EMCC case studies

Corporate social responsibility in Acome

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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. In France the enterprises examined were Acome (electric cables), Arcelor (iron and steel), Chèque-Déjeuner (financial services) and Continental-Teves (automotive).

Presentation of the case: Acome

ACOME is a medium-sized enterprise supplying products and systems to the telecommunications, motor and building industries. Based in a rural region of western France, it has a head office in Paris. ACOME employs about a thousand people and has an annual turnover of some € 200 million, of which exports account for 37%. In recent years, ACOME has set up commercial subsidiaries elsewhere in Europe and has created two joint ventures, in China and Brazil, to support their major motor industry customer in those countries.

ACOME is the biggest workers’ production cooperative in France. Employees are required to become sociétaires (partners) after they have been with the company for three years. Its executives are elected each year at a general meeting. Employee turnout at the general meetings is very high, reflecting the value they attach to this prerogative. ACOME pays a substantial dividend to these shareholding employees (equivalent to several months’ wages in some years), while the wages it pays are themselves higher than is customary in the local region. Apart from this financial aspect, which of course plays its part in ACOME’s attractiveness to its staff, the company also tries, by means of a set of ‘good practices’, to ensure local sustainability of employment and a high-quality internal social dialogue.

ACOME was selected for a case study both because it is a medium-sized (as opposed to large) enterprise and because it is a workers’ production cooperative (as opposed to a conventional company). ACOME greatly facilitated the work of this study by welcoming the researchers to Mortain, in Normandy, where the main industrial site is based. Meetings were facilitated not only with representatives of the board of directors but also with middle management personnel and staff representatives. Copious documentation was also made available.

A successful strategy to preserve jobs on the Mortain site

Over many years, ACOME has developed a strategy of diversification based on the applications to various sectors of the extrusion technology that is the core of its know-how, and in which it is continuing to invest. The company devotes 10% of its turnover to investment and R&D, maintains continuous relations with institutes of technology in its field, and devotes its research efforts to finding new applications for its core technologies.

Historically linked to the telephone industry (France Télécom, as a customer, accounted for up to 80% of its turnover), ACOME has successfully diversified into other sectors. Today, telecommunications account for less than half the turnover, with electrical equipment for cars contributing 20% and wiring for the building industry 30%.

The originality of this strategy lies in the fact that the investments made, in the form of new buildings, the establishment of new know-how, the purchasing of new machinery and the canvassing of new customers, have deliberately been undertaken at the Mortain site in Normandy. Other strategies could clearly have been
adopted: for example, moving closer to the larger conurbations (benefiting both from the local job creation incentives offered there by the public authorities and from a larger labour pool) or even recruiting a less expensive workforce by delocation, as many of its competitors have done.

ACOME’s logic, conversely, has been driven not only by the ‘socially responsible’ attitude of its executives but also by the wishes of its entire workforce: the main concern of the company’s elected executives, and the mandate given them each year by their sociétaires is, after all, to ensure that the latter’s jobs are sustainable. Since the vast majority of them want to stay in Normandy, it is clearly appropriate to develop local employment and, indeed, to accept the consequences of that policy, which is based on the following lines:

- continuously improving production methods and quality in order to remain competitive. Three years ago, with the aid of a consultant, ACOME introduced a new industrial organisation based on autonomous production cells, inspired by ‘best practices’ in the field;
- encouraging internal mobility and promotion. The technicians working in methods, quality and maintenance, who previously combined to form the technical department, have been redeployed to workshop level, a move which for some of them brought new operational responsibilities;
- arranging for the engineers needed by the cooperative to be brought to Mortain, towards which aim ACOME coordinated its efforts with the regional authorities;
- creating the necessary training courses for local recruitment of tomorrow’s operatives, for example by developing a vocational Baccalauréat in consultation with Éducation Nationale. All graduates of this training course have so far been hired by ACOME.

Strategic diversification, however, remains the central thrust of this policy. Hitherto, ACOME has experienced nothing but success in its successive diversifications, demonstrating that an ‘aggressive’ strategy in the interests of local employment can be pursued without assistance from the local authorities and within a rural area that has been little industrialised.

The latest investment, in the field of fibre optics, looked promising. In particular, it enabled ACOME, by hiring a hundred or so young and previously trained operatives, to reduce substantially the average age of its workforce, a significant proportion of whom will be retiring between now and the year 2012. As we know, this sector was hit by a severe economic downturn, the major players experiencing financial problems that resulted in an abrupt freeze on investment. ACOME, too, felt the impact of this, and the new factory was operating at minimum levels when the site visit took place for this research.

ACOME was seriously affected by the economic reversal, which was so violent that it resulted in large-scale redundancies and plant shutdowns by ACOME’s French competitors. To date, the company has been able to avoid any dismissals among its permanent workforce. On the other hand, and this indicates the ‘economic’ limitations of a strategy of social responsibility, ACOME has not renewed the hundred or so limited-term contracts (LTCs) which it had concluded a year earlier, which constitutes 10% of the total workforce.

A study of the company’s social record shows that this has been an exceptional event, since its past practice was to take on LTC personnel almost automatically as part of its permanent staff. In the crisis situation, the LTC staff therefore played their ‘traditional’ role as a shock absorber at ACOME, obviously to the detriment of those young people with previous training who had been recruited locally and were the children of existing personnel or young members of the local community.
The company’s management is certainly far from satisfied with the ‘solution’ adopted. It illustrates not only the changes that have taken place in the world of employment within one generation but also the extent to which a medium-sized industrial enterprise is dependent on its largest customers. They hope that business activity will pick up again, making it possible to ‘recover’ as many of these young people as possible. They also talk about the inflexibility of the regulations and legislative framework which, in a situation like the present one, makes it impossible to find more socially satisfactory solutions in consultation with the central and local authorities. Legally, for example, it is impossible to arrange for the oldest employees to take early retirement (some of them having had difficulty finding places in the new ‘autonomous production cell’ organisation adopted by ACOME), and to recruit young people who not only represent ACOME’s future but also come from a surrounding area in which the working population is undergoing a worrying decline.

Energetic staff information policy

There is no trade union presence at ACOME. This is a quite exceptional situation for a French industrial undertaking employing 1,000 people. The works council elections thus automatically involve two ballots, trade unions alone having the right to put forward candidates for the first ballot in France. Where the law makes union intervention obligatory, as was the case recently with negotiations on the application of the act on the 35-hour week, the ACOME employees have had to use the services of a representative to negotiate with their management.

The works council, as the main forum for discussions on the company’s economic policy, has not made use of external expert reports financed by the company, as it could legally do, because, according to its secretary, ‘that would mean paying twice over’. This situation seems far removed from the objective of those who promote the idea of corporate social responsibility and argue in favour of strengthening the social dialogue.

What is interesting about the ACOME case is that it shows how a cooperative enterprise has created mechanisms enabling it to arrange very extensive consultation of its workforce, even in the absence of a union, and to involve its staff closely in the operations of the company. It is in any case difficult to distinguish between what is addressed to the ‘employees’ and what is addressed to the ‘shareholders’, since the two concepts are combined in the person of the sociétaire.¹

Thus, the permanent staff information and consultation mechanism at ACOME, which is worthy of consideration as a voluntary practice going beyond what the law requires of the company, may be described as falling within the definition given in the Green Paper of corporate social responsibility, applied to the issues ‘internal’ to the undertaking:

- In accordance with the legal status of a cooperative, the annual general meeting, attended by a very large majority of the coopérateurs, offers every member of staff the opportunity to express their views and, through their vote, to give their opinion of the way in which the undertaking is being run.

¹ The situation resembles that encountered in some of the other case studies, as in the case of VW at Wolfsburg, for example, or at CORUS in Wales. In these cases, the employees are not only ‘internal stakeholders’ but also, as residents of the urban fabric that has grown up around the undertaking, ‘external stakeholders’ as well, with access to different leverage (and benefiting from different forms of solidarity) in the local environment. The management of the undertaking can only pay greater attention to these ‘double stakeholders’ in the future.
Information on the company’s economic situation is provided in real time and on a decentralised basis, down to the production cells. The information displayed in these cells is not concerned only, as it often is, with the results obtained locally in terms of production or quality or safety indicators. It clearly reflects the situation of the undertaking as a whole, and so enables the coopérateurs to receive direct information.

The staff representatives on the works council, and on the health and safety committee as well, represent all the various operations that take place on the Mortain site. Care is taken to ensure that every production unit is represented, so that it is the people directly affected by a problem who express their views on it.

A staff delegates’ charter (staff delegates being the second representative level envisaged by the Code du Travail) formally sets out the rights and duties of those who hold this position.

An external audit takes place every three years within the framework of an existing legal procedure known as ‘cooperative auditing’ (the essential purpose of which is to identify and avert the financial risks confronting small cooperatives). Its application at ACOME has been broadened to include approaches of the social audit type, providing a detailed analysis of the company’s social climate. The exceptional number of replies received to the questionnaire issued on the occasion of the last cooperative audit bears witness to the ACOME employees’ willingness to express their views and the attention that is paid to those views.

At the time of our study, a local management charter was in the process of being drawn up, designed to revitalise the internal debates which (as the audits demonstrated) were in danger of dying away or becoming a matter of routine. Thus, ACOME experiences every day the problems of making an undertaking work ‘differently’. New generations of coopérateurs (some of whom travel a long way to work at Mortain) are liable to see the undertaking as an employer ‘like any other’ in that, having grown to a substantial size, they feel that it loses its capacity to organise a consistent ‘cooperative life’.

The inventive and well-meaning mechanism instituted at ACOME can nevertheless be questioned.

It may be wondered whether, in the absence of a trade union, the employees are not denying themselves the benefits of the experience, influential ideas and efficiency of an external actor, outside the fabric of interdependence between the roles of shareholders and employees and the affective relationships that have become established between long-standing colleagues. The point is that this external actor has the ability to distance itself from the internal problems facing the company, and to clarify the terms of complex situations, where the interests of employees and shareholders are not necessarily identical. It can also represent the ‘external stakeholders’ - employees who are not part of the permanent workforce or, much more remote from the Mortain site, employees of ACOME’s foreign subsidiaries.

The local philosophy, clearly, is to have confidence in the executive teams. It is a striking tribute to their stability that the cooperative has had only five chairmen/managing directors in 70 years. The very good results achieved by ACOME during that period testify to the efficiency of these executive teams and, in some respects, justify the confidence shown in them. It may be wondered, though, whether that stability is not also the effect of a classic form of ‘political creation of dignitaries’, as happens in this rural region with local elected representatives. More generally, the opportunity for those with specific interests to offer real opposition to internal decisions, since those decisions are given legitimacy by the overriding interest of the ‘community of coopérateurs’, seems to be significantly less than industrial establishments of a similar size. The usual situation in France is that a reorganisation as radical as that implemented by ACOME in 1998 cannot take place without giving rise to local conflicts. And so the question is whether to praise the quality of the internal consultation procedure or question this complacency.
Discussion of the case

Is the application of ‘good practices’ in an SME attributable to a voluntary commitment by management or the result of external market pressures?

- Why does an undertaking like ACOME commit itself to ‘good practices’?

- Which practices does it display on the promotional brochures it distributes? And which does it not advertise?

Answering these questions not only cast an interesting light on the dissemination vectors for ‘good practices’ in the running of medium-sized enterprises but also raises questions regarding the business dynamics – partially internal, partially external – that encourage the dissemination of ‘good practices’.

ACOME has clearly made continuous efforts for many years to ‘modernise’ its management practices, to bring new tools into the company (such as, very recently, a systematic comparison of wages with those available in the market for similar responsibilities) and to implement new methods of organisation. There is no doubt that the underlying motivation of those in charge has always been to ensure, by meticulous application, the lasting survival of an undertaking that is regarded as the common property of all the coopérateurs. The social aspect of the company’s practices, particularly everything related to the protection of jobs, also reflects an ethical commitment which draws upon the traditions of the cooperative movement.

Other ‘good practices’, such as the various quality and environmental certifications with which ACOME is proud to have complied, clearly anticipate or respond to the expectations of customers, who are imposing more and more detailed specifications on their suppliers. ACOME cannot be unaware that it cannot use its cooperative values as an argument to set itself above its competitors. The English version of the promotional brochure makes no reference to its status as a cooperative, but does display the series of certificates that it has obtained.

One of the surprises of the on-site study was to find that the CSR questionnaire was unexpectedly associated with the specifications for an invitation to tender to which they had recently replied. They had been somewhat surprised by the inquisitorial tone of those specifications, as applied to areas which, previously, had not been the subject of any questions in tender documentation. ACOME was questioned, for example, not only about its training policy but also about the number of days lost to strikes each year, the existence of procedures for checking alcohol and drug levels in employees’ blood, and, in the latter case, the principle of voluntary submission to such tests, as required by ‘human rights’.

This episode is a good illustration of one of the concerns frequently raised in connection with the development of CSR in the world of small and medium-sized enterprises. Customers are content to ‘transfer’ the issue of social responsibility to their suppliers, in order to limit the risk of being questioned on such issues themselves. They become the vectors of a ‘procedural’ and ‘bureaucratised’ development of social responsibility. This trend would be bound to represent an additional burden on small and medium-sized enterprises, without necessarily encouraging or recognising the substantial efforts routinely made by companies such as ACOME in the field of corporate social responsibility.
Can the social responsibility of a very large undertaking and a ‘medium-large undertaking’ be measured in the same way?

If one were to question the local population around Mortain about the socially responsible nature of ACOME, where all families in the area hope to see their children employed, there is no doubt that the answers would be overwhelmingly positive.

Yet ACOME publishes no reports on its ‘good practices’ and issues hardly any communications to the media. The cooperative is not particularly active in sponsoring local activities. Like all production workers’ cooperatives, ACOME is legally exempt from paying the business tax due to local authorities.

The international development of the group, and especially the creation of foreign subsidiaries in Brazil and China, also did nothing to prompt internal questions about the company’s social responsibility, for example, towards the employees of those distant affiliates. The people interviewed at Mortain seemed to be thinking essentially as shareholders, worrying about the future profitability of these investments, which had in any case been made in order to comply with the wishes of a major car industry customer to see his subcontractors transfer some of their know-how to his home country.

To summarise then, ACOME’s performance in terms of social responsibility could well be assessed as very moderate if it were measured against the criteria put forward by the ‘global players’. These criteria involve displaying a contribution to the social development of the local environment, and a desire for internal transparency and for dialogue with interested parties outside the undertaking (consumers, public authorities and NGOs). It may be added that ACOME is not a member of an approved CSR organisation and that the majority of its executives are still ignorant of the content of the Green Paper recently published on the subject.

And, yet, ACOME does seem to be a ‘substantially’ socially responsible undertaking, firmly established in a region within which it fights to preserve jobs, while improving the quality of its staff training and its products, and observing the rules governing health and safety at work. ACOME is indeed involved, then, in defending a social fabric that has been undermined by the rural exodus and de-industrialisation. Its presence is certainly regarded as an opportunity for the local community, even if more and more ACOME employees have come from far away to work there.

ACOME’s reputation is too well established in its local area and too weak elsewhere, with regard to its size and the nature of its production activities, which are invisible to consumers or neighbours, for it to have any concerns about the risks of being called to account by local society. In brief, the question raised by the case study is whether ACOME’s social responsibility can be considered in the same terms and use the same measurement and control methods as that of the global players, such as Peugeot and France Télécom, which are its main customers.