

A Curriculum for Responsible European Management (REM)

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EUROCADRES has had an important and intensive debate about CSR and Responsible Management ever since 2001 when we contributed to the European Commission's Green Paper on Corporate Social Responsibility.

In 2002 we initiated a project on Responsible European Management (REM) - The European Management Model as Best Practice for Corporate Social Responsibility. In 2003 a second project was presented on Skills, Methods and Stakeholder Engagement in Responsible European Management (REM), which integrated stakeholders in our discussions of Responsible European Management and continued our analysis of skills and methodology. Our Manifesto on REM was born and invited all stakeholders to a debate on the European management model, its implementation and consequences.

EUROCADRES is a European organisation for professional and managerial staff (P & MS), which systematically bridges the old social models and the new ones, an objective that we tried to achieve in this project, whose results you find in this brochure.

In this current project, we developed a very practical part of our Responsible European Management concept and cooperated with universities, business schools, trade unionists, P&MS member organisations, etc., to share their concrete experiences, practices, opinions and instrument to implement Responsible Management.

This publication shows the result of this practical cooperation with business schools and their networks. As a trade union for professionals and managers we have direct contacts with staff and colleagues in companies and therefore have access to internal perspectives. Management schools have the theoretical foundation and knowledge as well as being responsible for the teaching of future P&MS. When it comes to contents and concepts, we hope to have started creating awareness for trade union positions in CSR and especially for the concept of responsible European management.

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Managers and professionals are very much at the centre of the CSR debate as they are the ones implementing and managing the various REM tools. So - during our seminars - we could learn more about REM instruments and judge how efficient they are, how well they work and what kind of consequences they have for all stakeholders who experience the influence of the companies or organisations. Clearly, the activities of companies and organisations do not have a solely economic impact. The responsibility cannot therefore be purely economic. Workers, professional and managerial staff, consumers and the environment, amongst others, feel the impact of corporate activity. Responsible Management is about ensuring that companies take responsibility for all the effects that their activities have on their surroundings and in this respect social groups are entitled to call companies to account. Indeed companies are indebted to their local community for the right to exist. Responsible Management can best be seen in terms of a 'social contract' in which the community acts as the silent partner and provides organisations with resources. In return, these organisations must operate in a way that meets the community's aspirations.

The problem, of course, is that each community is a complex aggregate of different interest groups with differing - often contradictory - aspirations. What we expect from an organisation will depend on the value system of each interest group. Given this multiplicity of interest groups, the actu-

al substance of Responsible Management must inevitably remain vague. Responsible corporate management is an expression of the preferences of the community; companies alone cannot decide what constitutes Responsible Management.

Responsible Management is a normative concept: it means different things to different people, depending on their own value systems. It is impossible to arrive at a universally accepted meaning. This latter remark is of some significance. In the early 1980s, all-or-nothing attempts to seek an ultimate and universal meaning for Corporate Social Responsibility led nowhere. Nowadays, we are increasingly realising that Responsible Management is a dynamic concept; in other words, its substance can only be determined in a concrete situation. Society's aspirations are constantly evolving and shareholders, professional/managerial staff and environmental groups are unlikely to have the same expectations regarding the role of companies. Public debate, therefore, is a process of exchange. How willing companies are to meet the expectations of interest groups will depend on the balance of power, which will also be a determining factor in the consensus on the social role of companies. Consensus does not mean that everybody is equally opposed to the outcome of a discussion; consensus means that the discussion cannot be rejected.

Further, companies must pledge to take account of these values and must justify the way that they operate. Discussion is in no sense optional. Each party must state clearly what price it is ready to pay to ensure that a company operates more responsibly in ethical, social and environmental terms. Similarly, we need to know whether professional and managerial staff are willing to accept slower income growth in return for a better living environment and other benefits. Essentially, the idea is to distribute economic progress. Responsible Management, in other words, equates to the very essence of economics: in every decision-making process, a choice has to be made between conflicting objectives, but here the choice cannot be based on economic performance alone, nor can economic performance be the only factor in assessing the overall performance of companies. Accepting Responsible Management will inevitably lead to an exchange between economic efficiency, social justice and environmental protection. The social report and Responsible Management may still be in their infancy, but we must bear in mind their ultimate objective: more democracy.

Happy reading!

Dirk Ameel
EUROCADRES Executive Officer

THE CHALLENGES OF IMPLEMENTING SA8000

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3.1 Introduction

Founded in 1919, Van de Velde is currently one of the most famous Belgian designers, manufacturers and trading companies in luxury underwear, with brand names such as Marie Jo, Marie Jo l'Aventure and Prima Donna. Van de Velde, a medium-sized Belgian family company, employs 3 000 employees worldwide, including 420 in Belgium. Some 95 % of today's production is delocalised to Hungary, Tunisia and China. Since 1997, 40 % of its shares are quoted on the stock market. The founding families Van de Velde and Laureys hold the remaining 60 % and they still play a very active role in the management of the company. The company enjoys a stable and healthy social and financial situation with very good relationships with its stakeholders.

In 2003, Van de Velde decided to employ an external and independent audit office in order to examine the compliance with the social rules and norms of the SA 8000 standard in all their production sites. One of the main arguments motivating them to obtain the voluntary SA 8000 standard was the trade union's request.

Indeed, in June 2002, the trade union requested from Van de Velde to show material proof that the social working conditions in the foreign branches were irreproachable and that human rights were respected.

The trade union's request came after a number of enquiries in the textile and clothing sector. In the 1990s, the industry had been the target of a number of campaigns due to problems regarding working conditions. Cases like Nike and The Gap enjoyed broad media coverage. Closer to Van de Velde is the boycott against Triumph, a lingerie producer and direct competitor of Van De Velde, for its involvement in Burma.

The Board of Management of Van de Velde had always been very confident regarding the working conditions in their different branches and never felt the need to exert any control. However because of the trade union's pressure, the company had to take some decision and above all some actions.

3.2 SA8000 project

3.2.1 The decisions

After the visit of the trade union to request Van de Velde to show that the social and working conditions in its foreign plants are irreproachable, the Board of Management met. They concluded that a quick response was necessary.

First of all and although they had complete trust in the trade union, they did not want the trade union to take any action independently of the company. The Board regarded the verification of the company's working conditions and human rights as its duty. 'That's our responsibility' said the Managing Director.

Secondly, the Board of Management decided to go for an external and independent certification scheme. A consultant was hired to help them identify the best suitable certification scheme.

And thirdly, the Board of Management set up a working group within Van de Velde composed of five people including two top managers: the head of human resources, the financial director, the persons responsible for the quality at the production level in Hungary, Tunisia and China, and a staff member of Van de Velde Belgium to represent the employees and workers. In the first phase the group was chaired by the consultant, a role which was later on delegated to the head of human resources.

In September 2002, the Board of Management presented these decisions to the trade union. The prompt response of the company and the fact that the request had been taken seriously were highly appreciated within the trade union. Unionists approved the decisions although they would have preferred to be more involved in the implementation process. It was nevertheless agreed to have a very open and transparent process involving the trade union as much as possible. In return, the trade union promised that if the audit would reveal any problem or difficulty they would refrain from bringing this out in the open, but rather keep it internal and allow due time to sort things out.

After this meeting, it was time to take concrete action and establish a working plan. The trade union agreed to leave the whole process under the responsibility of the company but expected results in the short term.

3.3 The implementation

3.3.1 Phase 1: Launch of the project

Choosing a certification scheme

The consultant suggested 8 different certification schemes to the Board of Management. The board agreed on a number of minimum criteria to select the most suitable certification scheme:

- Being stable (a finalised certification scheme, something which is ready and not in a process of being defined);
- Being reliable;
- Being an international certification scheme also applicable for the company's foreign branches and also internationally recognised;
- Being of high quality in terms of content, and at least covering the ILO standards;
- Being a progressive and dynamic certification scheme
- Including an independent audit
- Involving the employees

After several discussions and meetings, it was decided to go for the SA8000 label. According to the working group, SA8000 was the certification scheme that fulfilled most of the criteria. Note that it was not the first choice of the trade union, which would have preferred the Clean Clothes Campaign certification scheme. However the Board argued that this scheme was not yet stable and recognised.

At that time only one Belgium company, Randstad, had the SA8000 certification scheme.

Setting priorities

It was decided to start the certification process with the plants in Belgium and then to go to the branches abroad: 'Belgium was closer to us and easier,' said the HR responsible. Van de Velde aimed at having the certification ready by the end of 2003 in Belgium and by the end of 2004 for its foreign sites.

Inform the employees

At the end of 2002, Van de Velde organised a meeting with all its employees and workers in Belgium not only to inform them but also to discuss the project with them (What is SA8000, why it was decided to engage in such a process, how it would happen). This meeting was organised together with the trade union.

The employees showed a positive reaction although they were not really enthusiastic about it. They did not see the immediate impact for their work and their daily life in the company. Moreover they felt that it was more a concern for the foreign sites than for them in Belgium.

Interestingly, the meeting brought up a question that had been pending for a while but which had never been expressed. Employees wanted to know more about the foreign branches. 'We would like to see the foreign sites, to see what is happening there, what they are doing and how they are doing it'. As a result, it was decided to make a film about the sites abroad. Through this film employees in Belgium had the chance to 'meet' the foreign branches of Van de Velde. The film had a positive impact on the employees. According to the HR responsible, 'they could at last put a picture to the sites abroad; have a concrete idea of what and how'.

3.3.2 Phase 2: Implementing SA8000

In order to get the SA8000 accreditation, the company has to go through an audit process in order to evaluate its capacity to comply with SA8000 criteria. The process includes an audit of a company's written policies, procedures and documentation consisting of:

- Office audit: Office review and interview with staff
- Witness audit: Observation of auditors conducting SA8000 audit
- Periodic re-evaluation: Surveillance audits (small audits every six months and 'grand' audit every three years)

In Belgium

2003 was devoted to prepare the necessary documents. At this stage trade unions were not much involved although they were regularly informed and asked for feedback. Documents included:

- 1) A written policy at the group level. The policy was sent to the trade union for feedback which resulted in a number of changes.
- 2) The necessary documents developed in cooperation with the different departments of the company. This led to a number of check lists and formalised procedures. 'We put everything on paper,' said the head of HR. According to the head of HR, everything was already in place but it was not put on paper and there was no control that it was effectively applied. This formalisation provided a kind of guaranty that everything was well done according to the standards.
- 3) Work with the suppliers. Van de Velde had a rather progressive approach towards its suppliers in order to give them the time to adapt to the new requirements. They first segmented their suppliers, which are for a large part based in Europe, from the most important to the less important, and started to work with the first group. They asked them to sign an agreement with Van de Velde in which they committed themselves to respect SA8000 and accept Van de Velde to check it. At that time Van de Velde was also working on a quality guideline for its suppliers and production lines abroad. SA8000 requirements were integrated in this guideline.

Once all the documents were in place, and before the independent audit that would result in obtaining the label, Van de Velde organised a second meeting with its employees together with the trade union. The aim was to inform them about SA8000 and explain the purpose of the audit. Employees were told by the company and the trade union to, above all, talk freely to the auditor, that they had nothing to fear and that interviews would remain anonymous. If they wanted they could ask a representative of the trade union to be present during the interview.

The auditing organisation, the Swiss company SGS, was chosen in consultation with the trade union. According to the trade union and the HR responsible, it was not easy to find auditors for SA8000, as there were only two organisations providing SA8000 certification in Belgium at that time.

In November 2003, the Belgium sites got the SA8000 certification.

Foreign sites

Learning from the first experience of implementing SA8000 on the Belgium sites, Van de Velde continued its efforts to get the certification also for its foreign branches.

Hungary

The Hungarian site was quite open and showed positive cooperation to implement SA8000. They were ready to change in order to comply with the standards. They decided to go through the whole process independently with the help of a consultant.

The audit took place in the first half of 2005 and they got the SA8000 certification in July 2005. The Managing Director acknowledges that it was more difficult than expected and that the process took longer than planned.

One important and most critical problem was the language. 'We don't speak the same language and it is not always easy to communicate,' noted the head of HR, 'while in Tunisia most of the people speak French.' A second problem was to find good auditors.

Tunisia

Tunisia was somewhat more difficult. Indeed for getting SA8000, a number of changes were necessary. An important barrier was of a cultural nature. SA8000 is based on a cooperative culture that stresses collaboration and dialogue. However, the traditional system in Tunisia is largely based on a hierarchical relationship.

The head of HR has been very much involved in the SA8000 process in Tunisia together with the director of the site.

It is important to note that the Tunisian site is in a process of doubling its production size. And as the head of HR mentioned, 'at the moment, SA8000 is not the priority neither for the Tunisians nor for us'.

Another important barrier is the difficulty to find an auditor: 'We still have not found one, therefore the audit cannot be conducted,' said the head of HR.

China (Top Form):

Top Form is not 100% owned by Van de Velde. Indeed the company has only 2% of the shares and does not represent a significant part of Top Form's sales. As the Managing Director pointed out, Van de Velde has 'hardly any influence or decisional power over Top Form'.

Although Top Form was rather positive about SA8000, they refused to go through the whole process because they already had the WRAP certification (Worldwide Responsible Apparel Production)¹, a somewhat less demanding label on working conditions. Therefore, they did not see the usefulness and added value of a second social label.

Van de Velde feels rather confident that the WRAP certification is good enough. Moreover, they have access to all the reports produced for the certification audit.

One issue which was raised during discussions on working conditions in China is that of mandatory pregnancy tests for female employees. Van de Velde confronted Top Form directly with this issue but the company responded that pregnancy testing is required by the state. Although Van de Velde completely disagrees with such test it is hard to see how they could influence this policy. 'So, what can we do?' said the Managing Director. 'Such a problem goes beyond the company or the trade union... we couldn't do anything about it!' confirmed the union representative.

To conclude the implementation phase, the Belgium sites did not have any problem to get the SA8000 certification. The whole process went very fast, faster than expected, and very easily. Although it took longer and was more difficult than expected, the Hungarian site also acquired its certification. Hungarian managers were quite eager to get the certification and did put lots of effort into it. Tunisia remains a problem because the standards often conflict with the national culture but also because the SA8000 project comes at a time of an important change within the Tunisia site, namely a significant extension of the plant. Therefore SA8000 is not the first priority and efforts are postponed. However, according to the managing director, 'the project remains on course and will be pushed through without any cut backs'. As for China, Top Form does not see the need to have SA8000 as they already have another certification scheme, WRAP.

3.3.3 Phase 3 : Communication and Revision

After certification, the company has to go through small audits every six months. The next small audit takes place in May 2006.

In November 2006, Van de Velde has to go through a 'grand audit' for its Belgian site. Although the company believes that it has been very valuable to go through the SA8000 process, they are presently in doubt whether they should continue the process: 'At this point, I am wondering if it is worthwhile to go through the whole process of the 'grand audit' again. It is, because I really think it is a positive thing, but there is no demand for it (from our stakeholders), it is not really known except by a small circle of people, and it is not recognised. So should we do it again in Belgium? Should we find another alternative maybe less constraining and less costly? It is at this point an open question to which we need to find an answer before the end of next year,' explained the head of HR.

In terms of communication, Van de Velde chooses deliberately not to over-communicate about SA8000. The information is publicly available, on the company's website and in the annual report; however they did not make special press releases about it. The Board of Management discussed whether the SA8000 label should be used in marketing efforts. But this was unanimously rejected. 'It does not add a market advantage or market difference' argues the Managing Director, 'in general consumers don't care about it' he adds. However, notes the head of HR, 'it is good for our reputation and image and above all it is a good risk control [in reference to the Triumph scandal]'. The trade union itself would not mind if the company promoted its SA8000 certification more.

¹ WRAP is an independent, non-profit organization dedicated to the certification of lawful, humane and ethical manufacturing throughout the world.

3.4 Stakeholders' involvement and responses

Stakeholders have had a limited involvement in the certification process. It mainly remained an internal process.

The trade union was the triggering factor to start the certification process, but in getting the certification their role was limited. Nonetheless and during the whole period, from 2002 to 2005, they were rather active both towards CSR and within Van de Velde. Internally they managed to provide reasons for CSR and make it a central theme. In 2006, the trade union will organise its yearly congress around the theme of sustainability. In 2004, the Van de Velde project was rewarded as the 'best trade union project'. This project has played the role of pilot project, and the trade union hopes that other projects showing a positive collaboration between trade union and companies in the domain of CSR will soon follow. 'Van de Velde is a positive case on which we now have to build further' said the general secretary of the trade union.

During the SA8000 project, the trade union remained also very active in making contacts with the trade unions of the foreign branches of Van de Velde. 'Through these contacts, they looked for close monitoring of the project,' said the consultant. However, finding the right partner proved to be a difficult exercise. In Hungary thanks to the SA8000 project a well-represented trade union was formed in the site in 2003. This trade union became an important actor in the project. However Tunisia and China were more of a problem. In Tunisia, the trade union is nationally organised and not well represented in Van de Velde site. However, during the SA8000 project an independent and recognised trade union developed within the Tunisian site. According to the consultant, the SA8000 project has facilitated this development. In China, it seemed impossible to find a trade union representative. Therefore the Belgian trade union turned to an American NGO, China Labour Watch, as partner.

In November 2003, the Belgian trade union organised an international three-day meeting in Belgium where they invited their contact persons from the Hungarian, Tunisian and Chinese sites to meet the Belgian employees. This meeting was supported by Van de Velde, although it was initiated by the Belgian trade union. Van de Velde clearly said that they would not organise it but they would not create any troubles if the trade union did it. Van de Velde even opened its door for a company visit. During this visit the Belgian workers could ask questions, often simple question like how far do you have to travel in order to get to work, how long do you work every day, etc. This simple information created an important valuable link between the Belgian and the foreign sites. The three-day meeting was in this respect a big success: it allowed the Belgian workers to get a better understanding of their counterparts in the other production sites and at the same time made the entire SA8000 much more tangible. People felt involved and were proud when the label was finally awarded. During the meeting, all the foreign representatives testified that the working conditions in Van de Velde factories were rather good and in general better than the local average. 'This was a real learning moment for us and for the foreign trade union representatives' commented the trade union. The whole event was positive for the company, for the trade union but also for the whole sector. The head of HR said that employees felt 'proud to work for Van de Velde'.

Coincidentally the meeting took place at the same time that Van de Velde got the certification for its Belgian sites. The company took this opportunity to communicate it internally and externally and received extensive media coverage for this.

The suppliers generally reacted very positively and were willing to collaborate. Van de Velde didn't have to change suppliers because of SA8000. They all signed the agreement immediately. However, Van de Velde noticed that apart from the Italians very few of its suppliers knew about this standard. However, according to the consultant, the supplier side remains one of the weakest points of the whole project. There is until today little control on what suppliers are actually doing.

Some of the employees showed some scepticism at the very beginning. Indeed middle management have a plethora of targets to meet (quality, profitability, planning, etc.). SA8000 brought new and additional targets. 'It was not always easy to convince them' said the Managing Director. But overall they were very positive about the whole project and reacted in a collaborative way. When in the end Van de Velde received the certification they too were very proud, according to the Managing Director and the head of HR.

Shareholders have so far shown very little interest in the certification. According to the head of HR, they regard SA8000 as a guaranty, but they never ask questions about it. Nonetheless in 2003, Van de Velde was included in Ethibel's sustainable investment register.

Competitors of Van de Velde, the other companies from the garment industry, were, according to the head of HR, at the beginning very reticent about the project. They were afraid that this project would

put the pressure on the entire sector to aim for an SA8000 label. The clothing and textile federation, although they were supportive of the project, also had certain fears about it. In the end, said the managing director, ‘it didn’t have any impact on the sector. Only one company from the garment sector, one of the biggest, asked us some questions about SA8000. Not because they intend to implement it, but because they wanted to know how they could answer certain questions from their stakeholders’.

To conclude, the head of HR made clear and also regretted that SA8000 and in the end the entire CSR field interests only and always ‘the same small circle of people’. ‘We hardly get questions or requests from other people or stakeholders,’ she said.

3.5 Learning points

3.5.1 View of the company

The Managing Director recognises that, although they were rather confident regarding the working conditions in the foreign sites, SA8000 provides more guarantees, internally as well as externally for the stakeholders. In addition, it had also a positive impact on the reputation and image of the company. For example, the head of HR affirmed that many job applications refer to the social engagement of Van de Velde as one of their motivations for applying for a job at this company. It also helped the whole company, including the executives and the employees, to be more open, to communicate in a better way and to be more creative. For example in 2004, employees created a company magazine. There are 11 people working on the magazine and is considered a very good initiative by all employees.

An unexpected and very valuable outcome of the SA8000 project is the impact on the structure and organisation of the firm. Van de Velde has been a fast growing company where the number of employees has increased very quickly and who went through an important delocalisation phase. ‘SA8000 has contributed to streamlining and systemising the internal functioning of the company and indicated some weak spots that had gone unnoticed so far,’ points out the consultant. ‘Formalisation proved to be a good support for a growing company’, said the Managing Director. It also helped in formalising values that were already part of the company culture but not made explicit.

Another added value of the SA8000 project is that it obliges the company to take some time for reflection. SA8000 requires a number of audits, which may be seen as constraining and heavy, which, however, said the head of HR, is a good thing. ‘It is like if we were put in front of a mirror every six months. It is a time for reflection, which without the audit we would never take the time to do’.

But SA8000 is not without disadvantages and problems. First of all, it is an expensive process both in terms of time and financial investment. Not every company can afford to go through such a process, according to the consultant. The cost of acquiring a certification for a factory can be up to 12.000 Euro. The cost is dependent on the size of the site and local price levels. In that respect, the choice of the trade union to target Van de Velde was not at random. They knew that the company had all the necessary preconditions, both financial and social, to be successful in the project, according to the trade union.

A second problem, which neither the company nor the trade union was aware of at the beginning, is the lack of capable auditors. It has been an important factor in delaying the project especially abroad. In Tunisia for instance, Van de Velde is still looking for an auditor, and without auditor it is not possible to complete the certification.

A third element is the lack of interest in SA 8000. As noticed by the head of HR, very few stakeholders showed any interest in the certification. As of 2006, only two companies in Belgium are SA8000 certified, one of which is Van de Velde. ‘In three years we have been the only Belgian company that got the certification,’ notes the head of HR.

The SA8000 project raised the issue of culture differences within Van de Velde. ‘We have a policy at the group level but we need to adopt it and translate it to each country, each culture. It is sometimes very difficult to judge some action or behaviour in one country when coming from another’, acknowledged the head of HR. Therefore implementing a standard like SA8000 is not easy. It requires some adaptation of the norms, standards or policy. For example Tunisia is very much based on hierarchical authority while in Hungary and Belgium it is based on negotiation. It makes it more difficult to understand each other and to apply the same standards. Other examples like working hours came up through the SA8000 project. Regarding cultural differences, SA8000 had some positive consequences but also negative ones because the standard is not flexible enough.

Finally, the head of HR raised a critical issue: How to keep SA8000 alive? She pointed out that the

company should be careful in keeping SA8000 alive and not to make it a routine. ‘I have the feeling that it is becoming part of the daily working life and people are not aware or conscious of it anymore...there is a risk of ‘taking it for granted’ she said.

3.5.2 View of the trade union

One of the difficulties with a project like SA8000 according to the trade union is to mobilise the local workers for problems in foreign branches. Many employees fear delocalisation and look upon the foreign workers as a threat destroying their jobs. In this sense Van De Velde is an exception because delocalisation never resulted in job-losses at home, which was one of the reasons why the trade unions chose Van de Velde in the first place. In order to solve this problem the union organised a three-day meeting between people from the foreign branches and Belgian employees; a meeting which was very successful. The trade union affirmed that this meeting and the SA8000 project created ‘an international solidarity feeling that was previously not present’.

The trade union also mentioned the difficulty of finding a good auditor. ‘Few people have experience with SA8000, especially in countries like Hungary or Tunisia, and few auditing companies train people on the job because nobody asks for an SA8000 audit,’ recognised the trade union.

A third problem that came up with the SA8000 standard is related to the limited influence of the company on its supply chain. Indeed, when the company does not own a significant part of the foreign branch, like in China with Top Form, the company has very little decisional power and therefore cannot influence the company.

Finally, although the trade union would have preferred to be more directly and actively involved in the SA8000 project, they have complete respect for the management and the way the managed to whole process.

Within the trade union, the project has had a positive impact. It helped to mobilise people within the union around the CSR issue. It also provided an outside visibility which made it an issue at sector level, though, added the trade union, the textile sector is rather afraid of going along with such projects since it is already a sector under enormous pressures where additional costs seem impossible.

3.5.3 On the relationship between the company and the trade union

Under SA8000, both parties, the company and the trade union have to live up to their part of the deal. There has been an excellent flow of information between the two parties and a very open communication.

The project has not fundamentally changed the relationship between the trade union and company, however both parties agreed that it strengthened an already good relationship and increased mutual trust. They got to know each other better and learned to communicate better. As the consultant said, it has provided a positive social capital for the future.

3.6 Study questions

- 1) Analyse the role played by the trade union within the SA8000 project and beyond.
- 2) What lessons can be learned by the trade union from this experience?
- 3) Within a couple of months Van de Velde will have to go through a ‘grand audit’ which will cost time and money. Although they have been very positive about the certification process, they are wondering if it is worthwhile to continue with the certification scheme.
Could you analyse the situation, the pros and cons of continuing with SA8000, and advise them?
- 4) Some reflections on SA8000:
 - What has SA8000 to offer to the company? Is it about incremental growth or is it a fixed label?
 - What are the implications of implementing a standard like SA8000 at the international level? [cultural problem like problem in Tunisia]

- What impact can such a standard, label and certification scheme have on international trading?
- What are the limits of certification schemes such as SA8000? What is the role of auditors? (for more information read 'Looking for a quick fix', CCC, see references)

3.7 Further material for studying

Websites

Van de Velde : www.mariejo.com
 Clean Clothes Campaign : <http://www.cleanclothes.org/>
 SA8000 : www.sa8000.org
 Social Accountability International : www.sa-intl.org
 Worldwide Responsible Apparel Production (WRAP) : www.wrapapparel.org
 Fair Labor Association (FLA) : www.fairlabor.org
 The Burma Campaign UK : www.burmacampaign.org.uk
 WRAP : www.wrapapparel.org/
 Fair Wear Foundation : <http://en.fairwear.nl/>

SA8000

The Potential Impact of Social Accountability Certification on Marketing: A Short Note

By: Miles, Morgan P.; Munilla, Linda S.. Journal of Business Ethics, Mar2004 Part 1, Vol. 50 Issue 1, p1-11

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4

From the two-pronged social and economic project to the AA Way

CSR AT LOGGERHEADS
WITH GLOBALISATION AND
INCREASING PROFITABILITY.

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The company³ founded in 1966 took on the name Groupe Agro Alimentaire (GAA) in 1994, over 10 years ago. To be able to understand the specific nature of its approach to CSR, we first need to give a brief overview of its history and explain its strategy, how it is organised and its corporate culture. We will therefore start with a brief presentation of the company (4.1). We will then focus on the role that the unions played at various times in the company's history (4.2). Having thus presented the context for the study, we will then analyse the company's CSR strategy and the way in which it has evolved from a two-pronged social and economic project, launched by a very charismatic manager, into the AA Way, which currently characterises its approach towards social responsibility (4.3). Finally, we will examine in greater detail the approach adopted to promote and implement the CSR project (4.4).

4.1 Company background and development

The ASN Group, headed by A.R., the charismatic father of the current managing director F.R., was the result of a merger between two glass companies in 1966. The aim of the merger was to create a European-scale packaging group. After the unsuccessful takeover bid for another glass company, the ASN Group changed its line of business and gradually exited from the packaging sector in order to invest in packaged content: specifically, the agri-food sector. The strategy at that time was shaped by two major factors:

- an external growth strategy which influenced the issue we are dealing with since the AA Group continued to be composed of a certain number of units with their own brands which enjoyed a relatively high level of autonomy.
- a two-pronged social and economic project launched by the former managing director and his HRD, turning the ASN Group into a 'social showcase'. A.R. wrote a report on negotiated modernisation that received a great deal of media attention. The company and its official documents (activity reports, environmental and social responsibility reports, the AA Way guide and so forth), continue to refer to the two-pronged project. The AA Group gives the impression that it is a socially responsible company, it has signed up to the United Nations Global Compact, signed agreements with an international trade union organisation and anticipated the law by setting up a European works council very early on.

From 1994-1996, when ASN was replaced by AA and when the son took over from his father without the R family holding the majority of the capital, major strategic developments took place in the Group:

- Firstly, the company started acting globally. Although France remained the AA Group's largest market, the company only made 40% of its turnover in France in 2004. Its several sites abroad are intended to bring the company closer to the consumer markets for its products. It set up sites in new countries in order to produce and market its products locally.
- The company then redefined its activities to focus on dairy products, drinks, biscuits and cereal products whilst at the same time prioritising human health in its approach. Against this backdrop, it went on to dispose of some of its assets.
- At the same time, motivated by the power of its distributors and institutional investors (mainly UK/US investors) that it had to court, it acted to safeguard both its competitiveness and its profit margins and implement a productive rationalisation procedure whilst according a great deal of importance to large-scale, cutting-edge technical facilities. The X case and the closure of C's factories in 2001, which led to a boycott of the company's products in France, damaged its image and highlighted the issue of employability.
- AA, the best known brand internationally, became both the name of the Group and its umbrella brand. This move was accompanied by an integration effort designed to maintain the highly independent nature of the Business Units. GAA designed a more matrix-based organisation and developed common policies, programmes and tools, in particular information systems and the AA Way, which were applied throughout the Group.
- Since the financial markets prevented the company from pursuing its growth through takeovers, GAA then focussed on organic growth, an approach that was critical if it was to be able to hold a respectable position amongst the major players in the agri-food sector, which were often very large and more diversified.
- The AA Group's capital (which has a very large float) is highly fragmented and for several years, the company has been at the mercy of hostile takeover bids as we saw during the summer of 2005 with rumours circulating about the Pe takeover. The two main shareholders hold 3.66% and 2.88% of the capital respectively.

³ The name of the company has been changed

So, at the beginning of the 21st century, GAA is a company which employs approximately 89,000 people and which relies on innovation, genuine decentralisation, a strong culture and manpower to safeguard its growth and responsiveness. Although the two-pronged social and economic project still exists, it must be geared to the very constraining requirements of financial performance.

4.2 Trade union practices and strategies

Today, the unions, which have become weaker at GAA as is the case in all French industrial groups, often have an ambivalent attitude towards the company. They sometimes accuse it of regressing and of not meeting the social targets it has set, however, they defend the company passionately whenever it seems to come under attack (the Pe case).

'A Pe buyout of GAA, a company that respects trade union rights and recognises and negotiates with unions at every level, would not only be a major step backwards for GAA workers, who would immediately feel the consequences in job losses and management war on their unions and agreements. It would generate added pressure to globalise Pe's aggressive anti-union policies and contempt for democratic rights, first in the expanded sectors it would be competing within and then more widely. We are fighting to reverse the slide into global barbarism, and the first line of defence is to win the battle for union recognition as an essential component of defending rights and dignity for all. There is no place for Pe in GAA if we are to win this battle.' UIF, 2005

4.2.1 Withdrawal from the Fordist compromise and the weakening of the unions

The reduction in the rate of unionisation, a rate which was traditionally low in France where unionisation was the preserve of an active elite supported by sympathisers and the influence of the unions, has been particularly marked in France since the end of the 'Trente glorieuses' (the 30-year period from 1945-1975). The decline of what was once a very broad public sector, the fear of unemployment, the disappearance of large 'Taylorised' factories and flexibility and individualisation policies pursued by companies have eaten away at France's divided unions, which found it hard to adapt to the new production systems and to the development of labour market segmentation.

In France, the GAA unions do not voluntarily provide details on the number of employees who are members (they feel it is low) or on developments in membership numbers. The restructuring operations, which took place in 2001 in the Group's biscuit unit, highlighted the extremely different union strategies. In particular, they conflicted rather starkly with the CGT (General Confederation of Labour) and the CFDT (French Democratic Confederation of Labour). Although the former has changed (it was long linked to the Communist Party), it radically questioned financial globalisation and 'stock market redundancies'. The latter, a more reformist organisation, wanted to shape globalisation; it accepted the constraints of competitiveness and wanted to negotiate a result that would allow the workers to adapt to what it considered to be an unavoidable reality. The restructuring of the biscuit unit, which was profitable but did not meet the expectations of financial advisers, led to the closure of some production sites so that other, better performing sites could be developed. In addition to the strike, the CFDT considered the call to boycott made by the CGT to be foolish given the very generous redundancy plan. The CFDT usually cooperated with GAA's management, and it was a key player in the relations formed in the early 1980s between the Group's general management and the UIF, an international trade union federation which represents the food sector and is active in 120 countries.

4.2.2 Summit agreements

In 1980, when the ASN Group, which later became AA, was expanding in Europe, the two-pronged social and economic project received a great deal of media attention. The UIF Executive Committee became interested in this and decided to form an ASN world council, meeting for the first time in 1981 in Brussels with delegates from Belgium, France and Germany. In 1984, the UIF made its French divisions, CFDT and FO, responsible for trade union activities and coordination. The divisions were in charge of contacts with ASN's general management and it was these divisions that made a first meeting possible between the management and the UIF. In 1986, the first official meeting was organised

between the ASN Group's general management and the representatives of the national trade union organisations from Belgium, France, Germany and Spain. From 1987 onwards, an annual meeting was organised between the European trade union organisations affiliated with the UIF and ASN's general management. The trade union officers from other countries were entitled to attend. 15 trade union officials and 15 trade union members took part in these meetings, along with members from the UIF. The logistics costs were paid by ASN. The annual meetings were organised by a steering committee (UIF and ASN). The aim of the plenary sessions was to share information on the general situation within GAA, its future prospects and the approach of each of the Group's different branches of activity. The union members present at the annual meetings submitted the questions and concerns of the local trade union teams to the general management. In 1988, the first joint opinion was signed between the UIF and the ASN Group. It was the first joint opinion ever signed between a multinational group and an international trade union organisation. The employer and workforce delegations agreed to work together on four topics. Other topics were added to these four in the years that followed and we will discuss them later. In 1996, the practice of holding regular consultation and information meetings was formalised by a written agreement that covered all of GAA's operations in the entire geographical region of Europe and made provision for trade union representatives from other regions of the world to be involved. This was the beginning of GAA's European Works Council.

The joint opinions were presented in a booklet that was translated into 15 languages. The first, signed in 1988, asserted the intention to develop, in a coordinated way: the provision of adequate information to trade union organisations and worker representatives; gender equality in the Group's companies; a policy for qualifying training; and trade union rights. The three subsequent opinions, signed in 1989 and 1994, specified the ways of implementing the policies set out in the first opinion. The final opinion, signed in 1997, defined the ways of implementing the memorandum of understanding for setting up a European Works Council in the event that activities were modified, thereby affecting jobs or working conditions. The opinion stipulated that training and aid should be provided in order to redeploy workers, trade union organisations should be consulted (or if that was not possible, staff representatives) and that it should be easier to exercise trade union rights.

4.2.3 The difficulty of social mobilisation in multinational production networks

The introduction to the opinion states that the signatory parties recognise *'the value of constructive workplace relations between the management of the establishments within the AA Group and independent and democratic unions that represent the workers in AA Group'* and states that the agreements (or joint opinions) establish minimum standards and only apply if current measures fall below these standards. This clearly shows the intention not to replace social bargaining at local level. However, in AA Group's environmental and social responsibility report (2003), the UIF representative highlights a difficulty facing the unions *'The trade union organisations active within the Group had to take these agreements and put them into practice. This has not always been the case.....'* The agreements signed at the summit were going to be difficult to get accepted at grass-roots level. The UIF was therefore concerned about controlling their implementation. So, in 2004, GAA and the UIF agreed on 20 social indicators that the two parties undertook to respect. It should be noted, however, that such indicators and their follow-up had already been the subject of an agreement 15 years earlier. In other words, despite the resolve of the social partners, the obstacles are not easy to overcome.

This was especially true since it was hard to bolster international coordination at trade union level. The unions did not have the same means as multinationals and the distance, linguistic and cultural barriers and economic and institutional differences did nothing to make this coordination any easier. The GAA unions did not make extensive use of the Internet or Intranet to share experiences. The Group's international development also presented some problems as regards the contents of agreements that had been signed: although compromises were reached in the end, a serious dispute arose between GAA's management and the UIF as regards the geographical area covered by the agreements. They had originally been signed within a European framework, the question was, should they be extended to the rest of the world? The positions adopted by GAA's management and those adopted by the UIF generally differed on this matter. Therefore, in accordance with an agreement signed in 1994, union representatives had to be consulted at least three months before the planned changes were to take place if

they were going to affect a significant number of jobs. Unlike the UIF, the Group's general management did not think that this could apply in all the countries in the world.

More generally, although the UIF were pleased about the five EWC meetings that were held in 2001 during the restructuring of the biscuit unit and the agreement on restructuring and the conditions of redundancy plans in the different countries affected, the new production models presented a problem. The agreements were signed in the context of the negotiated modernisation. Consequently, the main thing was to face up to the introduction of new technologies by creating qualifying organisations, with the approval of the social partners. How do the defined compromises adapt to the changes in production systems, in flexible transnational production networks and in the profit demands made by shareholders? The AA Group, by virtue of its strategy and its sector of activity, is not representative of 'lean and mean companies'. It does not relocate production with the main aim of forcing down wage costs, but rather with a view to conquering new markets. Outsourcing remains limited. The Group is committed to asking its partners (suppliers) to respect ILO fundamental principles. If they do not, then the Group might question the trade agreements. It has also signed a charter which aims to treat people employed by sub-contractors on an equal footing with GAA employees. The UIF is satisfied with this move but wants to go further and reflect on the reasons for and methods of outsourcing. The trade union organisation is therefore seeking to ensure, as it did in the 1980s, job security for employees by anticipating developments, planning change and providing qualifying training that enables employees to grow within the company and find another job in the event of restructuring.

4.2.4 Areas reserved for the unions

The GAA unions and the UIF do not seem very concerned with environmental problems. These problems do not seem to come within their remit and they do not consider them to be of crucial importance in AA's sector of activity. We do not 'work in the petrol or chemical sector' said one trade union official. However, in the social domain, they are wary of corporate social responsibility initiatives and intend to play their role fully. Thus, the UIF representative stated in 2004 *'we think that it is vital for the company not to define its 'social responsibility' framework unilaterally, but to respect existing rights. I do not think that it is desirable for the company itself to define what it must or must not do. I am exaggerating the situation slightly, but it is not so much the companies that have duties but rather the workers who have rights. These fundamental rights are defined in the ILO Conventions and in the OECD Guidelines for Multinational Enterprises and, if necessary, in international agreements such as those signed between GAA and the UIF.'*

4.3 From the two-pronged social and economic project to the AA Way: 'managerialisation'

ASN, which later became GAA, is a company known for a high level of societal and social involvement. In 1972, manager A. R. presented the two-pronged social and economic project during meetings of the CNPF (National Council of French Employers). His idea – which sometimes met with a frosty reception from the French employers and was perceived to be revolutionary – continues to shape GAA's CSR approach today.

4.3.1 The two-pronged social and economic project

As its name suggests, the two-pronged social and economic project is mainly focused on the company's workers and their performance. However, it does not neglect societal and environmental problems. *'Corporate social responsibility does not stop at the factory gate or at office doors. The jobs that the company creates shape the lives of its employees. The energy and raw materials it consumes change the shape of our planet. Public opinion is there to remind us of responsibilities in the industrial world of today'* (A.R., 1972). His philosophy was inspired by those of the Human Relations Movement and the socio-technical movement. The 'crisis', initially attributed mainly to the oil crisis, made itself felt; it seemed that upgrading the production apparatus was an essential step. Until the early 1990s, many enlightened employers and researchers attempted to solve the problems of growing unemployment in the new competitive environment by anticipating developments, training workers and creating

a 'skill-building' organisation. The UIF/GAA joint opinion, which was perfectly in line with these trends, indicated the Group's resolve to promote negotiation. The project is one of negotiated modernisation to benefit company performance, which respects workers and enables them to grow and develop⁴.

4.3.2 The AA Way

The company was more or less a family business and the pride of being part of the company and the social climate fostered by the charismatic father ensured real cohesion. Head office had a certain amount of control over the subsidiaries but they remained relatively independent thanks to the French executives who were very involved and accepted a real reduction in their salaries in order to take part in the AA adventure.

The AA Way was created in 2000 in a completely different context: globalisation. The company, as we explained in the first part of this document, has changed. It went from being a strictly French company, to European company and then went on to expand to North America, Latin America, Africa and the Middle East. Some 70% of the Group's workers are employed outside Western Europe and the company is present in countries (emerging countries and others) where it has a poor grasp of local habits and customs. To ensure its development, GAA has recruited managers on the international labour market and fears that a culture, which was previously very strong, is disappearing. As a result of pressure from stakeholders, codes of conduct have thrived in the companies. The ILO Declaration on fundamental principles and rights at work was adopted in 1998. In 2000, the UN launched a Global Compact, which GAA signed up to in 2004, and the OECD Guidelines for Multinational Enterprises were revised. In 2001, the European Union published its Green Paper to promote CSR and the law on New Economic Regulations (loi NRE) was passed in France which requires listed companies to produce annual reports on the way in which they take account of the environmental and social impacts of their activities. All these initiatives are intended to introduce a regulation for globalisation.

It was against this backdrop that a small group of GAA managers, spurred on by the managing director and under the responsibility of the HRD, invented the AA Way. The form and objectives were gradually structured. The approach was designed to enable the AA culture to be conveyed whilst clarifying standards and to be enriched by sharing best practices. It was based on the same principles as a participatory and continuous progress approach. It was intended to respect the specific nature of the countries and the Business Units that the company wanted to rely on to ensure global development. It was used to bring together information that was vital for reporting in the framework of the NRA law and the Global Compact, but also information that was vital for controlling the Business Units and managing environmental and social risk.

Whilst the general management gave thought to the relevant level of centralisation/decentralisation, the corporate level continued to adopt a light-handed approach. Policies, programmes, charters and agreements were gradually formalised: they related to environmental protection, food and health, human rights at work and business management. The Group's values were clarified and they were all incorporated into the AA Way, which set out the practices that needed to be developed within the Group and enabled the Business Units to perform self-assessment. The self-assessment showed them where they could make progress and highlighted their need to draw up action plans to improve their environmental and social performance whilst boosting their economic performance.

Management was the driving force behind this. Neither the unions, nor the representatives of other stakeholders with which the company regularly engaged in dialogue, were involved in designing or monitoring the approach. Whilst the number of standards resulting from multi-stakeholder initiatives was increasing, GAA opted for another approach which was original but could seem paradoxical if you think about the company's long history of social dialogue. The general human resources manager supervises the sustainable development and social responsibility department which brings together the teams responsible for implementing the AA Way and also responsible for environmental policy, measures to accompany restructuring, reporting and relations with the environmental and social audit

⁴ The ACAP 2000 agreement, signed in France in the early 1990s, pertains to the iron and steel industry. It established a skills-based scheme, Human Resource Management and fits in with the negotiated modernisation approach.

⁵ French was still the working language in the Executive Committee in 2005.

agencies. An AA Way steering committee, composed of representatives occupying a range of posts, meets every three months to monitor the implementation of the AA Way and analyse the results. An AA Way strategic committee, composed of 15 subsidiary general managers and chaired by the managing director, meets once a year. The Business Units implement the AA Way. They represent the Group's different businesses and the people in charge of the zone and they lead the approach, set objectives for the heads of the Business Units and evaluate the achievement of the objectives.

The self-assessment approach is participatory and must involve 10% of the workers. However, despite the existence of the practice *'the Business Unit sets out conditions for social dialogue and debate with the workers representatives'* for which the highest level of application (level 4) is illustrated by the following proposal *'the Business Unit and the worker representatives discuss projects from the outset, seek agreements and together check the monitoring of the application of the agreements'*, the unions, who were not involved in designing the AA Way, are not involved in monitoring it. At local level in France, they claim to be poorly involved in the AA Way, they are informed, but no more than that and they do not consider the AA Way to be a major issue.

The truth of the information generated by means of the AA Way and from different indicators, including those developed together with the UIF, is verified by the Group's auditors. *'We are not convinced by the use of external auditors which are, by definition, outside the company and are often outside the social sphere'* said the UIF representative in 2005.

4.4 How is the AA Way measured?

4.4.1 Support tool

The AA Way tool must help to achieve several objectives: instil common standards and values, enable self-assessment to be performed and plans for improvement to be presented, allow control to be exerted by the corporate level and make reporting easier at that level. When analysing the tool, some ambiguities can be found, linked to the large number of objectives. Moreover, if we compare the AA Way to other CSR instruments, codes drawn up by companies, consortia, multi-stakeholder initiatives and, above all, benchmarks intended to guide the auditing of practices set out in the codes, we can see fairly clear differences. In particular, the references for evaluation are sometimes vague, ambiguous and mixed. We will come back to these points when we move on to discuss the tool in more detail.

The tool is presented as a group of 100 measurement scales on the Intranet that the Business Units are required to consult every two years. The people who designed the tool define it as the result of a stakeholder-centred approach. The six main 'topics' addressed appear in the following order: Workers; Customers and consumers; Suppliers; Environment; Civil society; and Shareholders. Under each of these topics, there is a different number of 'items' (ranging from 1 to 9 depending on the topic) which are then split up into 'practices' that allow the position of the Business Unit to be positioned on a scale of 1 (lowest level of application) to 4 (excellent, innovative application which can be shared with other Business Units).

Each level of the scale is accompanied by comments to make it easier to perform self-assessment and to steer the progression of the Business Unit towards excellent practices. Level 1, at least in the 2003 version which we received, is often ambiguous. Here are some examples.

For the practice *'In the event of reorganisation or restructuring which has an impact on jobs, the Business Unit provides individual support measures to each person affected to help them in their search for work (internal, external)'*, the illustration proposed for level 1 is as follows: *'In all cases, the Business Unit pays the required compensation and respects the legally established notice periods. Specify the local situation, indicate the proposed action plan and the time period for implementing it.'* So, in this instance, what response would a BU give that did not make the compensation payments and respect the legally established notice periods? What does the required action plan have to address? Level 1 for this practice seems to be a minimum requirement that must be respected with the primary objective of disseminating the Group's standards.

For the practice entitled *'The Business Unit sets up effective means enabling the worker representatives to carry out their task'*, the illustration proposed for level 1 is as follows: *'If the Business Unit*

does not at least set up the means, the Business Unit recognises the trade union organisations and organises elections in accordance with the laws of country. Specify the local situation, indicate the proposed action plan and the time period for implementing it.' The scenario in this case is similar to the previous one, however the formulation of the minimum requirement is even more ambiguous.

For the practice entitled *'The Business Unit creates conditions for social dialogue and debate with the worker representatives'*, which we have mentioned previously, the illustration proposed for level 1 is as follows: *'The advice offered by worker representatives is taken into account when it is provided.'* So again, at what level should the BU evaluate itself if this is not the case: there is no level 0. Moreover, there is no request for a plan to rectify the situation

For the practice entitled *'The Business Unit ensures equal treatment of its workers regardless of their type of contract (permanent, precarious) and limits the use of precarious employment contracts'*, the illustration proposed for level 1 is as follows: *'In the absence of clearly established rules, describe the context, the measures planned to rectify the situation and the time period for implementing them.'*

In this instance, level 1 obviously refers to the lack of respect for the practice and the objective of the improvement plan is clearly defined.

Only one topic is focused on shareholders *'Pay attention to the quality of financial information'*, which is measured according to 10 scales. The interests of this vital stakeholder are therefore not treated in the AA Way: they implicitly fall under a different way of thinking and another accounting and financial information system (which is not integrated here as is the case in the balanced score cards, despite the demand that social and economic aspects are included).

The chapter on workers, which is of particular interest to us since the unions attach great importance to it, includes seven topics measured according to 27 scales. The scales refer to the fundamental principles of the International Labour Organisation (ILO), the agreements signed with the UIF and local legislation which must be respected. The seven topics are: Respecting human rights at work; Guaranteeing equality; Focusing attention on people; Investing in people, Organisations and promoting their development; Seeking better performance through values; Establishing conditions for dialogue with workers and their representatives; and Respecting ethical regulations.

4.4.2 Example of implementation

In several Business Units in France, we have been able to ascertain that the operational managers draw their inspiration from the AA Way and are sometimes encouraged to do so by the business lines. To give one example, here is the implementation of the practice entitled *'The Business Unit sets up training courses and organisations which benefit the company's competitiveness and which further workers' personal and professional development'* and the practice on precarious workers, which has already been mentioned above:

In a logistical platform (responsible for supplying hypermarkets), in addition to the essential and compulsory safety training, training actions are being developed to promote an increase in responsibility of the teams and job management is systematically thought out to enable promotion and to put an end to the precarious nature of employment.

- Workers are involved in meetings with distributor customers so that they can offer developments in terms of packaging orders, thereby making it easier to fill the shelves, and also so that they can gain a better understanding of the meaning and relevance of individual and collective performance indicators on the basis of which they are evaluated and paid. This action, which has features of both a traditional training course and a training action, ties in with the trend to increase responsibility of the teams, which was defined by the logistics business line but the form of which was drawn up at local level.
- Two assistants responsible for managing orders, which involves contact with customers, were retiring and so it was decided to recruit four operators from within the company who will work part-time to replace the two assistants. 21 applications were submitted within the framework of the recruitment procedure and all candidates were invited to interview. The choices made were explained both individually and collectively. In this base, which is located in the provinces and where the operators are generally over-qualified, it was important to highlight the possibilities for professional development. To encourage the replacement workers, wages were paid on a full-

time basis (and not part-time) based on those earned by the management assistants and the assistants worked together with the new operators for several months.

- Similarly, an operator, who took advantage of mobility proposals, was appointed supervisor in Paris and then returned to the logistics base as supervisor.
- The person in charge of the base tries to promote one of his best operators at a sub-contracting transport company. It is a pilot partnership operation in the labour market region for this person which aims to foster vertical mobility. The low level of geographical mobility amongst operators is in fact a hindrance to promotion in this region.
- Recruitments governed by permanent contracts are concluded here after a long interim period which is justified by the seasonal fluctuations and also by the risk of having to bear the costs of large structures if activity should decline. The person in charge of the base tries, with much difficulty, to even up the age pyramid of his base by recruiting people in the 45-55 age group, thereby ensuring that there is a regular flow of people retiring which in turn regularly enables temporary workers who perform well to be recruited with a permanent contract.

Finally, in this centre, where the FO union (Force Ouvrière) is very firmly established, social relations continue to be highly satisfactory. However, transport itself has been outsourced and is now sub-contracted.

A comparative study of companies listed on the CAC 40 conducted by the Alpha Group, which attends the works council meetings, has deemed the quality of social reporting at GAA to be amongst the best and getting better. The non-financial rating agency, Vigeo, classed the quality of environmental and social performance as high in 2004, compared to the practices in the sector except in the following areas: taking account of environmental and social factors in purchasing policies; the management of health claims and communication arising in the context of increasing obesity; the environmental impact of transport in the logistics chain. GAA is included in four major social responsibility indices.

The GAA managers are aware of certain problems linked to the implementation of the AA Way, namely difficulties:

- of measuring results, some BUs tend to overestimate themselves, whereas others underestimate themselves;
- presented by the diverse range of social and cultural contexts that the AA Way is not always able to surmount. Some NGOs criticise the AA Way for accommodating the diverse range of contexts too easily.
- of the level of dissemination and adoption of practices which, although it is improving, has not yet reached the desired level.

However, it is above all short-term perspectives that have trouble co-existing and even more difficulty in becoming integrated with environmental and social responsibility. Yet, at GAA, the risk of a take over bid is still looming. High economic performances are urgently required from the senior managers since their rapid mobility, which is similar to that in other multinationals, is not always conducive to the development of a long-term vision.

4.5 Questions :

1. Do the strategies adopted by the unions enable workers to be protected and social responsibility at GAA to be developed?
2. From the point of view of all stakeholders, is it desirable to increase union action in the approach to social responsibility?
 - Why?
 - What could be the methods used?
 - What are the risks?
3. Is it possible for a strong 'company' CSR culture to coexist with new production models? Under what conditions?
4. Is the AA Way a relevant tool for disseminating CSR practices? Can it be improved? How?

CSR and the Internationalisation of Employment Relations

THE CASE OF
A GERMAN
CAR MANUFACTURER
(STARCAR)

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5.1 Introduction

This case study explores how the issue of corporate social responsibility has been taken up by employee representatives (works council, union) in one of the major German car manufacturers. It looks at the characteristics of industrial relations in the case company, describes the history and developments of CSR projects and agreements, and discusses some resulting aspects relevant for unions and CSR in general.

The Study

The case is based on secondary data (reports, brochures, websites, agreements etc.) as well as on interviews with (i) a works council representative responsible for the preparation and implementation of bargaining procedures and decisions, and (ii) the head of global labour affairs who works in the HR department and is responsible for developing CSR concepts as well as being involved in negotiating agreements between company and worker representatives.

The Company

The case company (STARCAR) is one of the major global car manufacturer with production facilities in 20 countries and 384,000 employees. The company's headquarter is in Germany. In 2004, total revenue was \$ 192.3 billion and 4,62m cars were produced. The company is the second biggest car manufacturer in Germany and the fifth globally. Internationalisation of the company was pushed forward by a merger with a US company some years ago. Whereas in the past STARCAR was characterised by growth and stable employment relationships, redundancies have been announced recently. The company describes itself as comparatively decentralised; the role of the headquarter is mainly seen in coordinating local businesses.

5.2 Role of trade unions/works councils

Structure of Industrial Relations

STARCAR is deeply embedded in the tradition and characteristics of the German industrial relations system. The Gesamtbetriebsrat (Corporate Works Council) is the most important committee in this respect, representing about 160.000 employees in Germany. Its members include representatives from headquarter, production, sales, and research. A specific Bargaining Committee is responsible for negotiating with top management, usually represented by the Chief Human Resources Officer (Personalvorstand). Decisions and agreements are prepared in about 40 committees (e.g. on job design, health & safety or general HR issues). Some issues are dealt with at the local level (production sites, firm level), such as working time regulations, other issues are dealt with at the company level, such as pensions schemes.

For all subsidiary companies there is also a Konzernbetriebsrat (Corporate Group Works Council), representing 190.000 employees in Germany. However, most collective agreement are negotiated between company and Gesamtbetriebsrat. Furthermore, employees are represented on the supervisory board, where they elect 50% of the members. The 10 employee representatives on this board include 6 works council members (all union members as well), one representative of white collar workers, and 3 union representatives (IG Metall) of whom one is non-German. To allow more employee representatives from other countries to be involved in and informed about company decisions, a Labour Committee has been set up. Members include the 10 supervisory board representatives plus union representatives from Canada and the US. This committee has no decision-making powers but helps to prepare decisions to be made by the supervisory board.

At the global level, employees are represented by the World Employment Committee (WEC), formally accepted by the company as bargaining partner in 2002. Since industrial relations systems and trade union roles differ considerably in countries of subsidiaries, a joint representation of the global workforce of STARCAR is difficult to achieve. Currently, a country's union is accepted as a bargaining partner if it is a member of its national umbrella organisation which also has to be a member of ICTFU

(International Confederation of Free Trade Unions). For German co-determination committees there is a clear allocation formula for the available seats; due to the different national roles of trade unions and industrial relations systems this is not the case in the World Employment Committee, however. International WEC members do not necessarily have to be STARCAR employees. The WEC is bargaining partner for global agreements (such as the CSR Principles, which are explained below); the board of STARCAR also reports to the World Employment Committee on the company's business situation

At the European level, there is, according to European law, a European Works Council. However, this committee is far less influential than the World Employment Committee, because the executive board seeks to establish collective agreements at a global rather than a European level

Relationship between Works Councils and Employer

Even in comparison to the traditionally strong worker representation at company level in Germany, STARCAR's works council can be described as a powerful and accepted industrial partner. Both employer's and employees' representatives describe their relationship as constructive, characterised by an open discussion culture, mutual trust and reliability as well as a willingness to share information. This also holds for the personal relationship between the CEO and the head of the Works Council. At the time of our interviews, a new CEO was designated, who promised to accept and keep all collective agreements, whereas such agreements are increasingly under threat in the car and other industries. A works council representative describes this situation overall as being 'on the sunny side of industrial relations'.

Conflicts of Interest

The main aim of works council policies, against which all decisions and agreements are evaluated, is to make existing jobs safe. The traditionally dominant aim to increase workers' income is regarded as less relevant in the current economic situation. However, there is not yet a keen competition between sites or business units: 'workers might realise that they produce for 'the world' but the world doesn't come to their workplace yet' (works council representative). The head of global labour affairs points out that today production has to take place globally in order to safeguard local production sites. However, an increase in intra-firm competition, which can be expected in the near future, would make worker representation far more difficult at the international level and is likely to cause conflicts between national unions and works councils.

5.3 Corporate social responsibility at STARCAR

Milestones

In 2000, STARCAR's CEO signed the UN Global Compact, which includes a commitment to meet standards in the areas of human rights, labour standards, environment and anti-corruption. Since then CSR has become a more debated issue in STARCAR. In 2002, the newly funded WEC and STARCAR signed the Corporate Social Responsibility Principles. These principles have the status of a 'plant bargaining agreement' (Betriebsvereinbarung), or International Framework Agreement in the terms of the International Metalworkers Federation. They concentrate on social rather than environmental issues, including human rights (forced labour, child labour, equal opportunities, equal pay for equal value), working conditions (protection of health, compensation, working hours, training, suppliers), and relations between employer and employees / employee representatives; they also include an implementation procedure. Environmental and sustainability issues are covered in a sustainability report (and also a detailed environmental report) published by STARCAR. Further agreements, for example on occupational health and safety, are currently under development.

A company taskforce with members from different departments (external affairs & policies; sales, corporate audit, corporate strategy and others) currently examines CSR and sustainability. There is no respective institutionalised position yet, but the financial impact of sustainability and CSR is increasingly acknowledged.

STARCAR has an increasing number of international committees. There is a growing need to be aware of different national industrial relations system and, consequently, the need to employ global incentive systems as well as IT-based human resource reporting, controlling and knowledge base systems. Thus human resource management practices as well as employment relations have become far more international at STARCAR in the last decade.

Drivers, Actors and Rationales

In the beginning, CSR was promoted by top management. The UN Global Compact was signed without previous debate or consultation with either the works council or the HRM department. Reasons for this company initiative are seen in (1) the CEO's commitment to and previous activities in the area of social responsibility, (2) the adoption of CSR by Germany's leading car manufacturer as a benchmark, (3) the merger with an American company. Consequently, adopting CSR ideas in the first place can partly be interpreted as a mimetic process based on external developments and expectations. Since the initial uptake of CSR was a unilateral initiative without union or works council involvement, it can be argued that STARCAR followed the approach to 'explicit CSR' where voluntary corporate activities to assume responsibility in society prevail over formal and informal societal institutions resulting in (chiefly codified and mandatory) requirements for corporations.

At this early stage CSR was thus driven by a single initiative of the 'foreign office people' (works council representative). At the same time, the works council approached the HR department in order to negotiate mutual and binding global CSR agreements. This initiative was influenced by similar negotiations at Germany's No. 1 car manufacturer as well as requests from IG Metall and International Metalworkers' Federation (IMF). Whereas the HR department at first refused to negotiate a legally binding CSR commitment, the initiative taken by top management persuaded it to start negotiations on CSR Principles.

The joint development of a health and safety agreement (which had already been announced in the sustainability report) shows that HR department and works council have now found a constructive basis for further CSR projects. Despite this collaboration, STARCAR's top management continues to set up unilateral initiatives such as signing the Global Sullivan Principles, establishing a Global Diversity Office, or introducing an international business ethics project (including training and more centralised communication) to bundle existing CSR, sustainability and business ethics activities.

Finding a Common Language

There is now a broad range of concepts and terms used to describe new and increasingly expected corporate responsibilities: (corporate) social responsibility, sustainability, business ethics, compliance management, corporate governance etc. This makes it difficult for companies to name and communicate their activities in these areas. This holds true especially for companies in countries with a corporatist tradition of industrial relations, where the introduction of CSR does not change social responsibility locally.

CSR is not a topic that needed inventing. Large companies had a tradition back from their early beginnings to look after employees and local issues... insofar this is, first of all, a more glamorous name, including the environment and corporate governance. CSR comes more from the Anglo-American background with the reproach 'go on, start doing something!'. German companies have taken a while to understand, that they do not have to start by zero here, but they have to ask themselves: 'what are we doing already in this area, what do I look like here, how can I communicate this, where can I tap into new areas of activity... Companies today have to communicate their activities in the area of social responsibility more directly. Hardly anybody is grateful if a company opens a hospital or sponsors certain activities or projects this is expected anyway. The challenge nowadays is to explain the reasons for what one is doing, what the general direction behind this is, and whether it is a systematic engagement altogether. (Head of global labour affairs)

Whereas this necessity to address a whole range of topics might interfere with the company's or the works council's interest in focussing on specific topics (e.g. labour relations instead of environmental issues), conceptual ambiguity can equally well provide an opportunity for developing a distinct CSR strategy.

Works Council's Strategy towards CSR

In the beginning, STARCAR'S works council perceived CSR as employer driven: 'you watch them do it and say: fine!' BUT: an agreement would be preferable' (works council representative). Accordingly, the works council saw the emerging discussion on CSR as an opportunity to regulate co-determination within the company internationally and to strengthen worker representation locally. Rather than developing a definition of CSR, the works council looked at existing codes and guidelines (OECD, IMF etc.) to develop its own pragmatic approach. The main strategic aim can be seen in going beyond one-sided company initiative and programmes ('soft law') by achieving a legally binding commitment ('hard law') between STARCAR and the global works council (WEC). A first step in this direction was the transfer of the labour related issues of the UN Global Compact into the framework of German industrial relations, that is to say a 'Betriebsvereinbarung'. In these negotiations it was the works council's deliberate strategy to focus on labour relations rather than environmental and human rights issues. STARCAR as a negotiating partner concentrated more on incorporating the issues of value-based management and constructive co-operation.

The existing agreement is seen as a framework which now has to be developed further in order to specify its more general terms. In addition to this, procedures to enforce CSR agreements are to be developed. The works council's strategy here is to support and develop local structures being able to deal with CSR problems before creating catalogues of behaviours diverging from agreed norms. This procedural approach is also pursued by establishing a stakeholder dialogue with NGOs (as potential CSR promoters who can report violations of CSR commitments). To start such a dialogue, the works council invited representatives of a range of NGOs to an expert hearing in 2003, which was also attended by representatives of the HR department.

Enforcement of CSR Commitments

STARCAR's share of in-house value creation is larger than, for example, that of in the textile industry. Therefore, the pressure on STARCAR to monitor and police business behaviour in global supplier networks is less apparent. However, the approval of CSR Principles as a Framework Agreement by the IMF, and also the IG Metall, requires that these principles are made part of contracts with suppliers. However, according to both company and works council representatives, the establishment of explicit and rigid CSR-related contract clauses would neither be accepted nor would it be enforceable. Hence, these clauses are rather vague as are most paragraphs of the CSR Principles ('respect the principle of...'; 'supports and encourages...'). The head of global labour affairs stressed that the more concrete CSR requirements are the more likely it is that they violate national law in one or more of the countries involved. Therefore, the commitment to meet local legal requirements may seem to be a weak commitment, but its local enforcement leads to improved business behaviour beyond current practice.

According to STARCAR's business strategy of decentralisation, the CSR Principles are policed locally rather than monitoring worldwide compliance (among all subsidiaries and more than 6,000 suppliers) centrally. Since 2002 nine breaches of CSR Principles have been detected. All were observed among suppliers and in most cases it was the right to form a union that was violated. There is a protection of whistleblowers, but most cases were brought up by the IMF so far. Since the CSR Principles are now also part of the Integrity Code of STARCAR (released in 1999), all violations of this code can be reported to and are dealt with by the Business Practices Office which acts as an independent ombudsman within STARCAR. Therefore, a complaint and remediation procedure is implemented, which relies on local detection of violations of CSR principles, which are then carried forward. Additionally, STARCAR's Audit Committee reports CSR cases, although it is, at least in Germany, not formally responsible for dealing with these cases.

Altogether, CSR cases are now easier to classify and the company can react in a consistent way by referring to existing agreements. Therefore, the works council regards the implemented reporting and follow-up procedures as a success.

5.4 CSR as threat to worker representation?

CSR and German Industrial Relations

In some countries such as the UK and the US unions often see CSR as a threat as it transfers yet more power and discretion to managers. By contrast, STARCAR's workers representatives do not see CSR as a threat. Since the relationship between employer and employees' representatives is seen as fruitful and constructive, employer's initiatives on CSR are not perceived as attempts to undermine or weaken this relationship. The works council differentiates strictly between one-sided codes of conduct or reports and mutual agreements. Only the latter provide a contractual basis which binds both partners to the agreement. Since unions and works councils, as opposed to NGOs and other civil society actors, are 'genuine bargaining partner' (works council representative) for such agreements no danger of crowding out worker representation is seen at the moment. Rather, the works council has a strong position in CSR related topics. This position is based on the German system of industrial relations in which an (often constructive) dialogue with unions or works councils is nothing new. The merger with an US corporation, however, contributed significantly to opening up the corporate culture for CSR issues. STARCAR's works council has since been able to use CSR, as well as its institutional strength, as a leverage in subsidiaries which are not subject to German law. The agreed 'Betriebsvereinbarung' now enforces CSR principles in all global operations (including suppliers) of STARCAR. Through the mechanism of this contractual framework and its legal status ('hard law') CSR within the global group has no longer the character of a voluntary initiative of the employer.

The works council may not be the driver of all group wide CSR activities (see unilateral corporate activities), but it definitely is a major CSR player who internationally promotes the codification and enforcement of STARCAR's CSR activities. In sum, the internationalisation of worker representation has therefore strengthened the position of the works council within STARCAR.

Learning to be 'Global Player'

The CSR Principles were the first agreement workers' representatives had reached with STARCAR at a global level. With hindsight, this framework agreement was the starting point for developing an internationalisation strategy. At the time, the German corporate works council had to develop an understanding of what it means to be a global (CSR) player, i.e. 'to be part of the global business, and not just an observer' (works council representative). It had (and still has) to learn about other industrial relations systems, and rules of global worker representation and co-determination within the multinational company have had to be developed. Establishing the World Employment Committee was a landmark in this respect. Since STARCAR persistently adds, changes and integrates subsidiaries and suppliers from different countries, establishing rules of worker representation is an ongoing process, however.

Furthermore, a closer collaboration between unions and works councils is influenced by differences between national industrial systems and union traditions. For example, there were debates with American union members on outsourcing jobs and producing in China. Whereas the US union is predominantly concerned with job security in its home country, the German works council also seeks to make sure that certain work and labour standards are met. This latter ambition is considerably hindered by the fact that certain ethical standards are not applicable at all in some countries. Worker representatives therefore had to make a decision as to whether they in principal accept the company's decisions on (re-)locations of production.

Contested Terrain? Non-Governmental Organisations (NGOs) and Unions

CSR brings NGOs and unions / works councils closer together. As the case of STARCAR reveals, NGOs often use a wider notion of 'social responsibility', which includes not only environmental and social issues but often also a general critique of capitalism. NGOs are also sceptical of trust-based collective bargaining agreements because of their limited enforcement; NGOs therefore tend to prefer law-based rights. By contrast, worker representatives usually concentrate on employment relations. Thus the stakeholder dialogue with NGOs has had an impact on the works council's (and also the HR department's) perception of the relevance of CSR topics beyond employment relations at STARCAR, yet

the corporate works council still sees employment relations as its core area of interest. It has the point of view that it is part of the company and part of the industry. Instead of a fundamentally critical position, which tries to persuade the company to produce or not to produce marketable products in certain countries or regions, it pragmatically tries to take influence on the conditions under which these products are produced.

Although STARCAR's works council has a firm position within STARCAR and can be regarded as an 'in-house NGO' for labour and human rights within the multinational group, it remains one among many actors to compete for influence over the CSR policy. A growing influence of external stakeholders such as NGOs might jeopardise this position in the future.

5.5 Questions

1. Characterise the view of CSR at STARCAR. What are crucial elements of the company's approach to the topic?
2. What are key features of the works council/union's approach to CSR? What specific resources, competencies and frameworks are they able to use to become involved in the CSR agenda of STARCAR?
3. In what ways has the works council's CSR involvement changed its role in STARCAR?
4. Based on the case, discuss the threats and opportunities for works councils in the CSR area in a global multinational company.
5. Evaluate the strengths and the risks of STARCAR's works council's approach to CSR. What lessons can be learned for works council and union work in CSR in other countries?

5.6 Websites

Beaujolin, F. (2004) *European trade unions and corporate social responsibility: Final report to the European Trade Union Confederation*, Brussels: ETUC:
http://www.etuc.org/IMG/doc/CSRCEsfinal3_EN1.doc

Commission of the European Communities (2001) *Green Paper Promoting a European framework for corporate social responsibility*, Brussels:
http://europa.eu.int/comm/employment_social/soc-dial/csr/greenpaper_en.pdf

Global Sullivan Principles : <http://www.thesullivanfoundation.org/gsp/>

IG Metall : <http://www.igmetall.de/cps/rde/xchg/internet>

International Metalworkers' Federation : <http://www.imfmetal.org/main/index.cfm>
 (Links to International Framework Agreements of a variety of companies)

UN Global Compact : <http://www.unglobalcompact.org/>

United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) :
<http://www.uaw.org/>