

Berthoin Antal, Ariane

**Working Paper — Digitized Version**

## Institutionalizing corporate social responsiveness: Lessons learned from the Migros experience

WZB Discussion Paper, No. P 85-1

**Provided in Cooperation with:**

WZB Berlin Social Science Center

*Suggested Citation:* Berthoin Antal, Ariane (1985) : Institutionalizing corporate social responsiveness: Lessons learned from the Migros experience, WZB Discussion Paper, No. P 85-1, Wissenschaftszentrum Berlin (WZB), Berlin

This Version is available at:

<https://hdl.handle.net/10419/77642>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

P 85 - 1

**Institutionalizing Corporate  
Social Responsiveness:**

Lessons Learned from the Migros Experience

by

P 85 - 1

**Institutionalizing Corporate  
Social Responsiveness:**

Lessons Learned from the Migros Experience

by

Ariane Berthoin Antal

24. FEB. 1987 Weltwirtschaft  
Kiel

For publication in: Lee E. Preston (ed.): Research in Corporate  
Social Performance and Policy, Vol. 7, JAI Press Inc., Greenwich,  
Conn. 1985

### Abstract

Why do certain firms handle the challenge presented by changes in the social, economic, and political environments better than others? In order to answer this question, a clearer understanding is needed of the process of institutionalizing responsiveness and the factors that influence the ability of companies to perceive and deal with changes. This paper posits that the model proposed by Ackerman to describe the progression of institutional change from issue awareness to program design and then operational integration is useful, but needs to be refined to take into account the influence of characteristics in each company's traditional way of viewing and managing tasks. Drawing on empirical data from the experiences of a major Swiss corporation, the Migros Genossenschaftsbund AG, this paper reports on a preliminary attempt to elaborate on Ackerman's model by integrating the concept of corporate social reporting as an instrument of planned cultural change.

### Zusammenfassung

Warum reagieren einige Unternehmen auf Herausforderungen des sozio-politischen Umfeldes besser als andere? Um diese Frage beantworten zu können ist es notwendig den Prozess der Unternehmenskultur sowie die Faktoren, die die Fähigkeit von Unternehmen zur Wahrnehmung und zum Umgang mit Veränderungen beeinflussen, zu verstehen. Die vorliegende Untersuchung geht davon aus, daß das Ackerman-Modell zur Beschreibung des Entwicklungsprozesses im Umgang mit gesellschaftsbezogenen Veränderungen - ausgehend von ihrer Wahrnehmung über die Einbeziehung in die Planung bis hin zu ihrer Integration in die Entscheidungsprozesse von Unternehmen - nützlich ist. Das Modell muß jedoch verfeinert werden, um den Einfluß der unternehmensspezifischen Betrachtungsweise und Managementaufgaben zu berücksichtigen.

In dieser Studie werden die empirischen Daten des Migros Genossenschaftsbundes AG herangezogen, um das Ackerman-Modell auszuweiten mit dem Ziel, das Konzept der Unternehmenskultur zu integrieren. Weiterhin wird die Funktion der gesellschaftsbezogenen Berichterstattung als Instrument geplanten kulturellen Wandels analysiert.

There is growing consensus in the academic and business communities that adjusting to complex and rapid changes is one of the most important challenges to the contemporary business corporation (see, for example, Ackerman and Bauer, 1976). Sophisticated organizational research has been conducted on possible models for scanning the environment to identify key elements of change and on mechanisms for making business more responsive to the social, economic, and political environments in which it operates (e.g., Steiner, 1983: 84-91). But why do certain firms handle this challenge more successfully than others?

In order to answer this question, a clearer understanding is needed of the process of institutionalization responsiveness and the factors that influence the ability of companies to perceive and deal with changes. This paper posits that the model proposed by Ackerman more than 10 years ago to describe the progression of institutional change from issue awareness to program design and then operational integration (Ackerman 1973) is useful, but needs to be refined to take into account the influence of characteristics inherent in each company's traditional way of viewing and managing tasks. In order to understand why one company is more or less responsive to some issues than are comparable companies (cf. Sonnenfeld, 1982: 122-123) and why its response is more or less developed in certain areas than in others, it is necessary to understand that company's "perception and filtering" process. Drawing on the concept of organizational culture, it is suggested here that the values and beliefs of a company play a major role in determining its perception of the pressures and changes in the social, economic, and political environment, and its ability to respond to them. What has traditionally been considered important in a company, and how the company has traditionally functioned influences the way new environmental factors are seen, the priorities they are given, and

the way with which they are dealt. In other words, the mode of interaction with the environment is largely influenced by the corporate culture.

The fact that it is necessary to recognize the importance and impact of corporate culture does not mean that established patterns of perception and behavior cannot be changed. On the contrary, on the basis of insights into the organizational culture it is possible to analyse why certain management tools for achieving social responsiveness have been more effective in some cases than in others. Corrective measures can then be designed. Once the role of the cultural "filter" is understood, comprehensive and systematic approaches to institutionalizing change, such as corporate social reporting (Dierkes 1985), can be undertaken to build on the traditional strengths of the company and make up for its blind spots and weaknesses.

Drawing on empirical data from the experiences of a major Swiss corporation, the Migros Genossenschaftsbund AG, this paper reports on a preliminary test of these concepts. How has social responsiveness been institutionalized in the company? What role has the corporate culture played in determining the strengths and weaknesses of the responsiveness? How has the extensive experiment with corporate social reporting over the past eight years influenced the process of planned cultural change?

#### A. Model of the Institutionalization Process

According to the model developed by Ackerman (1973), the process of social responsiveness develops in three broad stages:

Stage I: the establishment of a commitment to respond to an issue;

Stage II: the acquisition of specialized knowledge and skills to deal with it; and

Stage III: the implementation of the response and its integration into standard operating procedures.

The progression from one stage to the next, which may take months or years, involves a recognition of the need for a shift in objectives, means, and key actors.

The process, as modelled by Ackerman, is set in motion by the chief executive officer (CEO) of the organization, who recognizes an issue as being important and decides to commit the institution to a response. While it is possible that issue awareness may appear at a lower level of management first (e.g., a public affairs committee), the response process does not really begin until the CEO becomes involved (Steiner, 1983: 89), by talking about it, becoming active in its favor within the organization, then committing company resources to it, and, finally, by establishing a certain policy position on it. (For a discussion of views on the appropriate degree of public involvement of the CEO in public policy matters, see Moore, 1980: 9).

The second stage starts when the CEO recognizes that policy statements alone do not suffice to obtain an adequate response. A specialist is required to gather more information, develop a program, and coordinate company activities in the area. While it is essential

that the interest and support of the CEO be maintained in a visible fashion in this phase (i.e., the specialist must report to the top), the locus of activity shifts to the appointed staff person or unit. The strengths of this specialist lie in the design of response, but not in its enforcement.

When it becomes apparent that there are inherent conflicts between the "traditional" and the "new" policies at the operational level, a decision must be made by the CEO to alter management procedures. "True reforms are not achieved by adding to what already exists, but rather from blending the new into that which remains relevant in the old" (European Foundation for Management Development, 1977, quoted by Nind, 1981: xvii). Thus, the third stage involves establishing new priorities, reformulating performance expectations for management, and integrating the treatment of the issue of concern into the standard operating procedure in the various levels of business involved. Not until the decision making structures and mechanisms throughout the company are altered to reflect the operationalization of the desired response can behavioral changes be achieved (Anshen, 1980: 183-186).

The usefulness of this model lies in its specification of the transition process from a policy problem to a technical problem to a management problem. It identifies key characteristics of the stages, the purposes, and limits of each. The model has been tested and elements of it have been revised and refined by other researchers (cf. for example, Post 1978; Merenda, 1981), but some basic questions about issue selection and response implementation still cannot be answered using this theoretical framework. First, why are certain social issues selected for attention by a company (and, why are the same issues not accorded the same attention by other companies in essentially comparable situations)? Second, why does a given company manage certain issue programs more effectively than



others? Third, how is the transferability of experience in recognizing social issues and implementing social policy from one area to another determined?

### Factors Shaping Corporate Social Policy

#### The Sociopolitical Environment

Business does not function in a vacuum, in isolation from the sociopolitical system in which it is located (Preston, 1981). The structures, values, and objectives of a society largely determine the scope and nature of the business activities. The national culture defines the kinds of tasks business is expected to fulfill in two ways:

- First, the sociopolitical environment determines the overall agenda of problems with which to deal. Depending on such factors as the stage of economic development, the dominant political ideologies, and the prevailing values of a society, different social issues emerge and different priorities are set for their treatment.
- Second, the role of business in society—what business is expected to do or not to do, and how it is allowed to do it—varies according to sociopolitical systems (Vogel, 1980:99). There is in every culture at a given time a general understanding on the appropriate distribution of tasks between government, business, and other social actors. Thus, the definition of the scope of corporate social responsibility, the extent to which business is expected to help provide solutions to social problems, is set by the systematic distribution of responsibilities between business and

other actors in a given socioeconomic environment. (For a discussion of the role of business in the American political order in particular, see Epstein, 1980; Schlussberg, 1980).

In practice, however, the assignment of responsibilities is not as simple as such a model might suggest, because society and its institutions are dynamic rather than fixed. Both the overall social political agenda and the general understanding of the appropriate distribution of tasks can and do change. The "interpenetrating systems model" as presented by Post, for example, helps gain a perspective on the nature of this interaction (Post, 1978:63). Political, economic, or technological developments at home and abroad influence the types of problems which arise and the importance accorded to them. New problems emerge, old ones disappear or take on new dimensions as information becomes available, technology develops, and values change. The emergence of environmental protection is a typical example of how such factors as the introduction of technologies, the availability of new information on their impacts, and shifts in values placed a new issue high on the social policy agenda in a number of highly industrialized nations.

The task distribution paradigm is basically more stable than the task agenda because social, political, and economic institutions generally adapt gradually to new tasks within the established framework. Still, larger shifts in responsibilities, expanding or reducing the roles of certain actors in different areas, do also occur as a function of important changes in the social agenda or the sociopolitical environment (Kemper, MacMillan, and Hawkins, 1974:14-15). Overall, there has been a growing trend towards holding business more responsible for an ever wider range of externalities of its behavior: the pollution resulting from the production process, the health and safety of its workers, and the quality and safety of its products. This agenda has expanded over

time as more data on the negative impacts of business behavior have become available and as social priorities and values have changed (Ackerman and Bauer, 1976:19-22).

The social agenda established for business at a given time within the framework of the general distribution of responsibilities in a society is not equally applicable to every individual company. Clearly, such factors as industrial sector and size play a role in determining the relevance of specific tasks for each company. The challenge to management lies in its ability to sort through the mass of demands and pressures, new and old, in order to define the appropriate role of the specific company. This means identifying those particular issues to which the company can and must respond—which also implies recognizing them early enough to keep a sufficient zone of discretion for developing a response before the issue has hardened and no choice remains (Ackerman and Bauer, 1976; Dill, 1978:26). The role of management is to read the signals from the sociopolitical environment as to the content of the overall social agenda and the nature and scope of the responsibilities assigned to the business community as a whole, and to the company in particular, in order to develop an appropriate response. Research shows that business has recognized the significance of this task, because "departing from past practice, which tended to treat societal or public issues as secondary or peripheral, there is a definite trend among leading companies to integrate consideration of societal issues into the mainstream of the business decision-making process" (Task Force on Corporate Social Performance, 1980:x).

## The Concept of Organizational Culture

Differences in sensitivity to environmental challenges have traditionally been explained by a narrowly defined concept of economic interests. According to this view, business responds to challenges only when it perceives a close link to profits, both in the positive and the negative sense. Problems in the environment which could detract from the profitability of business activities are responded to, as well as those from which business might expect to benefit.

This simple model, however, leaves basic questions unanswered: why do some firms perceive a situation as offering an opportunity, while others see only a threat? For example, while European automobile manufacturers saw only a threat and economic burden in the demands of environmentalists for cleaner cars, Japanese manufacturers developed catalytic converters. Or, within a single national culture, why does one food chain invest early in producing natural foods, while others do not recognize the market opportunity represented by consumer criticism? It might be argued that this kind of decision is based on different time horizons in the definition of profitability. But, "once the notion of long-range profitability is introduced, only paucity of imagination and a short time-horizon limit one's capacity to justify expenditures with no direct, immediate business benefit" (Ackerman and Bauer, 1976:9). Doubtless, the short-term costs of developing new technologies are higher than the lobbying costs to prevent the demand for new technologies from being mandated. But, this begs the question: why do some companies use a more long-term perspective on profits while others use a short-term measure? Since practice has not proven one nation to be consistently more long-term in its orientation than another in conducting its business, and since

there are also differences in perspective between companies within sectors and branches of the economy, there must be a factor at work which is company-specific.

The company-specific differences in sensitivity to environmental challenges are usually explained by the qualifications and characteristics of the management: some managers are more sensitive to changes and challenges in the environment and are more effective in dealing with them than others. However, it is clear that specific managers can neither be credited with nor blamed for the overall responsiveness of the entire company. Organizations cannot be viewed so simply; their complexity makes it impossible for a single manager to influence the whole scope of decision-making in such a way. Besides, a good manager in one context is not necessarily as good in another: the myth of the manager who can be used in every company equally effectively has not held up well in practice. Apparently, characteristics of the company itself must be taken into consideration because they cannot be molded automatically into the preconceptions of standard management practices. Neither "good managers" nor "good techniques" developed for application everywhere in business schools have amounted to the same level of success in every situation.

In attempting to understand what these company-specific characteristics might be, researchers have taken recourse to anthropological work on groups and have borrowed the concept of "culture" to explain the behavior of businesses as a specific type of organization. Recognizing that corporations, like other anthropologically definable groups, are units whose decisions and behavior are guided by many tacitly accepted beliefs and values developed over time, it is thought useful to try to capture these distinctions through a more rigorous analysis of "corporate culture"

by focusing on the "underlying structure of meaning that persists over time, constraining people's perception, interpretation, and behavior" (Jelinek, Smircich, and Hirsch, 1983:337).

Numerous definitions of "culture" have been developed, some of which overlap, and some of which imply different research paradigms. (For thorough discussions of the different approaches and their implications, see Smircich, 1983; Allaire and Firsirotu, 1984.) One useful definition, which incorporates commonly accepted key elements is:

Culture consists in a patterned way of thinking, feeling, and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievement of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (e.g. historically derived and selected) ideas and especially their attached values (Kluckhohn, 1951:86).

Hofstede summarized this definition as a "collective programming of the mind which is relatively stable over time and leads to nearly the same behavioral pattern in similar situations" (Hofstede, 1980:13). The usefulness of the concept lies in the fact that it draws attention to the importance of values and beliefs for organizational structures, procedures, and behavior. It throws light on how "shared values (what is important) and beliefs (how things work) interact with a company's people, organizational structures, and control systems to produce behavioral norms (the way we do things here)" (Uttal, 1983:66). Cultures are found to be relatively stable over time "because societal norms lead to particular political, organizational, and intellectual structures and processes, and these in turn lead to self-fulfilling prophecies in people's perceptions of reality, which reinforce societal norms" (Hofstede, 1980:373).

The concept of corporate culture has attracted quite a bit of attention in both the academic and the business communities, but it remains admittedly quite fuzzy, difficult to define and to operationalize. Its attractiveness has led to a flurry of popular publications (e.g. Peters and Waterman, 1982; Deal and Kennedy, 1982) which, although valuable for their exploratory contributions, have unfortunately tended to detract from the essential value concept. Such popular publications have indicated that cultures can be typologized as "excellent" or "strong" and that companies having such excellent cultures also excel in their economic performance. Such a simplistic cookbook view has two major drawbacks: First, it implies that cultures can be manipulated at will to be made "excellent" and thereby ensure excellent performance, a suggestion which is untenable and impossible to implement. (The fact that such cookbook rules don't work well in practice has been learned the hard way; see the review of "fallen" companies in Business Week, 1984.) Second, it does not do justice to the concept of corporate culture, whose potential lies far more in the differentiation of features in a company's decision-making and implementation style, thereby permitting the analysis of the strengths and weaknesses in individual cases. The academic interest in this area is thus the specification of the interaction between culture and business behavior, with the organizational culture functioning as a filter. The practical interest for business lies in the identification of the filter's inherent blind spots that might influence the ability of the company to perceive and deal with the entire breadth of environmental challenges it faces.

## Corporate Social Reporting as a Tool for Planned Cultural Change

Institutionalizing corporate social responsiveness involves, first of all, selectivity. It is impossible and undesirable for businesses to deal with every unresolved and every emerging social challenge. But selection must be a conscious process. The essence of the task lies in the identification of those issues which are critical for the corporation and those which the corporation is best equipped to manage. Since it is important for this process to be handled comprehensively and systematically, researchers and practitioners have been developing and experimenting with different approaches to institutionalize the monitoring of the social, political, and economic aspects of the environment, e.g. environmental scanning units, public policy committees of the board (Task Force on Corporate Social Performance, 1980), strategic planning (Hanson, 1980), or corporate social reporting (Dierkes, 1980).

Selection of the issue is the first step in the process: a response must be formulated and implemented, and its effects monitored. Only an instrument that is thoroughly embedded in the corporation's decision-making and implementation system can really serve the purpose. Experiments with corporate social reporting seem to indicate that this instrument is capable of fulfilling these needs (Dierkes, 1985). By requiring the systematic treatment of all areas inside the corporation and all relevant stockholder groups it is designed to enable management to review its position comprehensively and critically. The concept is intended to establish the procedure for setting goals in each area. The aim of the reporting process is to ensure the ongoing monitoring of the level of attainment of each goal, putting pressure on the organization to implement policies it has set. The fact that the process of corporate social reporting is conceived as an integral part of management functions represents a



significant advantage over mechanisms which require supplementary and complementary measures to ensure the necessary action following up the preliminary environmental scanning function.

The systematic approach taken by corporate social reporting can bring to light the perceptual and behavioral blindspots occasioned by the corporate culture. Its combined scanning, goal-setting, and monitoring functions are designed to reveal those points to which too little attention has been paid by the traditional observation mechanisms in the company. And, in regularly evaluating the extent to which goals have been met in the different areas, it can reveal weaknesses in the implementation mechanisms which have developed over time. On the basis of this information, issues can be selected more carefully, and corrective measures can be taken to ensure the improved implementation of policies in the weaker areas. The aim is to gradually achieve a cultural change by building on the traditional strengths of the corporation and by compensating for and correcting the weaknesses.

The theoretical aim of corporate social reporting is to institutionalize corporate social responsiveness across the board in an individualized and manageable fashion. Is this goal attainable? The extent to which this intention can be realized will be examined below on the basis of the eight years of experimentation in the Migros Genossenschaftsbund AG in Switzerland. Drawing on the experiences of this company, the interaction between the management tool and the existing organizational culture, the preconditions for its successful implementation, and the limitations of its use will be analyzed.

Testing the Concepts: - The Migros Study

The Migros Genossenschaftsbund AG in Switzerland represents a particularly useful test case in two respects: its founder, Gottlieb Duttweiler, consciously developed a strong corporate culture which he documented extensively in letters and speeches, communicated in conversations and through his example, and institutionalized in the statutes of his company. Secondly, under the aegis of Pierre Arnold, Chairman of the Board, this company over the past eight years has been running the most far reaching experiment with corporate social reporting attempted so far (Dierkes, 1980). Table 1 provides a brief overview of the history, structure, and size of this company.

Table 1: Migros at a Glance

A. Brief History

- |         |   |
|---------|---|
| 1925    | Migros AG (grocery stores) founded by Gottlieb Duttweiler   |
| 1933    | Law passed by the Swiss parliament prohibiting the expansion of stores, which led Duttweiler to diversify (repealed 1945) |
| 1940-41 | Conversion of Migros AG into a cooperative (Migros Genossenschaftsbund AG)  |

B. Structure

It is a federation of 12 regional cooperatives (one in each canton) in Switzerland. It encompasses retail outlets (503 stores and 109 shops-on-wheels to serve remote areas); and production facilities (11 companies, primarily in food processing); and service and other sectors (28 subsidiaries, e.g. banks, travel agencies, insurance companies, shipping).

C. Size Today

Sales volume:	9,577.5 (Million Swiss Francs)
Cash flow:	457.2
Profit:	139.1
Total equity:	2,897.6
Net investments:	451.1

Total employees: 40,496

(Source: Annual report 1983)

Migros Genossenschaftsbund AG stores account for 13-14 percent of the entire national retail gross sales and for ca. 27 percent of grocery sales.

### Methodology of the Empirical Study

With a view to testing and refining Ackerman's model, three questions were posed of the Migros experience:

1. How has the institutionalization of corporate social responsiveness developed in Migros over time?
2. What role has the corporate culture played in the process?
3. Are there indications that the corporate social reporting experiment has influenced the development over the past eight years?

In order to obtain insights into these issues, the following steps were taken:

- Three policy areas were selected and their development categorized according to the Ackerman three-phase model. In order to refine the model and obtain more detailed information, each of these areas was then broken down into selected programs. The data for classifying the policy areas and the programs into the various phases was obtained by examining the statutes, historical documents, and corporate social reports of the company.
- Insights into the corporate culture of the company were collected through interviews with current employees at different levels of the company and with retired employees who had worked with Duttweiler. Further, historical documents, speeches, and publications by Duttweiler were reviewed. The purpose was to gain an understanding of the goals, values, patterns of behavior,

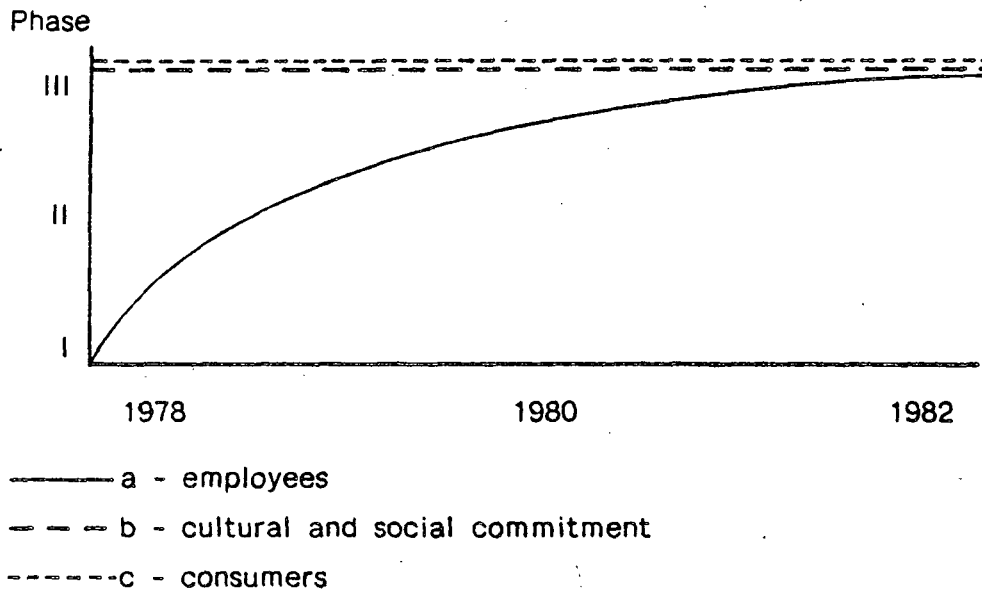
etc. which had developed over the years and influenced the way the company perceived its environment, its role in that environment, and how it dealt with the challenges.

- The influence of the corporate social reporting process on the company was analyzed by a detailed examination of the reports and through interviews with Migros employees.

#### Overview of the Selected Policy Areas

The Migros Genossenschaftsbund AG defines its social responsiveness very broadly and takes into account a wide range of constituencies (customers, personnel, the public, cooperative members, suppliers, competitors, physical environment). Of these, three areas were selected for closer examination: responsiveness to employees, to consumers, and the social and cultural commitment of the company. The first was chosen because it is an area in which Migros has traditionally been quite weak: Duttweiler considered it his calling in life to serve the consumer, and he created a culture oriented to this goal. So it was considered interesting to compare and contrast the developments in these two areas. The social and cultural commitment was selected because it is an original case: Duttweiler established a statutory commitment for the company to use 1 percent of its wholesale turnover for social and cultural purposes. Figure 1 provides an overview of the development of the institutionalization of responsiveness in these three areas through 1982.

Figure 1: - The Development of Corporate Social Responsiveness  
(Overview of the three policy areas)



The diagram indicates that the two areas, consumer policy and social and cultural commitment, have been institutionalized at level three from the outset. As established in Ackerman's model, in both cases the CEO was responsible for putting the issue on the corporate agenda. Interestingly, there is no indication of phase two activities: once Duttweiler established the commitment, he also arranged for its formal institutionalization into the business. However, a closer look at these two areas reveals important differences in practice, so that while both can be categorized as "level three," the nature of the actual institutionalization varies significantly.

The commitment to social and cultural issues was guaranteed through the statutes of the corporation, but the management of this function was then, so to speak, treated as being outside normal business activities. The institutional commitment was ensured through the statutory budget, and was morally supported by Migros employees (who are very proud of this special feature of their company), but it was never fully integrated into standard management procedures.

The commitment to consumer interests, on the other hand, permeated every aspect of business behavior and was integrated into all facets of decision-making. Operational principles were formulated and procedures for their implementation were established. For example, Duttweiler defined the role of Migros in serving as a bridge between the producer and the consumer to mean: (1) using a profit margin of 8 percent rather than the current 40 percent used by other Swiss companies; (2) providing information to the consumer; and (3) high quality at reasonable prices. These principles were instilled into employees who knew that their performance would be evaluated accordingly. Other institutional procedures were also created to ensure compliance with these principles: quality control labs were introduced very early, for example: an Office for Consumer Affairs was created (1973); and detailed product information labels were used much earlier than was called for by consumer protection laws. It was an integral part of the ethos of Migros employees that acting as pioneers in the interest of the consumer was morally right and necessary—and good business (in that order of priority).

As can be seen from Figure 1, the pattern with respect to responsiveness to employees is very different. Personnel policy received very little attention before 1977. There are two reasons to be found within the culture of the corporation to help explain this phenomenon: (1) responsiveness of the company has traditionally been directed to the external rather than the internal environment;

and (2) the business was run in a decentralized, regional manner, leaving the personnel policy area without central coordination. Old employees who had worked with Duttweiler were proud of memories which captured this philosophy: when one of them asked Duttweiler for a raise, he exclaimed, "it is such an honor to work for a company such as Migros, in the service of the consumer; that in itself represents a bonus!" And these employees agreed fully: Not surprisingly, this view was not equally shared by later generations of employees but it took a long time for this deficit to be recognized.

The second cultural factor which played a role in this process was the regional structure of the Migros Genossenschaftsbund AG. In this respect, Migros is a true child of the potential structure in which it is set. Duttweiler designed his company to mirror the federal structure of the national environment. In terms of flexibility in responding to the particular characteristics of the different regions, this approach has its advantages. However, it also meant that there was no central policy on employee remuneration, benefits, development, etc; the individual regions did not know what the other regions were doing, nor, in many cases, did the central office know. As will be discussed below, the corporate social reporting process contributed significantly to revealing this situation in the first place, and then correcting it where necessary. This largely explains the rapid development of the curve after 1977.



Institutionalization of Social Responsiveness Within the Policy Areas:

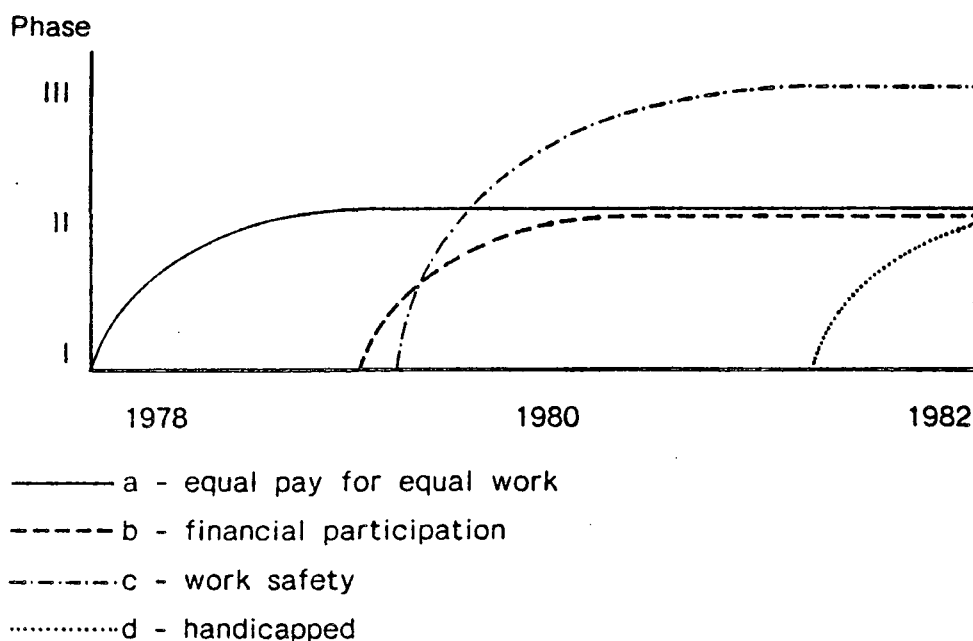
Selected Examples

In order to get a more exact reading of the development of responsiveness, examples of issue identification and program implementation were examined within each of the three policy areas. Figures 2, 3, and 4 reveal the different patterns observed. A closer look at each case shows the potential paths an issue can take and provides insights into the impact of the cultural factors.

**Responsiveness to Employees**

The four examples chosen in this policy area were: equal pay for equal work; financial participation of employees; work safety; and promotion of the handicapped. Three basic patterns can be observed:

Figure 2: - Responsiveness to Employees



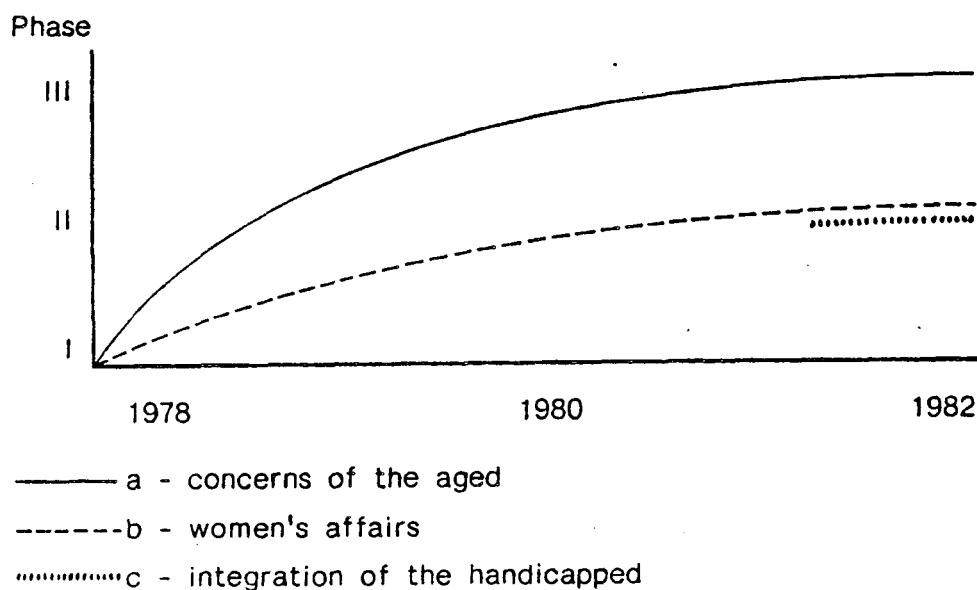
1. Progression from stage - I to -II, - - but not beyond. This occurred in two programs. The principle of "equal pay for equal work" was agreed upon between Migros and the unions in 1976, and it was integrated into the Swiss Federal Constitution in 1981. However, no significant efforts to alter the behavior of the company seem to have been made. The system is not adjusting well to the new demands, which the culture does not seem to promote. The second issue in this category, the program to expand financial participation for employees beyond the basic cooperative shares available to all Swiss citizens, was introduced in 1979 and assigned to a committee for policy elaboration. However, it was not implemented by the time the third social report was published, as had been planned. The reasons for the delay are probably technical rather than cultural in nature; the original time schedule appears somewhat tight. The experience with these two programs shows that the transition from one stage to the next is neither automatic nor equally rapid and smooth. Both cultural and technical factors can influence the development.
  
2. Rapid progression from stage -I to -III, - - but still unsatisfactory results. The issue of work safety had not received any attention until 1979, at which point the response process progressed very rapidly into specific operationalization programs. However, the accident rates remain higher than the targetted levels and higher than those in comparable companies. This serves to indicate that achievement of stage III does not mean the achievement of full success. It must be remembered that the model is designed to measure the level of institutionalization of responsiveness, not goal achievement.

3. Emergence of an issue from a different policy area. The awareness of the problems of the handicapped started in the Directorate for Social and Cultural Affairs, and was picked up by the personnel departments as it recognized that some of its employees belonged to this category. It is too early to evaluate the progression of this learning curve but it is certainly interesting to find a case in which cross-departmental responsiveness apparently is becoming institutionalized.

#### Cultural and Social Commitment

Three examples were selected from the social programs run by the Directorate for Cultural and Social Affairs: the concerns of the aged, women's affairs, and the integration of the handicapped. They were selected because their development reveals new features of the institutionalization process.

Figure 3: Cultural and Social Commitment



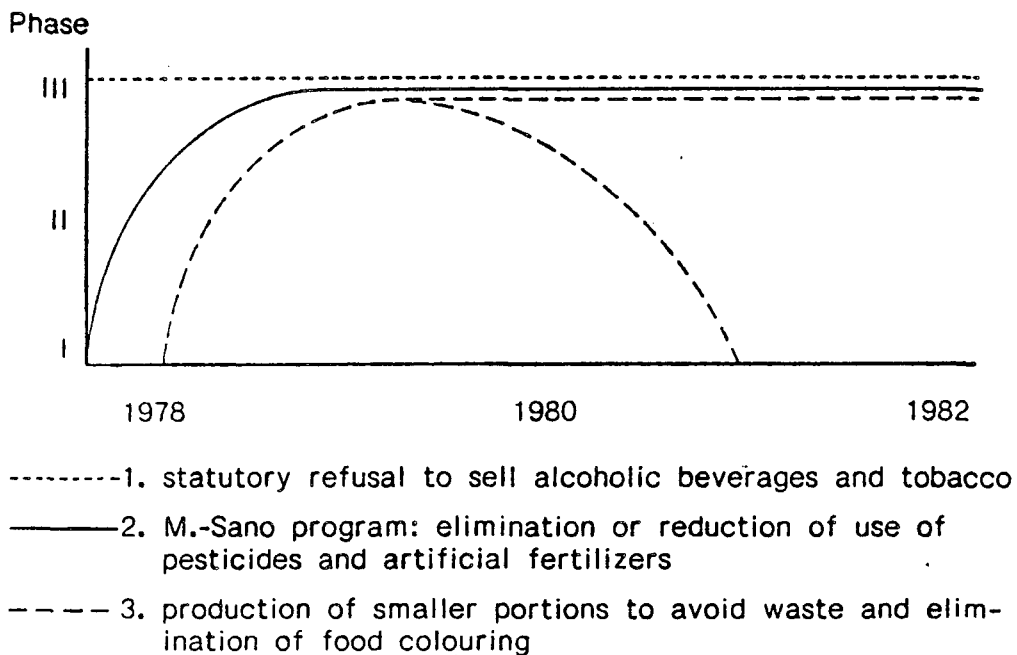
1. Emergence of an issue with old roots, - picked up on by middle management. The attention to the concerns of the aged can be traced back to the Senior Citizen's Club established by Duttweiler in 1954. Twenty years later, some personnel managers took the initiative of organizing projects within their plants to prepare employees for retirement. These efforts, combined with information from studies on the elderly, persuaded managers of the Migros Federation (central office) to examine issues of aging. In 1977, a new section on the Concerns of the Aged was established in the Directorate for Social and Cultural Affairs, in coordination with the personnel department. This is an interesting interplay of two aspects of the Migros culture: Duttweiler's expressed interest in the aged, and the tradition of decentralization (which, in this case, allowed for experimentation) leading to the particularly effective and novel institutionalization of a new program.
2. Differential progression. The Section for Women's Affairs was established at the Directorate at about the same time as the Section for the Concerns of the Aged but does not appear to have progressed as effectively: the analysis did not reveal activities beyond the committee-type stage.
3. Stage II emergence. The program for the integration of the handicapped appears to have emerged quite suddenly. Migros' social commitment was traditionally expressed very generally in terms of donations to charity causes to help the "economically and socially handicapped." The decision to move beyond such general charity to effective programs for specific groups of physically handicapped seems to have developed a sudden momentum and has been promoted within the company to deal with handicapped employees in cooperation with the personnel department. The available documents show no stage I type

steps; more detailed interviews would be needed to discover how exactly this issue was placed on the agenda and to establish whether stage I was in fact skipped.

#### Responsiveness to the Consumer

Four issues were selected to illustrate programs in this, the traditionally strong area of Migros. The refusal to sell alcoholic beverages and tobacco; the Migros-Sano program, which seeks to ensure healthy food products by eliminating and reducing the use of pesticides and artificial fertilizers in production, the marketing of smaller portions and the elimination of food coloring (the last two are treated together in the diagram).

Figure 4: -- Consumer Policy



1. Immediate stage III due to statutory commitment. Duttweiler expressed his concern for the health of consumers by refusing to sell alcoholic beverages and tobacco and by ensuring through the statutes of the corporation that this would not be done in the future. Stages I and II were thus skipped in the history of the company; effective level III responsiveness was ensured from the outset.
2. Very rapid progression from stages I-III, and constant expansion of the policy concept for specific cases. The traditional emphasis of Migros on quality and on health led to the introduction of the Migros-Sano natural product policy in 1972. It is continuously being extended to new products.
3. Dropping out of stage III. In 1978, Migros introduced some products in smaller packages to reduce waste. Its traditional maxim had been to reduce costs for the customer by providing larger rather than smaller packages, but more recent demographic studies had indicated that households were becoming smaller and therefore needed smaller packages to avoid waste. Migros was not able to "reeducate" its customers to buy the more economical sizes in many cases. The same kind of "educational" problem was encountered in attempts to eliminate food coloring from certain products, such as fruit cocktails: the program had to be abandoned due to customer resistance. Migros' sensitivity to consumer interests has traditionally put it in a pioneering role. It has then often had to wait for general social responsiveness to catch up: in some cases, the company had to drop programs that were too far ahead of the times.

The Role of Corporate Social Reporting in Planned Cultural Change

Eight years is not a long time in a social experiment. The results, recorded in the three reports published to date, however, do document important changes. The experiences in the three policy areas show different kinds of learning processes, pointing to different kinds of roles the social reporting process can play in various situations. In both the employee and the social issue area, the role of corporate social reporting was to start at the basement level and set the process of policy formulation into motion. Before 1977 there were only general and fragmentary guidelines for personnel policy. The process of preparing the first social report brought these deficiencies to light for the first time (Social Report 1980, p. 80). In 1977, a coordination committee for personnel policy was established under the chairmanship of the president of the Executive Committee. A similar situation was faced in the social area: in the course of preparing the first social report, it became clear that no specific goals or policies had guided the corporation in fulfilling its commitment to social and cultural interests of the community. In June 1976, a Cultural Commission was convened to prepare the groundwork for determining the future cultural and social policies of Migros.

The learning process which followed the initial problem recognition in the two areas reveals somewhat more of the differences in the culture. While progress was quite rapid in the area of personnel policy, it was much slower in reference to social affairs. The second social report documented a tremendous learning process in the area of personnel policy. The goals defined for this area in this document are among the most precise and operational. On the basis of data collected by the personnel department since 1977, major adjustments and changes had already been made. The third social report evidenced yet another major step forward from the first

report, in which very general goals were formulated, to the second, in which more precise goals and means of achieving them were defined, the third report shows how the concept of social responsiveness to employees as a mindset has established itself in the company: the general and specific goals are integrated into a model of personnel policy (e.g. work safety is now treated as one issue within the framework of the quality of work life rather than as an isolated problem). Interviews with employees in the personnel department, both those who had been directly involved in putting together the data for the report and those who had not, indicated that they felt very strongly that the process was a very useful one for problem identification, policy formulation, and the monitoring of implementation.

The next major policy step in the area of social and cultural affairs was the establishment in 1979 of a working party to prepare the second social report. This group revised the paper of the 1976 commission and drew up the guidelines for the cultural and social obligations of Migros on the basis of the Statutes of the Corporation, the Duttweiler Theses, the Conventions, and the revised 1976 paper (1980 Social Report, p.13). These guidelines were subsequently approved by both the Board of Directors and the Assembly of Delegates. It was consequently possible to restructure this area in accordance with the defined principles (Social Report 1983, p. 47). Thus, the social reporting process has helped to reveal the weaknesses in this area, to define goals, formulate policies, and adjust structures to meet them. But, it appears that the lack of a "management culture" in this area has made this learning process a difficult and slow one.

In the area of consumer responsiveness, the overall objectives, specific goals, and various institutions for their implementation have been accorded extensive attention for years. The Ombudswoman for



Consumer Affairs welcomed the corporate social reporting process as yet another mechanism to help the company to remain a pioneer in its field. The role of social reporting under these circumstances is to continually reexamine the extent of Migros commitment, search for issues which have not yet been given sufficient attention, and to continue to build on the strengths of the corporation.

### Conclusions

The conclusions from such a first cut analysis cannot aspire to be more than tentative. This project set out to experiment with the application of the Ackerman model of institutionalization at an aggregate as well as at a disaggregate level; to try to use the concept of corporate culture to explain the relative levels of progress made in different policy areas; and to examine the extent to which the concept of corporate social reporting could be observed to act as an intervening variable in achieving planned cultural change. The conclusions can be sketched briefly in two categories:

#### Conceptual Conclusions

1. The stages defined by Ackerman are useful conceptual tools but they need to be refined and applied at a disaggregated level in order to describe
  - differences in the development of corporate social responsiveness in different functional areas;
  - differences in the development of responsiveness among different issues within each area.

2. The achievement of stage III does not represent the end of the process: further refinements, expansion of the application of the programs in other specific areas, and the monitoring and evaluation of achievements is required. Equally, the achievement of stage III cannot be interpreted as a measure of goal achievement; it is a procedural, not an output measure.

### Substantive Conclusions

1. There is evidence that the traditions, beliefs, and values of company influence the way it perceives its internal and external environment, establishes priorities over time, and deals with issues. Migros' traditional commitment to the consumer and society at large has meant that the external environment has received more attention than the employees, the internal constituents of the company.
2. Although our data base is still very weak as regards the performance of other companies, it appears that there is reason to believe that the culture of a company influences its overall social responsiveness.
3. Even within the relatively short time span covered (1976-1982) there seems to be evidence to show that the social reporting process can be used to compensate systematically for "culturally-bound" deficiencies in the company's ability to perceive and deal with a broad range of changes in its environment. In areas in which the company is particularly weak, the role of the social reporting process is to bring these deficiencies to light and establish a procedure for developing goals and programs and monitoring their achievement; in areas where the company is traditionally strong, the process serves to

seek out new challenges and to stimulate further learning. In the case of Migros, the social reporting process revealed, for example, the company's need to establish a responsive commitment to its employees, its need to develop a sounder basis for its cultural and social commitments, and it has helped to monitor the expansion of the traditionally strong responsiveness to consumer interests in further specific issues.

In order to refine these conclusions and establish their validity more conclusively, comparative data need to be collected. This paper has sketched some of the factors to be included in a framework for analyzing the interaction between the company and its sociopolitical environment. But the exploratory empirical research focused on one company within one national context. Further research would be necessary to compare in detail how similar companies react within the same environment. Research is also needed to observe how companies in different national contexts respond to environmental pressures. How do they react to the same environmental issue, and how are social responsibilities "assigned" for different environmental issues?

## References

- Ackerman, Robert W. "How Companies Respond to Social Demands." Harvard Business Review, (July-August 1973):88-98.
- Ackerman, Robert and Bauer, Raymond. Corporate Social Responsiveness: The Modern Dilemma. Reston, Va: Reston Publishing, 1976.
- Allaire, Yvan and Firsirotu, Mihaela E. "Theories of Organizational Culture." Organization Studies 5 (3) (1984):193-226.
- Anshen, Melvin. Corporate Strategies for Social Performance. New York: Macmillan Publishing Company, 1980.
- Brown, James K. This Business of Issues: Coping with the Company's Environments. New York: The Conference Board, 1979.
- Deal, Terrence and Kennedy, Allan. Corporate Cultures. Reading, MA: Addison-Wesley, 1982.
- Dierkes, M. "Corporate Social Reporting and Performance in Germany" in Lee E. Preston (ed.), Research in Corporate Social Performance and Policy. Vol. 2 Greenwich, Conn: JAI Press, 1980:251-289.
- Dierkes, M. "Corporate Social Reporting and Auditing: Theory and Practice," K.J. Hopt and G. Teubner (eds.), Corporate Governance and Directors' Liabilities. Berlin, New York: Walter de Gruyter, 1985:354-379.
- Dill, W. "Private Power and Public Responsibility," in W. Dill (ed.), Running the American Corporation. Englewood Cliffs, NJ: Prentice-Hall, 1978:7-37.
- Duttweiler, G. Überzeugungen und Einfälle. Zürich. 1978.
- Duttweiler, G. 15 Jahre Brückenbau der Migros von Produzent zu Konsument 1925-1940. Zürich. 1941.
- Epstein, Edwin E. "Business Political Activity: Research Approaches and Analytical Issues," in Lee E. Preston (ed.), Research in Corporate Social Performance and Policy. Vol. 2. Greenwich, Conn: JAI Press, 1980:1-55.
- Hanson, Kirk O. "Strategic Planning and Social Performance," in Task Force on Corporate Social Performance (ed.), Business and Society: Strategies for the 1980's. Washington, DC: U.S. Department of Commerce, 1980:149-170.

- Hofstede, Geert. Culture's Consequences. - International Differences in Work-Related Values. Beverly Hills, London: Sage Publications, 1980.
- Jelinek, Mariann, Smircich, Linda, and Hirsch, Paul. "Introduction: A Code of Many Colors." Administrative Science Quarterly 28 (3) (Sept. 1983):331-338.
- Kempner, Thomas, MacMillan, Keith, and Hawkins, Kevin. Business and Society: Tradition and Change. London: Allen Lane, 1974.
- Kluckhohn, C. "The Study of Culture," in D. Lerner and H.D. Lasswell (eds.), The Policy Sciences. Stanford, CA: Stanford University Press, 1951.
- Melliger, Ernst. 80 Fragen und Antworten über die Gründung der Migros, ihre Entwicklung und ihre Aktivität. Zürich. 1969.
- Merenda, Michael J. "The Process of Corporate Social Involvement," in Lee E. Preston (ed.), Research in Corporate Social Policy and Performance. Vol. 3. Greenwich, Conn: JAI Press, 1981:17-41.
- Meynaud, J. and Korff, A. Die Migros und die Politik. Zürich. 1967.
- Migros Genossenschaftsbund AG. Social Report. Zürich 1978.
- Migros Genossenschaftsbund AG. M. Social Report 1980. Zürich. 1980
- Migros Genossenschaftsbund AG. Third Social Report of Migros. Zürich. 1983.
- Migros Genossenschaftsbund AG. Statuten der Migros Genossenschaft. Zürich. 1980.
- Migros Genossenschaftsbund AG. Eine Brücke in die Zukunft. Jubiläumsbroschüre. Zürich. 1955.
- Moore, David G. Politics and the Corporate Chief Executive. New York: The Conference Board, 1980.
- Nind, Philip. "Management and Learning." in Cary L. Cooper (ed.), Developing Managers for the 1980's. London: The Macmillan Press, 1981.

- Peters, Thomas J. and Waterman, Robert H. In Search of Excellence: - Lessons from America's Best-Run Companies. New York: Harper and Row Publishers, 1982.
- Post, James E. "Research on Patterns of Corporate Response to Social Change," in Lee E. Preston (ed.), Research in Corporate Social Performance and Policy. Vol. 1. Greenwich, Conn: JAI Press, 1978:55-77.
- Post, James E. Corporate Behavior and Social Change. Reston, VA: Reston Publishing Company, 1978.
- Preston, Lee E. "Corporate Power and Social Performance: Approaches to Positive Analysis," in Lee E. Preston (ed.), Research in Corporate Social Performance and Policy. Vol. 3. Greenwich, Conn: JAI Press, 1981:1-16.
- Riess, Curt. Gottlieb Duttweiler. - Eine Biographie. Zürich. 1965.
- Schlussberg, Malcolm, D. "The Political Character of Business in an Organizational Regime," in Lee E. Preston (ed.), Research in Corporate Social Performance and Policy. Vol. 2. Greenwich, Conn: JAI Press, 1980:55-75.
- Smircich, Linda. "Concepts of Culture and Organizational Analysis." Administrative Science Quarterly 28 (3) (1983):339-358.
- Sonnenfeld, Jeffrey. "Structure, Culture, and Performance in Public Affairs: A Study of the Forest Products Industry," in Lee E. Preston (ed.), Research in Corporate Social Performance and Policy. Vol. 4 Greenwich, Conn: JAI Press, 1982:105-127.
- Steiner, George A. The New CEO. New York: Macmillan Publishing Co., 1983.
- Task Force on Corporate Social Performance. Business and Society: Strategies for the 1980's. Washington, D.C.: U.S. Department of Commerce, 1980.
- Uttal, Bro. "The Corporate Culture Vultures." Fortune. Oct. 17, 1983:66-72.
- Vogel, David. "The Persistence of the American Business Creed." in Lee E. Preston (ed.), Research in Corporate Social Performance and Policy. Vol. 2. Greenwich, Conn: JAI Press, 1980:77-102.
- "Who's Excellent Now?" Business Week Nov. 5, 1984:46-55.