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Changing business values and management concepts: the German experience

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Suggested Citation: Dierkes, Meinolf; Berthoin Antal, Ariane (1981) : Changing business values and management concepts: the German experience, In: Günter Dlugos, Klaus Weiermair (Ed.): Management under differing value systems: political, social and economical perspectives in an changing world. Proceedings of the international conference, Toronto, October 1980, ISBN 3-11-008553-4, de Gruyter, Berlin ; New York, NY, pp. 759-783

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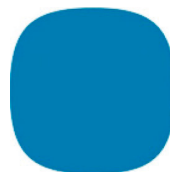
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Changing Business Values and Management Concepts - The German Experience

Meinolf Dierkes and Ariane Berthoin Antal

ABSTRACT

The changes in the socio-economic context for business activities have stimulated a reassessment of the role and tasks of the corporation in society on the part of researchers, managers, and the public. This article examines how business has approached the task of integrating social and financial considerations into decisionmaking. The model developed by Ackerman to describe the way firms deal with the concept of social responsiveness is applied to the experiences of West German firms, drawing on the results of longitudinal surveys and content analyses of social reports. Recommendations for the further operationalization of the concept are then elaborated.

THE CHANGED SOCIO-POLITICAL CONTEXT FOR BUSINESS

The past decade has been characterized by intensive discussions about the changes in the socio-political context for business in all highly industrialized countries. A growing awareness of the social costs of economic development has resulted in a more critical assessment of business activities. As the extent of environmental damages due to production processes and products became recognized, for example, concerned citizens and scientists alike demanded that business be held accountable for the negative impact of their activities. Consumer groups sprang up to criticize product quality, pricing, and marketing strategies. Labor representatives raised issues relating to the quality of life at the workplace. Investors started taking into consideration the social responsiveness of their companies (Longstreth and Rosenbloom 1973). Numerous studies have been conducted on the nature and sources of these changes. Some are of a broad nature affecting all sectors of society, while others stem more directly from specific business - society relations. To the first group belong, for example, changes in social values to what have been labeled "post-industrial" values, which have had a significant impact on the political and economic system (Inglehart, 1977; Strümpel, 1977). A further factor is that citizens are becoming increasingly critical of all major institutions, and have intensified demands for participation in planning and decisionmaking processes

affecting all sectors of life - ranging from the workplace to community and national issues (Ellwein, Lippert, Zoll, 1975; Nelkin, 1978).

Two important changes belonging to the second group are the mounting distrust of business resulting from the increase in power and size of corporations, which have integrated vertically and diversified horizontally, and spread beyond national boundaries (CED, 1971, p. 18). In addition, the public has become sensitized by the mass media to the short and long term damages to the environment caused by uncontrolled and often unintended business activities.

The implications of these contextual changes for business are far-reaching. "The great growth of corporations in size, market power, and impact on society has naturally brought with it a commensurate growth in responsibilities; in a democratic society power sooner or later begets equivalent accountability." (CED, 1971, p. 21). Business activities are subjected to far more critical scrutiny than ever before - by more groups and in more areas (Corson & Steiner, 1974). The stakeholders to whom business must justify its actions have expanded from the traditional constituencies of shareholders, government, and employees, to consumers, environmentalists, and other groups in the interested public. Under public pressure, government regulation has spread to cover almost all areas of business activity, ranging from product safety to environmental standards in production processes, and hiring practices. Profitability is no longer accepted as the sole criterion for business decisions. Whereas the corporation was long judged in terms of individual contributions, it is being judged also increasingly in terms of its contributions to, and the costs it imposes on, society as a whole (Corson & Steiner, 1974, p. 17).

The criticism of business has stimulated a reassessment of its roles and tasks on the part of researchers, managers, and the public (Steiner, 1972, 1973; Dierkes & Bauer, 1973). It has gradually become clear that the business corporation can no longer be thought of as a purely economic institution, but that it also has an important socio-political dimension. An implication is that "every corporation has not only a legal charter, but a form of 'social charter', too - that is, the charter of public expectations of corporate performance. These expectations derive from the current set of social values and national goals; and, as these values and goals change, so too will the social charter of the corporation." (Williams, 1973, p. 26). Recognizing the complex interplay of the expanding nature of business activities and of the demands placed by the public, it is unrealistic to attempt to define a single role for the corporation in society in legal, economic or philosophical terms. More appropriate is a sociological approach to "the business firm as the central element of a role set in which a new pattern of relationships among the elements is evolving."

(Ackerman & Bauer, 1976, p. 16).

In view of the dynamic nature of the process of redefining the role of business in society, it is worthwhile to trace the development of the concept of social responsiveness in practice. How has business reacted to the challenge, and what has it done? A useful model in reviewing the developments over the past decade seems to be that developed by Ackerman to describe the response of individual firms to the need to define a policy integrating social and financial considerations in business decisionmaking (Ackerman, 1973, pp. 92-94). Reformulated to apply to the macro-level situation, the three stages of response are:

1. Recognition of the need for social responsibility by the CEO.
2. Development of broad social goals and establishment of an auditing function to review the social responsibility of the company in light of environmental demands and to encourage greater responsiveness.
3. Institutionalization of social responsiveness through changes in the management system.

In this paper we propose to examine the German experience with corporate social responsiveness by applying the Ackerman model to the business community as a whole. An examination of the progression from one stage to the next is intended to provide insights into the dynamics of the process in a highly industrialized society, and to reveal the level of responsibility actually achieved in the country today.

Phase 1: From Frustration to New Management Philosophies

Considering the mood which prevailed in Germany during the twenty years of the "Wirtschaftswunder", when the need to concentrate on economic goals and achievements determined the largely positive nature of the business - society relationship, it is not surprising that the business community was initially unprepared to understand the relatively fast and profound value change which became evident in the late 1960s. Leaders of the business community reacted at first with frustration and alienation, and they were unsure about the future role of the enterprise in society (Schmolders, 1973, p. 109). After this initial phase of frustration and lack of direction, leading corporations and later a growing segment of the business community began to accept the need for a redefinition of the role of business in society. They recognized the need to respond to the challenges it faced in order to preempt the imposition by government under public pressure of further regulatory measures which could threaten the very existence of the free enterprise system.

A survey conducted by the senior author, and Bernd Unger in 1975 among chief executives of the 400 largest companies in Germany reflected the various elements of this mood. (Fig. 1).

FIGURE 1
FUTURE GOVERNMENT INFLUENCE

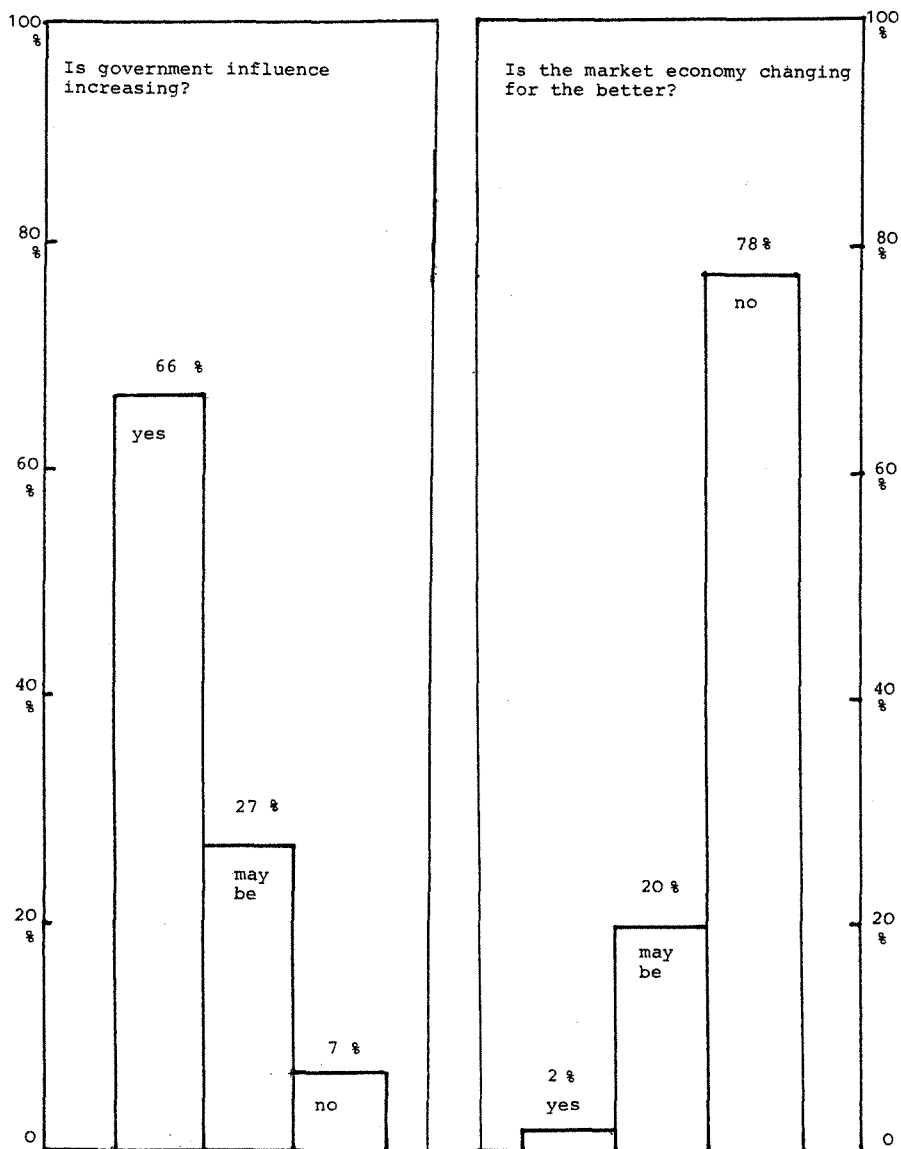
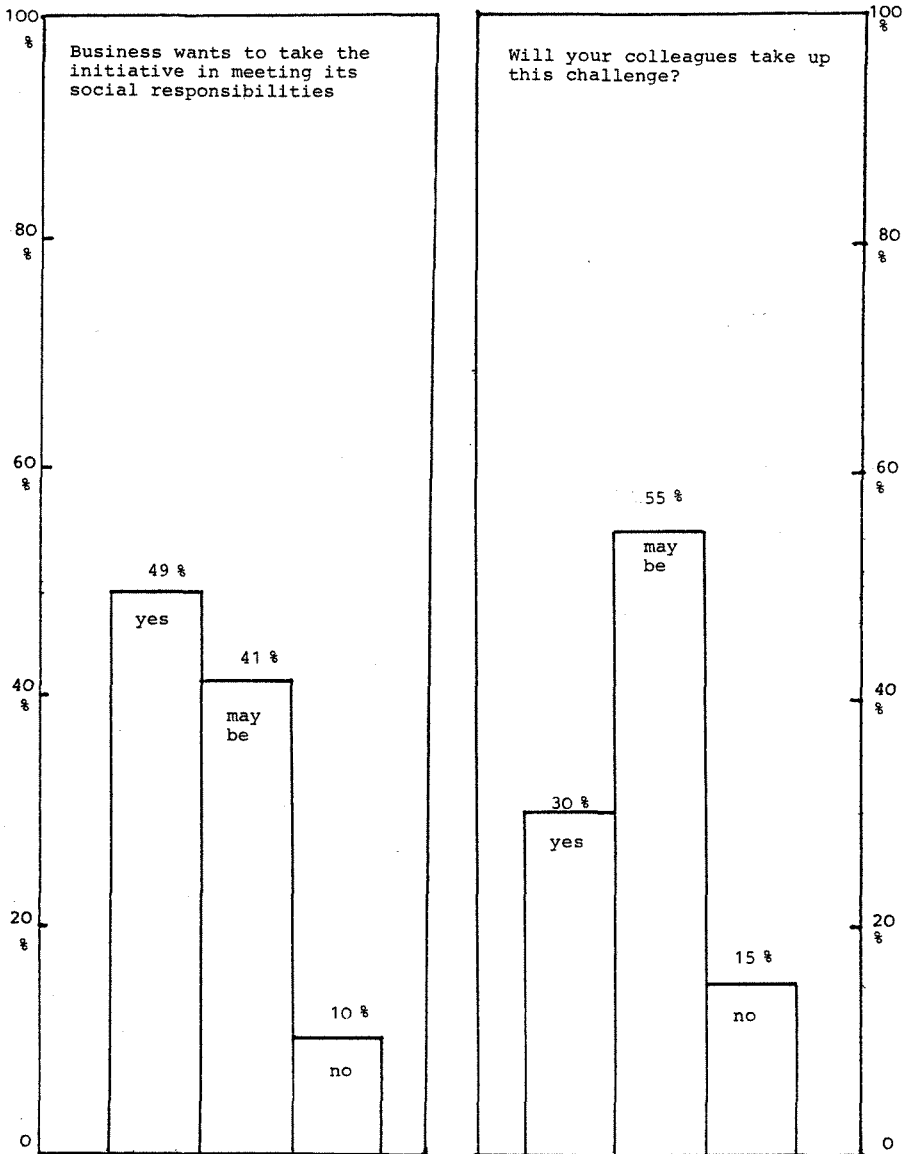


FIGURE 2

BUSINESS SOCIAL RESPONSIVENESS



In the face of a perceived increase in government intervention (66 %) and an overwhelmingly negative assessment of the developments in the market economy (76 %), 49 % of the 198 top managers who participated in the survey responded that business was ready to take the initiative and assume social responsibilities (Dierkes & Unger, 1975). While they remained somewhat skeptical as to the degree of commitment of fellow managers to undertaking a fullfledged effort in assuming their social responsibilities, respondents indicated a growing conviction that a carefully designed, rigorous, and transparent policy of expanding the social responsiveness and accountability of the business corporation would be the optimal strategy under these circumstances. (Fig. 2).

On the one hand it would force business to take into consideration the social impacts of its activities, and on the other hand it could help to avoid detailed and often ineffective government intervention (Dierkes, 1979, p. 89).

These responses correspond closely to the description of behavior seen by Ackerman as characteristic of the first phase. The transition from frustration to supportive understanding among leading innovators in the business community is also reflected in the numerous publications and speeches on the subject, as well as the various institutions and organizations established in this area.

Phase 2: Defining Goals and Assessing Performance

While it is clear that the boundaries between one phase and the next are fluid, and that the exact nature and speed of transition must vary between firms, a number of indicators show that a significant portion of the largest German companies have moved beyond the first phase into the second; some can also be seen to be progressing to the third.

The two key elements identified by Ackerman as characteristic of the second stage in implementing corporate social responsibility is the definition of broad policy goals and the establishment of an auditing function to assess the company's current performance. A survey conducted by 'Manager Magazin' in Germany in 1976 revealed that approximately 200 of the largest corporations in this country had already developed formal statements integrating economic and social goals (Manager Magazin, 1976). As regards the second indicator, results from another survey conducted jointly by 'Manager Magazin', and the Foundation Business and Society in 1978 (Dierkes & Ullmann, 1979) on the extent of social reporting in Germany provide valuable insights. Companies were asked whether they were preparing any of the elements of a corporate social report recommended by the working group "Sozialbilanz-Praxis".¹

1. Social report (Sozialbericht): verbal report of the goals, measures, achievements, and - as far as possible - the effects of societal activities, supplemented by statistical data;
2. Value added report (Wertschöpfungsrechnung): the value added by a firm in a given period; and
3. Social account (Sozialrechnung): account of all quantifiable, socially relevant expenditures and returns.

The preparation of a social report using one or more of these elements represents an attempt to obtain information about the company's social performance. Over half the respondents from industry and a quarter from retail indicated that they had compiled at least portions of a comprehensive social account (Sozialbilanz) according to this definition. An additional 15 % of industry and 25 % of retail businesses planned to prepare a social report for the following year. A more detailed analysis of the survey results for industry² provides the following picture of the practice of social reporting in Germany:

- Social reports together with a value added account were the most popular combination (28 %).
- An increasing number of companies (25 %) are preparing a verbal social report; it appears to represent a first step toward expanded reporting on socially relevant activities.
- 20 % of the companies prepared a separate value added statement.
- One fifth of the companies (13) prepared a combination of all three elements.

The survey revealed that firms perceive social reporting as a progression from a verbal report on socially relevant activities through the addition of a value added report, to the preparation of all three elements. There appear to be certain tendencies for blockage at each level, though. Only a few companies which are presently compiling verbal social reports intend to add value added accounts or prepare a comprehensive social account.

The results of this survey show that a significant number of major companies have established an internal auditing function to assess the social impact of business activities. As comparative studies show, German companies have been particularly creative and open to experimentation in designing ways of conducting such assessments (U.S. Department of Commerce, 1979).

An Assessment of German Corporate Social Reports

In spite of the numerous publications on the underlying theories and the results of the experiments with social reporting in Germany to date, no systematic analysis of these experiences has been conducted.⁴ To meet this need at the end of the first decade of work in the area, the senior author and Andreas Hoff

Table 1: The Reports Analysed

AUDI NSU AUTO UNION AG:	Mitarbeiter - Unternehmen (1978)
BASF AG:	Menschen, Arbeit, Geschäft '77 (1978)
BATTELLE-INSTITUT e.V.	Battelle-Bilanz (1976)
BAYER AG:	Bayer in Wirtschaft und Gesellschaft
BBC AG:	BBC-Sozialbericht '77 (1978) (1976)
BERTELSMANN AG:	Geschäftsbericht/Sozialbilanz '77/78 (1978)
B. BRAUN MELSUNGEN AG:	Sozialbilanz (1978)
BUDERUS AG:	Buderus-Post (1978)
DEGUSSA:	Personal- u. Sozialbericht 77/78 (1979)
DEUTSCHE BP AG:	Sozialreport (1976)
DEUTSCHE SHELL AG:	Geschäftsbericht/Sozialbilanz (1979)
ETERNIT AG:	Geschäftsbericht '78 (1979)
HOECHST AG:	Hoechst '77 (1978)
KÖLNER BANK v. 1867 eG:	Geschäftsbericht '77--Sozialbilanz (1978)
LANDESFORSTVERWALTUNG DES LANDES BADEN-WÜRTTEMBERG (MINISTERIUM FÜR LANDWIRTSCHAFT UND UMWELT):	Sozialbilanz 76/77 des Staatsforstbetriebs (1979)
MANNESMANN AG:	Mannesmann 1978: Mitarbeiter und Umwelt (1979)
E. MERCK AG:	Das Unternehmen und seine Mitarbeiter - Personelles und soziales Geschehen im Jahre 1977 (1978)
MIGROS-GENOSSENSCHAFTS-BUND:	Sozialbilanz (1978)
MOBIL OIL AG:	Geschäftsbericht 1977 (1978)
F. PIEROTH GmbH:	Pieroth-Sozialbilanz 75/76 (1977)
VEITH-PIRELLI AG:	Sozialbericht 1976 (1977)
RANK XEROX GmbH:	Geschäfts- und Sozialbericht 1976 (1977)
RHEINISCHE BRAUNKOHLENWERKE AG:	Rheinbraun Personal-u. Sozialbericht 1977 (1978)
RIEGER UND DIETZ GmbH&Co.:	RUD Sozialbilanz, 101. Geschäftsjahr (1976)
SAARBERGWERKE AG:	Sozialbilanz '77 (1978)
STADTSPARKASSE KÖLN:	Geschäftsbericht 1977 (1978)
STAHLWERKE PEINE-SALZGITTER AG:	Personal-, Arbeits- u. Sozialwirtschaft 1975/76, 1976/77 (1978)
STEAG AG:	Sozialbilanz '78 (1979)
STINNES AG:	Stinnes 1977 (1978)
VOLKSWAGEN AG:	Mitarbeiterzeitung d. Volkswagenwerk Aktiengesellschaft Wolfsburg: Sozialbericht 1978 (1978)

Source: M. Dierkes, A. Hoff; "Sozialbilanzen und gesellschaftsbezogene Rechnungslegung in der Bundesrepublik Deutschland" In: Hoffmann-Nowotny (ed.) Sozialbilanzen. Soziale Indikatoren VII. Campus Verlag 1980.

Table 2: Quantitative Analysis of the Reports According to Areas ¹⁾

	Total number of pages	Annual report	Social report: Total	Employees	Natural environment	Social environment	R+D	Suppliers	Competitors	Consumers	Value added statement	Social account	Goal catalogue
Audi	56	3	31	25	2	1	1.5				1		0.5
BASF	44	6	21	12	0.5	2	0.5				3	3	
Battelle	40	2	13	3.5		1	5			3			0.5
Bayer	68	6	42	20	5	5	8	1			3		
BBC	28		17	14.5							2.5		
Bertelsmann	104	37	13	8		2	1			1	1		
B. Braun	3	0.2	1.3	0.8								0.5	
Buderus	48	6	7	7									
Degussa	28	3	15	13.5	0.5						1		
Deutsche BP	48	1	15	9		1	0.5			0.5		4	
Deutsche Shell	62	8	25	7	3	5				6	1	2	1
Eternit	30	7	2.5	1							0.5	1	
Hoechst	72	44	7	1.5	1	0.5	2.5	1			0.5		
Köln Bank	36	9.5	9.5	2.5		1.5				3.5	0.5	1	0.5
Landesforstverw.	24		11	5	2	1					1.5	1.5	
Mannesmann	24	1	13	10	1.5			0.5			1		
Merck	64		36	30		3					3		
Migros	90	5	34	8	3.5	10.5		1	1	8	1		1
Mobil Oil	40	13	4.5	1.5	1	0.5					1		
Pieroth	24	0.5	10.5	4		0.5					1	5	
Pirelli	20		6.5	4.5	0.5		0.5			0.5	0.5		
Rank Xerox	40	6	7	3		0.5					2	1.5	
Rheinbraun	40	1	14.5	13							1.5		
RUD	12		5	3.5		1						0.5	
Saarbergwerke	36		15	11.5							1.5	2	
Stadtsparkasse Köln	62	8	8.5	1.5		1.5				4	0.5		1
Stahl P.S.	48		36	36									
Steag	20	2	6	2	0.5	1	0.5				1	1	
Stinnes	60	29	3	1.5	1.5								
VW	12		6.5	5	0.5	0.5					0.5		

1) In pages; except for the first column, pictures are not included; graphics are included only where appropriate.

attempted the first such thorough study (Dierkes & Hoff, 1980). The purpose was to provide an empirical basis for a critical analysis of the state of the art of corporate social reporting in Germany today by conducting a content analysis of a broad spectrum of published social reports. Table 1 presents the companies and their publications included in the study. A conscious choice was made to define social reporting in a very broad sense, in order to provide as large as possible an overview of the current activities in this field in Germany. (See Table 1).

Among the publications used were:

- 6 annual reports (Geschäftsbericht) with a more or less detailed link to general societal considerations
- 12 social reports orientated largely to the internal sphere of reference (Sozialbericht)
- 3 integrated annual reports/social accounts (Geschäftsbericht/Sozialbilanz)

A breakdown by industrial sector reveals the following:

chemical, energy, oil	10
automobile, machine tool, metal	8
banks	3
retail, consumer goods	3
others	6
	<hr/> 30

The 30 reports in the study were subjected to a standard scientific and qualitative analysis to evaluate both the overall scope of the reports and their substantive treatment of areas of concentration.⁷

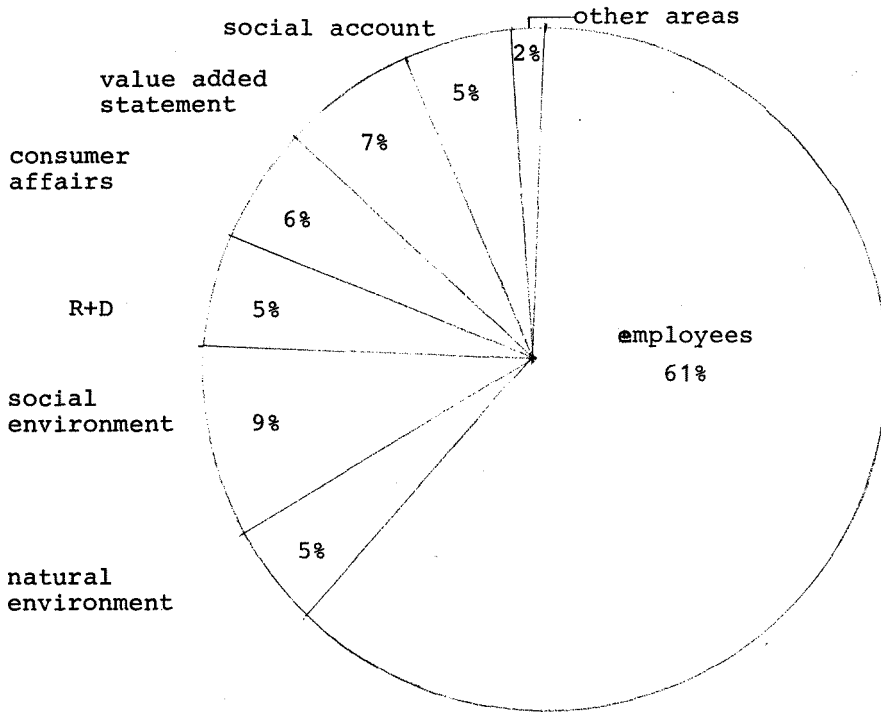
Quantitative Analysis

For the purpose of the quantitative analysis, the information included in the reports was first organized into categories and the amount of space devoted to each was tallied up (excluding empty space and pictures). The results in terms of pages are presented in Table 2. The general results of this part of the survey can be summed up as follows:

Of publications totalling an average length of 43 pages, the social report received a good third (43 %) of the space, and the annual report approximately 21 %. The remaining 45 % were taken up with pictures, graphics, or layout. Publications which included both an annual report and a social report were on the average half again as long as those dedicated exclusively to the social report (ca. 45 vs 30 pages). It is interesting to note that the often loose reporting style used in annual reports is usually not applied in the social report. There, the style is usually more concentrated and more information is provided. This is particularly noteworthy in view of the often heard accusation that social reports are little more than instruments of public relations. (Fig. 3).

FIGURE 3

The average space given to areas of social impact in social reports



Source: M. Dierkes, A. Hoff; "Sozialbilanzen und gesellschaftsbezogene Rechnungslegung in der Bundesrepublik Deutschland" In: Hoffmann-Nowotny (ed.), Sozialbilanzen. Soziale Indikatoren VII, Campus Verlag, 1980.

Clearly, the areas of company - employee relations dominates the reports, particularly the value added statement (Wertschöpfungsrechnung) and social account (Sozialrechnung) also include information on this topic. Thus, almost three quarters of the social report format used today in Germany focuses on the employees and their interests. All other areas receive on the average less than 10 % of the total reporting space. When disaggregated, however, the picture changes somewhat. As indicated in Table 2, not all reports include all categories. The proportional distribution of space changes correspondingly. For example, those companies reporting on the natural environment dedicate an average of 10 % of the total space to this subject, which is about 11 % higher than the total volume reported above. Similarly, when the social environment is included, it receives 13 % of the space (also about 11 % more than the overall total). Further, companies reporting on R & D allocated 13 % of the total space to this area. The surprisingly high (21 %) attention paid to consumer affairs in those reports covering this topic is explained by the fact that most of the companies in this group are in the service sector.

A closer analysis of the scope of the efforts to monetarize social costs and benefits in various accounts (usually published as appendices) is also interesting. While the relative space (8 %) of the value added statement in those reports in which it is included is only a little higher than the average of all reports, the proportion of the social account at 18 % is accompanied by a reduction of 26 % in the total volume of the social report. Those reports including both of these two elements accord them 28 % of the total space, thereby reducing the overall volume of additional information given by an average of 18 %. This trend reduces the substantive section of the report, and is a source of concern especially when one considers the low quality of the measures usually applied in the social account. The exclusive reliance on input factors as indicators of social benefits is methodologically very weak. It mistakenly assumes a linear relationship between the input and output of a company, and therefore leads to a distortion in reporting and interpretation (Fischer-Winkelmann, 1980, p. 114).

Qualitative Analysis

There is no general agreement on the qualitative standards of measurement according to which social reports can be measured. The authors therefore followed a pragmatic approach in this part of the analysis. They developed a scale on the basis of the traditional "Principles of accounting" (Grundsätze ordnungsgemäßer Buchhaltung): truthfulness, completeness, clarity, comparability, care, and economic efficiency. These principles were added to the accepted modes of social reporting: verbal presentation, indicators, future orientation, and were then operationalized in the following scale:

1. verbal statements and/or low quality indicators with little or no comment;
2. verbal statement and indicators of average quality with some explanation;
3. detailed presentation using internal comparative data of high quality;
4. detailed presentation using internal and external comparative data of very high quality;
5. detailed critical treatment of the subject using internal and external comparative data; planning reference.

The results of this qualitative analysis are presented in Table 3.

In the qualitative analysis of the various areas reported on by the company it is necessary to distinguish between the structure of each subtopic and its substantive treatment. The structural analysis, as reflected in the number of subtopics used, corresponds roughly to the results of the quantitative analysis: the area of employee-related matters is by far the best documented, while in other areas usually only first steps have been taken. This fact can be attributed to three key factors. As stated in the BBC Social Report, "it is largely thanks to a thorough computer information system on personnel that it is possible to obtain and interpret a large amount of data on age, background, professional activity of personnel etc.". Further, such data, in contrast to much of the information from areas such as natural environment, products, and marketing strategies, belong primarily to the "non-sensitive" area of corporate activities; companies are therefore more willing to publish them. Finally, the methodological difficulties encountered in accounting for the other areas of corporate activity, with the possible exception of a natural environment, should not be underestimated. Whereas there appear to be certain implicit conventions on topics to be included in the area of company - employee relations and related indicators, their development in the other areas is still in the earliest stages.

Elements within the employee category are treated with varying levels of comprehensiveness. While the traditional indicators in the annual report - personnel structure, personnel expenditures including fringe benefits and training programs - are relatively well documented, topics such as working conditions, working environment and worker participation, are of relatively low quality. The general tendency to emphasize costs, i. e. inputs, is noteworthy. Subjective indicators are rarely used, although they would significantly improve those areas which to date are documented.

Social reporting: Achievements and Future Challenges

This content analysis shows that the social reporting of

Table 3: Qualitative Analysis of the Reporting in the Various Areas

Area	Number of companies	Quality Ø	
EMPLOYEES			
<u>Personnel policy</u>			
Structure of personnel	30	2.37	
Policy principles	19	1.63	
<u>Personnel structure</u>			
Trainers	25	2.28	
Status	24	1.88	
Age structure	21	2.19	
Women	18	2.00	
Foreigners	16	2.31	
Functional distribution	13	2.15	
Handicapped	13	2.08	
Regional distribution	12	2.33	
Qualification	10	2.00	
Part-time employees	8	1.88	
Personal data	5	1.60	
<u>Personnel expenditures</u>			
Personnel expenditures	21	1.81	
Salaries and wages	30	2.40	
Salary and wage structure	4	1.50	
Pay principles	10	1.40	
Additional personnel expenditures	12	2.42	
Legally required social services	29	1.72	
Contractually agreed social services	8	1.63	
Other social services	10	1.20	

Source: M. Dierkes, A. Hoff; "Sozialbilanzen und gesellschaftsbezogene Rechnungslegung in der Bundesrepublik Deutschland" In: Hoffmann-Nowotny (ed.) Sozialbilanzen. Soziale Indikatoren VII. Campus Verlag 1980.

Area	Number of companies	Quality \bar{x}	
<u>Other social services</u>			
Company pension plan	27	2.19	
Savings plan	25	1.88	
Cafeteria	23	1.48	
Premiums	22	1.36	
Accommodation	21	1.71	
Financial aid	20	1.45	
Employee suggestion system	19	2.26	
Vacation premium	18	1.28	
Other leisure activities	15	1.40	
Company health plan	15	2.57	
Premiums for long services	13	1.38	
Insurance plans	13	1.15	
Sport	11	1.45	
Social counseling	11	1.73	
Non-monetary fringe benefits	7	1.29	
Compensations/social plans	6	1.67	
Other social services	(24)	1.42	
<u>Training and education</u>			
Basic training	26	2.58	
Additional training	25	2.08	
General	10	1.40	
<u>Working conditions</u>			
Accidents	21	2.62	
Safety	22	1.68	
Health	23	1.83	
Psychological services	3	1.33	
Structure of work-time	16	1.94	
Shifts	7	1.43	
Flexi-time system	4	2.00	
Humanization measures	8	1.38	

Area	Number of companies	Quality \bar{x}	
<u>Atmosphere and worker satisfaction</u>			
Length of service	17	2.18	■■■■
Fluctuation	16	2.38	■■■■■
Health	15	2.27	■■■■■
Dismissals	13	2.23	■■■■■
Employee information	18	1.39	■■
Employee surveys	6	1.83	■■■
Conflicts	3	1.67	■■■
Management principles	5	1.60	■■■
<u>Codetermination</u>			
Committees	22	2.22	■■■■■
Negotiation procedures	21	1.19	■
NATURAL ENVIRONMENT			
<u>Environmental protection department</u>	6	1.00	■
<u>Environmental protection equipment</u>			
Air	13	1.46	■■■
Water	12	1.75	■■■■
Waste	9	1.44	■■■
Noise	6	1.17	■■
Landscape	7	1.43	■■■
General	11	1.64	■■■
<u>Other measures</u>			
Recycling	8	1.38	■■■
Environmental research	4	1.50	■■■
Environmentally sound products	4	1.75	■■■■
Energy conservation	3	2.33	■■■■■
Participation in development of legislation	3	1.33	■■■

Area	Number of companies	Quality \bar{x}	
SOCIAL ENVIRONMENT			
<u>Government</u>			
Taxes/Charges	20	1.55	■
Time off for public service	10	1.40	■
Infrastructural measures	6	1.83	■
Assistance to internal revenue service	6	1.00	■
<u>Public</u>			
Charity	17	1.47	■
PR	13	1.46	■
Publications	7	1.71	■
Social program	5	1.60	■
RESEARCH AND DEVELOPMENT			
Investments/Costs/Returns	7	1.43	■
Activities	13	1.54	■
Employees	7	1.14	■
Suppliers	10	1.40	■
CONSUMERS			
Quality of supply	7	1.71	■
Customer surveys	5	1.60	■
Marketing policy	5	1.80	■
Advisory services	4	1.50	■

German companies varies significantly as to length and quality, both overall and within the individual reporting areas. Some areas are relatively well covered, while others are treated only briefly, if at all, and are often of poor quality. The quality of the reporting also varies significantly between firms. Some reports come very close to meeting standards set by the research community in some areas, while others content themselves with verbal statements characteristic of the initial phases of development.

The constituencies at which these reports are directed vary equally greatly. They range from the traditional constituencies - whereby employees are often accorded a central role - to the general public and new stakeholders.

The survey also reveals the widely differing indicators used to describe similar phenomena. Whereas sometimes reports rely on ad hoc indicators based largely on verbal statements or expenditures, others use in depth measurements and a variety of sub-indicators, include comments on the problems of measurement, and refer to background material.

The great variety in the practice of social accounting in Germany brings to light the major challenges in this area for the next few years:

1. Continued development of indicators, particularly in the areas of the physical environment, consumer affairs, suppliers, and the social environment.
2. Schematization and condensation of data presentation, to be accompanied by more detailed discussions of goals and problems encountered in meeting them in a given period. Attempts should also be made to combine the three elements identified by the working group "Sozialbilanz - Praxis" into an overall matrix of societal costs and benefits resulting from business activity.
3. Further standardization of reporting in all areas, along the lines of consensus on reporting schemes and indicators already achieved in the area of company - employee relations.
4. Empirical research on information needs through the introduction of feed-back systems between the business and its various constituencies. Experiments along these lines are being conducted by such companies as Migros, Deutsche Shell, and Kölner Bank. This is particularly important for goal reporting as a means of aligning company goals and services with the needs of the different constituencies.

Phase 3: Has Social Responsibility Been Institutionalized?

Have German companies progressed beyond phase two and onto phase three? Have they done more than define social goals and establish auditing functions to evaluate their social performance? The increasing development and use of various approaches to corporate social reporting is a clear indicator that German

companies are aware of their social responsibilities and are searching for concepts to integrate such considerations into their decision-making. But the acid test of the changes lies in the actual behavior.

In order to obtain insights into these developments, 'Manager Magazin' and the Foundation Business and Society have undertaken a longitudinal study of the behavior of leading German industries. The stated purpose is

to conduct a survey of all socially relevant activities of German industry, if possible in financial terms, to give management basic information and orientation for future social reporting and to stimulate the commitment of German industry to recognizing and taking into consideration the social impact of business activities (Manager Magazin, 1976/4, author's translation).

Thus far, two surveys have been conducted, the first in 1974 covering the years 1970-74 and the second in 1978 providing data on the period 1974-77. In 1974 questionnaires were mailed to 360 companies, including the 260 largest companies in German industry (each having a sales volume ranging from DM 30-250 million. Usable responses were received from 133 companies, representing a total sales volume of DM 240 billion, 29 % of the total industrial production of Germany and 20 % of all employees in German industry. The survey covered four areas of social commitment: employee relations, physical environment, social environment, and consumer relations.

In order to monitor changes in corporate social responsiveness over time, the survey was repeated in 1978. A few changes were made in the questionnaire on the basis of the experience in 1974: more qualitative indicators were integrated; 28 retail businesses were included to obtain insights into this field; and new areas were added, specifically, the development of business social policy using goal catalogues, the specification of tasks in the employee relations area, and the use of social reporting.

A comparison of the results of the two surveys conducted thus far produces interesting insights.¹⁰ The first period 1970-74, was characterized by a significant expansion on the part of business into all areas of social responsibility, particularly, however, employee relations. This expansion was reflected in the high rate of growth of related expenditures and also in different successes at the achievement level. The second period, 1974-77, by contrast, reveals a very different situation: the social responsibility of business continued to grow, but at a far lower rate, and the overall pattern is less clear but more diverse.

While the first survey indicated that the large corporations were far more socially responsive than the smaller companies, and that chemical, petrochemical, and mining companies were far ahead of others, the second survey revealed that other

branches of industry made up for lost time in practicing social responsiveness, and size was no longer the determining factor. The key results can be summed up as follows:

- Social responsiveness focuses even more on employees (they accounted for 75.1 % (1974: 73.0 %) of value added).
- Both absolute and relative shifts were observed with respect to the fringe benefits provided by businesses largely due to increased legislation requiring services which heretofore had been provided voluntarily.
- Company pension plans continued to dominate fringe benefit expenditures.
- A further indicator of social responsibility are career opportunities for minorities: here no changes over the whole period 1970-77 were noted; only 3.3 % of management posts were held by women.
- Training and further education were recognized as central social responsibilities. Expenditures rose by 21 % in this area.
- Business intensified attempts to improve training opportunities: the proportion of apprentices to total employees rose from 3.0 % to 3.5 %.
- Job safety was given top priority. Expenditures rose by 32 % to DM 488 per employee, and the accident rate fell by 18.5 %.
- 50 % of the companies indicated that they were experimenting with ways to improve the quality of the workplace, particularly through job rotation. Job enrichment and job enlargement were also tried, but only few companies attempted introducing partially autonomous working groups. The importance of non-material incentives was given increasing recognition.
- Expenditures for environmental protection seemed to level off. In many areas running costs were already higher than investments. Noise pollution gained in importance, while water pollution received less funds.
- Two thirds of the businesses had already introduced energy conservation measures, and every tenth company responded such measures were planned. Results were already noticeable: energy consumption had fallen by 5 %.
- Outlays for charity and community involvement did not rise in the second period (taking inflation into account).
- Consumer affairs were still assigned relatively little importance. Only 12 industries had a consumer relations department.

Conclusion

The application of Ackerman's model in reviewing the development of corporate social responsiveness over the past decade has proven valuable. Applied in conjunction with the various survey data cited in this paper, it indicates that German companies have definitively progressed from an initial phase of

frustration, to one of acceptance and active assumption of new responsibilities. A significant number of companies have clearly moved from the first phase to the second, defining social goals and establishing an auditing function to evaluate their social performance. An analysis of data on company behavior indicates that social responsibility is spreading; more companies are taking their social responsibilities into account in their business activities.

As Ackerman pointed out, in order for social responsiveness to be institutionalized, changes have to be made in the management structure. Incentive and decision-making structures have to be altered to take socially responsible actions into account. One of the most promising management tools for this purpose is goal-accounting. A company which defines its social goals along with its economic goals and then measures its performance according to these goals integrates the consideration of the societal impacts of its activities into every step of the planning and implementation process. By giving equal importance to its social and economic goals in policy formulation and in the evaluation of performance in the annual report, a company lays the groundwork for more responsible management decisions on a day to day basis. A number of companies are already experimenting with this concept. A careful analysis of their experiences should provide valuable insights into the advantages as well as problems involved in institutionalizing social responsiveness.

NOTES

1. Established in 1976 by 7 leading corporations to develop guidelines for social reporting in Germany; the group has since expanded to 15
2. A breakdown of data for retail was not possible
3. For more detailed discussions of the developments in this country see Dierkes 1979, 1979a, and 1980
4. A preliminary content analysis of 14 reports was conducted by the author and A. Hoff in 1978. For a discussion of the results see Dierkes 1979
5. The study was based only on published social reports; examples were not drawn from the estimated 200 social reports being prepared for internal purposes
6. Two Swiss companies (BBC AG and Migros-Genossenschaftsbund) were also included because they reveal new directions in the field
7. With reference to the procedure see W. Herkner, Inhaltsanalyse. In: J. van Koolwijk and M. Wieken-Mayser (Eds.), *Techniken der empirischen Sozialforschung*, Vol. 3, *Erhebungsmethoden: Beobachtung und Analyse von Kommunikation*, 1974: 158-191. Also R. Lisc and J. Kriz, *Grundlagen und Modelle der Inhaltsanalyse*, Reinbek bei Hamburg 1978
8. The application of these standards to social accounting was also suggested earlier by P. Eichhorn (Eichhorn 1974, pp. 19 -).
9. For reasons of comparability retail and service sectors were not included
10. For an international comparison of social responsibility among businesses see Preston et al., 1978

APPENDIXTable 1: The Reports Analyzed

AUDI NSU AUTO UNION AG:	Mitarbeiter - Unternehmen (1978)
BASF AG:	Menschen, Arbeit, Geschäft '77 (1978)
BATTELLE-INSTITUT e.V.:	Battelle-Bilanz (1976)
BAYER AG	Bayer in Wirtschaft und Gesellschaft (1976)
BBC AG:	BBC-Sozialbericht '77 (1978)
BERTELSMANN AG:	Geschäftsbericht/Sozialbilanz '77/78 (1978)
B. BRAUN MELSUNGEN AG:	Sozialbilanz (1978)
BUDERUS AG:	Buderus-Post (1978)
DEGUSSA:	Personal- u. Sozialbericht 77/78 (1979)
DEUTSCHE BP AG:	Sozialreport (1976)
DEUTSCHE SHELL AG:	Geschäftsbericht/Sozialbilanz (1979)
ETERNIT AG:	Geschäftsbericht '78 (1979)
HOECHST AG:	Hoechst '77 (1978)
KÖLNER BANK v. 1867 eG:	Geschäftsbericht '77 Sozialbilanz 1978
LANDESFORSTVERWALTUNG DES LANDES BADEN-WÜRTTEMBERG (MINISTERIUM FÜR LANDWIRT- SCHAFT UND UMWELT):	Sozialbilanz 76/77 des Staatsforstbetriebs (1979)
MANNESMANN AG:	Mannesmann 1978: Mitarbeiter und Umwelt
E. MERCK AG:	Das Unternehmen und seine Mitarbeiter - Personelles und soziales Geschehen im Jahre 1977 (1978)
MIGROS-GENOSSENSCHAFTS-BUND:	Sozialbilanz (1978)
MOBIL OIL AG:	Geschäftsbericht 1977 (1978)
F. PIEROTH GmbH:	Pieroth-Sozialbilanz 75/76 (1977)
VEITH-PIRELLI AG:	Sozialbericht 1976 (1977)
RANK XEROX GmbH:	Geschäfts- und Sozialbericht
RHEINISCHE BRAUNKOHLLENWERKE AG:	Rheinbraun Personal- u. Sozialbericht 1977 (1978)
RIEGER UND DIETZ GmbH & Co.:	RUD Sozialbilanz, 101. Geschäftsjahr (1976)
SAARBERGWERKE AG:	Sozialbilanz '77 (1978)
STADTSPARKASSE KÖLN:	Geschäftsbericht 1977 (1978)
STAHLWERKE PEINE-SALZGITTER AG:	Personal-, Arbeits- u. Sozialwirtschaft 1975/76, 1976/77 (1978)
STEAG AG:	Sozialbilanz '78 (1979)

(continued)

Table 1 (continued):

STINNES AG:	Stinnes 1977 (1978)
VOLKSWAGEN AG:	Mitarbeiterzeitung d. Volkswagenwerk Aktiengesellschaft Wolfsburg: Sozialbericht 1978 (1978)

Source: M. Dierkes, A. Hoff; "Sozialbilanzen und gesellschaftsbezogene Rechnungslegung in der Bundesrepublik Deutschland". In: Hoffmann-Nowotny (ed.), Sozialbilanzen. Soziale Indikatoren VII. Campus Verlag 1980

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