conclusion

ADIDAS-SALOMON has strongly committed towards its CSR actions. The Group has implemented a real dialogue with stakeholders to define sustainability principles and ways to actions. Strong rules have been clearly established, like the Code of Governance and the Code of Conduct or Standards of Engagement. Indicators like Environmental indicators have been defined. The most advanced CSR action concerns the relation with manufacturing suppliers, in their selection, the monitoring and validation of their performance in accordance with the SoE.

The Environmental and Social report takes stock of the efforts made and relates targets to reach. The main targets concerns finance, improvement of suppliers' audit in terms of number and treatment, managerial efforts, environmental and community involvement aspects. The Group used the Global Reporting Initiative (GRI) guidelines as a benchmark for report readers.

SALOMON, as a brand of the ADIDAS-SALOMON Group, participates in these efforts towards sustainability, even if the culture of mountain sports is slightly different, and would perhaps not have led to a strong communication policy on CSR issues.

STMICROELECTRONICS ^(*)

Responsibility as a guarantee to environmental preservation

Caroline Gauthier

Introduction

On the official STMicroelectronics website, the corporate presentation states:

“ST’s technical, marketing and manufacturing strengths are matched and further enhanced by a strong commitment to Total Quality and Environmental Management (TQEM) that has earned prestigious awards around the world. The Company’s sites have received more than 70 prestigious awards around the world of which 33 were for environmental issues”.

This quotation summarizes the two main CSR fields of action at STMicroelectronics: a strong commitment towards quality and a strong commitment towards the environment. Other CSR actions were also identified during the REBUS interviews at ST, such as commitment towards the community or the ST University.

The REBUS interviews were conducted at the ST site in Grenoble, France. In terms of quality, this design and manufacturing plant has received ISO 9001 and QS9000 certifications. However the best example of CSR good practices concerns environmental preservation. This case study focuses on just that.

Official documents give a good global description of the ST corporate values and objectives about environmental preservation. The REBUS methodology, proceeding by interviews with managers and stakeholders, gives a good understanding of their implementation. This case particularly examines the implementation of an Employee Transportation Plan at the ST Grenoble site.

Description and contextualization of the firm

STMicroelectronics is a global, independent semiconductor company that designs, develops, manufactures and markets a broad range of semiconductor integrated circuits (ICs) and discrete devices used in a wide variety of microelectronic applications, including telecommunications systems, computer systems, consumer products, automotive products and industrial automation and control systems. It is a leader in

^(*) Caroline Gauthier prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.
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developing and delivering semiconductor solutions across the spectrum of microelectronics applications.

“Our mission is to offer strategic independence to our partners worldwide, as a profitable and viable broad range semiconductor supplier”.

The ST group was formed in June 1987 as a result of the merger between SGS Microelettronica of Italy and Thomson Semiconducteurs of France. In May 1998, the company changed its name from SGS-THOMSON Microelectronics to STMicroelectronics.

Since its formation, the Company has significantly broadened and upgraded its range of products and technologies and has strengthened its manufacturing and distribution capabilities in Europe, North America and the Asia Pacific region. This capacity expansion is an ongoing process with the upgrading of existing facilities and the creation of new 8-inch, sub-micron fabs around the world. ST currently has five 8-inch fabs in operation in: Rousset (France); Agrate Brianza, R2 (Italy); Crolles (France); Phoenix (Arizona); and Catania (Italy). In addition, a sixth 8-inch fab is currently ramping up in Singapore. Furthermore, a new 12-inch manufacturing facility is currently under construction in Catania and the company is now close to completing a 12-inch pilot line called Crolles2, in partnership with the semiconductor arms of Philips and Motorola (the biggest R&D investment in Europe since 10 years). The Crolles2 operation is also host to the joint development program between the three companies to develop leading-edge CMOS process technology down to the 32nm node, in conjunction with TSMC for process alignment.

In 2002, ST's net revenues were US \$6.32 billion and net earnings were US \$429.4 million. According to preliminary rankings for 2002 from market analysts, ST was placed among the top five semiconductor manufacturers worldwide for the second year running. Gartner Dataquest ranked ST as the fourth largest semiconductor company in the world and IC Insights and iSuppli ranked the Company fourth and third, respectively. According to the most recent data from independent sources, ST is also the world's leading supplier of analog ICs and MPEG-2 decoder ICs, and is ranked number two for non-volatile memories overall and number four for Flash memory. In application segments, ST is ranked number one in ICs for set-top boxes and hard disk drives; number two in smart cards and DVDs; number three in automotive ICs; and finally, number four in telecom ICs.

ST has developed a worldwide network of strategic alliances, including product development with key customers, technology development with customers and other semiconductor manufacturers, and equipment and CAD development alliances with major suppliers. By augmenting its rich portfolio of proprietary technologies and core competencies with complementary expertise from a variety of carefully chosen strategic partners, ST has developed an unsurpassed capability to offer leading-edge solutions to customers in all segments of the electronics industry.

ST provides more than 3000 main types of products to some of the industry's most important players, including Alcatel, Bosch, DaimlerChrysler, Ford, Hewlett-Packard, IBM,

Marelli, Motorola, Nokia, Nortel Networks, Philips, Pioneer, Seagate Technology, Siemens, Sony, Thomson Multimedia and Western Digital. In 2002, approximately 69% of ST's revenue derived from differentiated products, a combination of dedicated, semi-custom and programmable products designed to suit a specific customer or a specific application and therefore having high system content. This result reflects ST's exceptionally early recognition of the importance of system-on-chip technology, which is the key to addressing the fast growing market for convergence products, and to the success of its strategies to ensure a leading position in this emerging field.

ST directly employs more than 43,000 employees, 16 advanced research and development units, 39 design and application centres, 17 main manufacturing sites and 88 sales offices in 31 countries.

To guarantee continued technological development and consistently offer customers true leading-edge products, ST invests a significant proportion of its sales in R&D and capital expenditures each year. In 2002, maintaining a consistently high level, it spent US \$1,022.3 million (16.2% of revenues) in research and development. ST filed 680 patent applications in 2002, maintaining its track record as one of the industry's most prolific inventors. The new inventions protected with these filings covered a wide range of technologies, products and applications, in line with the broad range supplier mission of the Company. ST is also active in numerous collaborative research projects worldwide as well as playing a key role in Europe's advanced technology research programs such as MEDEA+, and its predecessors, MEDEA and JESSI.

Corporate Headquarters as well as the headquarters for Europe and for Emerging Markets are in Geneva. The Company's US headquarters are in Carrollton (Dallas, Texas); those for Asia/Pacific are based in Singapore; and Japanese operations are headquartered in Tokyo.

ST is quoted on the New York Stock Exchange (NYSE:STM), on Euronext Paris and in Milan on the Borsa Italiana. The Company now has close to 900 million outstanding shares, approximately 64% of which are publicly traded on the various stock exchanges. The balance of the shares is held by STMicroelectronics Holding II B.V., a company whose shareholders are Finmeccanica of Italy and a French consortium comprising Areva and France Telecom.

The site of Grenoble totals more than 2000 people, 65 % of whom are engineers. It is a strategic actor in the local economic activity. The site's activity generates an annual turnover of more than 1 billion US dollars.

Corporate Social Responsibility actions

ST strongly communicates about its CSR actions. Pasquale Pistorio, President and CEO, announces:

“Our firm shows there is no incompatibility between financial, social and environmental objectives”.

ST is engaged in a proactive triple bottom-line process that is formalized by ST's commitment to sustainable development.

Commitment to sustainable development

"We recognize the importance of addressing the three interlinked goals of economic prosperity, environmental protection and social equity as we try to balance the positive aspects of wealth creation and economic growth needed to fund a better quality of life for present and future generations. We are deeply committed to our people, our planet and to the prosperity of all our stakeholders. And we have a clear mission with well-defined objectives that reflect our shared values".

"Our objectives are ambitious and specific:

Growth: we will grow faster than our competitors, with a target of 5% market share. The key to profitable growth is Total Customer Satisfaction, our Number One corporate priority.

Financial: we will generate more value for shareholders and better return on equity than the averages achieved by the Top Ten Semiconductor Suppliers.

Social: we will contribute to the well-being of our people and of every community in which we operate with a particular emphasis on environmental responsibility and sustainable development".

Guiding principles to reach these objectives are:

Customer satisfaction: The key to competitive success is Total Customer Satisfaction. We will listen to the voice of the customer and strive to anticipate and fulfil their needs and expectations. Our future relies on strong partnerships which we can ensure providing that we all do our best to provide world class Service, Quality, Time-to-Market, and Value.

Business integrity: We will conduct our business with the highest ethical standards in dealing with each of our stakeholders' communities. We will dedicate ourselves to honouring our commitments, delivering on our promises, being loyal and fair, and standing up for what is right.

People: We will behave with openness, trust, simplicity and humility; we will be ready to share what we know, encourage everyone's contribution and recognize achievements; we will emphasize job enrichment and personal realization through empowerment, teamwork and training. Each of us will be loyal, hardworking, committed and personally involved in continuous improvement and learning process.

Excellence: The only "status-quo" we will accept is one of permanent change and continuous challenge, always for the better. In all aspects of our activities we will

strive for excellence, quality, competency and efficiency; we will be flexible and nimble, and will encourage innovation and creativity in every aspect of our activities.

Profitability: The profit we generate from our activities is the main source of the funds we need to prosper and grow; profit is necessary to provide security and future opportunities for each of us, and to allow the Company to meet its other social and business responsibilities”.

Philippe Levasseur, Corporate Environmental Manager, explains that:

“ST management lies on EFQM principles that take into account many CSR principles: leadership, participative management, quality performance and environment, Human Resources and the welfare of other stakeholders. This model follows the same process as sustainable development”.

Strong commitment towards environment

The CEO, Pasquale Pistorio’s belief is that:

“It has to be done in the environmental field to do better in the economical field.”

The ST Environmental Policy goes beyond the principle of Customer Satisfaction and aims at stakeholder satisfaction through initiatives and programs based on the ST Decalogue for the Environment. First published in 1995, the revised 1999 edition set even more aggressive targets with objectives up until the year 2010.

ST environmental vision is to be recognized by all its stakeholders as a leader in environmental care by following the Environmental Decalogue and by exceeding regulatory requirements in both degree and timing wherever possible.

ST environmental mission is to strive for sustainable development in minimizing the impact of processes and products on the environment by maximizing the use of recyclable or reusable materials and, where possible, adopting renewable sources of energy.

To aim for ambitious improvement of its environmental performance with a view to reducing its impact on the environment to levels which do not exceed those corresponding to the Economically Viable Application of the Best Available Technology (EVABAT), ST has defined its environmental policy with the following objectives:

- to ensure management commitment to a culture of environmental protection throughout the Company;
- to design products and processes to minimize their environmental impact from “cradle to grave” and to inform customers on recycling and safe disposal of ST products at the end of their life;
- to strive for continuous reduction of waste and pollution and in the consumption of water and energy, in a quest for sustainable development and as proof that ecological methods are both responsible and profitable;

- to benchmark ST against leading companies the world over, so as to equal or exceed the best performing companies;
- to apply the most advanced statistical and environmental tools to environment parameters so that environmentally responsible manufacturing processes are developed and implemented;
- to promote an open dialogue with workers and the communities in which ST operates; cooperate in a positive spirit with industrial and scientific communities, governments and non-governmental organizations to develop laws, regulations and guidelines for the continuous improvement within these communities, promoting a global and healthy competitiveness”.

Environmental protection is a key element of ST corporate culture.

“We do this through independent operational units that are bonded by a strong common culture of Total Quality Management. Teamwork, the empowerment of individuals and a focus on continuous improvement, help us pursue our Decalogue goals across the Company”.

The Corporate Environmental Steering Committee is chaired by the CEO. A Corporate Vice-President heads the Total Quality Environmental Management organization. The Corporate Environment Support Group promotes a company-wide culture of environmental protection and the implementation of its vision, mission and policy. It defines the strategies enabling the Company to approach environmental neutrality by minimizing the impact of processes, products and behaviour. It also establishes the programs and the roadmaps to implement these strategies, with a special focus on greenhouse gas mitigation. The group promotes a culture of continuous improvement and knowledge sharing and controls the global implementation of the programs.

Locally, an Environmental Steering Committee and a Site Environmental Champion (SEC) are active in all environmental initiatives. They provide a link between the Corporate Environment Support Group and Site Management (Purchasing, General Services, for instance), as well as with other functions such as R&D and Operations.

Several strategic teams (Corporate Environmental Working Groups) ensure environmental consistency at ST sites around the world, providing guidance and support.

At the beginning of 2002, 16 of ST's 18 manufacturing sites are EMAS validated and ISO 14001 certified. As a prerequisite to obtaining EMAS validation, every site prepared and published a detailed environmental statement outlining its consumption of natural resources and releases. All sites update this statement annually, as required by EMAS. ST Grenoble site has been validated by EMAS since 1996. The product design plant in Grenoble was the first non-manufacturing site to achieve EMAS and ISO 14001 certification at the beginning of 2001. There remains only one more non-manufacturing site in Europe to be certified by EMAS and ISO 14001.

As regards environmental measurements, environmental data from each site is measured against the relevant Decalogue target. This process is managed through the Environmental Database, which enables environmental indicators to be compared, site by site. Internal benchmarking and sharing of information are done through the dissemination of best practices.

The Environmental Decalogue calls for cooperation with international organizations to define and implement eco-efficiency indicators. ST has worked closely with the World Business Council for Sustainable Development (WBCSD) on the definition of these indicators and their implementation at ST, and is measuring the environmental burden approach in several categories of air and water emissions.

In addition, ST has developed a new tool to allow a fast, fact-based evaluation and a comparison among sites. The ratio of actual performance versus standard (where "standard" is typically the best-in-class achievement) is plotted on a radar chart to indicate the "footprint". Obviously a footprint equal to or below 1 means that it is performing well. The smaller the footprint, the better the performance. Two footprints are applied: one for input (electricity, water, chemicals, paper, material intensity) and one for output (waste, global warming, PFC, VOC, acidification, eutrophication, oxygen demand, heavy metals).

At every site, Corporate Environmental Audits are conducted every 18 months. Each audit ends with an action plan and scoring of the audited site. Audits are examined during EMAS and ISO 14001 certifications.

Suppliers are audited too. Their environmental performance accounts for 10% of their total score. ST strongly encourages its suppliers and subcontractors to become EMAS validated or ISO 14001 certified and assists them in doing so. Its goal was that 80% of key suppliers become certified to either of these standards by the end of 2001. It has met 87% of this objective and evaluation of new suppliers is in progress.

Finally, training is provided at each site to increase the environmental awareness of employees and outside contractors. Various training modules cover key environmental issues, environmental impacts of activities, ST environmental policy and its implementation. Training courses include a detailed commentary on the Decalogue and the site's environmental statement, an overview of the Corporate and Site Environment Manual, an explanation of the role and responsibility of each new employee in the site's environmental management system, a tour of the site's main environmental facilities and an environmental session in the induction training for new employees.

There is a strong belief in investing in the environment at ST

"We believe that in the long term companies investing in environmental protection have a significant advantage over those who delay. This is because any investment will be largely repaid if production processes are pollution free and the use of natural resources and energy is reduced.

We have already proved that business can be both environmentally responsible and

profitable. None of our investments in energy conservation has taken longer than three years to pay back with an average of two years. Environmental measures represented more than 2% of ST's capital investments in 2001, roughly in line with the previous year".

For Ludovic Tchoulfian, Human Resources Director at ST Grenoble site, the ST Grenoble site follows a policy respecting the Group philosophy. He argues:

"The corporate convictions lie on three fundamental beliefs:

The firm is a local actor with economic vocation

The firm acts in a willingness of realisation. It looks for results at every level. Intention declarations are insufficient. All our actions plans contain concrete and numbered objectives that may be subject to an audit.

The firm is in a systemic process, in doing good to itself, it does good to the community. The firm can no longer survive as a predator, and inversely the firm's environment can not lead projects which are incompatible with the firm's economic objectives.

Adopting such a philosophy aims at entering into a virtuous cycle".

Launched in 1999, the project of an Employee Transportation Plan at ST Grenoble completely fits with ST vision, mission, objectives and philosophy regarding the environmental impacts of its activities.

Employee Transportation Plan (ETP)

Quoting from the official ETP presentation document, the ETP origins at ST come from the following factors:

- The strong environmental sensitivity at ST that implies a voluntary environmental policy and a management both able to analyse the firm's activities consequences and restricted to show environmental results.
- The environmental balance analysis showing that a large part of the Grenoble site energy consumption was due to home to work site travel. Pierre Chastagner, Director of Grenoble site, notes that:

"A large majority (80 %) of the site employees do their home to workplace journey alone, using their car; generating a demand for public and private spaces for which availability is restricted. Moreover these journeys represent a large part (40 %) of the site energy use and contribute to the increase in air pollution".

- The geographical characteristics of the site make access and parking difficult. ST Grenoble is located between two rivers, in the heart of a zone for scientific, technical and economic development with 7000 workers. The site is subject to growing traffic congestion. Moreover parking place management is already difficult.

Home to workplace journeys are therefore an area to privilege in significantly reducing

the site's impact on the environment. The immediate solution consists in incentives for alternative transport. The scarcity of parking places and the high cost of the creation of new parking places (car-park with several floors) provoked a thought process in sustainable growth. For this, ST Microelectronics created a workshop group called "Alternative transports" in 1999, with about 12 motivated volunteers. Two questions were considered:

- "How to reduce polluting car emissions?"
- "What measures could help the development of alternative transports?"

The workgroup proceeded by surveying employees to measure their satisfaction and efforts in home-to-workplace journeys. At the same time, potential measures and indicators were defined. A scheme called "the Breath Diagonal" was used to visualize the ETP orientations. This relates the atmospheric pollution to the parking space consumption for one transported person. The diagonal shows the most efficient transportation modes in terms of the battle against pollution and the space occupied.

The main advantage for the project lies in the fact that 60 % of employees live in the Grenoble city area, and can therefore potentially use alternative transport. The main problem is that the site was, to start with, poor in public transportation in 1999, and secondly a transit area. From this, the workgroup decided its vision would be that 50 % of ST Grenoble population would use alternative transport by 2005. This was a difficult objective to reach.

Many partners participated in the ETP project, like public partners (City of Grenoble, Urban Community...), economic partners (SNCF (Train national service), SMTC/SEMITAG (Local transportation service), GEG (Local gas supplier), local firms like the CEA (Nuclear Agency)... and associations (ADEME (Agency for Energy)...).

ST Grenoble launched its 2000-2005 ETP in 1999. This incentive plan to "alternative transport to stay green" proposes to encourage car pooling, support collective transports, make it easy for bicycles, advertise about alternative transport and communicate about the efficiency of a green transportation plan and contribute to air pollution reduction.

Eight action fields were identified by the ETP, four of which led to action campaigns:

1. Development of the use of public transport (bus, tramway, train). A free shuttle-bus has been implemented from the site to the main station. ST finances up to 80% of the monthly travel card for public transport users.
2. Development of green transport (walking, cycling, green motorization). A safety junction between the main roads has been established for cycle-users and walkers. A security-kit has been given to cycle users. The "cyclo-joker" service, that finances 5 taxi journeys a year in case of bad weather for cycle users, has been implemented. A large information and awareness campaign has been launched.
3. Development of proximity services to avoid employees travels. "Practical life" services like postal service, internet access, public transport ticket office, fast food restaurants, anti pollution control and free repairs for cycles, have been implemented on the site.

4. Actions on short trips between the ST site and the city area. The number of ST vehicles using natural gas has increased. A job dealing specifically in professional travel has been created.
5. Due to the growth of coordination work, the ETP generated the creation of a new job position. Claude Tison, who was in charge of training at the Grenoble site, filled that position last November.

According to Ludovic Tchouffian at ST, the ETP creates financial advantages. Relative costs reach 100 K euros a year. The financial equilibrium has been reached taking into account the savings made and the value of preservation.

Ludovic Tchouffian recalls that the ETP was inspired by the Decalogue:

“We have to conform to the corporate commitment expressed in the Decalogue, it generates a “friendly pressure” that is a creativity catalyst”.

“From the Top/Down approach of the strong corporate commitment towards environmental policy may result a Bottom/Up approach, like the ETP one, that may defend the notion of local intelligence faced with a global strategy”.

Discussion

Commitment to sustainable development

ST continues to be highly ranked among the leading companies pursuing sustainability. In the semiconductor industry, the Dow Jones Sustainability Group Indexes (DJSGI) ranks the company as leader in the integration of sustainability in a comprehensive Total Quality Management System.

ST is represented in the following main financial indexes based on sustainable development and ethical issues:

- SAM: DJSGI created in 2000, including about 200 companies on a worldwide basis
- ASPI: ARESE Sustainable Performance Index created in June 2001, including 110 Euro-zone companies;
- FTSE 4 GOOD launched in July 2001. ST is present both in FTSE 4 GOOD Global 100 index and in FTSE 4 GOOD Europe 50 Index.

Strong commitment towards environment

ST's commitment to environmental responsibility has resulted in substantial reductions in the consumption of energy, water, paper and hazardous chemicals, increased recycling of waste products and a significant cut in CO2 emissions. In 1999, ST received the United States Environmental Protection Agency's Climate Protection Award for its outstanding accomplishments in protecting the Earth's climate. In 2000, ST was ranked first in environmental management among 14 semiconductor companies by Innovest Strategic Value Advisors and received the only AAA ranking in

eco-efficiency. And most recently, in October 2002, ST received the Seal of Sustainability from the Sustainable Business Institute and ST's back-end Malta plant received the Management Award for Sustainable Development as part of the European Awards for the Environment 2002, organized by the European Commission Directorate-General Environment.

The ETP project has both internally and externally been considered as an exemplary CSR good practice.

ETP

The ETP benefited from the favourable economical and financial conjuncture of year 2000. The crisis in 2001 did not change the project process and implementation. From Ludovic Tchouffian,

“At the outset of the ETP, there was the will to ensure continuity even in crisis conditions. Despite the drastic cost reduction policy, the ETP survived “the crash test” of year 2001 and has continued to be a priority”.

Today the ETP is in its recognition phase. It is displayed as a good practice and as an example to rouse the awareness of other sites in environmental and societal issues. For example, the Chamber of Commerce of Grenoble, has recently adopted a process to define its own ETP and to that effect, asked ST people to participate in the workgroups. Inside the ST Grenoble site, Ludovic Tchouffian remarks:

“The ETP is perceived as a success. Launched in 1999, there was, as early as 2000, concrete results (like parking for cycles). As regards the 50 % of alternative transport for the 2005 objective, the ETP has already reached 40 % half way through (2002). This is a federating project and the workgroup has continued to work.”

“As concerns recruitment, the ETP is decisive and represents an undeniable competitive advantage. The existence of the ETP represents an attractive distinctive sign for the population of engineers recruited on the Grenoble site. Beyond its environmental impact, the ETP participates in anticipating social problems the firm could meet with its human capital”.

For Philippe Levasseur, ST Environmental Corporate Manager:

“The ETP is a very complete CSR example, because it takes into consideration of environmental aspects; social aspects; integration into territory and economical aspects. The ETP is a very diffused and formalized process on the Grenoble site. It is a good practice diffused to all the ST sites”.

The ETP project has been especially noted by corporate management, and ST Grenoble received a ‘Special CEO Award’. ST won the “Golden Bike” award from the Congress of cycling cities and the “Golden Handlebar” from the French Cycle Federation. Many articles about the ST ETP show that there is a real recognition of this good practice by society.

For Jacques Chiron, President of SEMITAG (Local transport service),

“The ST ETP is the most successful example of ETP in the region. ST succeeded in integrating inside and outside stakeholders”.

“ST ETP is also successful as an example of a firm’s capacity to implement a logic and a dynamic”.

Other partners of the project agree with that success. Isabelle Bischoff, in charge of Sustainable Development at the CEA (French Nuclear Agency), adds:

“ST is considered as a pioneer in its ETP implementation. It is a reference benchmark for implementing similar projects. The ST initiative generated the creation of a club of local firms that now defines common action plans for this type of problematic”.

For Jacques Chiron:

“ST is an Example of a social responsible firm and the ETP is the Example of the successful commitment of the firm in favour of a problematic that goes beyond the economical field”.

Let us note that the ETP project created a real dynamic and that the process has been quite often analyzed. Relevant documents are now available on the ST intranet and this accessibility contributes to the corporate RSE objectives concerning knowledge sharing.

However Ludovic Tchoulfian recalls:

“I am not in favour of the standardisation of the ETP. There is a necessary appropriation of RSE issues which are particular to each site”.

Conclusion

The ST group is a highly committed firm to internal and external CSR actions. Main CSR fields at ST concern quality, environmental preservation in a sustainable development process. ST strongly communicates about its social responsibility and is recognized worldwide for its CSR actions. For the associated reporting process, ST follows the recommended Global Report Initiative model. Philippe Levasseur, Corporate Environmental Manager, explains:

“ST has committed to a reporting process following the Global Report Initiative (GRI) model, because this is the only available model for multinationals that covers all the CSR aspects”.

This case has focused on the ST Grenoble site in France. CSR actions undertaken at Grenoble, show that each site is capable of adopting ST corporate culture and policies in these fields. The exemplary good practice of the Employee Transportation Project has been described and analyzed in this case study. Ludovic Tchoulfian’s next remark could conclude the case:

“The project finds its origin in an environmental approach, but very quickly, social, societal and economical aspects have found their place also. This process leans towards a global approach to a firm’s transport problems”.

**PART 8 – THE RESEARCH IN THE LARGE COMPANIES
THE SWISS CASE HISTORIES**

COOPERATIVA REGIONALE MIGROS TICINO [©]

Caterina Carletti, John Gaffuri, Alberto Gandolfi, Roberto Klaus

Introduction

The present case-study has been drawn up with the aim of focusing on distinctive characteristics of the CSR approach in a large Swiss co-operative operating in the sector of large-scale retail. To this end, four managers of the regional co-operative Migros Ticino were interviewed: the Director Lorenzo Emma, the commercial manager Giancarlo Grino, the head of human resources Victor Rush, and a branch manager, G. Negri.

In addition to the evidence collected from these interviews, an analysis of company documentation and of the company's web site were undertaken. With the purpose of broadening the range of observation, it is claimed that the description of the various themes which are dealt with – and the relative measures undertaken – are of national relevance.

History and profile of the Migros group

Gottlieb Duttweiler: a great pioneer

A businessman with great intuition for innovation, tenacious and combative, and driven by a strong sense of social responsibility: the man we are discussing is Gottlieb Duttweiler (1888 – 1962), a figure who from 1925 onwards has left his mark on Swiss economic life.

Having returned from Switzerland after a stay in Brazil to manage the cultivation of a coffee plantation, he made use of his previous work experience, gained at home and abroad, to make his dream of creating a sales organisation without intermediaries come true. Thus on August 11th 1925 he founded, together with four partners, Migros. At that time, Switzerland was experiencing a period of profound recession. There was no social security system as we understand it today. Food was expensive and the retail trade could count on substantial profits at the expense of consumers, being based on cartels and monopolies. Gottlieb Duttweiler did all he could to dismantle these structures.

The bridge which, with the birth of Migros, was created between the consumer and the producer became the company trademark. With a start-up capital of 100,000 Francs,

[©] Caterina Carletti, John Gaffuri, Alberto Gandolfi, Roberto Klaus prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Duttweiler bought five Ford Model T trucks and turned them into mobile shops. The trucks sold six essential provisions: coffee, rice, sugar, pasta, coconut oil and soap. In some cases, these goods cost 40% less than those of the competition. By September, there were already nine trucks, and starting from October they reached more and more locations. In very little time, they were supplying 293 places in Switzerland with consumer goods. By the end of December, Migros had 25 staff and a turnover of 778,500 Francs. Furthermore, the assortment of products had been extended to 15 products.

The early years of the company's life were not however wholly without difficulty: in fact, a truly denigratory campaign against it was initiated. Plots, bans on the part of local authorities, and even "anti-Migros" laws were placed in the way of the new company. When suppliers of branded articles boycotted the company, its response was to start its own production. Only housewives perceived that Migros was their great ally. In fact, their household spending money lasted longer when they bought from Migros.

In this respect, nothing has changed to the present day. Neither years of recession nor economic stagnation have eaten into Migros's growth. It quickly became a socio-economic force, accepting its entrepreneurial responsibilities towards its clientele and staff. Such responsibilities are lived out by Migros as a duty, inasmuch as they are handed down by the company's own founder.

"In the modern world," said Gottlieb Duttweiler, "success will come to whoever is able to build an ideal around their business." Now, as eighty years ago, when the first Ford T trucks ventured onto the streets of Zurich, the idea behind Migros remains current.

In those times, nobody would have been able to foresee that with those trucks a historically important journey had begun for Switzerland. Almost eighty years later, Migros is the biggest retailer in Switzerland, and one of the 500 biggest companies in the world. It is a flourishing business, which over the years has remained faithful to the ideas and values of its founder.

Migros: the group's structure

The organisation of the Migros group is substantialised in ten regional so-operatives, covering the entire nation, answering to the Federation of Migros Co-operatives. The members of the 10 regional co-operatives are residents of, and consumers in, their respective areas, while those of the Federation of Migros Co-operatives are the 10 regional co-operatives.

The Federation of Migros Co-operatives fulfils the following roles:

- purchasing centre for most of the regional co-operatives' products;
- co-ordinator of the shared activities of the co-operatives (advertising etc.);
- a holding company for activities which do not fall under the category of retailing (Migros bank, Hotelplan travel agency, etc.).

Migros: the group in figures

The total volume of trade in 2002 of the Swiss retail sector amounts to 83.8 billion Swiss Francs: 39.5 for the food sector, and 44.3 for the non-food sector. Migros's market share of the Swiss market is currently 18.1%.

	2002 - Millions CHF	2001 - Millions CHF
TURNOVER OF GROUP	20'187	20'174
<i>percentage change on previous year</i>	+ 0.1	+ 2.6
TURNOVER OF CO-OPERATIVES	14,216	13,985
<i>percentage change on previous year</i>	+ 1.6	+ 2.5
EBITDA	1,268	1,284
<i>as percentage of group turnover</i>	6.3	6.4
EBIT	451	488
<i>as percentage of group turnover</i>	2.2	2.4
PROFITS OF GROUP	178	285
<i>as percentage of group turnover</i>	0.9	1.4
CASH-FLOW	1,103	1,168
<i>as percentage of group turnover</i>	5.5	5.8
FREE CASH-FLOW	43	202
INVESTMENTS	1,208	1,140
TOTAL BALANCE	16,424	16,488
› <i>Own Capital</i>	8'020	7'845
› <i>as percentage of total balance</i>	48.8	47.6
SPENDING ON CULTURAL, SOCIAL AND POLITICAL-ECONOMIC INITIATIVES	123	120
NUMBER OF STAFF	83,149	82,018
MIGROS MEMBERS	1,890,739	1'877'875

Migros group: principal economic data

Source: Migros business report 2002

Entrepreneurial policy of the Migros group

The Migros group is leading retailer in Switzerland and, thanks to its entrepreneurial principles has succeeded in gaining consumers' esteem. The main features of the entrepreneurial policy of the Migros group are illustrated below.

- *Consumers.* The consumer is at the heart of any Migros activity. Great importance is attached, above all, to consumers' environmental concerns and their desire for healthy, environmentally-friendly products.
- *Staff.* Migros employees stand out for their professional manner and efficiency. Particular attention is paid to the development of employees' personal skills, as Migros is convinced that this can contribute to the consolidation of the entrepreneurial spirit and initiative, in the sense of acquirement of greater responsibility and flexibility.
- *Product range.* Migros offers superior products at a competitive price.
- *Innovations.* Migros constantly improves its products and services, offering innovations and proving itself to be innovative in the sphere of sales and distribution. Thus success in a continually- changing context is ensured.
- *Finances.* Migros attaches great importance to financial policy. In particular, it aims at preserving the financial solvency of the company. For this reason, it does not have recourse to speculative investments, financing itself as far as possible with its own capital.
- *Potential.* Migros increases its own market potential thanks to synergies created inside the group. Migros encourages internal co-operation and alliances, intended to maximise potential for working together.
- *Ideals.* Migros is constantly involved in the cultural, social and environmental spheres.

Migros and corporate social responsibility – a long standing symbiosis

“Success will come to whoever is able to build an ideal around their business”.

The figure of founder Gottlieb Duttweiler, over the course of the years, has distinguished the business policy of the Migros group, characterised from the start by a remarkable commitment to its members, to its customers, and to the wider community. In keeping with this philosophy, Migros sets out to make a significant contribution to the quality of life. In collaboration with customers, suppliers and social groups, Migros aims to be an active “player” of the future, pursuing a balance between environmental, economic and social demands, and reaching, at the same time, sustainable development, in tune with the company's philosophy. In any case, to combine the defence of social rights and respect for the environment with low-cost products is a great challenge for Migros.

Guaranteeing fair working conditions, applying rigorous production standards which respect the environment, as well as making production facilities and business procedures ever more environmentally friendly ... These are just some of the social measures put into practice by Migros. Furthermore, Migros takes responsibility, on a global level, for the working conditions of people that produce goods on its behalf. In this regard, a contract with suppliers is stipulated which governs conditions relating to aspects such as minimum wages, racial and sexual discrimination, exploitation of

workers and freedom of assembly. A code of conduct defines in a clear and unambiguous way social standards that producers in the sector must pledge to respect. Acceptance of this code constitutes an irrevocable requirement for whoever desires to enter into business with Migros.

“The philosophy and pledges of Migros are characterised by responsibility towards man and the environment”.











The commitment of Migros in the field of social responsibility aims at a form of sustainable economy in a mass-market context rather than in individual niche markets. Regardless of the level of social conscience and purchasing power of the clientele, it is necessary to offer a wide range of goods produced with respect for man and the environment. An essential role in this regard is covered by co-operation with environmental organisations, consumer associations, and development agencies.

The co-operative standing of the company, the “one per cent for culture”, the concept of training for everybody, the abandonment of sales of alcoholic or tobacco products, along with general services at favourable conditions are the foundations on which the success of the Migros group has been built. At almost eighty years since its foundation, Migros stands out as a company that has been able successfully to combine economic principles with the ethical principles of its founder.

Products: the ten “ethical trademarks” of Migros

Migros, through an initiative called *Engagement*, is committed to the safeguarding of man, wildlife and nature, in Switzerland as well as in the rest of the world. The initiative includes all Migros products which carry the *Engagement* logo, offering to the consumer the certainty that products purchased are produced in a socially and economically sustainable way.

The ten specific brands and the brief accompanying explanations provide the consumer with further information about the type of production. The wide variety of products with added environmental or social value constitute one of the group’s strengths.

	<p>7-point guarantee for meat Breeding, transport and feeding all respecting the animal</p>
	<p>Strictly organic production for agriculture, fishing and processing</p>
	<p>Local, naturally-grown produce</p>
	<p>Fair trade and production according to social criteria</p>
	<p>Fish product respecting stocks of fish</p>
	<p>Tuna caught without harm to dolphins</p>
	<p>Environmentally friendly techniques used at all stages in production</p>
	<p>Crops cultivated reducing the use of chemical substances to a minimum</p>
	<p>Wood from forests managed according to environmental and social principles</p>
	<p>Cotton from organic cultivation</p>

The Migros ethical trademarks

Source: Migros environmental and social report, 2002

The supply of *Engagement* products is in continual expansion:

“Through its Engagement products, last year Migros achieved a turnover of 1.74 billion Swiss Francs, that is, 12% of its retail turnover. The trend is upward, as the increase of over 13% in comparison with the previous year shows. In the future we expect further significant successes”.

The most important social project recently realised is the *non-food* code of conduct. Drawn up from scratch and applicable to the entire non-food sector, the new code is based on the experience gained by the group thanks to the code of conduct for production for socially responsible production of footwear and clothing, previously outlined in the context of the *Clean Clothes Campaign*. These agreements oblige all suppliers of non-food goods to observe working conditions with a social orientation.

In the food sector, too, Migros is working on social and environmental directives, which will gradually be imposed on all of its products. One such commitment undertaken by Migros on an international scale regards palm oil from sustainable production. Palm oil is second in importance in the world market. In order to create palm plantations, all too often huge areas of tropical forest are cleared. To prevent this phenomenon, Migros has pledged gradually to move towards the use of only palm oil from sustainable production. The criteria have been defined together with the Swiss World Wildlife Fund (WWF) and include the active protection of forests with relevant animal and plant species, socially acceptable working conditions, and environmentally sound production methods. Where possible, in its own production facilities, Migros makes use exclusively of sustainable palm oil. On the occasion of the World Environment Summit, held in Johannesburg in 2002, Migros was honoured with the World Business Award for this commitment.

Along with funds for direct aid, projects which represent a direct link with the activities of Migros are co-financed. In the Rio Negro coffee plantation, in the south of Costa Rica, Migros has financed five facilities which benefit workers. A small restaurant prepares reasonably-priced meals and, during the harvest period, offers refreshment to labourers in the field. At the medical centre, supplied with modern equipment, a doctor and a dentist are on call for eight hours a week. The two community centres are important in their battle against alcoholism, violence and child neglect. During the day they function as a nursery school, while in the evening they are transformed into meeting places. Finally, Migros also financed the purchase of a bus, which was then turned into a shop.

Thanks to further contributions the Migros K.I.D.S. School in Tirupur, in the south of India, has been expanded, which at the moment provides schooling for 485 children. In Tirupur clothing is produced for Migros. Many children from poor families in this region do not have the opportunity to go to school and thus would end up working in factories which recruit low-cost labour. In this way, Migros takes a stand against child labour.

Migros also works with non-government organisations, for example in Mali where, thanks to its support, a project for the *Helvetas* development for organic cotton is under way. A guaranteed purchase of the harvest and a bonus as reward for the greater sustainability of organic crops (greater share of manual labour, absence of chemical

substances, lower yields) cause operators in the primary sector to convert to organic cotton production, guaranteeing their own subsistence over the long term. In fact the land remains fertile, while the local people need not be concerned about cases of poisoning among their children.

Last but not least, Migros's product range also includes produces which meet the demands of consumers motivated by a "green" conscience: energy-saving lamps and lightbulbs, refrigerators and freezers with low electricity consumption, recycled paper, water-saving jet nozzles, as well as solvent-free paints and adhesives.

For its overall ethical commitment, Migros has been rewarded in a very unusual way. In fact, in November 2002, in fact, the President of the Federation of Migros Co-operatives was given the title "Eco-Manager of the Year". This prize for the environment, jointly conferred by WWF Germany and the economics magazine *Capital*, is - thanks to previous illustrious winners - one of the most renowned in Germany.

The "one per cent for culture"

Recognising the role that private business is called upon to play in the support of the arts and culture, in 1957 Migros established the so-called "one per cent for culture", incorporating it into its own statutes. The initiative aims to contribute to the improvement of the quality of life, allowing vast groups of the population to access services in the cultural and social field, as well as to take advantage of high-quality education at accessible prices. The "one per cent for culture" operates through home-grown projects, lending financial support to third-party social and cultural initiatives or through the distribution of funds and scholarships.

"While many companies use up to half the amount available to publicise their cultural role, spending of this kind are comparatively limited in the Migros "one per cent for culture". Thus the financial means available can be used directly for the promotion and spread of culture itself. It is not mere chance that Migros is perceived as the largest promoter of culture in the private sector"²²³.

Every year, Migros assigns a part of its turnover to culture, education and social activities. This quota corresponds to 0.5% for regional co-operatives such as Migros Ticino, and 1% for the Federation of Migros co-operatives. In 2002 funding available for the "one per cent for culture" amounted to 123 million Swiss Francs.

²²³ The pre-eminent role played by Migros in Swiss culture has even been recognised by ex-president of the Confederation Ruth Dreifuss: "... *en collaboration avec les autres grands agents de soutien de la culture dans ce pays, les agents privés. Je pense en particulier à la Migros, qui reste un des bailleurs de fonds principaux dans le secteur privé*". (Boll. uff. 1999 S 856).

Facts & figures 2002	Millions of CHF	%
Culture	25	20.3
Education	74	60.2
Social issues	4	3.2
Sport and leisure	13	10.6
Economic policy	2	1.6
Administration & appropriated surplus	5	4.1
TOTAL	123	100

Distribution of the Migros “one per cent for culture”

Source: www.percento-culturale.ch

The Migros “school club” is the main beneficiary of the “one per cent for culture”. A non-profit organisation, it makes a decisive contribution to personal and professional development in the fields of foreign languages, computing, ongoing training and formation, and leisure time. On average, each participant pays just 65% of the actual cost of the course, while the remaining 35% is made up by the “one per cent for culture”.

In the cultural sphere, thanks to funds for a total of 25 million Swiss Francs the “one per cent for culture” made a substantial contribution to a variety of projects, helping in the realisation of a variety of events put on throughout Switzerland.

Human resources

“Migros aims to be a fair employer, and to respect the rights of its employees”.

For Migros it is fundamentally important to be able to call on motivated and qualified personnel in order to pursue its stated business objectives. In this regard, numerous measures have been adopted by the group, intended to guarantee an ideal working environment for the growth of its employees.

With the new national collective employment contract (CCL-N) for the period 2003-2006, working conditions and the order of the social partnership have been improved. Since the beginning of 2003, Migros has been the first company in the retail sector to bring salaries of staff without formal qualifications into line with the contractual minimum. For 41 hours a week, this amounts to 42,900 Francs a year, or 12 + 1 monthly salaries of 3,300 Francs each. As far as the carrying out of employment laws is concerned, Migros is in close contact with members of the federal administration and social parties.

In addition, it should be noted that retirement age for Migros employees is 62 years, as opposed to the 65 years in force at national level. Migros endeavours to provide supplementary contributions to make up for the three-year shortfall on normal retirement age.

Migros is also committed on the equal opportunity front. For Migros “equal opportunities” means an ever greater number of women who take part in further vocational training programmes, so as to consolidate the presence of women at a managerial level.

83,149	<i>Number of Migros employees</i>
59%	<i>48,659 women</i>
19%	<i>Percentage of women in middle management positions</i>
6%	<i>Percentage of women in higher management positions</i>

The presence of women within the Migros group

Source: Migros environmental and social report 2002

Finally, with a total of 2,179 trainees in 35 different professions, Migros is the largest company in terms of training in Switzerland.

The environment

“Protection of the environment is an ongoing task. Nevertheless, in order that it may be something more than arbitrary repair or a mere reaction to current issues, long-term visions and strategies are required”.

Since 1975 Migros has drawn up detailed statistics on levels of consumption in its production facilities and operating centres. The transparent use of resources permits timely and focussed intervention in the event of problems or anomalies. The constant and detailed circulation of information about the environment, for its part, sensitises employees and customers to environmental issues.

There are at least four areas which the environmental policy of Migros is intended to address: energy and water, recycling and disposal of waste, packaging and transport. Despite the growing energy requirements made necessary by the expansion of production and retail floorspace, as far as energy and water are concerned the significant objective of stabilisation of the consumption of heat energy may be reached. This fact is extremely positive in relation to the containment of CO₂ emissions, in accordance with the relevant law.

At the level of waste recycling and disposal, it should first of all be pointed out that Migros has set itself the goal of 100% recovery of waste, or, at least, the greatest percentage possible for each material. Leaving aside waste necessarily destined for incineration (remains from slaughtering, and urban waste), it should also be remembered that an ever higher proportion of waste is turned into compost or reused for fermentation. Recycling concerns materials such as paper, plastic, glass and metal. In addition to this, a part of waste materials is used in heating systems (heat recycling).

In deference to the most modern principles of domestic recycling, Migros customers

make a significant contribution to the recycling of raw materials and the protection of the environment through differentiated refuse collection, which regards above all containers made from PET and PE, but also batteries and electrical devices. Migros recycles 8,000 tons of PET, or one third of the total in Switzerland.

Migros has also been committed for some time to the optimisation of packaging, not only in relation to individual products, but also with regard to transport. The aspects to be underlined are the following:

- *Use of reusable containers.* In the sphere of distribution as applied to the retail trade, reusable containers are of interest not only from an environmental point of view, but also from an economic one. It is for this reason that their use is becoming more and more widespread among Migros's suppliers.
- *Recycling of packaging materials.* Every year Migros collects from its customers, at its stores, huge quantities of used packaging materials to be recycled. Migros is the first business to offer its customers the opportunity to recycle not only by now conventional PET bottles, but also polyethylene milk cartons.
- *Environmental accounting.* Migros is ahead of the times in this sector, and today exploits the technique of environmental accounting to evaluate which packaging alternatives permit greater safeguarding of the environment.
- *Innovations.* Currently various projects regarding biodegradable materials are under way, such as composting packaging.

With a share of 30% of the total, road traffic represents the main cause of greenhouse gases, and, as such, one of the main causes of air pollution.

With the aim of contributing to a transport policy which respects the environment, Migros has adopted the following measures:

- *Rail transport.* Most goods on their way to the new distribution centre are transported by rail.
- *Combined rail-road transport.* Goods headed for the Italian-speaking area of Switzerland are at first transported by road, after which they are loaded on trains to cross the Alps.
- *Biofuel from organic waste products.* Nine lorries of the Zurich co-operative run on biofuel. This allows the recycling of waste products, and, at the same time, the transport of goods without harming the environment.
- *Driver training and modern engines.* Appropriate training for lorry drivers and the use of engines built using the most up-to-date technology allow maximum fuel efficiency.
- *Business trips.* A combination of use of trains and car sharing allow the reduction to a minimum of the environmental cost and impact of business trips.

Final considerations

The manner in which the Migros Group approaches the themes of social responsibility is characterised by the wide range of aspects touched upon. The numerous measures adopted in this regard concern areas as various as products, educational and cultural activities, human resources and the environment.

In general, it can be affirmed that Migros has adopted truly "responsible thinking", in the

sense that every action undertaken is closely examined for its compatibility with Corporate Social Responsibility.

“An expression of a business culture which is one of a kind, which takes into account aspects such as socially and environmentally sustainable production or the promotion of culture by the same standards as its business objectives, Migros sets out to contribute to an improvement in the quality of life, allowing large sections of the population to benefit from services which abide by the principles of CSR”.

It is extremely difficult to explain exhaustively such an all-permeating diffusion of social awareness within the company, this requiring without doubt to be identified in the interaction of numerous variables. In any case, it is hard not to believe that it is the result of a fundamental influence exerted by the corporate identity of Migros, distinguished by a series of values rooted in the company ever since its foundation and consolidated on the impulse of the clear stamp exerted on it by its founder, Gottlieb Duttweiler.

“At Migros, What looks like the innovation of the century has existed for almost eighty years”.

CREDIT SUISSE GROUP ^(*)

Caterina Carletti, John Gaffuri, Alberto Gandolfi, Roberto Klaus

Introduction

The detailed information in this case study was gathered through interviews with managers of Credito Svizzero and Winterthur Insurance, which form part of Credit Suisse Group.

Credit Suisse recognizes its place in a particularly complex social context, in that it occupies a position of “global player”. It requires the consent not only of its employees, but also from its shareholders and from society as a whole. Although any company operating within our economic system needs to make a profit, it must also deal with factors relating to society and the environment. It is necessary to be ready to make compromises and it is not always possible to take into account merely economic aspects.

There may be short-term conflicts between two conflicting requirements. As a global player in the banking and finance sector it is becoming more and more important to consider all aspects that have to do with Corporate Social Responsibility (hereafter referred to as CSR), also in order not to contribute to further tightening of legislation relative to the banking sector. The assumption of CSR, on the contrary, gives scope for a gradual growth in profits. The company’s growth and activities, on the other hand, lead to ever greater expectations in the sphere of CSR. Credit Suisse, in fact, holds that there is a very close relationship between the size of the business and social responsibility.

Credit Suisse underlines an aspect which it has been able to verify: the fact that social responsibility is strictly tied in to geographical location, or, as has been stated, “CSR is local”. The example of Sweden has been cited where potential branches have to see to the setting up of a crèche, as there are many women with careers. In Switzerland these difficulties do not exist. Instead, the topic is that of equal opportunities, that is, offers to women in the field of training or in order to return to the world of work.

Company vision

The Credit Suisse Group, to which Winterthur Insurance and Credit Suisse First Boston belong, maintains that its clients, shareholders, personnel and the company as a whole

^(*) Caterina Carletti, John Gaffuri, Alberto Gandolfi, Roberto Klaus prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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represent its four major partners, with whom it seeks to maintain an ongoing, wide-ranging dialog. Its clients, for instance, influence the very activity of the group. A detailed and focussed understanding of the needs and financial expectations of clients demonstrates that no one is more prepared to accept one-way, or also two-way solutions.

Shareholders expect the creation of added value. The fulfilment of shareholders' expectations is held to be the guarantee of long-term success for everybody involved.

The expertise and commitment of the group's employees are the cornerstone of its success. The stimulating, multi-cultural environment which characterizes Credit Suisse Group provides excellent opportunities for personal and professional development, contributing to self-fulfilment.

However, the group's success depends equally on the relationships which it maintains with local communities and society as a whole. Credit Suisse Group fulfills its responsibilities through a strong and proactive commitment on the environmental, social, cultural and sporting fronts.

Ecology and the environment

A sector in which Credit Suisse has achieved particular success is the environment, where there has been a move towards putting the onus on employees. Thanks to these measures staff can, for example, control the consumption of electricity or office materials themselves. There are regular publications about activities and successes achieved during the year. Within the company, too, there are constant flows of information and on the company Intranet a thousand employees have subscribed to receive information in this regard. Some concrete examples include: the installation of switches at each workstation, so that there is not a central system of control, but rather each employee takes responsibility. Furthermore the company recently purchased flat screen monitors. The energy saved can be quantified at approximately 10%. Consensus for activities in the environmental sphere is easily obtained, as success is easily demonstrated. Activities in the social sphere are far more controversial. With regard to employees questions are posed, such as "Is it better to offer more holidays or a higher salary?" One wonders what returns there are in terms of motivation and how far these effects can be concretely measured.

Employees are encouraged to use trains to commute, and Smart cars are available at outlying branches for staff who need to reach central branches in the city.

Credit Suisse Group's environmental policy sets out the group's pledge to contribute to sustainable development by acting in an environmentally responsible manner. To fulfil the conditions of its environmental policy, Credit Suisse Group has been operating an environmental management system for several years. In 1997 Credit Suisse Group became the world's first bank to introduce an environmental management system certified under ISO 14001. To attain certification, companies must prove that they actively engage in systematic environmental management, comprising analysis,

planning, implementation and monitoring. Through systematic environmental management, Credit Suisse Group monitors its main material and energy flows and identifies measures for optimising them.

Credit Suisse Group also offers its customers various investment opportunities in the area of sustainability. Its range of sustainability investments includes ethical and ecological investment funds, and investment company as well as sustainable investment services. Stock screener, an online equity analyses tool, enables Credit Suisse Private Banking clients to select sustainability stocks from the wider investment universe.

Since 1995, the Group has published Eco Performance Evaluations and Environmental Reports in alternate years. In 2002, Credit Suisse Group expanded its reporting in the area and published its first comprehensive Sustainability Report.

The environment charters which Credit Suisse Group has signed include:

- Statements of the *United Nations Environmental Programme*, which spell out obligations for banks and insurance companies to protect the environment and pursue sustainable development.
- *Global Compact* an initiative launched by UN Secretary-General Kofi Annan and aimed at ensuring adherence to nine principles relating to human rights, working conditions and protection of the environment.

Credit Suisse Group laid the foundations for the development of its environmental management system more than 10 years ago and has been reporting on environmental issues since 1995. In 1997 it became the first bank in the world to establish an environmental management system certified under ISO 14001.

Several independent rating agencies and index providers have rated the Group as one of the leading companies in the field of sustainability and it has been included in various sustainability indexes such as the renowned FTSE4Good Index, the Dow Jones Sustainability Group Index and the Dow Jones STOXX Sustainability Index. With the publication of its first Sustainability Report in 2002, the Group expanded its environmental reporting to include information on employees, clients and society.

Staff

Another sensitive subject in this specific field is privacy regarding personal data of both employees and staff. Questions arising in this regard are extremely delicate and may regard even the most personal areas, such as information about illnesses known to the company, such as cases of AIDS. As far as the hiring of new employees is concerned, no standard exists with regard to what is asked of candidates. For example in the field of investment, a great deal of professionalism and efficiency is required. In the private banking sector, on the other hand, helpfulness and personalization are uppermost. In recent years, human resource management has had to focus above all on the management of reductions in staff. The bank is aware that it will also be judged on its ability to manage further restructuring in the future in a socially responsible way. It does not proceed to immediate dismissals but guarantees at least four months during which

staff are freed from their contractual obligations and can dedicate themselves full-time to the search for new positions. A process of coaching supports them in this. Within Credit Suisse Group there are in fact eighty people to whom this duty falls, directly under the auspices of head management. Any reductions in staff of course are undesirable, but thanks to the decision not to delegate to external companies, Credit Suisse Group attempts to assure the greatest possible assumption of social responsibility. Together with the employee, the path of Work Life Balance is undertaken and eventual part-time solutions are sought.

Also those who no longer fulfill the performance required of them and who therefore are no longer able to meet expectations are given a second chance. In general, a goal is agreed upon, to be reached in the space of 3-6 months, in order to see whether there is an improvement. The step of offering early retirement is not in keeping with social responsibility, as this effectively turns a company problem into a social cost.

Particularly significant is the option, on the part of the Human Resources Department, to block instant dismissals requested by team leaders. Given the enormous pressure concerning costs and results which is placed on team leaders, it is very difficult to manage strategic decisions efficiently. Other pressing matters regard the re-integration of women after becoming mothers, the introduction of self-managed flexitime and the carrying out of work in independent teams.

The phenomenon of “mobbing” merits a chapter to itself: here, too, an increase in difficulties has been observed. Every conflict and problem is immediately interpreted as an act of “mobbing”. This necessitates dealing with cases on the part of specialists with psychological training. Sometimes change itself, with a new position or new objectives are perceived as “mobbing”.

When hiring new employees, and above all as a result of certain banking scandals, the greatest integrity is required to keep the faith of both shareholders and international political authorities. A simple but significant example is the decision not to hire a candidate if he or she speaks only of economic subjects without considering the global context. The second characteristic of candidates is openness to change. Whoever displays this attitude and the necessary flexibility will have the opportunity to gain continuous employment.

Flexibility and mobility of the workforce is a complex question in Switzerland. Swiss people typically have strong ties to their home territory: a significant example of this is a company which requested the transfer of its staff from Basel to Lucerne. A year later, only 27% of the employees who had agreed to the move had stuck it out in their new home city.

Lastly, the company favours employees who are innovative with regard to products and client orientation. The Code of Conduct contains the basis of the agreements between the bank, the employee him/herself, and the work environment in general.

Credit Suisse Group’s Code of Conduct forms the basis for the company’s commitment to specific aspects of sustainability. The Code also refers to the broader obligations that

the Group has endorsed or supported. These include the UN's Global Compact - which sets out basic principles relating to human rights, employment standards, environmental protection and other matters - and the United Nations Environmental Program (UNEP).

Particularly in a company like Credit Suisse Group, which operates in different areas of business all over the world, sustainability requires systematically "joined-up" thought and action based on fundamental values and a consistent strategy. This is why Credit Suisse Group has formulated a common set of values for all employees in its Code of Conduct; these serve as guiding principles for economically, environmentally and socially responsible behavior.

A globally active financial services provider has to enjoy broad acceptance among all manner of stakeholders, not only to ensure a good reputation but also to secure long-term business success. Consequently, at Credit Suisse Group integrity, responsibility, fairness, confidentiality and professionalism form the basis for relations with and between employees as well as with clients and numerous other interest groups and the general public. With the Code of Conduct that it introduced at the start of 2000, Credit Suisse Group has laid the foundations for a value system that is binding on all business units and in all regions, and that will serve as a guide for economically, environmentally and socially responsible behavior. At the same time, however, variations between countries and cultures, and the many different types of business and activity pursued by Credit Suisse Group mean that individuals also have to set their own priorities and make their own decisions.

In addition to performance-related value - such as a sharp focus on service, teamwork, commitment and profitability - there are six ethical values that form the basis for enduring relations with employees, customers, shareholders, regulators and other stakeholders. These core values laid down in the Code of Conduct help to shape the principles of personnel policy, as well as policies on employee responsibility, on risk and capital management, on cooperation and compliance with regulatory requirements, on the environment and on other business concerns. Together they provide a binding foundation for regulations that are tailored to the specific business units and to the prevailing legal and geographical operating conditions.

A separate chapter regards the hiring of apprentices. The rule is that new apprenticeships are created in proportion to expected requirements. New apprenticeships are not created either in order to raise the general level or to create greater skills among youth. We are witnessing a passing of duties and responsibilities between businesses and the State. In the United States, for example, only "on the job" training exists.

On the group's intranet one finds news, updated daily, regarding the management of human resources. Chiefs are invited to encourage their own staff to access these pages on a regular basis.

Certification in this sector of human resources is not excluded in this regard, although it is held that it could be institutionalized within Quality Management.

Besides expertise, performance, reliability, advice and products, the other factors crucial to creating and fostering a successful client relationship are trust and individual responsibility. Client and shareholder confidence can be strengthened by protecting financial privacy and exercising discretion towards third parties, as well as by providing products that are tailored to clients' requirements and by offering high-quality services.

Thanks to the dense network of branches that the company maintains throughout Switzerland, and the expansion of representative offices in selected countries, customers can access banking and insurance services locally. Good physical access to customer zones, but also to staff areas, in the buildings used by Credit Suisse Group is an important concern. For new buildings and major renovation projects in Switzerland, the Group takes into account the needs of the handicapped and elderly when designing road access, entrances, stairs and elevators, lighting and electronic installations

Falling stock prices and economic problems have undermined the confidence of many companies' clients and shareholders. As a result they have become more interested in transparency and in the manner in which financial results and other important developments are presented. The Internet in particular has thus grown more important as a source of information. "Web ranking 2002" - the most reputable European corporate website survey - rated Credit Suisse Group's website as the best of all European financial services companies' websites.

Thus, in general, Credit Suisse Group affirms the following:

"The company's business units pursue common goals such as being an employer of choice. Employees are offered a stimulating working environment, attractive training and development opportunities, as well as competitive compensation. Credit Suisse Group pays particular attention to equal rights and protection from discrimination. Its efforts include promoting equal employment opportunities, the use of working models such as part-time employment and job sharing, as well as health protection and security measures.

The competence and commitment of our people is the basis of our success. Credit Suisse Group's stimulating, cross-cultural environment provides excellent opportunities for personal and professional growth.

Credit Suisse Group is renowned for entrepreneurial spirit and leadership, as attested to by a number of respected industry awards. Working in a high-energy environment, we set the standards and permanently push market developments. We work closely together to create inventive solutions and share our ideas across the Group. Only by thinking beyond boundaries can we offer our clients a superior level of service and quality.

Credit Suisse Group offers its employees a stimulating working environment, an attractive package of training and career opportunities and performance-related compensation in keeping with market conditions. It aims to be the employer of choice for talented individuals and actively promotes equal opportunity and cultural diversity.

At Credit Suisse Group we recognize the importance of finding a balance between work/life time. We believe that both men and women at all stages of their lives work best when they are able to achieve an appropriate balance between the demands of their work and personal, family and community commitments. We are therefore committed as an organization to promoting work/life balance through a number of initiatives including flexible hours, part time working, job sharing, maternity leaves and career breaks”.

The customer

Benefit for the customer is considered relatively low in comparison with the benefit gained by Credit Suisse itself. However ethical funds have been created and greater attention is paid to risk management. It has been observed that the introduction of ethical funds has nonetheless led to an improvement of the group’s image.

The accusations and press scandals involving members of the Board have provoked numerous discussions and stirred up reflections on ethical matters. The new bank management pays great attention to these aspects, in contrast to the era in which only the relationship between short-term cost and profit was seen as “sexy”. These scandals had significant repercussions on the motivation and identification of staff. The tide was turned thanks to the return to positive results and regained success.

Clients consider a bank as a whole - its products, service, advice and trustworthiness. However, they also take into account communication and unethical behaviour on its part. In fact, clients showed this sensitivity on the occasion of difficulties encountered in the past by the Board. Clients base their decisions more and more on the “brand”, while attaching less and less importance to a “personalized relationship”. Measures such as sponsorship are important for the strategic positioning of a business. The Winterthur model caused a reaction among clients who did not appreciate a new “three-pillar” pension scheme. The creation of innovative schemes is held to be essential for the market leader in insurance.

Company managers and local chiefs who have to obtain ambitious quarterly financial results do not give priority to aspects linked to social responsibility. Managers receive neither praise nor prizes for activities or results which are not short-term. The decisive importance of those who operate on a long-term, strategic basis is thus confirmed. The interaction between these two visions is important, and is currently in a favourable position at Credit Suisse.

The basis of this vision regarding the customer is defined thus:

“Credit Suisse Group’s business policy focuses on offering its customers innovative products and services that meet their requirements. This approach is based on expert advice, rapid processing, convenient access and good value in terms of price and quality. In order to ensure it is meeting these aims, Credit Suisse Group regularly assesses customer satisfaction in key areas. By evaluating client surveys and analysing the causes of complaints, the Group can make targeted improvements”.

Geographical location

The importance of geographical location emerges particularly in the case of Winterthur Insurance, which forms part of the Credit Suisse group. The very name of the group indicates the company's ties to the city of Winterthur, which happens to have been the biggest taxpayer for decades. Winterthur has always resisted the idea of "geographical and fiscal tourism" in search of most favourable political and economic conditions.

The history of the city of Winterthur is inextricably tied up in the culture of insurance. It was born as an industrial city (Sulzer, Giesser), and working class. Large companies built houses for workers in order that they need not return to the countryside in the evening. In this way they were able to unite employees, save on travelling and have more rested staff. The exchange between workers and capital was always very intense. Loyalty was always a value for each employee, but it was also a duty of the company towards the employee. It was not, therefore, a one-way exchange.

The coffee entrepreneur Oscar Reinhardt decided to repay the city and employees by creating one of the largest collections of works of art. This social respect, often linked to people, is very widespread in the United States, where the ownership of museums is in private hands (Propriety Rights).

Winterthur is a fundamental part of this reality, and respect for and maintenance of certain values are part of its success. Its management was, until recently, oriented along traditional lines – justice, loyalty, and a sense of fair play. Demanding, but fair. There have never been mass dismissals, because the people were part of the town. The relationship with suppliers, too, is very important: companies of Credit Suisse's dimensions have to reconcile respect for their own small suppliers and the concern of the latter about being exploited, because responsibility regarding purchasing is not always clear.

The internalization of the market in the 1990s and the growth in turnover from 5 billion to 20 billion created problems for management so strongly tied to its geographical provenance. The difficulties led to a resurgence on the part of Credit Suisse in 1997. The management of Credito Svizzero introduces new rules of the game and a business culture oriented towards internationalisation and partial results. Both visions, both mentalities are simultaneously present: insurance that considers turnover and the bank that considers profitability; the figure that considers above all the shareholder, side by side with the figure that considers the stakeholder. There is a perceived danger, however, that sensitivity to CSR is present only if it is held to be an advantage at the level of costs.

Winterthur perceives this social responsibility as owing not only to its links to the area, but also to its role as leader in the Swiss insurance field.

Credit Suisse Group engages in a dialog with representatives of society and politics. It is involved with key business organizations and publishes its own contributions to the public debate. In addition, Credit Suisse Group supports numerous charitable humanitarian, social and cultural organizations and institutions.

Credit Suisse Group fulfills its responsibility towards the society in which it operates by making an active contribution to a varied cultural and civic life. Within Credit Suisse Group, there are various organizations that donate money to charitable organizations.

Credit Suisse Group's Jubilee Foundation, for instance, supports projects, preferably with an interdisciplinary focus such as those that involve disabled sports or exceptionally talented young musicians.

The Credit Suisse First Boston Foundation primarily supports educational initiatives aimed at improving opportunities available to children and young people from difficult socio-economic backgrounds. In the US, for example, Credit Suisse First Boston joined forces with the Robin Hood Foundation to help build ten libraries in economically disadvantaged neighborhoods in New York City in the world's most extensive library initiative, providing 8,000 young people with easier access to a key educational resource. CSFB announced its commitment to fund 21 additional public school libraries, serving over 20,000 elementary school children. 2002 saw Credit Suisse First Boston, via its foundation, work with local authorities to help build, renovate and refurbish schools in Asian countries including China, Vietnam, Thailand and Cambodia.

Almost 30 years ago, Winterthur Insurance founded the Loss Minimization Foundation, which is active mainly in the area of accident prevention. One of its main concerns is the prevention of traffic accidents involving children. In Spain, the Fundación Winterthur also supports accident prevention activities. In addition it helps to maintain and conserve the country's cultural heritage and makes a significant contribution to a wide-ranging debate on social trends by organizing conferences, etc. In Germany, DBV-Winterthur's child safety committee has already been in existence for 35 years.

The Accentus Foundation, which was founded with capital donated by Credit Suisse Group, offers clients the opportunity to use their assets to benefit charitable causes.

"Sponsoring as a way to communicate our identity At Credit Suisse Group, sponsoring a project is one way in which we communicate our identity and our values. We identify ourselves with the sponsoring projects that we support, we select them carefully and participate in their development. With our focus on people, precise energy and innovation, we see sponsoring as a way to show our corporate social responsibility. We do so by supporting long-term, innovative, people".

Credit Suisse Group is involved in sponsoring activities through its business units, which grant sponsorship at the local level. These sponsoring activities allow customers and the general public to take part in sporting and cultural events of the highest caliber.

Responsibility to society

Credit Suisse Group engages in a dialog with representatives of society and politics. It is involved with key business organizations and publishes its own contributions to the public debate. In addition, Credit Suisse Group supports numerous charitable humanitarian, social and cultural organizations and institutions.



This chart illustrates the interplay between the different elements that Credit Suisse Group uses in its pursuit of a sustainable business policy. It also shows the stakeholder groups it engages in dialog.

Shareholders

In addition to serving clients, we are committed to delivering value to our shareholders. The clearly defined goal of long-term added value is a key prerequisite for creating value for all interest groups within a company, and we believe that shareholder value ensures long-term success for all stakeholders.

Clients, shareholders and employees do not choose a company or invest in its share solely on the basis of products and location, but also by looking at the values for which the company stands. Credit Suisse Group's market value is driven by its financials, and also by intangible values that cannot be captured in figures – such as the strength of its brand, its good reputation, the intellectual capital of its employees and the loyalty of its customers. The market acknowledges these values and prices them into sales forecasts and share valuations, though it does not yet do this on a standardized basis.

However, corporate reporting continues to develop. Investors, rating agencies and non-governmental organizations that act on behalf of various interest groups are calling for increasingly precise and prompt information about how businesses create added value and integrate it into their value creation processes. Various organizations are currently developing and discussing systems and standards to capture these values. Credit Suisse Group is well aware of the importance of values that cannot be quantified – or that can only be quantified with difficulty – such as its brands and its reputation. It therefore

endeavors to provide transparent information on its intangible business values. It thus attaches great importance to maintaining and cultivating its values since the banking and insurance business is based to a significant extent on the confidence of the client.

The future

CSR will have to follow new tendencies, and it will be necessary to take changes into consideration and not to move towards a growth in the activities linked to CSR only from a quantitative point of view.

Certification would have no sense in companies which operate in the most economically developed countries, given the standard reached. It is held to be valid in countries with a lower level regarding social responsibility. Examples cited are India and Burma. The creation of a business unit which deals directly with CSR currently finds no internal sponsor, there is not a “social balance sheet” and there are not suitable instruments or models. A push might come from the academic or political world. The spontaneous evolution of a mentality oriented towards the respect for social responsibility requires more than five years.

In the last two years the most salient theme as far as public opinion is concerned has been that of managers' salaries, and the waters have not yet calmed. It will be necessary to take innovative measures with regard to salaries and incentives. The bank forecasts that the future will be characterized by reflections in the field of “data mining”. The need for transparency in banking operations undermines banking secrecy. Customers expect the same services that are granted today and the benefits obtained from them, but at the same time “do not want to be ashamed of their own bank”.

The future likewise represents many uncertainties for employees. Communications through the company Intranet and relevant staff forums allow the externalisation of these concerns which are important to monitor. The world of banking and above all of insurance are not renowned for their flexibility. Insurance products have remained essentially the same for the last twenty years. Insurance agents sometimes even have difficulty with new information technology.

There exists, too, the danger that fear for one's own job will increase. No one wants to ace mistakes or run risks. Businesses obtain the opposite result - instead of having “open” employees, there is a closure. The Credit Suisse Group envisages the continual encouragement of communication in order to obtain the results hoped for.

Credit Suisse supports development projects in third world countries, in particular sustaining a project introducing retail banking with support for forms of private insurance.

SCHURTER[©]

Caterina Carletti, John Gaffuri, Alberto Gandolfi, Roberto Klaus

Introduction

This case study sets out to present and discuss the approach to corporate social responsibility (hereafter referred to as CSR) of Schurter SA of Lucerne, Switzerland. The case-study has been drawn up on the basis of interviews with the company's management and an in-depth analysis of company documentation.

The distinguishing feature of this case study is that the company's initiatives relating to CSR form part of a philosophy of Business Excellence (the most current version of Total Quality Management), which over time has become a central pivot around which all the company's activities revolve. In particular, since 1995 Schurter has adopted the European model of Business Excellence (or EFQM), which represents the most widespread measure at a European level of the level of organisational excellence reached by any given company.

Company profile

Schurter SA was founded in Lucerne in 1933 by Heinrich Schurter, and to this day shares in the company remain in the hands of the Schurter family.

Schurter designs, develops and produces about 5,000 different passive components for the electronics and electrotechnical industries.

The company's current sales network reaches 10,000 final customers in 40 countries around the globe, primarily in the fields of computers and telecommunications, appliances and instrumentation, and medical equipment. In 2000 Schurter sold 180 million components, generating a turnover of 76 million Swiss Francs (around 50 million Euro), 80% of which was accounted for by export sales. The market context is extremely competitive and difficult, with a constant erosion of prices at a rate of around 3% a year. There is a very high demand for quality of product and service (for example delivery within 48 hours of many products) and flexibility.

Since 1991 the company - which provides employment for 400 people - has formed part of the group Schurter Holding AG (which employs 1,100 staff), with headquarters in Lucerne, and which controls 7 production sites in Switzerland, Italy, Germany, France, England, Czech Republic and India, as well as a joint venture in China.

[©] Caterina Carletti, John Gaffuri, Alberto Gandolfi, Roberto Klaus prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Company mission

Schurter's mission statement can be summed up by the expression "The desire to grow through Business Excellence". The verb "grow" in this context includes not only financial aspects (such as turnover and profit), but also professional and personal growth of employees and the qualitative growth of the company as a whole, in the spirit of a learning organisation.

Schurter has drawn up and implemented a sophisticated system of strategic planning, which, commencing from the vision and strategy of the holding, trickles down to and integrates with the objectives of each individual member of staff.

The system identifies four Key Success Factors:

- Image (including three facets: company stability, growth and market presence);
- Innovation;
- Quality of products and service;
- Social responsibility.

In keeping with a coherent approach, performance indicators are assigned to each success factor, located at various levels of the system of strategic planning. The company's formal commitment is thus already manifest at this level with regard to CSR, which assumes a value of strategic positioning.

Schurter, furthermore, has formally set out three distinct policies, which act as formal guidelines for every company decision:

- a quality policy;
- an environment and safety policy (see Appendix);
- a policy relating to company culture and to employees - from which we quote: "We manage the company according to ethical principles. Our processes of development, production and distribution are oriented towards the safeguard of the environment." (See Appendix)

Thus the company's regard for relations with stakeholders - in particular customers, staff and the community - becomes evident.

This vision, the factors of strategic success and the three policies just mentioned are communicated to managerial staff and personnel via a highly-developed system of company communication, which includes, among other things, workshops which involve all employees, conferences attended by sales staff, a quarterly newsletter, and meetings on an individual basis.

This total orientation towards business excellence and the philosophy of CSR, initiated by the new CEO during the 1990s, implied a notable effort for the whole of the company organisation. As one manager notes:

"at the beginning it wasn't easy. Not everyone was enthusiastic about the new course. Many of us had to change our way of thinking and acting radically. Today, a decade on, I can honestly say that, had we not embraced this company philosophy, Schurter would no longer exist".

The model of reference

As has already been pointed out, since 1995 Schurter has adopted the European model of Business Excellence (or EFQM). EFQM is a model for the evaluation of the level of global quality and organisational excellence, articulated around 9 criteria (see Appendix), which measure not only approaches and initiatives, but also the concrete results obtained from such approaches.

It seems clear that the EFQM model – derived, as mentioned above, from a philosophy of Total Quality Management – is founded on a philosophical and managerial approach akin to those outlined by CSR: a systematic approach geared towards all the stakeholders of a company: customers, shareholders, employees and executives, suppliers, business partners, public bodies, society and the environment. In the context of CSR, the most relevant criteria of the model are the third, “Human Resource management” (or, simply, “people”), the seventh, “People results”, and the eighth, “Social Responsibility”.

Responsibility towards human resources – the company’s approach

Over the last decade, Schurter has developed an innovative system of human resource management, founded on a philosophy of involvement, motivation and delegation of decision-making, or empowerment. First of all, the organisation includes just three hierarchical levels: the Management Team, those in charge of processes, and personnel. This makes it much easier to maintain efficient vertical communication.

The CEO’s thoughts regarding this sphere are clear:

“our policy towards employees can be summed up in a single statement: we take everybody who works for Schurter seriously, and we treat them all with equal respect. A simple assertion, which nonetheless has far-reaching implications and consequences for strategic decisions regarding human resources”.

Another of the CEO’s affirmations is emblematic of this approach:

“personal problems take precedence over other problems. Every problem relating to a member of staff is discussed individually and in detail by the Management Team”.

This policy of “taking people seriously” was put to the test during the recession which struck the sector in 2001. Like many companies, in order to guarantee its own survival, Schurter was forced to lay off staff.

“Nevertheless we were able to reduce negative repercussions for staff to a minimum. Half of the downsizing was carried out through early retirement and the introduction of reduced working hours. However, this left 27 people for whom such solutions were not possible. In any case we sought in every way to find an acceptable solution. We personally discussed the various alternatives with each

person involved. The head of Human Resources, for example, dedicated more than ten hours of his time to talks with a single employee”.

Some members of staff were found temporary positions in other companies in the region. This had an unforeseen but significant consequence:

“employees who found work with other companies spoke of the excellent working conditions and atmosphere at Schurter, realizing that these could not be taken for granted in the world of industry. Our image in the regional job market benefited greatly from this”.

Teamwork is actively encouraged inside the business. The new salary system “PULS” makes provision for an annual individual performance bonus (up to a maximum of 6% of basic salary), a team bonus (up to 1,300 Euro), and, finally, a further share of the company’s success (up to 2% of basic salary). For several years there has been, too, a system of flexible hours, which allows employees to manage variations in working time up to +/- 80 hours. This approach is rounded out by a series of benefits aimed at staff, for example: contributions of up to 50% towards additional social activities, and up to 50% for commuting expenses; contributions towards day nursery fees, loyalty bonuses starting from 10 years of service, contributions towards company sports clubs, etc.

“We consider openness and fairness important with regard to salaries. In our company, everybody knows that the ratio between the lowest and highest salaries in our company is only 1:7 / 1:8 – much lower than in many other companies”.

The training and empowerment of all staff have been recognised from the beginning as instrumental to the divulgation of a culture of Business Excellence. Each new employee follows an introductory course on environmental policy, on the prevention of accidents in the workplace, and on procedures in the event of emergency. Every year since 1995, the company has organised workshops on company culture (requiring the commitment of at least half a day on the part of each member of staff); in these workshops a variety of visual aids is used in order to overcome the obvious language problems created by the fact that employees come from some 20 different countries around the globe.

A particularly innovative approach has been applied to the prevention of substance abuse: a voluntary programme allows apprentices from last year’s intake to earn themselves a language study holiday by giving up any potentially habit-forming substance for two months. If these apprentices remain with the company, a “win-win” situation results from greater staff satisfaction through familiarity with a foreign language, which in turn benefits the company in terms of productivity and communication within the company.

Responsibility towards human resources – results

Since 1995, every 2-3 years, the company has carried out a survey of staff satisfaction. The regularity of these surveys is extremely significant, in that it allows the company to

identify trends and to understand the dynamics of the various aspects of relations between company and employees.

In addition, in 1996 and 2000 staff were invited to provide their own evaluation of how far the values expressed in the company vision and policy corresponded to the everyday realities of work in the company. Among other aspects, the following values expressed in Schurter's vision received the following ratings:

- Customer orientation (7.9)
- Staff orientation (6.6)
- Teamwork orientation (7.3)
- "Flat" hierarchy (7)
- Open and honest communication (7.5)
- Trust (7.4)
- Personal responsibility (7)
- Future orientation (7.9)
- Continuous improvement of management techniques (7.2).

The survey carried out in 2000 evidenced a distinct improvement in the evaluation by employees, for all values examined.

The numbers in brackets indicate the average level reached in 2000 for each value, on a scale of 0 to 10. It may be noted that almost all the average ratings reached or exceeded the predetermined objective of 7 or more.

In 2003 employees were interviewed anonymously by an specialised outside organisation, in the context of a national competition promoted by the business magazine *Cash*, which aimed to identify the best employers in Switzerland (25,000 employees from several companies were interviewed). Schurter came third in the table. This achievement improved the company's image still further in the regional job market.

"From the moment it became known that we are among the best employers in Switzerland, the number of unsolicited applications arriving at our human resources office has risen even more. We currently receive an average of between 20 and 30 speculative applications a day. Thanks to this enormous spontaneous demand, our advertising budget for recruitment has been markedly reduced ..."

Environmental responsibility

In the Schurter group's mission statement one may read:

"An ecological form of manufacturing and trading is a permanent obligation at Schurter and for its entire staff".

For example, products undergo an environmental rating (structured around four aspects: material, energy consumption during manufacturing, recyclability, packaging); each product's "ecological profile is quoted in the general catalogue, beside the technical specifications.

The Environmental and Safety Manager points out, however, that

“among our business customers, sensitivity to environmental problems is not yet at an optimal levels, and mostly concentrates on aspects of legal compliance. For instance, in several countries new environmental legislation bans products which contain poisonous metals such as lead or cadmium. Only when subjected to this pressure do customers demand products which comply to such environmental restrictions, rarely beforehand ...“

Nevertheless, for Schurter environmental responsibility takes on a role of maintenance and improvement of the company’s image worldwide over the long term.

“We have realised that a company’s image is an entity that depends on many, closely interconnected factors. In other words, close attention to environmental considerations has a positive impact on other aspects of image which customers hold dear, such as attention to the quality of products or the quality of technical advice given to the customer. The thinking behind this approach is the following: if Schurter is seriously committed to the safeguard of the environment, then it is very likely to be equally committed in other areas of its activity”.

The role of Environmental and Safety Manager, who reports directly to the CEO, was created as early as 1991.

“The workload is increasing. For example, in recent years enquiries regarding environmental aspects of our products have increased significantly. Between 2001 and 2002 there was an increase of 118% in the number of enquiries. Our declared aim is to reply to every enquiry within two weeks. This goal has been reached: now we reply on average within 1.3 weeks.”

With regard to the environment, as with other facets of CSR, it is important that management give out clear and concrete signals to the organisation as a whole. Several managers affirm in this regard that

“Schurter’s commitment to the environment is clearly signalled by regulations in the field of investments. For projects in the environmental context, in fact, a payback period of 8-10 years is considered acceptable, therefore longer than the payback period expected from other, more technical investments. For the whole organisation this rule is a strong and tangible sign of the importance of the environmental aspect for management”.

Environmental certification according to the ISO 14001 standards was reached in 1996, but as early as 1994 a an annual quantitative analysis of data with relevance to the environment was drawn up. Furthermore, in the last 5 years the company has invested more than 500,000 Euro in the creation of technological systems for the protection of the environment (for example the optimisation of lighting or the recovery of heat from production processes). In addition, it has been decided that every production site in the group with a turnover of more than 10 million (in local currency) will have to be certified according to the ISO 9001 and ISO 14001 standards in the coming years.

Results are encouraging: notwithstanding an increase of 87% in volume of production, from 1994 to the present day, there have been significant reductions in the consumption of raw materials and energy, for example a 60% decrease in water consumption, 21% electricity and 26% special waste products (per kilo of raw material used). On an economic basis alone (over the long term), these environmental initiatives prove to be significant, as notes the Environment and Safety Manager:

“We have estimated the costs and benefits generated by our management of energy consumption over the last few years. Well, it emerges that from 1994 to 2001 the balance for us has been positive. In other words, initiatives and technical projects for savings on energy consumption cost us around 550,000 Euro, and have led to savings estimated at around 750,000 Euro”.

In 1996 Schurter was presented with the Environmental Award on the part of Swissmem (an association of Swiss machinery producers), for being the first machinery producer to be certified according to the ISO 14001 standard.

Social responsibility

The philosophy of Business Excellence, parallel with the EFQM model, explicitly require an active commitment on the part of a company in the social context in which it operates. In the case of Schurter, this manifests itself in a marked openness towards and involvement in the community of the Lucerne region. An internal analysis has shown, for example, that from 1998 to 2000, managerial staff dedicated, on average, 150 days a year to social commitments (among other things as teachers, conference speakers, members of commissions and associations, and firemen).

With regard to suppliers, spread around the world, Schurter carried out a policy of co-operation and correctness, not limiting itself to traditional supplier evaluations, but directly asking suppliers to evaluate Schurter's conduct towards them.

“We know that our suppliers consider us tough but fair in negotiations. Our thinking is that, just as suppliers need us, we too need healthy suppliers, with whom we can do business over the long term in an atmosphere of mutual trust. In fact we have introduced, unusually for our sector, a policy of open and clear communication with our suppliers. We show them our margins on products and they show us theirs on components and materials; in so doing we try to establish prices and conditions which suit everybody, in a win-win situation”.

This policy of social commitment translates into concrete initiatives, which are highly diversified. For example, for over 20 years Schurter has assigned jobs to “protected” structures for the handicapped, thus maintaining around 10-15 full-time positions for handicapped people. Every year the company subsidises cultural and social associations to the tune of 20,000-40,000 Euro.

For decades Schurter has also offered, every year, 25 apprenticeships in the Lucerne region. It is worth noting that this number rose from 20 to 25 during the latter half of

the 1990s, whereas many other companies drastically cut the number of trainee positions available.

In this regard, too, the most efficient signs of the assumption of responsibility are those which imply additional financial investment.

“For the construction of the new logistics centre, some years ago, several alternatives were taken into consideration. After careful deliberation, the owners decided to build the centre in the city of Lucerne, the historical headquarters of the group, with an investment of 2.5 million Euro, even though there existed lower-cost solutions in other regions or overseas”.

Schurter has, in addition, identified banks as important stakeholders, clearly having an interest regarding the use of capital loans. Here too the company has implemented a system to manage business relations; choosing the path of regular, open and clear communication. For over 10 years management has organised annual meetings with creditor banks. Prior to the meetings, banks receive all relevant information. During the meetings several aspects are then discussed, such as the economic situation, development plans for new products and markets, plans regarding changes at an organisational level, etc..

Conclusions

What is most impressive about the case of Schurter is the company's coherence and efficiency with regard to Business Excellence and CSR. Unlike other company realities, the concepts expressed in the company's vision and policies do not remain merely “lip service”, but are, on the contrary, put into practice and lived in the company's operation, permeating the company culture. Prerequisites to such divulgation of the philosophy of Business Excellence is conviction and clear commitment on the part of management (the CEO and the Management Team). The CEO, among other things, is a member of the Swiss Association for Quality (SAQ), and, as such, is at the cutting edge in the promotion of ethical conduct aimed at global quality.

These considerations are backed up by the fact that in 2002 Schurter won the Swiss Quality Award, while in 2001 it reached the rank of finalist for the prestigious European Quality Award, promoted by the EFQM. To obtain such recognition a company is subjected to a severe, systematic scrutiny, with interviews at all levels of the company's hierarchy, with the declared aim of determining “on-site” whether what is described in the company's official documentation effectively occurs within the company's day-to-day activity.

Schurter's management have repeatedly confirmed the central position of the EFQM model to inspire, direct and monitor company initiatives, in particular those relating to CSR. In the 2002 Company Profile one may read, among other things

“For us, Total Quality Management means the adoption of a quality-conscious approach to every business process”.

From interviews it also clearly emerges how, for management, consistently adopting the philosophy of Business Excellence automatically implies the adoption of a global approach for the maximisation of stakeholder value. The Schurter case in addition demonstrates that it is possible and indeed profitable in terms of market success to integrate and satisfy - in synergy - the needs of both the owners/shareholders and those of the numerous other stakeholders.

Another crucial element underlined by the CEO and by several managers is the horizontal timescale of strategic decisions:

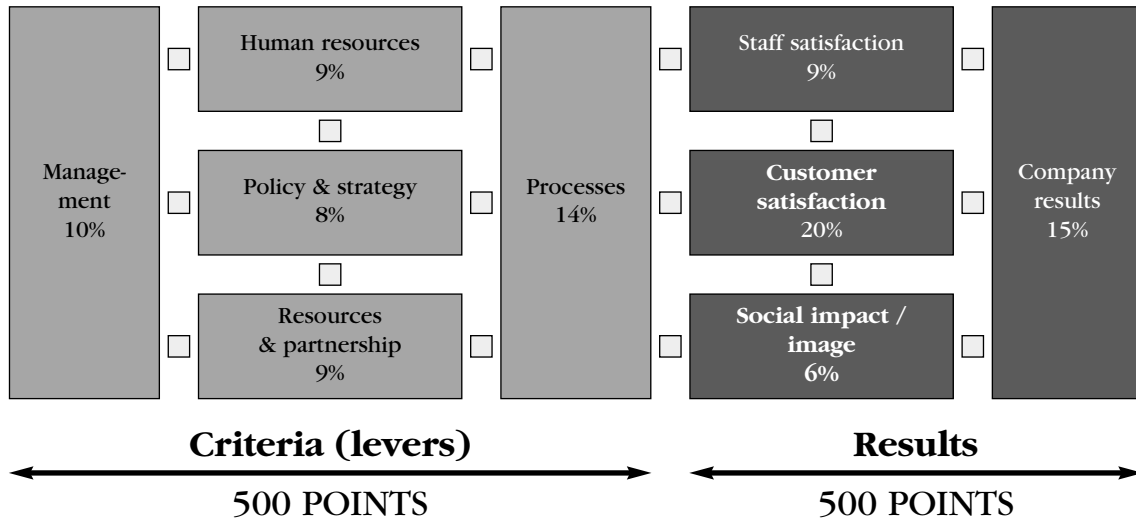
“Much of what we have done and continue to do at Schurter in the sphere of CSR would not have been possible if the owners (the Schurter family) and, likewise, management, operated according to a short timescale. On the contrary, fortunately, the Board of Directors and management have always worked and taken decisions with regard to management and optimisation on a long-term basis”.

The head of finance confirms this vision:

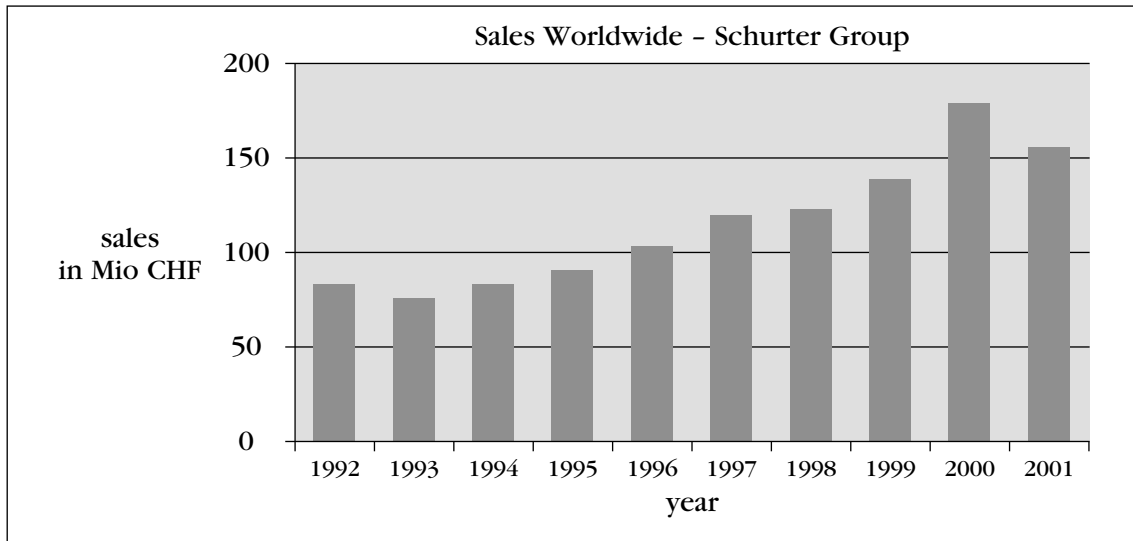
“experience teaches us that thanks to sensitivity to the themes of CSR, the company has been able to overcome, in a positive way and without major difficulties, periods of crisis: the company’s staff have been loyal and have actively co-operated, for the good of the company”.

Enclosed: (EFQM model, European Foundation for Quality Management)

The percentages indicate the relative importance of each criterion in the overall evaluation



Enclosed: growth of Schurter SA's sales over time



Enclosed: Schurter AG – cultural and personnel policy

“OUR EMPLOYEES ENSURE THE SUCCESS OF THE COMPANY”

OUR CULTURAL FOCUSES ARE:	WE FULFIL THIS BY:
<i>Customer Orientation</i>	
We orient ourselves toward customer needs	Supporting and informing all employees, enabling them to achieve top performance
We fulfil customer wishes and guide customers toward business success	Harmonising company and personnel development programmes with customer expectations
We communicate openly about our performance	Improving our processes constantly with committed teams Delegating tasks, competencies and responsibility accordingly
<i>Future orientation</i>	
We develop and produce quality and environmentally-friendly products	Targeting the implementation of the potential of all the employees
We concentrate on innovation and constant improvement	Employing qualified employees Placing a high value on leadership capacities Offering apprenticeships and thus guaranteeing a future generation of employees
We use speed and dynamism as a decisive competitive advantage	Agreeing targets, measuring and examining results
<i>Enjoyment and pleasure at work</i>	
We consider motivation as a significant factor of success for Business Excellence	Deploying employees in accordance with their leanings and capacities
As a learning organization, we invest in training and further training our employees	Carrying out employees surveys, recognising and implementing potential Rewarding performance and success Communicating and informing openly Offering (further) training programmes Supporting company sport clubs
We direct our social commitment toward employee satisfaction	Offering modern working environment