

CHANGING VALUES OF GERMAN MANAGERS

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1. THE PROBLEM

By the mid-sixties the period of reconstruction in Germany had definitely come to a halt. The period of continuous growth ended with the first light recession of 1966/67. The younger generation, born after the war, began to revolt against the system that the older generation had created and shaped, and also began to revolt against the values that their parents' generation had shared and worked for. Their parents' civilization was rejected as materialistic, and new ways of what was considered a more spiritual and idealistic life were tried out. Work attitudes seemed to change, and the trade unions tried to capture the new lifestyles by introducing into the discussion the concept of "quality of life."

It was during this period that the thesis of a change in the shared values of society was promoted as a theory for understanding the new developments. The so-called "Wandelkommission," a governmental commission comprised of employers, employees and some scientists was created by the German government with the task of studying social change in various spheres of society.

Trends of changes identified and widely discussed were:

- the change from material to spiritual values;
- the change from industrial to post-industrial society;
- the change from self-fulfillment through labor to self-fulfillment through leisure;
- the change from the family as the center of life to partnerships of limited duration;
- the change from the desire to have children to the desire for an unrestricted and self-centered pursuit of happiness;
- the change from investment and savings orientation to consumption orientation;
- the change from a dependent wife to an emancipated female;
- the change from a wealth-accumulating society to a throw-away-society;
- the change from a society with a widely-accepted set of values to a highly diversified society with many subcultures;

- the change from respect of the older generation to radical opposition to anything accepted by the older generation;
- the change from law and order to extra-parliamentary opposition, to radical citizens movements and even to terrorism;
- the change from a positive attitude towards technological progress to a rejection of technological advances and technical lifestyles.

In a recent study of changing values in German and Swiss companies Sandra Widmaier (1991) has presented a survey of empirical studies that have tried to identify some value changes using interview techniques. She comes to the conclusion that:

- the change in values started at the beginning of the sixties;
- the rate of change slowed down in the seventies but did not come to a halt;
- the most important change in values was a change in attitudes towards work;
- creativity, self-realization and independence have become important values (Widmaier 1991: 53).

The empirical analyses take as evidence of these changes the fact that young managers share values that are different from the values shared by the older generation of managers, in particular:

- older managers have a positive attitude towards economic growth, younger managers reject growth;
- older managers value responsibility, endeavor and unselfishness significantly higher than younger managers;
- older managers view work as a means of personal identification, while younger managers view work as a means to reach a desired standard of living;
- career-orientation is experienced as a positive value by older managers, younger managers are not career-oriented;
- post-material personal goals are shared among the younger generation, particularly those that favor alternative lifestyles, older managers strive for more material objectives.

2. STATEMENTS OF CORPORATE PHILOSOPHY

While one may doubt the reliability and validity of empirical studies that are based on interviews, one cannot possibly deny the fact that German corporations experienced problems in managing employees, particularly younger ones, immediately after the student revolt of the late sixties. They

rightfully attributed these problems to the fact that higher-ranking managers held goals that were no longer shared by their younger employees. This resulted in basic misunderstandings and serious management mistakes. Reinhold Bergler was the first to identify this "management gap" and to identify the problems resulting from it for the international competitiveness of German firms (compare Albach 1989).

Firms tried to raise their managers' consciousness of these problems. They defined the beliefs and values shared by members of the company in an attempt to orient employees to these goals and to foster consensus between the generation of older managers and the younger employees. These documents helped managers become aware of their values and of possible problems arising from the assumption that their values were unquestionably shared by the younger employees. The documents also helped the younger generation to identify the values the company wanted them to accept.

These efforts to formulate "guidelines for managers" or "statements of corporate philosophy" or "guidelines to corporate principles and ethical behavior" started in the late sixties and continued well into the seventies and eighties. The most recent corporate guideline, that of the Isar Amper-Werke, was published in 1991. The most widely quoted statement of corporate philosophy was the statement by the Axel Springer Corporation that committed employees to the goals of fighting political extremism on the right or on the left, reconciliation with the Jewish people and work for German unification. These values and principles were even incorporated into the by-laws of the Springer Corporation and into each work contract.

It seems interesting to analyze these written documents as consensus-building devices. Therefore in 1974 I undertook an analysis of these documents and presented the findings at the annual meeting of the German Economic Association. Contrary to interviews that define values that respondents say they believe in, feel they should believe in, or feel might satisfy the interviewer, statements of corporate philosophy are statements of values that the top managers want to be shared by all employees. There was discussion after I first presented the analysis in 1975 over whether the statements might not be merely for public relations. However, it could be shown that the statements were taken very seriously indeed. They were not issued by the public relations or personnel departments as a personnel marketing device, but they were discussed and agreed upon by the executive committees as a whole, by the governing boards of directors and by the works councils of employee representatives. The statements are the final result of a long process of discussion and probing into the minds of many members of the firm. They are, I submit, more reliable sources for

identification of shared values than arbitrary answers to academic questionnaires.

If in the process of critically reviewing the credibility of the statements of corporate philosophy such statements are reformulated, and if values stated in the documents depart from the original values, then this is clearly a more reliable proof of changes in the value of managers in firms than the results of sociological survey studies. I have therefore tried to repeat the 1974 study in 1991. The results are given below.

One may argue that the number of statements of corporate philosophy that this study is based on is much too small to be indicative or representative of changed values in society. In fact, in the 1975 study I had only 36 such statements. When that study was extended for a follow-up publication, I had 49 statements to go on. In the 1991 study I used 32 statements of corporate philosophy. Out of these, 19 are from companies also covered in the 1975 study. Only

- 4 of these statements were completely unchanged (Audi, Bayer, Daimler Benz, Preußag);
- 5 were comparable, but revised (AEG, BMW, Hoechst, Messer Griesheim, Deutsche Shell);
- 3 were changed and enlarged in scope and content (Bertelsmann, Ciba-Geigy, Volkswagen);
- 7 were not comparable to the original statements (Continental, Hoesch, KSB, Rank Xerox Germany, Sandoz, Siemens, Vorwerk).

Because the companies publishing statements of corporate philosophy and guidelines to ethical behavior are trendsetters in the corporate world of Germany, it is sufficient to use this small sample of trendsetting corporations if one wants to identify changes in the corporate values shared by managers in Germany.

3. CHANGING CORPORATE VALUES

3.1 The Changing Role of the Firm in Society

The firm is an important institution in a market economy. As an important institution in society, the firm is exposed to changing social values. The firm also helps to shape values in society and must try to adapt to changing values in order to survive as a social institution. We therefore first look at the self-understanding of corporations in German society. Table 1 gives the respective results of the 1975 and the 1991 studies.

The firm is		Rank in	
		1975	1991
1.	a social institution, in which employees develop freely	1	3
2.	a producer of products supplied to the market	2	1
3.	a competitor with the objective of maintaining and increasing market shares	3	2
4.	a social institution that works for the common welfare	4	5
5.	part of a free society which it helps defend	5	4
6.	a producer of products and processes that are friendly to the environment	6	6

Table 1: Self-understanding of the firm

We note first a change in the ranking of values. The firms again espouse the original 19th century values in 1991. The major objective of the firm is to supply the market with products that satisfy the demands of its customers.

The self-centered idea that the firm is an institution for the employees and that it provides them with a chance for self-fulfillment dropped to third place.

It is also interesting to note that neither in 1975 nor in 1991 did the firms see themselves as producers of products and processes that are particularly friendly to the environment. However, we should not be mistaken about the goal of environmental protection. In a language analysis of corporate philosophy statements one can clearly see that environmental protection is a matter of great concern to the firms in the early nineties. In many cases environmental protection is not only mentioned in the statements of corporate philosophy, but is also the subject of special brochures and guidelines on environmental protection. Examples of the guidelines for environmental management are frequent. It may suffice to point to the guidelines for environmental management by Daimler Benz, Hoechst, Bayer and Sandoz.

3.2 The Changing Constituency of Top Management

Top management in a family business is comprised mainly of family members. The change in the economic framework in which firms operate brought about the division of ownership and control. Berle and Means as

early as 1932 first identified this change from family ownership to the division of management and control. Many researchers have since shown that the trend toward a division of ownership and control is pervasive. The controlling group, management, may in formulating corporate decisions take into consideration the interests of various reference groups with a different emphasis rather than to simply orient itself to the interests of the shareholders. While in the United States top management seems to maximize shareholder wealth, German managers certainly do not hold this objective in high regard. They want to maximize the common interest of various groups interested in the firm, and they want to find a just and equitable balance of these interests in making corporate decisions. If we accept the thesis that management tries to manage for survival, in this attempt to balance interests managers place great weight on the power elite in society. Changes in the reference groups for top managers reflect changes in the value sets that are dominant in society.

Table 2 shows the various reference groups for top management decisions and their relative impact on managerial decisions.

Reference group	Average rank	
	1975	1991
1. Employees	1.44	2.06
2. Customers	1.93	1.56
3. Shareholders and creditors	2.45	3.38
4. The public at large	2.80	3.84
5. Suppliers	3.00	4.66

Table 2: Reference groups of top managers

The table shows a market shift in values. While in the early seventies employees dominated management decision, in 1991 it is the customers whose interests dominate the decision calculus of firms. The difference between customers and suppliers was roughly 50% in 1975. It grew six times by 1991. This clearly reflects the fact that firms are selling in a buyer's market. Therefore their decisions are oriented towards the interests of the customers rather than their suppliers because, in fact, the corporations can impose their interests on their suppliers.

3.3 Changes in Corporate Objectives

In making decisions top managers observe, of course, the objectives of society. Clearly, the companies' objectives cannot differ fundamentally from the goals of society if the company wants to survive. Most statements of corporate philosophy explicitly state the objectives that the company wants to achieve. It is these objectives that top management stresses in order to avoid goal conflicts in the firm.

Table 3 gives the results of an analysis of corporate objectives.

Corporate objective	Average rank	
	1975	1991
1. Profit	1.77	2.31
2. Competitiveness	2.00	1.38
3. Stability	2.11	4.34
4. Growth	2.33	3.56
5. Regard for social issues	3.18	5.00
6. Safety of the work place	3.99	5.41

Table 3: Changes in corporate objectives

While in the early seventies profits were the most important goal, today it is maintaining competitiveness in world markets. Of course, competitiveness is a prerequisite for achieving the profit goal. Corporate growth has moved up from fourth place to third place. It is still considered impossible to try to guarantee employment.

The objective of maintaining competitiveness corresponds closely to the customer orientation shown in Table 2. Many companies state explicitly that they are customer- and market-oriented. BMW states that it is the customer who decides on the social legitimacy of BMW. However, competitiveness can also mean maintaining a strategic advantage over one's competitors. Therefore many companies state that the quality of their products is of major concern for them.

Profits are no longer treated as the final end for corporate behavior, but rather as a prerequisite to maintain competitiveness. The statements make the point that profits are important for guaranteeing the future existence of the firm. This implies a shift from a rather short-run orientation to a longer-range view in corporate decisions. This is particularly clearly stated by Vorwerk corporation.

3.4 *Emerging Values of Corporate Managers*

Two important developments in recent years emerge from the analysis of more recent statements of corporate philosophy and from a comparison with older statements:

- the increased importance of the global orientation of the corporations, and
- the emerging discussion of ethical behavior of the firms.

3.4.1 *Increasing Importance of the Global Orientation of the Corporation*

While in 1975 international aspects did not play a predominant role in statements of corporate objectives, in the nineties every statement refers to international activities. An analysis of the 19 companies for which we have statements from both the seventies and the nineties shows that 36% do not stress international aspects now nor did they do so in the seventies. 59% of the companies attach more importance to internationality now than in the seventies. The remaining 5% have not changed in their global orientation.

It is interesting to note that AEG, Bayer, Daimler Benz, Deutsche Shell, Preußag, Rank Xerox und Sandoz are the companies that did not refer to internationality in their 1975 statements and do not do so in their 1991 statements. All these companies are international companies. So one cannot infer that they do not regard international orientation as an important value for their employees from the fact that they do not stress these values in statements of their corporate philosophy.

On the other hand, some statements reflect the fact that companies have certainly become more international in the twenty years between the early seventies and the early nineties. Bertelsmann, for example, used to be a company which operated strictly in Germany after the Second World War. The book club as the core business of Bertelsmann was oriented towards the German middle class. The statement of corporate philosophy in the late sixties mentioned international aspects only once: a single mention of "foreign countries." The revised statement of corporate philosophy which was issued to the employees of Bertelsmann in 1990 places considerable emphasis on internationality. A large part of the statement is devoted to international aspects. The statement stresses that "Bertelsmann is a media corporation with worldwide activities." In emphasizing objectives for the coming years the statement reads: "One of the major tasks for the coming years is to introduce the Bertelsmann model of personnel management to all our employees in more than thirty countries." This does not mean, however, that Bertelsmann wants to impose on its employees its national values without due regard to cultural differences. It

states on the contrary: "In our international activities we want to respect the national characteristics and the cultural traditions of the different countries, and we want to strengthen them."

The statement of corporate philosophy of BMW is available to its employees in German and English. This underscores the changed strategy of BMW. While BMW was formerly a German company, in the eighties BMW made a very strong effort to internationalize and to change its corporate strategy and corporate orientation accordingly. BMW now stresses the "responsibility of all its managers to think and act internationally." Sandoz wants to retain its character as a Swiss-based company, but wants to improve the international composition of top and top-middle management. And the Hoechst corporation states: "Hoechst is a globally active German corporation." The company adds: "We do research, we produce, and we market in most countries of the world. In our company people of many languages and cultures work together." "Hoechst respects the social and political conditions of the respective countries." Even the steel industry has shifted to a global orientation. Hoesch corporation did not mention internationality in its statement of corporate principles of the late sixties. Today the corporate statement reads: "Our market is the world. This requires thinking and behavior open to the world. All employees have to be ready to acquaint themselves with the markets of the world."

3.4.2 Increasing Emphasis on Ethical Behavior and Ethical Issues

The discussion in Europe and in the world on corporate activities in the Republic of South Africa has made it quite clear that shared values in one particular country may be in conflict with the laws and norms of behavior in another country. This may have obscured the fact that free trade in the world is an ethical value in itself because free trade guarantees at least some of the natural rights of men like freedom of choice, independence of economic action and private ownership of production equipment. In a country that violates some human rights, international trade and local production by international corporations contribute to changing public opinion and eventually to abandoning the laws that violate human rights.

The statements of corporate philosophy recognize that there may be conflicts between national norms of the company's home country and the norms of the host country of an internationally active company. In the event of such a conflict, the statements value internationalization higher than adherence to the norms of behavior in German culture. The corporate statement of BMW is most outspoken in this respect: "In our international activities we accept the respective laws, regulations and customs or sense of justice. We want to export our product, not our social order."

This does not mean, however, that the corporation did not postulate rules of ethical behavior that the company wants respected throughout the company wherever it is active. In the United States corporate rules of ethical conduct were originally intended to protect a company from claims by employees for the refunding of personal fines levied on employees for violation of anti-trust laws in what the employees had felt to be in the interest of the company. Then rules of ethical conduct had to be formulated in order to guide employees in behavior with respect to property, to making gifts to customers and to political parties and also to the practice of "whistle blowing."

German corporations were slow and reluctant to adopt the custom of issuing written statements and guidelines of ethical behavior. The ESSO AG was the first to publish such guidelines, originally based on a literal translation of EXXON's rules of ethical behavior. Today one finds guidelines for ethical behavior either in the "corporate vision" or in separate guidelines for ethical behavior. The Bayer AG is among the most well-known of companies that have published "ethical principles."

Hoechst and Messer Griesheim, a Hoechst subsidiary, have entered a formulation of ethical conduct in their corporate principles. These principles are "deeply rooted in the ethical values of our civilization and our social system." Rank Xerox Germany Corporation behaves according to the ethical principles governing our society.

In some cases, the companies have not formulated general principles of ethical behavior but take position with regard to specific ethical issues. For example, Daimler Benz has recently published a brochure entitled *Views and Standpoints Concerning the Discussion on Exports of Sensitive Materials*, making it quite clear that Daimler Benz does not export sensitive materials to regions where there are conflicts or crises and that all exports into such countries have been cleared with government authorities. In some companies it is the CEO that makes a speech on ethical issues and distributes this speech as a statement of principle and a guideline for employee action to all employees of the company.

3.4.3 Social Responsibility

German corporations have clearly recognized that a return to the objective of being profitable in the long run has to be embedded in a clear statement of social responsibility. Of course, classical economists know that the invisible hand of the market coordinates entrepreneurial self-interest with the common interests of society. But in the public at large doubts have become vociferous, and the legitimacy of profit-making by companies has been questioned. Therefore, statements of corporate philosophy have in

recent years stressed the consistency of making a profit with the recognition of social responsibility.

The conflict between profits and social welfare was most clearly voiced in Heilbroner's book *In the Name of Profit* which was given the subtitle *Profiles of Corporate Irresponsibility* (Heilbroner et al. 1972). While the discussion in Germany never went to such extremes, and allegations of corporate irresponsibility have never been as far-reaching as in the United States – if we ignore for the moment the allegations that German firms helped Libya and Iraq to produce chemical weapons – German managers have clearly recognized the necessity of stating explicitly their view of the relationship between profits and social responsibility. All the companies covered in my analysis now have a statement on social responsibility in their principles of corporate philosophy. Bayer Corporation stresses responsibility towards society and the environment. Ciba Geigy goes as far as to say that economics is not an aim in itself but has to serve man and society. Messer Griesheim in the seventies recognized its social responsibility but asked for responsible behavior of society and politicians on all levels towards the company as well. Today Messer Griesheim talks of "common responsibility."

Social responsibility is not a matter of the company alone. It should govern individual behavior as well. Siemens and Vorwerk welcome any participation of their employees in trade associations, in the community and in politics, and provide adequate time for shouldering such responsibilities.

3.5 From a Single-Value Corporation to a Multi-Value Corporation

The modern corporation is a very complex institution. I have stressed the fact that the employee orientation of German corporations that prevailed in the seventies has given way to a profit and customer orientation in the eighties and in the early nineties. However, the change in corporate values that has taken place over the last twenty years is in fact more complex. The companies have changed from a single-value orientation to a multi-value, multi-objective corporation, reflecting the complex environment in which firms operate.

Table 4 gives a ranking of values that are listed in the corporate statements, according to the frequency with which they are mentioned.

Value	Rank	No. of mentions
Teamwork	1	25
Internationality	2	20
Environmental protection	3	19
Obedience to the law	4	17
Self-realization and self fulfillment	5	16
Ethical norms and values	6	12
Safety, health	7	1

Table 4: Corporate values

Such great diversity of shared values allows employees a certain degree of freedom of deviation, at least in the prioritizing of these values. Indeed, the importance attached to teamwork in the statements of corporate philosophy shows that while, on the one hand, individuality is granted necessary leeway as an important prerequisite for creativity, “groupism” – to use a Japanese term – is stressed as a prerequisite for corporate success, on the other hand. Teamwork, however, is effective only if there is a basic consensus on the values shared by the members of the team.

Corporate objectives are therefore no longer set by management and then communicated to the individuals on the shop-floor, but employees cooperate in the process of goal formulation. Many companies stress that values have to be communicated and coordinated between employees and managers. In the seventies most statements put emphasis on communicating the objectives of top managers down to the employees on the shop-floor and relied on the obedience of the employees in accepting these values and on their acting accordingly. The old view is still expressed in the statement by Messer Griesheim: “The company expects from its employees that they accept the values of the corporation, that they recognize in them their task in the company and that they work to fulfill these objectives and values.”

The new attitude towards value formulation in the modern German corporation recognizes the fact that, as Siemens says: “Management and leadership are more difficult today than they were yesterday. People in our times take a different attitude towards achievement and cooperation.” This means, in the words of Hoesch Corporation, “to convince rather than to command, to cooperate rather than to obey.”

This new attitude of managers towards workers requires a new attitude

also on the side of the employees. Formerly workers were assumed to value safe work, professional advancement and acceptable standards of living as well as social security after retirement above else. Today the statements of corporate philosophy put initiative and commitment at the top of the values that are assumed to motivate employees. The principles published by Volkswagen are a good example of this changed emphasis on values shared by employees.

In a more complex world, people are liable to make mistakes. Formerly, the German manager was considered to be a person that does not make mistakes and that does not tolerate mistakes. Today tolerance of failure is a shared value in the innovative German corporation. BMW Corporation formulates this new attitude most clearly: "Everybody is permitted to make mistakes, but not too many and certainly not the mistake of concealing mistakes from the company that would lead to harmful effects". Deutsche Shell Corporation asks for courage and for the willingness to make corrections after a mistake has been made.

4. CONCLUDING REMARKS

German corporations can no longer consider themselves as economic agents on a market where they can remain anonymous. They are visible to society. Members of society have become increasingly interested in the behavior of corporations. Corporations have answered to new demands by publishing statements of corporate philosophy.

The statement published by Dürrkopp Adler may serve as a good example:

The public, as well as our own employees, want to learn from a company not only what that company produces but also what the company stands for, what values it holds and what corporate culture is like that forms the basis for the managerial behavior.

It is my impression from studying these statements of corporate philosophy that they are considered less important now than they were twenty years ago. At that time there was much confusion among employees about values. People lacked orientation. They needed statements of values in order to reduce the uncertainty of rules governing social behavior. Today, after almost ten years of continued economic growth and after the collapse of communism there is less uncertainty about values in our society than there was in the early seventies. On the other hand, the importance of corporate statements on certain ethical issues has certainly increased. These ethical issues are taken up by the managers and discussed with

their employees. German corporations no longer refrain from accepting their social and political responsibilities as they did during the thirties when they tried to remain neutral about the preparation for war, the extermination of Jews and the prosecution of political enemies. The annual reports of Deutsche Bank in the eighties and the annual report for 1990 published by the Dresdner Bank are outstanding examples of such political commitment and responsibility.

In conclusion, I would like to stress that internationality has become a widely shared value of corporate behavior in itself. Promoting international understanding is an important objective of firms in a world where international conflicts will certainly increase in number and seriousness due to the fact that technological advances have made international exchange increasingly easy.

Furthermore, while in the late sixties and early seventies value changes in German corporations appeared to be a rather disruptive process, corporate values have undergone a rather slow process of change in the late seventies and in the eighties.

I do not expect any dramatic changes in values shared by German managers in the next ten years even though German unification presents new challenges for managers. They should be able to meet these challenges if they stick to their present set of values.

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