A West German Governance Compromise? Stakeholder Relations from the „Wirtschaftswunder“ to the Industrial Structural Crisis, 1950’s to the 1980’s

Veranstalter: Ute Engelen / Stephanie Hagemann, Bielefeld University
Datum, Ort: 25.06.2010–26.06.2010, Bielefeld
Bericht von: Michael A. Kanther, Duisburg

The Bielefeld Graduate School in History and Sociology (BGHS) endeavours to give junior researchers the opportunity to present and discuss their research projects in an interdisciplinary setting. The BGHS had invited to discuss the importance of stakeholder relations in some big German companies from the years of the „Wirtschaftswunder“ to the industrial crisis of the early 1980’s, also in comparison with selected companies in France. The Workshop was opened by the organizers UTE ENGELEN and STEPHANIE HAGEMANN (both Bielefeld University) who introduced the Stakeholder Relations approach. Stakeholders of a company are those individuals or groups of persons who can make a company collapse by withdrawing their cooperation, for example the employees. The Stakeholder Relations approach was invented in the 1960’s by the business theoretician Igor Ansoff (the „father of Strategic management“), and the economist Robert Stewart. The idea that a company has to satisfy different stakeholders to be successful leads to the concept of Corporate Social Responsibility (CSR). It was refused from the liberal school of economics defending the primacy of shareholder value, corresponding to Milton Friedman’s dictum: “The social responsibility of business is to increase its profits“ (1970). The workshop set out to examine how far stakeholder relations in different companies prove the existence of a specific West German governance compromise from the 1950’s to the 1980’s. A core question was whether companies only have the possibility to meet the expectations of their stakeholders because of their financial scope or if stakeholder orientation rather emanates from attempts to insure the long-term profitability.

After this introduction, DAVID GILGEN (Bielefeld University) talked about the setting of CSR between moral expectations and corporate governance. He described the development of CSR codes like Global Compact and Global Reporting Initiative throughout the world and examined why enterprises introduced CSR Codes. Although there aren’t too many companies involved, these are usually important companies, who indirectly obligate their suppliers and subsidiaries by their participation.

The first panel of the workshop on „Management, Labour Unions and Employees“ was opened by STEPHANIE HAGEMANN (Bielefeld University) who presented her research project about the development of Corporate Social Accounting in the 1970’s. Hagemann focussed on the emergence of social responsibility of business and the introduction of social accounting. German companies adapted the idea of social accounting from the United States, but combined it with their own reporting tradition on social issues. The Badische Anilin- und Sodafabrik in Ludwigshafen, for example, built worker’s dwellings and convalescent homes for its employees and published a Welfare Report already in 1900. In the 1970’s the Deutsche Shell AG defined corporate goals like promoting young people and protecting nature and issued a Social Report (1975). Today the effort of an industrial company for sustainability in the production, for example, makes the analysts give it a better rating and thereby increases the advantage of the shareholders. The German reporting tradition reflects at least a limited stakeholder orientation and advanced the development of more innovative theoretical and practical concepts in Germany in comparison to other countries, but social accounting remains a trial and error experiment amid uncertainty.

ANNA R. BALZER (Bochum University), who does research on the industrial relations at the Bayerische Motorenwerke AG (BMW), the Daimler-Benz AG and the Volkswagen AG, dealt with the stakeholder relations in the automotive industry of West Germany and analyzed the behaviour of managing boards, employees and labour unions as stakeholders of these companies. Balzer underlined the weakness of the German codetermination on the corporate level, at least

© H-Net, Clio-online, and the author, all rights reserved.

until the co-determination law (Mitbestimmungsgesetz) of 1976. Although worker's representatives participated in the supervisory boards, they could not take the same influence as the „capital" side. For example, the members of the executive committee of the Daimler-Benz supervisory board, Friedrich Karl Flick (shareholder), Herbert Quandt (shareholder) and Hermann Josef Abs (CEO of the Deutsche Bank), avoided the participation of the Daimler-Benz employee representatives in important decisions like fixing the dividend by having decisive informal meetings. In the supervisory board of the Daimler-Benz AG there was an informational asymmetry between the representatives of the shareholders and those of the employees because the latter were excluded from the executive committee of the supervisory board.

In his commentary on both contributions THOMAS WELSKOPP (Bielefeld University) explained that CSR rose in West Germany in the 1960's and 1970's also because entrepreneurs were presented negatively in the media. The entrepreneur's negative image and the anti-corporate sentiment in the late 1960's and the 1970's made companies react by publishing social accounting sheets and establishing a new communication strategy. In this context, for example the Shell Code was situated.

The opening paper on the second panel, „Corporate Social Policies in Germany and France", was contributed by RÜDIGER GERLACH (Zentrum für Zeithistorische Forschung Potsdam) who looked at company social benefits in East and West Germany with regard to political claims in the decades between 1950 and 1989. He described three types of company social policy: (1) a traditional corporate social policy organized by a patriarchal industrial entrepreneur in order to stabilize his power and appease the employees; (2) a co-determined corporate social policy coined by labour union with inflexible social costs, thereby making companies avoid the granting of social benefits (example: the Federal Republic of Germany), (3) a state-led corporate social policy mainly incited by the state for economic reasons and its stabilizing political side effects (example: the German Democratic Republic). Gerlach underlined the importance of the personal relationship to a plant for the East German industrial society and social life.

UTE ENGELEN (Bielefeld University) treated the social policy of the French company Automobiles Peugeot in the plant and workers' housing estate of Sochaux near Montbéliard as an example for the adoption of a stakeholder orientation. She gave an overview of the mutual dependency of employer and employees since the 19th century and explained the paternalistic and caring attitude traditional at Peugeot according to which workers were considered as children. Then she described the lasting change to a perception of the employees as individual and autonomous adults beginning after World War I. In the title of the booklet *Sochaux, don de Peugeot*, a description of the workers' housing estate of Sochaux and its equipments published by the company in 1935, the old attitude is still perceptible. Complete change took place only after World War II, when the responsibility of social facilities passed over to the work council of Sochaux and Peugeot concentrated on its housing and bonus policies. Only from that point on the employees were perceived as autonomous personages.

The second panel was commented by HERVÉ JOLY (Laboratoire de recherche historique Rhône-Alpes, Lyon). He explained that in the formation of stakeholder relations three collective actors are involved: (1) owners and managers, (2) employees and their representatives and (3) the state. Joly discussed the role of the state, above all in providing guidelines for the social policy. The French state's intervention especially in the fields of organizing people's insurance and offering leisure activities restricted the spectrum of corporate social policy. With reference to Engelen's contribution, Joly underlined that Automobiles Peugeot was a special case as it was owned by a Protestant family. Furthermore, the region around Sochaux was rather isolated, compared to the other carmakers situated in the Parisian region, and therefore Peugeot had to attract employees.

The third Panel on „Proprietors and Employees" was filled by BENJAMIN OBERMÜLLER (Bochum University) with his pre-

© H-Net, Clio-online, and the author, all rights reserved.

sentation of the stakeholder relations in the Gutehoffnungshütte Sterkrade AG (GHH) in Oberhausen from 1945 to 1975. The GHH was a great machine and steel construction company created in the dispersal of the old Gutehoffnungshütte concern in 1947-52. Its owners were members of the old entrepreneur family Haniel, which was divided into three lines. In 1917 the family installed a code which its members respect until today. According to it no family member takes over operational functions in the companies and the Haniels are only represented in the supervisory boards of the holding and the combine companies. Obermüller explained that the CEO Hermann Reusch (1945-66) had the strongest position in the GHH, who led the company policy, whereas the owners agreed to his decisions. But Reusch neglected the necessary restructuring of the holding; this job was only accomplished by his successor Dietrich Wilhelm von Menges, CEO since 1966. Obermüller showed that shareholders do not always agree with each other and that there were dissensions between the different clans of the Haniel family as well as between majority and minority shareholders. The family lines Gerhard Haniel and Hugo Haniel were long-term oriented, the line Wilhelm Haniel, on the contrary, set the priority on increasing the shareholder value in the short run.

WERNER ABELSHAUSER (Bielefeld University) commented on Obermüller's presentation and pointed up that the annual shareholder meetings (Hauptversammlungen) were a forum of communication between shareholders and stakeholders. Abelshauser underlined the small power of the supervisory boards which weren't in the position to interfere in the operational affairs. He formulated a hypothesis: Not all shareholders preferred the shareholder value. During the 1950's and 1960's, there hadn't even been any shareholder pursuing the shareholder approach, but their attitude had been more or less a stakeholder orientation, based on long-term considerations.

In the fourth panel, „Production and Consumption“, THIERRY MAILLET (Ecole des hautes études en sciences sociales, Paris) presented his study of the rise of the French fashion prediction companies after World War II. In post-war time, the fashion intermediating institutions, like fashion magazines, trade organizations and exhibitions (salons), became the dominant actors in the fashion industry and in the promotion of the successful ready-to-wear fashion. After a phase of establishment (1950-65), fashion prediction enterprises became appreciated fashion „gatekeepers“. That was made possible by the formation of efficient networks in Paris. Influenced by Roland Barthes' „Le Système de la Mode“ (1967), Maillet described the Paris fashion industry as a social system. Although there was a high concentration of competence comparable to Silicon Valley in California, Paris did not form a cluster, but a district because there was competition between different companies. The mostly female entrepreneurs all came from families of the liberal professions or free enterprise, had a university degree and – for the most part – spent some time in England. But if these businesswomen had no business education, that generated problems in the corporate governance and the fluctuation rate of the staffs was high.

Stephanie Hagemann then read out the prevented DIETER ZIEGLER's (Bochum University) commentary to Maillet's contribution. Ziegler identified Maillet's definition of „networks“ as rather vague, and asked for clarification whether there existed networks characterized by a sort of mutual coordination, for example concerning the business policies, or if the fashion prediction industry was rather marked by the homogeneous social origin of its leaders. In addition, Ziegler suggested to inspect whether the introduction of ready-to-wear fashion included branding and criticized that the role of prizes in the establishment of the prêt-à-porter fashion isn't clear.

In the concluding discussion it was consensus that the most powerful stakeholders – the same as ever before – are the shareholders and even where the co-determination for the German coal and steel industry (Montan-Mitbestimmung) applies remains a capitalistic enterprise. But a debate on the change of the general aim setting and term-orientation of German industrial companies evolved. Abelshauser identified the perspective of the shareholders, which is either short-term- or

© H-Net, Clio-online, and the author, all rights reserved.

long-term-oriented, as the main focus of the company policy. In his opinion this criterion is more important than the distribution of power between stakeholders and shareholders. This perspective, for its part, depends on the predictability of the markets. In the 1950's and 1960's most markets were predictable, in the 1970's markets became volatile. The turn to volatility, Abelshauser continued, had an effect on the behaviour of the actors, and, accordingly, in the 1970's a change took place: short-time engagement became prevailing. Abelshauser finished by asserting that there had not been shareholder orientation before the 1980's. Hervé Joly called it a mistake to focus on the change from long-time to short-time orientation because shareholders always want a higher dividend. KARL LAUSCHKE (Dortmund University) and Thomas Welskopp emphasized that industry policy in West Germany was made by the banks which had the leading role in the financing of the industrial companies. Welskopp pointed out that the change of the relations between industrial companies and banks had been important for a shift from stakeholder to shareholder value, turning from a long-term to a short-term perspective. MAXIMILIAN ROTHFUß (Konstanz University) suggested to connect the examination of stakeholder relations with the phenomenon of the „Deutschland AG" (a system of connections between big banks, insurances and industrial companies based on mutual capital shares, whose centre was formed by the Deutsche Bank and the Allianz insurance). Abelshauser marked the turn to a short-term perspective of the shareholders as equivalent to the decline of the old „Deutschland AG". But with the end of the engagement of the banks insurances took over their role in the industrial sphere. The „Deutschland AG" exists until today, but now insurances and US-American and European pension funds play the most important role and they have a short-term orientation.

The workshop granted insight into the diversity of forms of stakeholder orientation and corporate social policy in post-war Germany and France. Its outcomes do not confirm the supposition that a general governance compromise existed. By making evident diverse research gaps, the discussion about the contributions revealed the business history of the post-war time as a research field whose importance will strongly increase in the current and the following decades.

Conference Overview:

Introduction

Ute Engelen; Stephanie Hagemann (Bielefeld University): Introduction to the Stakeholder Relations Approach

David Gilgen (Bielefeld University): Corporate Social Responsibility between Moral Expectations and Corporate Governance

I: Management, Labour Unions and Employees
Chair: Ute Engelen

Stephanie Hagemann (Bielefeld University): En Route to the Audit Society? Information and Control by Means of Corporate Social Accounting in the 1970's

Anna R. Balzer (Bochum University): Industrial Relations in the Automotive Industry of West Germany: A Comparative Analysis of Managing Board, Employees and Labour Union as Stakeholders

Thomas Welskopp (Bielefeld University): Commentary

II: Corporate Social Policies in Germany and France
Chair: Stephanie Hagemann

Rüdiger Gerlach (Zentrum für Zeithistorische Forschung Potsdam): Company Social Benefits in East and West Germany – Political Claims and Management Adaption 1950-1989

Ute Engelen (Bielefeld University): Perceiving the Employees as Stakeholders. The Social Policy of Automobiles Peugeot 1944-1979

Hervé Joly (Laboratoire de recherche historique Rhône–Alpes, Lyon): Commentary

III: Proprietors and Employees
Chair: Rüdiger Gerlach

Benjamin Obermüller (Bochum University): The Family Codex of the Haniel Clan as a Guarantee for Stakeholder Business Strategy? Board of Directors, Board of Management and

© H-Net, Clio-online, and the author, all rights reserved.

Employees at the Gutehoffnungshütte Holding 1945-1975

Werner Abelshauser (Bielefeld University): Commentary

IV: Production and Consumption
Chair: Anna R. Balzer

Thierry Maillet (Ecole des hautes études en sciences sociales, Paris): The Build up of Mediating Companies come from Efficient Networks. The French Fashion Prediction Companies after WW II

Dieter Ziegler (Bochum University): Commentary

Concluding Discussion

Tagungsbericht *A West German Governance Compromise? Stakeholder Relations from the „Wirtschaftswunder“ to the Industrial Structural Crisis, 1950's to the 1980's*. 25.06.2010–26.06.2010, Bielefeld, in: H-Soz-Kult 15.10.2010.

© H-Net, Clio-online, and the author, all rights reserved.