Corporate social responsibility in Deutsche Telekom AG

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The European Foundation for the Improvement of Living and Working Conditions has produced 12 case studies around enterprises in four European countries, which set out to analyse the extent and practice of corporate social responsibility (CSR). The project aims to reveal in what way European companies are developing models of best practice around the issue of working and employment conditions. Initiatives at Deutsche Telecom, largely as a result of recent company restructuring, downsizing and outsourcing, included a dismissal protection agreement and a scheme whereby CSR is integrated into the corporate strategy.

About Deutsche Telecom AG

Deutsche Telekom is Europe’s largest communications company and one of the largest communications carriers worldwide based on 2001 revenues of 48.3 billion euros. The company is active in four key growth segments of the global telecommunications market:

- mobile communications;
- network access services;
- consumer Internet services;
- integrated IT and telecommunications solutions.

Through T-Mobile, Deutsche Telekom’s mobile telephony subsidiary, and through other majority and minority shareholdings, Deutsche Telekom today serves more than 69 million mobile telephony customers worldwide. In 2001, Deutsche Telekom completed the acquisition of US mobile telephony companies VoiceStream Wireless and Powertel Inc. This made it the first transatlantic wireless communications operator utilising the GSM digital wireless technology standard. Deutsche Telekom offers its customers a complete range of fixed-line voice telephony products and services through almost 57 million access lines.

The company is a leading provider of high-speed digital access lines, with about 2.4 million new asymmetric digital subscriber line (T-DSL) services currently sold and about 21 million channels using the information transfer standard ISDN (Integrated Services Digital Network) as of year end 2001. T-Online is one of Europe’s largest Internet service providers, with approximately 11 million subscribers. T-Systems is Europe’s second-largest provider of comprehensive IT and telecommunication solutions and services to business customers in more than 20 countries.

Restructuring, downsizing and outsourcing = reengineering

Reengineering within Deutsche Telekom follows a well-balanced process.

Regardless of whether reengineering measures are planned or not, each month, a permanent board informs representatives of the works council about the economic situation of the company and when specific reengineering measures are planned. This follows an agreed action plan:

- Information to works council on the intended organisational changes and their impact on the number of working places.
- Negotiations with works council on a balance-of-interests plan concerning the reengineering issue, i.e. should it be done; who will be involved; at what time; how many and what steps will be taken, as well as job security for workforce and training.
Negotiations with works council on a social plan, i.e. how much money will be spent for which social measure, only when negotiations have come to a mutual agreement.

Start of reengineering measure.

During the reengineering measure, each individual change in personnel issues for each employee is double-checked by the works council.

**Dismissal protection**
Deutsche Telekom and the respective union have agreed upon a collective treaty that there will be no lay-offs as a consequence of reengineering until the end of the year 2004.

**Incorporation of CSR**
Deutsche Telekom has just launched a project group to install a management system regarding CSR in all fields of business. CSR thus will become an integrated part of corporate strategy.

**DT’s support to Matáv’s restructuring process in Hungary**

DT initiated its interest in Hungary in 1994, with an American partner (Ameritech International). For the past number of years, DT has strongly supported Matáv’s restructuring process by providing experts (advisors and line managers) in all business areas of the company as well as in strategy, technology, marketing, etc. These experts form an integrated part of Matáv’s change management process, where they perform the following key tasks:

- initiating and coordinating projects;
- elaborating systems and tools;
- developing technical solutions, products and services;
- promoting process and quality management;
- designing and conducting training;
- reinforcing customer orientation (internally and externally).

At its peak in 1997 and 1998, approximately 50 experts (30 DT, 20 Ameritech) worked at Matáv in Hungary. Since then the number has decreased to around 30 in 2002 (DT exclusively, as the American partner left the joint venture in 2000). Apart from continuous long-term expert assignments, DT provided Matáv with a variety of short-term advisory services (from a few weeks to several months).

In the context of Matáv’s change management, the following highlights, with substantial involvement of DT, are useful examples of the process:

**Culture change project**
In 1996, Matáv started a comprehensive Culture Change Project focusing on management development, training, organisational development and business process management.
Management exchange and training programme
Since 1998, DT and Matáv have availed of a bilateral ‘Management Exchange Programme’ that has been extended to include specialists. In addition, a series of training activities take place for participants from both companies, based on annual agreements.

DT-group workers council
An intensive exchange of experience has been instigated between the company representatives. Since 1998, representatives from Matáv’s Central Workers Council regularly participate as guests in the meetings of DT’s group workers council.

Reorganisation
In January 1, 1999, Matáv implemented fundamental organisational changes taking into consideration the principles of DT’s organisational concepts. A further reorganisation in 2002 has been designed in line with the 4-pillar-concept, which corresponds to the four business areas: mobile communication, fixed line communication, international business solutions and on-line services.

EUROTEAM
In 1999, Matáv joined with DT’s support EUROTEAM, an international organisation in the training area.

Holiday exchange programme
Since 1999, DT and Matáv operate a holiday exchange programme that offers employers the possibility to use the holiday resorts of the partner company at attractive prices.

Matáv’s investment in Macedonia
At the beginning of 2001, Matáv took over a majority share in Maktal, Macedonian’s incumbent telecommunications company. DT experts from different areas were involved in the acquisition process.

Social dialogue committee
Initiated by DT, Matáv has participated since 2001 in the activities of the EU’s social dialogue committee, mainly as a member of the working group Enlargement. In September 2001, a conference on social dialogue, in the context of privatisation and liberalisation, took place in Balatonkenese (Hungary).

Human resources synergy project
In 2001, DT began an international human resources synergy project that includes Matáv (+ Maktel), Slovak Telekom and Croatian Telekom. The use of synergies focuses on three main areas:

- planning and controlling;
- training and development;
- compensation and performance management.

In summary, Matáv obviously is a good example for DT’s active role in the restructuring process and its commitment to social responsibility.
DT’s measuring tools of CSR projects

The following tools are being applied to measure the company’s progress in CSR:

**Defining indicators**

- concerning people:
  - product and workforce safety
  - labour standards and conditions
  - human rights
  - equal opportunity and access

- concerning environment:
  - local and global environmental quality
  - cleaner production processes
  - eco-efficiency
  - environmental technology

- concerning economics:
  - sustainable enterprise development
  - community investment
  - education and training
  - health

**Implementing a reporting system** according GRI standards delivering Triple Bottom Line Reports.

**Investing in social responsibility**

**Management transfer:**

Individual managers’ success on specific CSR goals are measured in the same way as any other individual business objective:

- agree on the target;
- define the measuring scale;
- link it to the individual performance driven part of the remuneration;
- measure the goal achievement.

One other tool to measure could be employee satisfaction.

**Discussion: DT, CSR measuring tools and NGOs**

The degree of attention surrounding CSR issues is higher since more external driving forces are putting pressure onto DT. CSR could thus be seen as the communications answer to globalisation. The decision to set up internal CSR indicators is based on the experience from the ecological audits in the past, but with the knowledge that those really are only best guesses.
There are no real bad practice examples. The idea to look at CSR more closely is born from the fear of doing something wrong and risking market value as an international company. Thus the social aspects are actually valued higher because of the potential economic risk that they pose to the company.

The financial interest in CSR is in keeping the human capital up-to-date, which in turn is of strong economic value. CSR can be used as a marketing argument in recruiting, but not much more. But it could become more of an issue, as more and more ‘outsiders’ seem to consider CSR as an important value, even rating firms accordingly.

The changing environment and the globalisation of DT have led to more engagement in CSR issues. The social partnership that has been established is a good tool in times of restructuring as well. The administration includes specific CSR issues in their tenders, so that DT can show suppliers that this is a serious issue for them. DT has set up codes of conduct in this area, and these are being followed.

The social partners are troubled by globalisation and fear that this could endanger the German social partnership model as a whole, which would not be good for DT either. But on the other hand the new partners are not ‘insiders’ yet and thus do not know how the social dialogue works.

Seen as a whole, CSR is obviously executed for economic reasons, but is set up with the other social partners. CSR developments and ideas are implemented based on this social dialogue. If the indicators show that things are going wrong, adjustments are made. The reports are available to the public at all times. For the works council, the indicator of sufficient support of CSR issues would probably be the votes of the employees during election times.

The efficiency of CSR is measured in the quality of the human capital. Only if the human capital is constantly developed, can the organisation fit into its constant moving environment.