EMCC case studies

Corporate social responsibility in BASF AG

About BASF AG

Corporate social responsibility practices in BASF

BASF, the traditional model of corporatism and the new stakeholder model?

This case study is available in electronic format only
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. Among the good practice examples identified at BASF were an apprenticeship scheme to help young people find employment, outsourcing with job guarantee, and setting up a venture capital fund to create new jobs.

About BASF AG

BASF is the world’s leading chemical company. It aims to increase and sustain its corporate value through growth and innovation. BASF offers its customers a range of high-performance products, including chemicals, plastics, coatings systems, dispersions, agricultural products, fine chemicals as well as crude oil and natural gas.

One of the strength’s of BASF is its distinctive approach to integration, known in German as Verbund. It enables the company to achieve cost leadership and gives it a decisive competitive advantage in the long term. BASF acts in accordance with the principles of sustainable development. In 2001, BASF had sales of EUR 32.5 billion (circa $ 29 billion) and over 90,000 employees worldwide. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA), New York (BF), Paris (BA) and Zurich (BAS).

CSR practices in BASF

Additional apprentices
Offer for young people to carry out their apprenticeships not only within the company but also within the region: Ausbildungsinitiative Pfalz.

Outsourcing with job guarantee
Selling part of the medical production (Knoll AG to Abott, USA). As part of a restructuring and consolidation process, BASF decided to sell the medical production (Knoll AG). They sold Knoll AG to Abott in the US with the requirement that jobs be saved in the region. The management initiated this and, of course, the works council supported the idea.

Investment fund for new jobs
BASF set up a venture capital fund (BASF Innovationsfonds GmbH). This fund was first established to help people set up their own jobs, so that fewer people would be working for BASF and at the same time to establish more jobs in the region. When it was in operation, the fund was extended to people who had not worked for BASF before.

Training for other companies
BASF trains more people than they could employ within the company. The company thus helps other companies that do not have the facilities or possibilities to train people in getting better personnel development. Since there are some potential problems involved (e.g. competition), BASF only trains people in ‘common’ jobs, that are not too specialised. This broad training means that people can also look to other employment opportunities.
**BASF, the traditional model of corporatism and the new stakeholder model?**

Good practice examples for BASF are the offer for young people to carry out their apprenticeships not only within the company but within the region (http://www.initiative-fuer-beschaeftigung.de), called *Ausbildungsinitiative Pfalz*. The chamber of commerce and BASF founded this initiative in 1998 with DM 18 million as start-up financing for new apprentices in the region. Additionally, a venture capital foundation was set up for new companies in the region (for example, Biotech) and start-up capital for those who leave the company to found something on their own.

The internal communication is based on a vision of sustainability, which includes the conservation of social, economic and ecological resources. The employees are informed about the system of sustainability and descriptive reports are used as the standard tool of communication. Sustainability is used to handle risk and to make the company communications more stable. Thus it is an issue of internal and external communications.

The company traditionally enjoys a good relationship between the unions and the employers. BASF has an interest to invest in the human capital, due to the speed of technological developments. A European Works Council has been established since May 1995 following Art. 13 of the EU EWC-directive 97/74/EG.

CSR is not important as a term, but as part of the vision. It is important for the company to have a strong region in order to be attractive to the best employees. BASF is doing more than is necessary, but only for economic reasons, because anything less would not be a lasting investment.

Even though there has been no real external pressure for change, BASF has decided that it is better to take the initiative and put their own mark on the definition rather than having it defined by outsiders. The investors create an external pressure. ‘Capital is demanding’, and that can be met by using indicators. So far no real concern has come up in terms of CSR to steer BASF in the near future.

The worst case scenario for BASF (from the Greenbook and the rest of the CSR discussion) would be that more reporting (see Howitt Report) will be needed. More legislation is not a real danger, as that would be a national decision, and such measures are already quite burdensome. BASF sees itself as well equipped. It has installed a corporate staff which is in charge of regularly editing triple bottom line reports, organising and harmonising CSR issues, training management, handling internal human relations and external public relations. But other companies, especially smaller ones, would have trouble fulfilling demands for more reporting.

There have been bad practice examples in related issues, which have helped to develop a very open attitude (“we cannot hide anything anyway”). Thus it is important to act ‘straight’ and be reliable at all times, because otherwise the investment in ‘soft issues’ will be ruined quickly, which could result in financial problems.

CSR is not a marketing instrument, but it is necessary to be ready for change, which is promoted by globalisation.

BASF asks their suppliers to be consistent for audit purposes, which is likely to lead to more stakeholders being interested in the CSR activities in the companies. Today, this still seems to be only a communications...
issue, which relates to the management as it tries to sort out issues that are of actual importance to the company itself. It is not regarded as an overall issue that cannot be handled by the company itself.

The vision of CSR activities was set up in the company by the management in the first place, but then implemented with the involvement of the works council. But economic factors drive the vision. The works council seems to have a problem with this development, since they do not have any networking around Europe, nor around the world. They see the danger of new stakeholders coming in, but have no possibilities to do anything to reverse it, since they do not have the necessary network. The works council today is responsible for its region only.

New specialised NGOs are more attractive for the companies to deal with. The companies ‘use’ this union dilemma at times, but with the knowledge of the works council.

There is no security in measuring ‘soft issues’ like CSR. No standard between different companies or sectors is yet established. But, precedents of other newly established audits are being set and reports on social responsibility are now available. The works council tries to measure the success of CSR with the appraisal of its members. The best overall measurement is the public, since lying is not possible without detection. The public is probably the most important new stakeholder, requiring full information at any time. CSR is a tool to handle risk management. In a similar way to the value of insurance, it cannot be measured unless things go badly.

CSR as a term is in fashion at the moment. It could be regarded as a new name for a tradition of Mitbestimmung which has already set up an established relationship between the employees and employers (and is known as social dialogue).