

Eberhard-Karls-Universität Tübingen
Department for International Economic Policy

Instructor: Professor assistant Brian Shaffer
Robert H. Smith School of Business, University of Maryland

Business Ethics' paper topic:
Family-friendly practices and corporate social responsibility
- an international comparison study

for the interdisciplinary seminar "Cross Cultural Management and International Economic Policy"

Summer Semester 2000

by
Caroline Hayat

Contents

	Page
Introduction	2
Levi Strauss Case	3
1. Initiatives of corporate social responsibility dedicated to employees	3
2. Strength of the corporate culture	4
3. A Guideline to ethical behavior	5
Rösch case	6
1. Family-friendly practices	6
2. Relationship with unions	7
3. Corporate culture	8
An international corporate social responsibility comparison	9
1. A different approach	9
2. The price of a corporate social responsibility	10
3. Labor laws and unions practices	10
Conclusion	11
Bibliography	12

Introduction

The notion of stakeholder has been developed by R.E. Freeman in his 1984 publication¹ of 1984, in the framework of the measurement of new performance indicators in companies for better strategic planning. Freeman defines the stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”, that has an increasing influence in the business practices. Indeed many multinational companies seem to consider this theory, which may be of a great influence on company’s long term performance and benefits growth.

So far, most of the business management practices have focused on traditional cost accounting with the improvement of manufacturing processes. As manufacturing processes, one can understand statistical process control, just-in-time inventory, quality circles, etc... In order to cope with increasing competitive pressure, companies have improved their quality standards and their efficiency. Total Quality Management (TQM) as well as non financial performance measures, take part in new management practices. For example more companies tend to take into consideration and evaluate customer satisfaction, employee morale, or rate of innovation. In the long term such measures tend to contribute to profits growths of the company. As a consequence, the relationship between manager and employee had many changes in the past few years. The organization tends to be more human within employees’ considerations and expectations.

In the context of cross-cultural differences, I will show how the stakeholder-employees commitment take place in the U.S. by using an example of the Levi Strauss company with its concept of corporate social responsibility. As a comparison, I will point out an example in Germany in the framework of family-friendly practices in Rösch company.

1 Freeman R.E. (1984) “Strategic Management: a Stakeholder approach“ pp.25

The Levi Strauss case

The Levi Strauss company is a good practical example of the stakeholder commitment to employees through the improvement of corporate social responsibility. Indeed, Levi Strauss has a long history of commitment to its employees and to the community where it has a business presence. The corporate social responsibility of Levi Strauss confer to different programs and actions in the company itself, but also in the society.

1. Initiatives of corporate social responsibility dedicated to employees

In accordance with the web site of the company “the heritage traces back to the founder, Levi Strauss, who devoted substantial time and resources to charitable and philanthropic activities”. Nonetheless, according to the history of the firm², the first social programs took place in 1968 with the “Community Involvement Teams” (CITs), which have been honored in 1984 by the White House.

Moreover, the Levi Strauss Foundation³ operates a global giving program, making charitable gifts to community organizations world-wide. The resources are allocated among different associations, such as AIDS prevention and care, anti-discrimination, anti-racism associations or programs that help people to achieve economic self-sufficiency...

Levi Strauss policies provide the opportunity to its employees to socially participate in society, in order to contribute to lasting social change, and commit to individual empowerment roles, making them responsible for communities where they might have active decision-making. For example, the company aims to create jobs in small business development by giving technical assistance and loan programs. It also promotes skills training and education programs. Levi Strauss also focuses on giving a chance to the young generation by supporting programs that engage young people in decision-making and problem solving for issues they are concerned about.

Already in the 1930's, Levi Strauss's first commitment to employees was observed. Because of the decline of the demand and the Great Depression, workers at the Valencia Street

² <http://www.levistrauss.com/about/history.html>

³ http://www.levistrauss.com/press/pr_pressrelease.html „Levi Strauss Foundation“ [prior June 2000]

plant in San Francisco were put on a short work week and paid to build the plant's hardwood floors in order to avoid layoffs⁴.

Recently, when Levi Strauss announced ⁵ on the 22nd of February 1999 a series of new measures were taken, that it will close 11 of its 22 manufacturing facilities in North America in 1999. They take place in the context of the improvement of its competitive position. Levi Strauss proposed benefits package to approximately 5,900 employees affected by these plant closures. The closure decisions and the employees' benefits package were negotiated with the Union of Needletrades Industrial and Textile Employees (UNITE) and the United Food and Commercial Workers (UFCW). Indeed, towards LS&CO's stakeholder commitment, it worked closely with these unions in order to deliver this generous package. The U.S benefits package, valued at \$245 million, includes: eight months notice, up to three weeks severance pay per year of service, outplacement and career counseling services, continuation of medical coverage, variable allowance packages, performance bonuses, enhancements to pension plans and early retirement programs. Union officials described it as the richest severance package ever offered in the apparel industry⁶.

2. Strength of the corporate culture

The assertion of a strong corporate social responsibility led the company to strengthen its corporate culture along the years. LC&CO has developed various internal measures and patterns to encourage and motivate its employees. For example, it supports initiatives to honor and reward employees for their accomplishments with recognition programs⁷. As well, flexibility is encouraged towards innovative programs, such as time-off-with-pay or leave of absence in order to enable the employees to take time for medical appointments, illness, or personal needs.

The Levi's Aspirations statement⁸, declared in 1987 that "we aim to build a company that people are proud of and committed to, one where employees have an opportunity to contribute, learn, grow and advance based on merit, not policies or background, and with an environment where people feel respected, are treated fairly, are listened to and involved."

⁴ www.levistrauss.com/about/companyhist.html [prior June 2000]

⁵ www.levistrauss.com/press/pr_pressrelease.html

⁶ Davenport, K. (1999), Fielding Institute, „an Independent social Audit/External Assessment of Levis Strauss“

⁷ www.levistrauss.com/hr/culture.html

⁸ www.levistrauss.com/about/code.html

The challenge to strongly involve its employees is based on the belief that employees can work as partners to the success of the company.

3. A guideline to ethical behaviors

Levi Strauss adopted a set of standards known as the “Terms of Engagement”, enacted by the company’s Board of Directors in 1992⁹ to sum up its philosophy in a code. It appeared as a means to conduct its business in a responsible way, to ensure the good running of ethical principles within its subsidiaries and business partners worldwide. It deals with fair employment practices (e.g. banning of the use of children or prison labour), wages, limit working hours, working conditions (health and safety) and environmental standards.

Two years later (1994), Robert Haas, CEO and chairman of the Board, as the member of the “Conference Board” in New-York in 1994 improved the process of ethics management in Levi Strauss. He stated that “*Ethics is a function of a collective attitudes of our people*”¹⁰

These attitudes are supported by different factors which are :

- Commitment to responsible business conduct
- Management’s leadership
- Trust in employees
- Program and policies that provide people with clarity about the organization’s ethical expectations
- Open, honest and timely communications
- Tools to help employees resolve ethical problems
- Reward and recognition systems that reinforce the importance of Ethics

The staff managers are invited “*to do the right thing*” (Haas 1996) and to set the example for all employees, with adequate formal measures. Employees feel respected and more responsible in their decision-making. In addition, the company has joined different collaborative efforts, such as the Fair Labor Association or the Ethical Trading Initiative to enact those principles.

⁹ www.levistrauss.com/about/companyhist.html [prior June 2000]

¹⁰ Haas, R.D. (1994) „Ethics- A Global Business Challenge“, Vital Speeches of the Day, 60, No. 16 (1994), pp. 506-509

Rösch case

The reported information concerning the Rösch company followed a visit on the 27th of June, with Herr Doctor Rösch himself, Herr Muders project manager of Rökona and Herr Belitza Head of sales of Rökona.

Rösch GmbH is a fully integrated textile and clothing company, with a turnover of 115 millions DM (1999), and 330 employees working in the group. Among them 60% are women. In spite of the size of the company, more than 100 different working time models have been developed.

1. Family-friendly practices

Historically, the founder of Rösch company, Gehard Rösch, was preoccupied by employee orientation and social work. He was always informed of problem concerning his employees in the firm itself, but also of their family problems. They were personally discussed between the employees and the founder.

The kindergarten is a good example of a concrete family-friendly practice; it was already established 45 years ago. By this time, the trend of working women was increasing. In order to cope with the problem of taking care of children's education and preventing children from staying home alone, the kindergarten was created, which at that time was completely innovative. It was an important issue for the founder Gehrard Rösch to be sure that its employees' children could access good early education. Still today in the kindergarten, employees' children are given education till the age of primary school, which is until 6 years old in Germany. A teacher assistant takes care all day long of the children with educative games, first homework, drawing, etc. Dr Arnd-Diether Rösch reported that his son, complained about having class on Sunday, because the week-end time was too long.

Employees and their families also have access to swimming-pool, tennis courts and barbecue place. The Kantine, where we were invited for the dinner, is also used for seminars, brainstorming, information meeting (once a month) and for a 20 birthday work experience of an employee in the firm.

At the beginning of the 1980's, flexible-time work was introduced. Nonetheless, the core working hours remained taboo in the industry's field in Germany, and it was not so easy to introduce flexible-time. However, the main change followed as it came to light that a female employee could not be punctual for the core time. Dismissal would have been an alternative chosen by most others companies. Rösch company offered her to start to work one hour later than the core work-time, with a job contract of 86.5% working hours. Since then 100 individual working time models were added. Whenever personal or family reason spoke against the fixed core working hours, individual solutions were found.

Moreover, family-friendly practices have been applied in the subsidiaries of Rösch. In Hungary, for example, the culture of the company was quite clear at the beginning for all the Hungarian employees. They understood by themselves that it was (is) an asset to work in a good environment, and that it is a way to increase their productivity. There was no need to write down a principles guideline to show employees what is the content of the mother company's corporate culture. Thus, Rösch company established seven different time-work schedules and time-work share in order to give the employees the liberty to co-ordinate their family duties and company interests. For those family-friendly practices, which are so far not so developed as in the sites of Tübingen, Herr Rösch received an award and has been honored by the Hungarian ministry of family in Budapest.

2) Relationship with unions

The relationship with Unions and "Betriebsrat" (work of council) is good. The problems are openly discussed, and when a problem occurs, the gentleman agreement states that the problem will be discussed between Unions and managers without any propaganda within the company in order to find the best compromise. In most of the case Rösch's unions motivate the employees claiming that there is really no need to complain in this company compared with others companies working in the same field. They act in favor of Rösch GmbH. It has not dealt with any strike since its creation.

Although the company has economically developed as well as its employees' number, the family-friendly practices always have been a major preoccupation. Even if, Doctor Rösch complains that he does not always have the time to dedicate directly to family-friendly practices.

The employees themselves are devoted to helping their colleagues. However, the personnel department has the responsibility to ensure the right process of those family-friendly practices. The whole company is convinced about the advantages of this philosophy. They are conscious that it leads the company to its economical development. People are willing to work more efficiently. They are motivated and concentrated. It has to be underlined that the system works, till talks are held with special care in the working environment of each employee. The colleagues of the respective department must work in team and be responsible for it; as long as one person is absent, another must take his place or work for him. Problems are solved within the group work. The operational running should not suffer.

3. Corporate Culture

The care of the customer: “der Kunde ist König”, as well as helping retailers to accomplish a good business is the first objective of Rösch. The employees, especially the management staff have the task to promote this philosophy. The establishment of this “10 Punkte Programm” lead the entire company to a continuously improving the working process in team. Its content includes ten bullets, which are taking part of the job contract.

Thus, the management staff should :

1. **Communicate the company’s targets** (Unternehmerziele vermitteln) : they should introduce the personnel to the company’s strategy and determine with its personnel individual detailed targets with regular control.
2. **Pass on information on time** (Rechtzeitig informieren) : they should pass on all required information for the common company’s success.
3. **Promote cost awareness** (Kostenbewusstsein) : they should involve the personnel in the responsibility for controlling cost.
4. **Allow co-decision making** (Mitentscheiden lassen) : they should integrate all persons involved in the decision-making processes in order to use maximize the use of knowledge and know-how.
5. **Promote independence** (die Selbständigkeit fördern) : they should motivate the personnel to work independently and support their further formation, initiative, creativity, and performance.

6. **Focus on teamwork** (zur Teamarbeit anhalten) : they should promote team spirit and support striving for common targets.
7. **Ensure collegiality** (auf Kollegialität achten) : they should act as an example in dealing with personnel instead of constraining persuasive power they should be a driving force.
8. **Assist the introduction of continual improvement process** (die Einführung von kontinuierlicher Verbesserungsprozess unterstützen)
9. **Support others authority** (die Autorität anderer stützen) : they should support the authority of their colleagues and their subordinate management staff.
10. **Practice constructive criticism** (Aufbauende Kritik üben) : personal criticism has to take place face to face. The management staff has to help the personnel to learn from their mistakes.

This program involves important concepts like information, communication, responsibility, involvement, teamwork, and cooperation, that reflect the integration of the employees as citizens, as main actors of the company. It reflects the faith in employees and their respect. However, this program is the result of the practices and experiences of more than twenty years. It describes the way everybody in the company already behaves and feels. It is not just a list of principles mandated by executives.

An international social corporate responsibility comparison

Although the size and history of the two companies have no point of similarities, some general comparison can be found in the managerial practices and relations with employees between U.S and Germany.

1. A different approach

Historically, Levi Strauss company has always developed its corporate social responsibility. However, it appears that at the end of the 1980's social practices improved a lot. In 1989 for example, LS&CO received Harvard University's Dively Award for Corporate Public Initiative. In 1991, the company launched a "Project Change" to fight racism in communities where it does business. In 1992 the company adopted a set of standards known as the "Terms of Engagement". In 1994 Robert Haas delivered the process of those ethical practices. Thus, over the past twenty years, LS&CO has demonstrated its strong engagement in corporate social responsibility. Nonetheless, it appears more as a new management orientation in which the challenge for Levi Strauss is to provide the shareholder concept because it might be of a big influence on the performance of the company in the long term. It seems that those recent managerial practices are applied on purpose to efficiency. They are rather more instrumental than the reflect of a long experience.

In comparison, the stakeholder philosophy seen from the viewpoint of the German company Rösch has a completely different approach, although the objectives seem to be the same. Rösch is still a family company owned 100% by the family members. Commitment to employees has always been considered as a major principle of its founder. The philosophy is fully integrated in the organization. It means that people detain more responsibilities in their decision-making, and are also strongly invited to communicate. "*It takes part of the job's contract*" underlined Dr. Rösch. Employees are conscious of the importance of working in a good work environment. And those believes lead the company to its success.

Thus, the "10 Punkte-Programm" is the result of the company's experience, and it is not just a dictated list of requirements.

2. The price of a corporate social responsibility

Another critic can be pointed out. According to Sherman, S.¹¹, it is not easy to differentiate if Levi's social responsibility is due to a voluntary ethical philosophy or if its "*great wealth derived from the happy accident of owning a mythic brand, permits the luxury of genteel behavior*". Can Ethics be afford ? The LS&CO' s history tend to relate, that because of the wealthy situation, the founder devoted resources to charitable and philanthropic activities. In the case of Rösch the issue seems to be completely different. The paternalist's personality and charisma of Herr Rösch was at the origins of the corporate social responsibility. It was not only a matter of generous resources, but also the matter of caring for its employees and their families.

3. Labor laws and unions practices

The difference can also be found in labor laws and unions power. Indeed, the State and organized labor play a big role in corporate life in Germany. Workers' councils often deal with issues such as workers' rights, sexual equality, all of which might be seen as social responsibility issues in U.S. For example, in Germany employers must gain the consent of worker-elected work councils before they can dismiss employees, set working hours, require overtime. So German managers are led to use management styles that are very informal, collegial and participatory¹². In addition, the length of the workweek has caused German firms to use and develop part-time and flexible working hours.

As a consequence, some measures taken by LS&CO at the time of recently rightsizing program (plant closures) may not appear for German managers as ethical and social responsible, but it might seem as usual and common practices mandated by the Law.

However, due to an increasing globalization collaborative efforts, such as Fair Labor Association (FLA) or Ethical Trading Initiative (ETI), have been developed to ensure workers' rights, fair employment, and ethical behaviors.

¹¹ Sherman, S. (1997) „Levi's: as ye sew, so shall ye reap" Fortune, 135 (9) (May 12) pp.108

¹² Arkin, A. (1992 February) "At work in the powerhouse of Europe" Personnel Management, pp. 32-35.

Conclusion

The stakeholder concept has largely developed on the international stage. The structure of the firm has been completely remodeled. It is evolving in a global environment where interactions between shareholders are inter-related and influencing each others. Through Freeman's stakeholders theory, employees are considered as fully integrated in the organizational process as citizens of the company. They are more involved than in a traditional organization. Because in the long term, it might positively influence the company's performance, leading to its success. As a matter of fact, corporate social responsibility is of a major importance. We have seen with the example of Levi Strauss and Rösch, how from a country to another, perception of what constitute corporate social responsibility may differ and especially how shareholder commitment to employees diverge. In addition, national laws and cultural differences in human resources management seems to enlarge the gap in what constitute on ethical commitment to employees. Nonetheless, the development of new forms of organization, as Fair Labor Association, tend to regulate fair human resources practices, and sensitize to the problem of corporate social responsibility among international companies. Ethics codes in international companies might be of help to standardize behaviors and management practices within and between organizations.

Bibliography

Arkin, A (1992 February) "At work in the powerhouse of Europe" *Personnel Management*, pp. 32-35.

Carroll, Stephen J. Gannon, Martin J. (1997) "Ethical Dimensions of International Management".

Davenport Kim, Fielding Institute. (1998) "An Independent Social Audit/External Assessment of Levi Strauss" pp. 101-105

Doing well by doing good in Archives 22 April 2000 <http://www.economist.com/archive> [prior to June 2000]

Freeman R.E. (1984) "Strategic Management: a Stakeholder approach" pp. 4-81

Haas, R.D. (1994) "Ethics- A Global Business Challenge", *Vital Speeches of the Day*, 60, No. 16, pp. 506-509

Koslowski. Peter (1997) "Contemporary economics Ethics and Business Ethics" pp. 181-186

Levi Strauss *History, General information, Global Giving Guidelines, Code of Conduct, Corporate culture, Latest Press Releases* <http://www.levistrauss.com/> [prior to June 2000].

Logsdon, Jeanne M. University of New Mexico; Lewellyn, Patsy G. University of South Carolina at Aiken "Stakeholders and Corporate Performance Measures: an Impact Assessment"

Steinmann, H., Scherer, A. G. "Corporate Ethics and Global Business- Philosophical Considerations on Intercultural Management", in: B.N. Kumar, Steinmann, H. (1998) "Ethics in International Business" Berlin/New-York pp. 13-46