Associative corporate governance: the steel industry case
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6. Development of ACG via the main activities of ASC

Whatever will happen in the long term or overnight inside or outside ASC, the only way to react to it is by ‘labour’ within the company. ‘Labour’ as defined in section 5.3. I will mention a few examples.

If there are dramatic, political or environmental changes in the outside world the management of the company will come together and take immediate action. Financial health of the company is based on right policies and intelligence of the financial specialists within the company. If prices of resources change, the employees of the Supplies Department will react with both short and long-term measures. If markets drop, the sales managers of the Sales Department will adjust prices and look for substitution. The management of Operations will adjust the production level. If the labour market changes, the HR employees will react by changes in, for example, remuneration or the labour intake level. New environmental restrictions will result in new technological developments and orientation of the company’s R&D employees, or in the purchase of more emission rights by the Supplies Department. In general, every development will result in actions and reactions by the company’s issue-involved representatives of its stakeholders. Labour is really the only direct instrument of the company. The changes from outside can be too dramatic to overcome; still, the only way to influence the scenery is via the actions of these representatives. Even if help comes from the outside from politicians or other stakeholders, representatives inside the company must face and adapt this help.

For that reason, I take ‘labour’ as the main entrance in the development of ACG within ASC. It is the ultimate consequence of the introduction of the ‘human factor’ in corporate governance theories as described in section 3.1.

Within ASC, the management of the company takes the main decisions. This is no different from any other ‘classically’ governed company. However, the high-level participation and involvement of all employees and other stakeholders form a qualitative healthy and solid basis for management decisions within ASC. It is for that reason that I will and can use this entrance. By dealing with the following main activities within ASC, I cover the total action playing field within the company:
- Corporate strategy, see section 6.1;
- Finance, section 6.2;
- Supplies, section 6.3;
- R&D, section 6.4;
- Human Resources (HR), section 6.5;
- Marketing and Sales, section 6.6;
- Operations: integration of activities, section 6.7
In these sections, I discuss how ASC develops the appropriate policies per discipline within the institutional contexts of ACG as defined in Part 2.

I deal with the specific role of the management of ASC and its member-companies in section 6.7. In chapter 3, section 3.2, I explained the ‘power switch’ from engineers to production managers during the 1980s, followed by a ‘power switch’ to financial managers at the end of the last century and the beginning of this century.

I stated that production managers were mostly also engineers by education, so the switch from engineers to production managers was not a real change in thinking and behaviour of the management. The switch to financial managers was a real ‘power switch’ with different ways of thinking and behaviour. The average financial manager has a limited knowledge of production processes and products, and tends to basis his governance heavily on accounting rules and reports. Governance by rules and reports does not exactly fit in the ACG philosophy. ASC will not follow the last ‘power switch’ to financial managers and chooses for management by production managers. Financial managers will still play an important, but advisory and supporting role in the management team of ASC and its member-companies.

I introduce two levels of management. A Local Management Team will manage the facilities of each member-company. This team reports to its local non-executive Supervisory Board of Directors, and to a Central Management Team of ASC in the head office. The Central Management Team will manage ASC and reports to a central non-executive Supervisory Board of Directors. Rules and procedures between the local and central authorities are agreed upon in the member ‘Entrance Agreement’ (see section 6.7).

In principle, local shareholders remain shareholder of the local member-company after entrance into the ASC organisation as part of the associative philosophy of social embeddedness. However, in order to create a solid shareholder framework ASC will become shareholder of each member and each member will become shareholder of ASC. This reciprocal shareholders policy of ASC and the accompanying procedures and rules of the Boards are also part of the ‘Entrance Agreement’. 90 Members of the Boards will be representatives of the major stakeholders and not just of the

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90 The role of Local and Central Management Teams and Supervisory Boards of Directors needs, of course, much more explanation and clarification. I refer to this in section 6.7. Nevertheless, further research will be required, but goes beyond the possibilities of this thesis.
Although it seems tempting at first to structure ownership arrangements and management systems, in order to define the conditions and environment in which the following policies and actions of the different disciplines will take place, I start the creation of ACG at the bottom of the organisation. The other way around should be in contradiction to the ACG philosophy.

In the following sections, I introduce a ‘three-step’ approach. First, I evaluate each activity: Corporate Strategy, Finance, Supplies, R&D, HR, Marketing & Sales, and Operations. Second, I develop for each discipline possible ACG policies based on the two principles of Learning by Monitoring and Micro-Macro. Third, these policies are translated in realistic actions.

Although it may not be possible to develop a mature ACG-policy for each discipline in one ‘three-step’ round, each action should be at least a step in the direction of a full-grown ACG-policy. ACG will be built up stone-by-stone in a practical way. There will be meetings to measure progress and to adapt the program along the lines of Learning by Monitoring and Micro-Macro. However, these meetings are all dedicated to well-defined projects and focused subjects.

The following ‘journey’ through the activities of the company will be a long and serious job for the reader of this thesis. In order not to lose track I present upfront the results. The introduced three-step approach, from activity to policies to actions, results in 27 policies and 64 actions dedicated to the 7 main activities. The division of policies and actions per main activity will be summarised at the end of Part 3.

7 main activities → 27 policies → 64 actions

Each policy and each action contributes to the fulfilling of one or more of the ACG features as developed in Part 2:

- A set of realistic and vivid company ‘values ‘supported by the stakeholders;
- Long-term orientation. Continuity via sustainable growth;
- A meaningful democratic representation of all stakeholders, supported by a stable institutional design. The institutional design will create the platform to be heard, to feel useful, and to guarantee continuity in the discourse. This continuity is necessary for creating trust and loyalty;
- A high degree of voluntarism for its members and stakeholders, based on the possibility of free entry and free exit. The statement that you want to work for the company and that you are proud on the company has only real value if you have the freedom to leave;
- A high degree of autonomy within the company for the peripheries;
- A solid training and education policy to support the craftsmanship approach and the creation of circumstances to fulfil this craftsmanship;
- The stimulating of initiatives on associative democracy within the company as a whole and within the regions of its members;
- The resulting company culture will lead to a solid social embeddedness of the company and to a high social and economic performance.

The main purpose of this approach is to show that realisation of ACG is a feasible and realistic possibility. Part 3 is a necessary ‘practical’ supplement to the theoretical framework of ACG as presented in Part 2.

Each stakeholder in each activity can recognise each policy and action and can see how it fits within the main stream of the associative approach. As such, it will be a bottom-up process supported by all stakeholders. Each participant can participate in his own way and using his own expertise. The introduction of ACG becomes a topical subject throughout the whole company and direct on the shop floor.

Having summarised the overall picture the reader can now start to ‘grind his way’ through the seven sections and witness the gathering of ‘bricks’ for the step-by-step construction of ACG.

6.1 Corporate Strategy

Corporate Strategy is the highest level of policymaking within a company. Normally, the Chairman and his colleagues on the Board, the CEO himself and his management team members, are all directly involved in the strategy of the company. Very often, a Corporate Strategy Department team and many outside consultants will advise them. In most multinational companies corporate strategy decisions are implemented in a top-down process guided by outside consultants. Too often, the new strategy is linked to the appointment of a new CEO.

Internal discussions and outside advices by consultants trusted by this
group are the basis for the decision to introduce ACG as a strategic decision, as made by the Board and the management of ASC. Trust is already a key-item on this level. In practice, outside consultants are chosen based on trust and long-term relationships. Employees of Corporate Strategy are part of the ‘trust-environment’ at the head office. This sounds rather like ‘inbreeding’, but the nature of corporate strategy demands trust and liability between the players involved.

The key-issue is that the top of the company, in this case ASC, must be convinced of the fact that social embeddedness of the company leads to a higher performance. However, this is the weak spot of this thesis. Why should the top of a company come to such a conclusion? Nowadays, top management of multinational companies too often display behaviour completely in line with the Anglo Saxon model. Greedy executives, short-term thinking and the hegemony of financial stakeholders can be found almost weekly on the front pages of the major newspapers.

Hans Schenk’s study on mergers and acquisitions presents a cynical view. He refers to John Kay’s statement on corporate strategy in Foundations of Corporate Success: ‘What should our strategy be?’ as virtually interchangeable with the question, ‘What company should we buy? ‘When CEOs talk about strategic management, nine out of ten times they refer to preparations of and decision making concerning acquisitions (cited in Schenk, Fusies 65). In my interview with Hans Schenk, discussing this cynical view, he states:

‘In general, CEOs make decisions using the ‘minimax-regret’ principle. They do know the low success rate on mergers and acquisitions, namely 15 %, but they do not want to run the risk being blamed by their Board for inattention when successes of the few positive examples are announced. It could have been their success if they had proposed a merger or acquisition!’

Remunerations of CEOs in the Anglo-Saxon world are more related to turnover than profitability. For that reason, they focus on increasing turnover. On top of that, they often receive an extra bonus as part of the acquisition deal (Schenk, Economie 110).

However, there are many signs of different and changing attitudes among top management, even before the financial crisis of 2008. The ‘Enrons’ of the world are still there, and the overall attitude of CEOs may be as described, but many companies are dedicated to long-term thinking, a sustainable future, good relations with stakeholders, and correct treatment of employees. In the steel industry, companies like Tata and Nippon Steel Company are in this league.

More and more managers are well aware that the future of coming generations is on stake. They too have families with children and they too are often respectable members of the local society to which they belong. There
is a growing awareness that they have to contribute to a sustainable future in their day-to-day fulfilment of their job, and that commercial decisions cannot be withdrawn from moral considerations. There is a growing awareness to re-evaluate the role of the corporations and to reconsider its governance. This growing awareness and the competitive advantage of social embeddedness and sustainable future policies, as will be elaborated upon later on, means that the weak spot as mentioned above is perhaps not that weak!

One of the best signs of this growing awareness is the voluntary membership of more than 200 international companies of the World Business Council for Sustainable Development (WBCSD)\textsuperscript{92}, and the existence of the Dow Jones Sustainable World Index (DJSI World).\textsuperscript{93} I will come to these initiatives in the upcoming sections.

However, ACG goes beyond sustainability discussions. In the first place, ACG asks of the company more democratic governance. To convince top management of the advantages of more democratic governance is perhaps possible in Western Europe within the Continental European model, but it will be much more difficult in other cultures and/or economic and social models. Still the importance of respecting each employee as a ‘member of the family’ can be found in the Asian model as well. I can refer to my own experience in dealing with Japanese steelmakers and equipment suppliers. In addition, I refer to Sen (Sen 329). In investigating the global origins of democracy, Sen states that the importance of public discussion and open deliberation is a recurrent theme in the history of many countries in the non-Western world.

\textsuperscript{92} For more detailed information on WBCSD, see <http://www.wbcsd.org>. WBCSD is a coalition of 200 leading international companies of various industrial sectors, including mining and metals, and the majority of the service industry. They represent a total number of company employees of 13 million. Its members supply products and services to half of the world’s population every day. The most well known representative of WBCSD is its President, Björn Stigson. He presents papers to international platforms and conferences on a regular basis. His major message is that our world sustainable development issues will increasingly shape our world. Corporate governance should include economical, social and environmental issues as one belief or mindset. He presented the most relevant paper for the steel industry during the 42\textsuperscript{nd} annual conference of the World Steel Association on 7 October 2008 in Washington, DC (Stigson). This paper highlights the business opportunities for the steel industry in helping to reduce global CO\textsubscript{2} emissions. CO\textsubscript{2} emissions are the Achilles heel of the environmental policy of steelmakers (4-5\% of the total world CO\textsubscript{2} emissions with no break through strategy on substantial reductions).

\textsuperscript{93} ‘Launched in 1999, the Dow Jones Sustainability Indexes (DJSI) are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide’ (<http://www.sustainability-index.com/ >. ‘Currently 50 DJSI licenses are held by asset managers in 19 countries to manage a variety of financial products including active and passive funds, certificates and segregated accounts. In total, these licensees presently manage close to $8 billion based on the DJSI’ (<http://www.sustainability-index.com/07_html/ licensing/licensing.html>).
In Part 2, I described the general philosophy of ACG. CSR and the stakeholder approach will form the ‘stepping stones’ to ACG. I implement this approach into the Corporate Strategy of the company.

In subsection 6.1.1, I deal with Corporate Strategy as a process and how to start-up this process. In subsection 6.1.2, I highlight the organisation of the practical framework of the discourse, in subsection 6.1.3 the organisation of the information flow to all participants and in subsection 6.1.4, the monitoring of quantity and quality of the process. In subsection 6.1.5, I describe recent trends within the steel industry in determining the corporate strategy. Finally, I summarise policies and actions in subsection 6.1.6.

However, before embarking on the subject I have to introduce a strong precondition for the process as described below. Introducing the discourse on corporate strategy assumes an available long-term timeframe for the company and its stakeholders. This requires the protection of the company, or parts of it, from unexpected or unwanted take-over by third parties, as already mentioned in section 5.4. The ownership arrangement should be a defence against this threat. I will deal with this critical and important subject in section 6.2 on Finance. The associative philosophy allows a merger and acquisitions but only along the guidelines of ACG. That means after approval of the relevant stakeholders and after approval of both parties involved.

**6.1.1. Corporate Strategy as a process**

Perhaps the best way to start is to use Michael Porter’s vision on CSR (Porter & Kramer). Michael Porter has been a well-known authority on Corporate Strategy in recent decades. Almost every Board member and every member of a Corporate Strategy Department of a multinational company knows his ideas and uses his views. To start with, his opinion on CSR is an approachable first step. It combines the art of corporate strategic thinking and CSR as an important cornerstone of ACG. Michael Porter considers CSR as a strategic activity for a corporation. It shapes the relationship between the corporation and the outside world. This relationship plays a decisive role in the future of a company. For that reason, CSR should be considered a strategic issue and should be high on the agenda of the Corporate Strategy Department. According to Porter, many companies have already done much to implement a CSR policy; yet, these efforts have not been nearly as productive as they could be, for two reasons. First, they put business opposite society, when clearly the two are interdependent. Second, they pressured companies to think of CSR in generic ways instead of in the way most appropriate to each firm’s strategy. They state: ‘when looked at strategically, CSR can become a source of tremendous social progress, as the business applies its considerable resources, expertise, and insights to activities that benefit society’ (Porter and Kramer 2).
However, this demands a strategic approach beyond the four prevailing justifications for CSR: moral obligation, sustainability, license to operate, and reputation. According to Porter, ‘all four schools of thought share the same weakness: they focus on the tension between business and society rather than on their interdependence’. (5)

This leads to fragmented and uncoordinated CSR practices and initiatives, often isolated from operating units and without a systematic dialogue with all possible stakeholders. Porter wants to advance CSR beyond this fragmentation and puts it on the agenda of Corporate Strategy in order ‘to root’ it in a broad understanding of the interrelationship between a corporation and society. To achieve success, companies need to operate in a healthy society. Any business that pursues its ends at the expense of the society in which it operates will find its success to be illusory and ultimately temporary.

In order to put these broad principles into practice, Porter integrates the social perspective into the core frameworks he already advocates. Members of the Corporate Strategy Department will recognise his ‘value chain’ and ‘competitive context’ approach. ‘Mapping the social impact of the value chain shows all inside-out linkages between society and company, a company engages in while doing business’ (Porter and Kramer 8).

This leads to issues like relationship with universities, product safety, recycling, ethical research practices, transparency, reporting, education and training, safe working conditions, layoff policies, procurement and supply chain practices, environmental issues, marketing and advertising practices, pricing practices, consumer information, and privacy.

‘Social influences on competitiveness, the social dimension of the company’s competitive context- the outside-in linkages between society and company that affect its ability to improve productivity and execute strategy’ (Porter and Kramer 9).

This leads to issues like the availability of human resources, access to research institutions and universities, sustainable natural resources, efficient access to capital, intellectual property protection, rule of law, availability of local suppliers, presence of clusters instead of isolated industries, access to firms in related fields, regulatory standards, local needs and demands, etc.

The key to a successful strategy is to come to the right prioritising of all these issues, or what Porter calls the ‘corporate social agenda’ (6). A right agenda will achieve social and economic benefits simultaneously. It moves from mitigating harm to reinforcing corporate strategy.

The agenda will be time and place dependent. Issues will change over time as social standards evolve and science progresses. A typical example is the asbestos issue. The character of a social issue also differs per location for each of the business units and primary locations.

Porter and Kramer even ask companies and societies to change the way...
they think about each other. NGOs, governments, and companies must stop thinking in terms of corporate, social responsibility and should start thinking in terms of corporate, social integration. Michael Porter and Mark Kramer state that ‘CSR will become increasingly important to competitiveness success’ (13). This statement follows naturally from Porter’s line of argument in his influential book The Competitive Advantage of Nations. Environmental sensitivity and concern for social welfare are rising in all advanced nations. Find and choose the localities whose regulations foreshadow those elsewhere and develop the competitive advantage of the company.

Porter and Kramer’s appeal to this ‘social integration’ is serious and sincere. This appeal will stimulate Corporate Strategy Departments of multinational companies to develop a strategic CSR approach. However, he leaves them in the dark on how to organise this process. He assumes that this process can be organised as ‘business as usual’, which means top-down (although in a decent and careful way) and according to the rules of the company. Although Porter and Kramer mention the word ‘dialogue’, they are quite outspoken in their judgements of stakeholders groups: ‘These groups can never fully understand a corporation’s capabilities, competitive positioning, or the trade-offs it must make’, and ‘a never-ending public palliative with minimal value to society and no strategic benefit for the company’ (4).

In one of Porter’s few visits the Netherlands, he advised the government to abandon the ‘polder model’ because it undermined the innovative spirit of the industry (Van Nieuwstadt).94 Therefore, it is quite unclear how he wants to determine the right priorities and how to create the ‘corporate social agenda’. The strategic process asks for acceptance by all participants involved in the process of coming to clear and well-considered decisions. Stakeholders from business and society have to understand and accept CSR policies in order to make them successful. In order to take Porter’s view seriously, a company has to engage in a long-term dialogue with all stakeholders. This is even more of importance given the ‘change in time and place’ on social issues as mentioned before. I can agree with Porter on the strategic importance of CSR. However, in order to create the necessary change, I will not follow his top-down approach.

Strategy gives direction to the long-term development of the company and determines which necessary resources the company needs for this development. The strategic process asks for clear and well-considered decisions.

‘Strategy is related to the development of the organisation, not to planning of

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94 NRC Handelsblad, 4 December 2001; Porter’s visit to the Netherlands on that day. Report by Michiel van Nieuwstadt. His statement sounds in contrast to his book The Competitive Advantage of Nations. He states that countries are successful in sectors in which producers, suppliers, clients, and public authorities closely cooperate and assist each other in innovations.
the future’. This statement and the following elaboration on planning ‘new style’ are based on my interview with Bim Bensdorp, former Director Strategy of the Hoogovens Group and Corus.

‘Old style’ planning is a periodical and linear process determining a stable near future. It supposes that the future can be planned as a top-down process of analysis. This deliberate process will lead to a standard ongoing strategy, which means ‘just doing things a little better and faster’. According to Bim Bensdorp:

‘The request and call for ‘innovation’ by top management and politicians is a well-known ‘song’. Innovation should stand for ‘change’, ‘improvement’, and ‘renewing’ but is too often of limited impact. 60% of innovations are related to improvement of existing activities (ongoing strategy), 30% is related to changes in existing activities, only 10% is related to real breakthrough activities’.

However, in order to create more than just an average performance, improvement of a company needs more than a deliberate strategy: it needs change. In order to create accelerated performance generating growth outreaching markets and competitors, ASC needs a breakthrough or emerging strategy. Here is a direct link with one of the key elements of ACG: the facilitating of change as central HR policy and mind-set of ASC. In section 6.5, I will elaborate this aspect more in detail.

According to Bim Bensdorp, the ‘new style’ planning to reach this breakthrough strategy will be a circular and continuous process. The future will be seen as an unforeseeable and dynamic target. An increasing choice, freedom in the (unpredictable) future is the essence of strategy formulating. A limited stability in the world asks for flexibility. At any given moment, participants are involved in the closed loop of analysis, findings, conclusions, objectives, and implementation. The loop never stops; it is a ‘spinning ball’ to be rolled uphill on a steep slope. Repeatedly, choices should be made, clear and well considered.

Perhaps, the term ‘circular’ is not appropriate. It could suggest that after ‘finishing the circle’, everything is back to the original situation and that no progress has been made. ‘Recursive’, the repeated application of a particular procedure to the previous result, is more suitable. This process needs active support and participation from all stakeholders. For this, the strategic process should be disposed of any secrecy; it should be clear and understandable for all participants. The involvement of all ASC’s economic and social stakeholders can only be real if ASC’s organisation and environment penetrate each other’s world.

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95 The term ‘discursive’ was proposed by Gerard De Vries, co-supervisor of this thesis, during the discussion of the first draft of this thesis, on 26 November 2010.
Different to Porter’s top-down approach the ASC process will be *top-down and bottom-up*. Top-down because management will initiate the ‘spinning ball’ and supply all necessary and available information during the process. Bottom-up because strategy forming is no longer an exclusive subject for the top of the organisation but for all participants. This is necessary for the learning-process within the company but also for the company’s ‘learning-in’ process, which means the outside stakeholders’ understanding of the company. It should be a Learning by Monitoring process for management and organisation.

This all will be a highly demanding task for the company and all participants in the process. The availability of well-educated discourse participants is a key condition for success. The ‘smelling of opportunities’, the balancing act between thinking and doing, between today and in the future, between company and environment and between ratio and vision or ambition, and the translating of all this into the right decisions at the right moment is the key to a breakthrough strategy. Many organisations are unable to make these choices and just follow the crowd. ASC needs a continuous training and education policy in order to facilitate the learning by monitoring process of this ‘spinning ball’. By optimising the use of available knowledge and experience in the company and its environment on a continuous basis the performance of ASC will be higher than steelmakers ‘old style’. The high performance of the steel plant in IJmuiden with its long history of continuous emphasis on knowledge and education proves this approach.

In order to implement this process of change, a company must put emphasis on innovation of the organisation or social innovation. The process of social innovation will break down bureaucratic structures and will motivate management, employees and all other stakeholders to repeatedly re-invent the company’s targets and strong points, and to challenge the dominant logics within the organisation (De Graaf, Heleen). Social innovation needs a pro-active attitude from the management and cannot be delegated to the HR Department as just another HR-‘tool’. The introduction and implementation of ACG is a social innovation project. It will challenge the existing corporate governance logics.

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96 Heleen De Graaf: Interview with Prof.H. Volberda, one of the leading promoters of social innovation and professor at the Erasmus University in Rotterdam, the Netherlands. He criticizes the one-sided emphasis on technological innovation. Innovation of organisation and management is a key-condition for reaching breakthrough strategies. NRC Handelsblad 13 October 2004.

97 For further investigations on social innovation, see section 6.5.
The project should follow the next five steps:

1. Conditioning: ask all participants to think about the introduction of ACG;
2. Charting: make a map of the way participants work with each other at this moment;
3. Challenging: challenge the existing way and find out how ACG will change the dominant logics;
4. Changing: start the implementation of the real change for ACG;
5. Creating: shape the real conditions for ACG.

However, there are two threats to this approach. In the first place, it appears to be a linear path. All participants should be aware of the discursive and layered character of the discourse. Each participant can be involved in different steps concerning different subjects. He or she can be involved in the charting of ASC’s procurement policies, but at the same time be involved in creating new HR policies. Second, it gives the impression that ACG will be implemented after a final definite ACG scheme has been determined. This will never be the case. The discursive character of the discourse already means that ACG will be shaped step-by-step, accepting that continuous improvement via Learning by Monitoring will be the necessary follow-up in the near future. General and abstract discussions on the principles of ACG will be necessary in order to create the right conditions—‘imagination’ and ‘spirit’—for its moral pluralism. However, they should be translated in specific terms applicable to actual contextualised situations. Otherwise, ACG does not work. The abstract terms of basic needs and rights and the practical and prudent handling of reality are two sides of the same coin.


Participants of discourse platforms within the ASC organisation should show democratic engagement and adopt the spirit of ‘imagination’. They should search for fresh opportunities and solutions via free and unlimited reflection on experience without ‘the technical rationality of business calculations and scientific research’ (Mills and Gitlin 235). Shue’s ‘right of subsistence’ and Mill’s emphasis on the ‘potential influence by concerted action on the social forces that shape people’s lives’ and ‘his commitment to dignity’ (230) fit very well together.

However, in order to create the environment for this ‘spirit of imagination’ ASC has to adapt the right attitude towards ‘change’. I want to refer to the work of Jaap Boonstra on trends and movements in studies.
of organising and changing (Boonstra and De Caluwé). He distinguishes four paradigms on organising, changing and learning. Two paradigms based upon radically changing (structural conflict, dominance, contrasts) and two paradigms on change via regulations (social order, consensus, solidarity). Both types of paradigms represent an objective (positivistic, determinism, academic research) and a subjective approach (voluntarism, exploring, meeting, action research). ‘The subjective perspective sees people as creators of their own environment who can change their environment’ (Boonstra and De Caluwé 12). ASC will choose for the combination ‘change via regulations’ and the ‘subjective perspective’. The two aspects of change via regulations, consensus and solidarity, fit in the discourse ethics and company values of ASC. The four aspects of the subjective approach – voluntarism, exploring, meeting, action research – fit in the associative character of ASC. Boonstra calls this combination the ‘social-interpretative’ paradigm (Boonstra and De Caluwé 11). Continuous change via the ‘spinning ball’ approach with feedback processes and self-organisation, and continuous learning and monitoring fit in this paradigm. It is a typical example of acting in accordance with Sen’s realisation-focused perspective, a key feature of ACG.

The Corporate Strategy Department has the task to facilitate the process. It has to organise the practical framework of the necessary discourse on ACG and to take care of the information flow to all participants. At the same time, it has to monitor the quantity and quality of the process, and to report on progress and results.

6.1.2 The organisation of the practical framework of the discourse
The organisation and implementation of the discourse, as the main carrier of ACG’s participation policy, will be a huge and long-term project with changing prospects and numerous potential roadblocks. Learning by Monitoring and Micro-Macro as guiding methods will be of utmost importance. If the organisation of the discourse fails, the associative philosophy will lose ground. Partly, the discourse begins where existing platforms within the organisation of ASC member-companies are available: in the different works councils, or in other forms of continuous or ad hoc forums of direct and indirect participation. In part, it will be necessary to start up new initiatives.

Although there will be a huge variety of discourse initiatives after a few years, the first initiatives should be limited in scope and location. The first step will be to initiate discourse platforms in three different locations within ASC: first, at plant level via existing works councils or comparable participation initiatives (see section 6.7); second, at corporate strategy level as described; and third, on HR level (see section 6.5).

These three types of platforms will immediately show the intention and

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99 Prof.dr. Jaap J. Boonstra is professor of Organisational Development and Learning at the Faculty of Social and Behavioural Sciences, University of Amsterdam.
the scope of ACG’s participation policy without overstretching in the initial phase. This demonstrates that the discourse issues will cover the whole range of ASC’s activities, from labour conditions and day-to-day practical aspects on the shop floor, initiated by the platforms on plant level up to policies and decisions on investments and technology and R&D initiated in the discourse platform on corporate strategy.

It further shows that HR plays an important facilitating role in the implementation and development of the discourse. HR has to organise courses on deliberation techniques and ethics; it has to develop and maintain a reservoir of potential participants in the different discourse platforms; and, it has to assist management and participants in quality and quantity control of the discourse within the different platforms. In addition, it is essential that it stimulates and maintains the necessary diversity among the participants.

The overall responsibility for the discourse performance of each of ASC’s member-companies lies at the highest level: the CEO of the Local Management Team. The HR Department or other facilitators will, of course, assist him or her, but he or she cannot delegate the responsibility.

It is tempting to delegate the discourse organisation to a special team, but that would change the discourse issue from an on-going activity, embedded in the day-to-day routine, to an ad hoc activity, which will lose momentum after the initial and enthusiastic phase. Management, labour and all other participants in the discourse have to take on-going personal responsibility. The above-mentioned activities of the HR department are facilitating activities.

The participants in the discourse should be hands-on, active representatives of the different stakeholders, using only part of their time on one or more discourse activities and with a limited membership in length of time of discourse platforms. This will lead to a broad, efficient participation level for many players, and will prevent the birth of a class of ‘discourse-animals’ running from one meeting to the next with limited and insufficient contact with reality of the company and the creeping growth of another overhead cost. This is, in my opinion, a key pre-condition of the discourse organisation, and based on my personal experience with the functioning of works councils.

Another key aspect of discourse platform performance is the chosen scope of the discourse. On the one hand, participants should have the feeling that they are not locked up in a limited scope of discourse; on the other hand, active participation is very often linked to personal involvement and experience with the agenda items. Participants have the obligation to search for additional useful information on the agenda items and to study all available documents.

100 With the emphasis on ‘active’ representatives, I refer to the danger of ‘escape’ representatives, a well-known phenomenon in organisations. ‘Escape’ representatives are persons who no longer perform in active production process and ‘escape’ to a representative platform, e.g. a works council, as a smart way to ‘survive’ within the organisation.
To find the right balance is crucial for the performance of the platform.

For this reason, I will introduce two types of discourse platforms: general and specific platforms. The agenda of general platforms, e.g. an overall works council per plant will cover the whole field of plant activities. Specific platforms will deal with specific issues like product development, safety, environment or education.

The latter platforms can handle certain discourse items on their own, or they prepare certain items for a later discussion in general platforms. They also are breeding grounds for participants of the general platforms. For example, a young employee of the R&D department can be involved in a discourse between ASC specialists and specialists of major customers on product development. This experience can spark interest in participation in more general discourses on future R&D programs, and in a later stage in participation in general platforms. Participation will become one of HR’s functioning criteria.

The discourse organisation and implementation can and should learn from already available examples of participation and deliberation as implemented and used in many companies worldwide. The majority of these examples relate to the local or national level. However, the organisation of discourses on an international level within multinational companies is unknown territory. The only available example is the organisation of European Works Councils (EWCs) within companies operating in a number of EU countries. In the steel industry, ArcelorMittal is a typical example. The experiences are still limited. In my interview with Enrico Gibellieri, Co-Chairman of the EMF in the Consultative Commission on Industrial Change of the European Economic and Social Committee, he states:

‘The role of the EWC is useful but has a low image. The council is always passive and defensive. As a member, you always hear what has already been decided or done. At best, they meet twice a year; the minimum level is once a year’.

Frits Van Wieringen, Chairman of the EWC of Tata Steel Europe, has a more positive opinion about the functioning of the European Works Council. In my interview he states:

‘I am positive about the functioning of the council. My English colleagues are very active and creative. They understand the power game within a multinational organisation. Of course, European legislation is limited and a typical product of the neoliberal orientation of the EU during past decades. Nevertheless, we find our way day-by-day by just ‘doing our job’ via pragmatic solutions. As a practical example, via my contacts within the International
Metalworkers Federation, I have initiated to arrange an annual meeting between the management of Tata Steel and the Federation. In our meeting of October 2010, the management presented their strategy in the European council. The legal obligation of ‘information’ fits in the top-down philosophy of Tata. They have little experience with European ‘empowerment’ initiatives but we will try to influence their thinking by just initiating open discussions’.  

In *Towards a European Labour Identity*, by Fred Huijgen, Michael Whittall, and Herman Knudsen, a detailed report on the history of the development of EWCs is given including threats and opportunities of the process. It includes a short history of collective ‘identity’ in sociological theory, including Emile Durkheim, Talcott Parsons, Adam Smith, and Max Weber (170). Only if an EWC is organised as a ‘participating working team’ there is something like a ‘European identity’. In my interview with Fred Huijgen, he confirms the focus on identity, participation, trust and respect. Without these features there is nothing more than the ‘calculating behaviour’ described by Enrico Gibellieri.

This means that ASC’s ‘corporate identity’ as crystallised in its corporate values, is a necessary pre-condition for the success of the participation process within the company. Corporate identity will promote the coming into existence of epistemic communities of specialists of member-companies within ASC, as mentioned in section 5.1. Fred Huijgen considers the EWC as a steppingstone to further global regulation of participation. Although the functioning of EWCs is still marginal, it is a supranational platform for discourses between stakeholders within multinational companies born under unfavourable neoliberal EU regulations. As such, it represents a ‘window of opportunity’ for further developments.

Volkswagen made the final step to a World Works Council.

This means that the organisation of the discourse within ASC on an international or global level will be a difficult but challenging job. It becomes even more complicated when introducing a number of stakeholders. The few available examples relate to just two stakeholders: management and employees.

It is obvious that the Learning by Monitoring method demands a lot of monitoring and a lot of learning from all participants. I learned from personal experience that communication between international participants should be based on roughly 80% modern communication systems and 20% face-to-face communication. Limited or almost no face-to-face communication will

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101 See also section 2.4.
102 In May 1988, the Volkswagen Group Board and the European Works Council agreed upon the foundation of a ‘World Group Council’, which will include employee representatives from Volkswagen subsidiaries all over the world. The experiences are varying. The council has done good work in reorganisations in Brazil, but could not play a decisive role in recent job reduction programs in South Africa. Source: Eurofound. 23 April 2010. <http://www.eurofound.europa.eu/eiro/1998/06/inbrief/de9806271n.htm>
not work; however, modern communication technologies will be of decisive importance in the organisation of the international discourse.

The first step in the organisation of the discourse should be to condition the organisation: ask the participants to think about the ACG process. The Central Strategy Department appoints a multidisciplinary Central Strategy Team to handle the kick-off and follow-up of the discourse. Initially, this team represents management and employees, appointed by and reporting to the Central Management Team and the Central Works Council.\(^{103}\)

In a later version, it includes representatives of other stakeholders. AGC demands involvement of all stakeholders. Corporate Strategy has to determine the list of ACG’s economic and social stakeholders. The Central Strategy Team organises the discourse between these stakeholders on the local and central level.

On the local level within ASC, which means within the organisation of the ASC member-companies, the Local Management Team and the Local Works Council appoint a Local Strategy Team. The Central Strategy Team feeds relevant information to the Local Strategy Teams. The local teams inform the central team of the progress on local level. The central team is responsible for the exchange of information between the local teams.

In the initial stage, the list of stakeholders is limited to the following economic stakeholders: management, employees, and shareholders. The involvement of other stakeholders takes some time or even a long time. As mentioned before, the first step in the implementation of ACG is the conditioning of all participants. This requires time and prudent behaviour in the case of other economic stakeholders – clients, suppliers, partners in joint ventures – and social stakeholders (Janssen, Caspar).\(^{104}\) The ‘spinning ball’ of the introduction of ACG can be compared with a snowball. The longer the ball keeps role, the bigger it becomes. The size will also depend on the local conditions of the teams.

In the steel industry, there already exists a wide range of existing cooperation and discourse practices between the management of steel companies and a

\(^{103}\) I assume that ASC operates within the Central European model, and that a European and Central Works Council exist. It is obvious that during the further development of ASC a World Works Council will be introduced.

\(^{104}\) A typical example is the negative reaction of some members of IUCN (International Union for Conservation of Nature) to the open discourse between Shell and the IUCN. The discourse agreement between IUCN and Shell provides for the posting of a Shell employee at the IUCN head office. Three or four member organisations of the Dutch division of IUCN (in total more than 1000 NGOs are member of IUCN, the Dutch division counts 36 members) declared not to agree with this practical approach of the discourse. They are afraid that the safety of their scientists in Nigeria, who study the oil pollution in the Niger delta, will be jeopardised. They will be associated with the Shell organisation. Casper Janssen, Volkskrant, 8 May 2008. This example shows the complex character of the discourse between MNCs and NGOs.
variety of economic and social stakeholders.

However, on top of that, there is a growing amount of discourse practices between management and employees of the steel plant on the one hand, and representatives of clients, competitors, trade unions, local and regional governments, national and supranational authorities and training and education institutes on the other hand. The content of the discourse practice differs per stakeholder. Many steelmakers develop new products with long-term clients via working groups of specialists from both sides. The contact with the local and regional authorities is based on the wish from both sides to develop good neighbourly relationship. This good neighbourly relationship will be the basis for reaching agreements and cooperation on environmental, educational and other social aspects.105

The contact with competitors is concentrated within the international business association of steelmakers: the World Steel Association. This association organises several conferences every year on CEO and specialist level. Working groups and special purpose committees further shape cooperation.

All major steelmakers cooperate with local, regional and national training and educational institutes in some shape or form. On the national level, we find senior specialists of the steel industry working as teachers and professors at technological universities or institutes. Many of their students work on their PhD within that same steel industry. Given the labour-intensive character of the steel industry, the contact between steelmakers and trade unions is frequent and important from strategic point of view. Although the emphasis normally lies on direct aspects like labour conditions, job security and remuneration, unions do embark on a more future-oriented strategy (Jose 16) based on cooperation with other actors who share the values and concerns of the labour movement: communities, religious organisations, ethnic groups, environmental groups and neighbourhood associations. Unions also get involved with existing initiatives of NGOs on human rights, a safe environment, gender equality, education, and health106. They cooperate with other national and international unions in order to strengthen democratic institutions and to create a minimum social basis, based on the rights and


106 ‘The International Trade Union Confederation (ITUC) is the main international trade union organisation, representing the interests of working people worldwide. The ITUC was founded at its inaugural Congress in Vienna, Austria, on 1-3 November 2006. It groups together the former affiliates of the International Confederation of Free Trade Unions (ICFTU) and the World Confederation of Labour (WCL), along with trade union organisations which had no global affiliation’ (Source: ITUC. 2 December 2007. <http://www.ituc-csi.org/about-us.html>). ITUC issues are child labour, forced labour, climate change, human rights, gender equality.
entitlements of workers in all countries. This cooperation can also be found within a few multinational companies by establishing international platforms for discourse and dialogue. ASC can expect a positive role from the unions in its corporate strategic discourse based on their basic role as purveyors of social cohesion and alliances and their growing willingness to make long-term agreements with national and international corporations (Jose 152).

Finally, there is a growing cooperation between steelmakers and NGOs. Most contacts with NGOs are on a case-by-case basis. There are, however, good examples of a more systematic cooperation between steelmakers and NGOs.

A typical example is the already existing ‘Zukunftsrat Stahl’ in Germany. In my interview with Prof. Dr.-Ing. Dieter Ameling, Chairman of the Verein Deutscher Eisenhütteleute and President of the German Steel Federation, he states:

‘I am very positive about the constructive and cooperative dialogue with NGOs within the ‘Zukunftsrat’. This platform is a meeting place for a dialogue on the future of the steel industry between German environmental NGOs and the German steel industry. They exchange ideas and opinions and learn to understand the motivations from both sides. Of course, this is only a beginning but it is a step in the right direction’.

Participants of this rich variety of existing discourse practices are responsible for a fair and just discourse process as far as possible. The level of fairness of the process will determine the level of legitimacy and the success of implementation of the outcome. As stated in chapter 4, ASC will use the realisation-focused perspective of Amartya Sen with its emphasis on comprehensive outcomes, in order to create practical procedures and attitudes and to create a sustainable basis for the discourse process. The key point is the acceptance of dialogues between all participants instead of monologues from the top. Especially within a company, it will be almost impossible to neglect the power asymmetries and the difference in available information. However, Learning by Monitoring can bring reality closer to ideal by continuous awareness of the existing tensions between reality and ideal, and the ASC policy to accept discourse ethics as a leading principle. It is quite possible that NGOs or other stakeholders join the discourse in one location and stay out in

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107 Especially the Korean Union Movement, FKTU, and the Japanese national union Rengo play an important role in supporting unions in surrounding countries like Malaysia and Taiwan. The ILO considers the union movement in the Republic of Korea to predict the future of organised labour in Asia (Jose 233). This is of interest given the position of the Korean steelmaker POSCO as one of the leading steelmakers in the world. One of its latest initiatives was the organisation of a ‘grand social discourse’ on the recent financial crisis with employers associations, unions, social groups, and academic and religious groups as participants.
other locations. In addition, the degree of cooperation can vary between full cooperation and just a case-by-case information exchange. The ‘spinning ball’ character of the process combines the reality of today with possible potential improvements in the future.

The discourse within the teams has to fulfil certain minimum basic conditions (open character, a reasonable level of dialogue, solid reporting), but they can vary in style and atmosphere according to the type and character of the participants, and the local tradition of the participation process. The contextualised approach of ACG has to prove its merit.

ASC’s member-companies in developing countries operate under different economic, political and social environments than their colleagues in developed countries (Reed 180). The creation of dialogues and the organisation of discourse platforms will show a rich variety of features and shapes. Nevertheless, the intention will remain identical and unchanged, to create loyalty and trust within the organisation of the member-company. The economic environment may be less mature, unemployment may be higher, and the economic structure may be different, but there can also be different reasons, such as geography, postcolonial governmental policies that limit the role of the market or implemented programs of international economic institutions like IMF or WTO. The political environment shows different civil and political rights, political-administrative institutions and practices, and lower levels of civil society activities. With respect to the social environment, developing countries are less well off in terms of a number of important social areas, such as education and access to information, health, food and shelter and gender equality. The associative philosophy will show two faces: in the first place, it will respect the local environments; in the second place it has the obligation to increase corporate responsibilities to fulfil obligations not taken up by other actors in society.¹⁰⁸

The voluntary character of ASC will have a positive influence on the participation and willingness to reach progress. Member-companies were aware of the ACG policy when they joined ASC. As already mentioned before, one of the key conditions for the success of local teams is the availability of well-educated participants. They should be trained in discourse ethics and discourse skills. This means that the continuous learning attitude within ASC is of crucial importance. When I discuss HR in section 6.5, I will detail this policy, including the cooperation with regional education institutes.

The decision-making procedures within the teams are of crucial importance to the credibility of the whole discourse. The economic and social performance of ASC demands a correct balance between discourse and action.

¹⁰⁸ I refer to the ‘responsibility of effective power’ principle of Amartya Sen (Sen 204) as part of the ACG philosophy. If someone has the power to make a change that he or she can see will reduce injustice in the world, then there is a strong argument for just doing that.
If everyone agrees on certain actions, there will be no problem. If no agreement can be reached after a serious and well-balanced discourse on a certain aspect of the ASC operations, someone has to take the necessary decision. If the impact of the decision has of pure local or regional character, the management of the regional member of ASC has to take its responsibility and has to decide. However, every decision will have the following six preconditions:

1. The subject of the decision must have passed the discourse conditions of openness, fairness and thoroughness;
2. The decision will be firm and valid as long as there are no new facts. In principle, it can show up again on the agenda if new facts show up. This makes it acceptable for the participants to accept decisions and to support the outcome without sabotage;
3. Local teams must have the opportunity to ask the Central Strategy Team for assistance if the discourse gets stuck;
4. The decision should be made within a certain time span. If no decision is reached within this period, the company or the process may be hurt disproportionately;
5. Management should have the authority and legitimacy to act and to take decisions. Authority and legitimacy play an important role within each organisation, especially within ASC. ACG, with its participation policy and intensive involvement of stakeholders, will be the basis for the authority and legitimacy of top management. Democracy yields moral reasons to obey the rules and a moral permission to enforce the rules;
6. Decisions by management should be necessary on a limited scale, say 1-2 times per 10 subjects. With ‘decision by management’, I mean the situation in which the management overrules the decision of the discourse platform, e.g. the decision of a works council.\footnote{I refer to my own experience in working with Works Councils. If the management has to force decisions on a more frequent level, there are serious signs that something is wrong with the management or the dialogue quality.}

In section 6.5, I develop the framework of employee participation, including the decision-making procedures via Works Councils. The results of the strategy discourse are a regular agenda item of the Councils. The final decision-making process on strategy will be handled in line with customary decision-making, on a local level via the Local Works Council, the Local Management Team, and the Local Board of Directors, and on a central level via the Central Works Council, The Central Management Team and the Central Board of Directors.

The discourse within the Central Strategy Team needs some more thoughts. What will the balance be between the Local Strategy Teams and
Chapter 6 Development of ACG via the main activities of ASC

the Central Strategy Team? It is quite possible that on a central level the international branch of an NGO will be a stakeholder, while at the same time the local branch of the NGO will be a stakeholder in one of the local teams. It is possible that the international branch of an environmental NGO does not agree with some of ASC’s environmental policies, while at the same time local branches can agree with these policies because they judge certain local conditions, such as employment, as more important. In general, the central team and its stakeholders have to limit their activities to the overall aspects of ASC. They should limit themselves, as far as possible, to facilitating the strategic process in the local teams.

Together, the Central Strategy Team and the Local Strategy Teams can decide to install separate specific discourse platforms in the company on certain detailed subjects. This encourages participation by a broader field of stakeholder representatives. Especially younger people prefer a more ad hoc and flexible approach. They are willing to participate in a subject that catches their interest. To become a member of an overall team for a longer period will scare them. That could become a second step for them in a later future.

6.1.3 The organisation of the information flow to all participants
Discourse ethics is about processes, not about outcomes. Discourse ethics facilitate the discourse process and result in solid outcomes. As previously elaborated in chapter 4, ASC adopts Sen’s realisation-focused perspective in the discourse process and works with ‘comprehensive’ outcomes. They include actions undertaken, stakeholders involved, processes used along with the final culmination outcome. They are important building blocks of a well-organised dialogue and a consequential evaluation of the dialogue, and fit perfectly in the Learning by Monitoring method. Employees of the Corporate Strategy Department are responsible for supplying all relevant information to the participants in the corporate strategic discourse in order to facilitate the process with high quality input of information. They have to gather information necessary for the discourse. Webs of dialogues play an important role in this process. The most relevant aspects include: existing ASC documents on corporate strategy, political developments, economical and financial evaluations, developments in corporate governance, labour and labour-conditions aspects, and sustainability and environmental aspects.

In the first place, this information should refer to the steel industry, but it could also refer to useful initiatives in other industrial areas such as sustainability and corporate governance. Information gathering will be a continuous process, very often in close cooperation with economic and social stakeholders.

Existing ASC documents on corporate strategy show strategic decisions and policies in the past and will be very relevant in order to show the tension between strategy and actual performance. They can show failures
and successes, and, more importantly, they can show where ‘things went wrong’ or why the implementations of strategic choices were successful. This evaluation can also be used to answer the following question: could the new approach have influenced the outcome in a positive way?

The sources of information on political developments, economical evaluations, and financial evaluations should be a point of discussion in the central and local strategy teams. They should be as neutral and reliable as possible and should be evaluated on a regular basis. As mentioned before, each participant in the discourse has the obligation to search for useful additional information to increase the quality of the dialogue on a continual basis. To withhold information or to bring it to the table at a politically chosen moment should not be accepted and should be discouraged by critical evaluation. Financial evaluations refer to the ASC’s financial performance and to general information of the financial world. The reporting on the company results and policies should be transparent. ASC should report along the lines of the Global Reporting Initiative (GRI). This creates the opportunity to benchmark the organisational performance of ASC with respect to laws, norms, codes, performance standards and voluntary initiative. I elaborate this aspect in section 6.2.

Developments in corporate governance should be monitored closely, given the fact that ASC is trying to implement a new corporate governance style. It will be important to follow the mainstream developments in order to judge the position of ACG. Especially CSR and stakeholder theories are ‘hot’ items in this field. New ideas can and should be included in the dialogue. Information on labour and labour conditions aspects plays a key role given the fact that ACG stands for more democratic corporate governance. On corporate level, information will be gathered via the ILO and other international labour organisations.

In addition to ILO, important international stakeholders in the steel industry are IMF and EMF. In my earlier mentioned interview with Enrico Gibellieri, co-chairman of the Consultative Commission on Industrial Change of the European Economic and Social Committee, he gave the following examples of relevant information:

110 ‘The Global Reporting Initiative is a multi-stakeholder non-profit organisation that develops and publishes guidelines for reporting on economic, environmental, and social performance (‘sustainability performance’) (GRI 2). It installed a disclosure framework for sustainability information. The cornerstone of this framework is the Sustainability Reporting Guidelines—known as G3 Guidelines. Sustainability reports based on G3 can be used to benchmark organisational performance with respect to laws, norms, codes, performance standards and voluntary initiatives. It demonstrates organisational commitment to sustainable development. The guidelines have been used by over 1000 organisations worldwide (GRI 2). During their conference in Amsterdam, on 9 May 2008, the Director of GRI, Ernst Ligteringen, stated that companies cannot perform, or even survive, in a ‘rotten society’.”
‘I consider the EMF Work Programme 2007-2011, adopted by the 3rd EMF Congress in Lisbon in June 2006, as a very positive contribution to the European dialogue on work and working conditions. I am member of the Steering Committee of the EMF Working Group ‘Structural Change’ by the EMF, a working group from the EMF Sector Committee Steel, initiated in 2007. We discuss changes within the European steel industry and how to shape the dialogue between relevant stakeholders. A typical example of successful EMF involvement is the role EMF played in the negotiations with Arcelor and in a later stage ArcelorMittal for the successful implementation of employee-representative bodies within the new company ArcelorMittal. This is an example for comparable negotiations in case of future mergers of in the steel industry. I have never understood the refusal of the British and Dutch unions to accept the assistance and experience of the EMF on this aspect at the merger between British Steel and Hoogovens’.

Finally, yet importantly for labour, the shaping and improving of the participation model within ASC needs strategic attention. Participants of the central and local works councils in the central and local strategy teams should present fresh thoughts and ideas on how to improve the performance of the representative bodies. Of course, the result has to fit in local rules and habits. However, the basic rules can and must be in accordance with the company values as described in chapter 4.

It will be obvious that information gathering on sustainability and environmental aspects has a high priority within the central and local strategic teams. Although, in the first place, ACG stands for more democratic corporate governance, it will result in a sustainable sustainability policy. With sustainable sustainability, I mean a sustainability policy independent from coincidental personal interest of the CEO or short-term financial targets of the company. The embeddedness of the sustainability strategy in the democratic governance process of ASC guarantees the sustainability of this strategy.

Within the steel industry, the international steel organisation WSA has taken the lead in formulating sustainability indicators. Forty major steel makers report annually on WSA-sustainability indicators on a voluntary basis (World Steel Association, Sustainability)\textsuperscript{111}. Besides this initiative, some steelmakers take a more aggressive attitude. The German steel industry established more detailed indicators on sustainability, going well beyond the WSA level\textsuperscript{112}. Some steelmakers are listed on the Dow Jones Sustainability World Index\textsuperscript{111}.

\begin{itemize}
  \item These indicators are: investments in new processes and products, operating margin, return on capital employed, value added, energy intensity, greenhouse gas emissions, material efficiency, steel recycling, environmental managements systems, employee training, and lost time injury frequency rate.
\end{itemize}

\begin{itemize}
  \item Interview with Prof.dr Dieter Ameling, president of the German Steel Federation and chairman of the Steel Insitute VDEh.
\end{itemize}

\textsuperscript{111} These indicators are: investments in new processes and products, operating margin, return on capital employed, value added, energy intensity, greenhouse gas emissions, material efficiency, steel recycling, environmental managements systems, employee training, and lost time injury frequency rate.

\textsuperscript{112} Interview with Prof.dr Dieter Ameling, president of the German Steel Federation and chairman of the Steel Insitute VDEh.
(DJSI World).

ASC should become a member of the World Business Council for Sustainable Development (WBCSD), as elaborated earlier. This cooperation is based on the commitment of these companies to sustainable growth along the lines of economic growth, ecological balance and corporate social responsibility. By being a member, the Central Strategic Team will get relevant information on sustainability for the corporate strategy process.

DJSI index, GRI Guidelines, and WBCSD are typical examples of webs of influence as introduced in section 5.1.

On one hand, ASC has to play its cosmopolitical role as a player in the global civil society via communication with the international political scenery and NGOs; on the other hand, ASC has to deal with the local civil society amongst which are local politicians and local trade unions. This is part of the balancing act within ASC between the Central Management Team, with a focus on care for the global civil society, and the Local Management Teams, taking care of the local civil society. ACG must be quite decisive on this point. The information gathering should follow this same pattern.

6.1.4 The monitoring of quantity and quality of the process

To get the right information to all participants is one aspect; the next important aspect is to take care of an open and fair discourse based on this information and the opinions of the participants. In the first place, participants should be legitimate and recognised as active representatives of the relevant stakeholder. This will be very difficult. How to check if a representative of a trade union really represents the majority of his union or if his union represents the majority of the employees? In other words, not all stakeholders themselves are organised democratically. Here, ASC has to follow the Learning by Monitoring approach. Try to make the best possible decisions and make changes if necessary. An important rule should be that participants should be part of the discourse for a period of three years. After three years, each stakeholder has to deliver one or more new representatives who will be accepted by the discourse platform. In this way, the process keeps an open character and participation does not lead to the formation of an ‘in-crowd,’ that has lost contact with the majority of the stakeholders they represent. Therefore, having the relevant information and the right participants is a necessary precondition for an acceptable level of discourse, but it is not the only precondition.

The discourse itself should follow the rules of communication accepted by all participants. I am well aware of the fact that the discourse can never be free of power influences amongst the participants and that there will be influence from the international political scenery and NGOs, as well as from the local civil society.

113 The representative of the stakeholder can be chosen in a democratic way, or can be appointed by the management of the stakeholder organisation. Although ASC would prefer democratically organised stakeholders, it will accept exceptions. As mentioned before, as an example, most NGOs are not democratically organised or lack transparency.
be many hidden agendas. Nevertheless, the following important typical ACG conditions and aspects should keep these negative influences sufficient under control:

1. Balance between the central process and the local processes;
2. Availability of all information to all participant;
3. Open and fair discourse methods;
4. Progress reports on a regular basis to all participants;
5. Limitation of the participant-status to three years;
6. Respect for and use of the Learning by Monitoring and Micro-Macro methods by all participants;
7. Discipline of all participants and the stakeholders they represent, in accepting the outcome of the discourse.

In section 6.5 on HR, I will refer to the important task of the HR organisation to teach and educate participants in discourse ethics, and rules and procedures.\textsuperscript{114}

Monitoring of the quantity and quality of the process is of great importance. It is the basis for the Learning by Monitoring and Micro-Macro approach. Monitoring is of greater importance than it was in the old-style corporate strategic approach. In this approach, the process ended up with the presentation of a formal Strategic Plan by the Board. Implementation started from there. However, before implementation the document had to be ‘sold’ to the organisation. Presentation and explanation brought a stream of publicity for a certain limited period. After that initial phase, the whole plan got less and less attention, and for the majority of the employees nothing changed.

The new-style approach will be a continuous process. All participants are involved in several subjects in different phases. They are part of the ‘spinning ball’. The Corporate Strategy is a living document and part of real life on the shop floor. This means that accurate and frequent monitoring of the process will be crucial for the overall progress reporting. Finally, the Corporate Strategy outcome forms the basis for more detailed medium-term and short-term plans within ASC on investments, M&S, R&D, HR and Operations.

I elaborated on the discourse as a process of communication and dialogue, including the decision-making aspect. Progress and health of the process are crucial to the outcome. However, the agenda of the various platforms needs the same care. The agenda of the discourse on Corporate Strategy show vital general aspects such as strategy on product-market\textsuperscript{114}

\textsuperscript{114} Much can be learned from available experiments in the industry in order to approximate the ‘free of power’ situation as closely as possible. One of the most successful, but not very well known experiments is the ‘sociocratic circle-organisation method’, developed in the 1960s by Prof.dr.ing. Gerard Endenburg. It is more than a participation model. It is a complete method for management based on parity in the decision process (TAP 182).
combinations, or ‘how and where to make our money’, investments and R&D policies and programs, HR policies, and environmental policies. The associative philosophy adds to the agenda issues like: the autonomy balance between the member-companies and the central organisation, the rules and conditions of the entrance and exit principle, the ACG’s normative consent resulting in ‘trust environment’ and ‘social embeddedness’ of ASC and its member-companies, and the sustainability of the corporate main policies and strategy, especially in economic down turns.

The general aspects are well handled in various corporate governance publications. In the following sections I limit myself to typical ACG aspects: how to organise the entrance and exit principle, how to shape the right balance between central governance and autonomy of the members, and what are the specific ACG policies and rules on cost and staff reductions?

6.1.5 Recent trends on Corporate Strategy within the steel industry

In my interview with Ton Doeleman, former Strategic Development Officer of Corus IJmuiden, he states:

‘Until the mid 90s, the executive directors of the steel companies handled strategy as a discourse process for the top layers of the management and they invited outside consultants like McKinsey to assist in the strategy developing process. For the executive directors, it was just part of their job and they played the game without special inspiration or without showing an inspired vision. The whole process was slow and ‘careful’. During the last decade, this picture changed. Strategic options in the steel industry are determined by a few ‘strong personalities’ (e.g. Mr Lashmi Mittal, Mr Ratan Tata) with strong visions and decisive actions. They can draw on big financial resources backing up their decisions. The process is fast and ‘courageous’. The decision-makers are surrounded by a limited, dedicated, well-paid staff.’

This fits in with Geert and Gert Jan Hofstede’s cultural evaluations of management cultures (Hofstede and Hofstede 241).

The ACG strategy development process is completely different from this new-style strategy. Still, the ACG style can be decisive as long as participants respect Learning by Monitoring and Micro-Macro. It should combine the thoroughness of the former executive director style and the inspired attitude of ‘strong personalities’. Although the style of the ‘strong’ looks rather successful, it is still too early to judge the results. Until September 2008, the strong market covered a lot of mistakes and dubious actions. The empires built up by the ‘strong’ still have to prove their viability during the recent economic downturn. Most probably, the strong shoulders of the ‘unique strong personalities’ will pass on the social costs to the weak shoulders of labour and society in general. ASC will always take full responsibility for its
decisions, in good and bad times. It will not use cheap escapes or the transfer of ‘negatives’ to society. In addition, we should be aware of the fact that there are still representatives of the former executive directors style (ThyssenKrupp, Salzgitter, and Vöest). It will come as no surprise that these companies are typical examples of credit-based financial institutes with long-term investor relations. One of the best examples is the German steelmaker Salzgitter Stahlwerk as described in Box 5:

**Box 5: Salzgitter Stahlwerk**

Based on the interview with Hans Fischer, Steel Division, Chairman of the Executive Board, on 29 July 2008.

Salzgitter is a typical example of a successful representative of the Continental European or ‘Rheinland’ model. They operate under the rules of the ‘Montanmitbestimmungsgesetzes’ of 1951. The Supervisory Board has 21 members: 10 labour representatives (amongst others the Chairman of the German Federation of Trade Unions DGB, and the 1st Chairman of IG Metall), 10 shareholders representatives, and 1 member appointed by the 20 other members. The German state Niedersachsen owns 25,2 % of the shares and controls the major decisions of the Board. Interest from Mittal has been declined. Salzgitter does cooperate with other steel companies, but on a case-by-case basis. A typical example is the cooperation with Tata Corus IJmuiden on Ultra High Strength Steel for the automotive industry.

Hans Fischer:
‘I’m an absolute supporter of the Rheinland model. It guarantees a long-term orientation of trade unions, banks, and all stakeholders, and initiates the development of new innovative ideas’. ‘I recognise in the Asian and Korean model features of the Rheinland model’.

### 6.1.6 Summary of policies and actions

Summarising the activity of Corporate Strategy results in the following policies:

- Introduction of ACG in the company via the creation of discourse platforms on corporate strategy on central and local level;
- A pro-active attitude on social innovation of the corporate governance process;
- The organisation of the Corporate Strategy discourse as an ongoing process (‘spinning ball’);
- The introduction of the basic ACG policies on the corporate strategy agenda: autonomy balance within ASC, entrance and exit policy,
and ACG company values.

These policies will result in the following actions by the Corporate Strategy staff:

- Monitoring the quantitative and qualitative progress of the discourse process;
- Controlling the balance between careful consideration and the Learning by Monitoring and Micro-Macro methods, taking into account the ‘spinning ball’ character of the process;
- Searching for real change and break through strategies, especially on ACG aspects such as autonomy, entrance and exit option, and company values;
- Initiating and performing control of the discourse platforms between stakeholders, taking into account cultural, social and political differences within ASC;
- Initiating and monitoring the information flow and progress reports to participants of the discourse;
- Initiating participation of economic and social stakeholders who are not yet involved in the discourse process;
- Initiating and controlling the procedural rationality of the process, including decision making, combined with the general acceptable moral constraints of ACG;
- Initiating an active role of ASC in existing associations like WSA and WBCSD.

6.2 Finance

Managing capital needed for planned activities is a crucial function of the Finance Department of each company. There is a lot of capital available around the world but the key-aspect is, of course, the conditions of the capital supply. Capital suppliers and consumers are the two big ‘watchdogs’ for each company, also for a multinational company like ASC. For ASC, with ACG as the driving force within the company, the conditions should fit in the overall governance strategy.

The main aspect for ASC is the long-term approach to its stakeholders as described in chapter 4 and section 6.1 on corporate strategy. That means that the relation with the capital suppliers as important stakeholders should also be long-term and credit-based as much as possible.

The long-term approach in capital supply creates the right conditions for implementation of corporate strategy as explained in section 6.1. It is, therefore, crucial in the excellent performance of ASC.

The merger between Hoogovens and British Steel Company at the end of the 1990s was a perfect example of the influence of financial policies on
corporate strategy. British Steel Company, with its typical Anglo-Saxon short-term finance policies, did not create the right conditions for the development of a corporate strategy. Its management was ‘impressed’ by the first class corporate strategy policies of the Dutch.

6.2.1 Blockholding model
Credit-based financial systems are a well-known arrangement in the steel industry worldwide. Managers are supervised by insiders, concentrated ‘blockholders’, who control large blocks of shares. This blockholder model tightly links ownership and control.

In the German, French, Russian, South Korean and Japanese steel industries large shareholders like financial institutions, banks, or other firms hold substantial blocks. In Germany, the dominant institutions are large, ‘universal’ banks. In France and Japan, we find a combination of commercial banks and long-term credit banks coordinated by state agencies and ministries. In the Indian and Brazilian steel industry, we see blockholding by family networks, and in China, blockholding by state agencies. All these blockholders maintain a long-term relation with these steelmakers.

It is quite remarkable that the ‘family-type’ companies, like Mittal and Tata, with a long-term view on continuity, are among the most successful steel companies in the world. In all mentioned countries, blockholding was a precondition for success of their steelmakers. As mentioned in chapter 2, the long-term character of the steelmaking process asks for a long-term attitude of the financial stakeholders.

The short-term oriented Anglo-Saxon shareholder model does not fit in with this long-term character and leads to insufficient investments. American and British steelmakers became laggards in this industrial sector. Merger with and acquisition by outside partners became their only possible way-out. Their assets-contribution in these deals was almost literally ‘pieces of scrap’.

As mentioned in section 6.1, an important pre-condition for ACG will be the protection measure against unexpected and unwanted take-over’s by third parties of ASC or parts of ASC. The blockholding model of ASC should provide for this condition. I will refer to the example of Salzgitter Stahlwerk as presented in subsection 6.1.5 as a possible solution for ASC. By signing the Entrance Agreement, the two parties will exchange shares. ASC acquires 10 per cent of the shares of the new member-company, and the new member-company gets 2 per cent of the shares of ASC. In principle, ASC finances the 10 per cent by making available for the new member-company the complete technological knowhow within the ASC Group. The financing of the 2 per cent will be part of the total specific calculation per member-company including the value of the technology package. The combination of ASC and one of the major existing shareholders, like at Salzgitter a local public authority, should hold 25 per cent of the new member-company. Major strategic decisions would
need approval of more than 75 per cent of the shareholders. On the one hand, this provides protection against a take-over by companies like ArcelorMittal; on the other hand, it guarantees the autonomy of the member-company. If a member-company wants to leave the ASC Group, ASC cannot block the decision. Of course, this refers only to the discussion and decision-making by the Board. Use of the exit-option is much more than just an agenda item for the Board. I refer to this in section 6.7.

ASC will be protected at the same way. ASC’s member-companies will own a total of 25 per cent or more of ASC, which can be combined with 15 per cent shares of a local public authority. A take-over can be prevented by the member-companies, or by the local shareholder plus five member-companies.

It is obvious that antitakeover practices will be much more complicated and that it needs further research and investigations. However, I am convinced that suitable and more detailed arrangements can be worked out. The Salzgitter case is an existing example.

Most countries provide blockholders with an ‘elaborate armamentarium of potential antitakeover practices, including ‘poison pills’ (of which there are several flavours), ‘dead hand’ provisions, staggered boards, stock transfer restrictions and ‘golden shares’ triggered only in contest’ (Gourevitch & Shinn 45). ‘In most countries, the government imposes a minimum amount of due process to protect minority-voting rights’. ‘The commercial code in most countries requires an explicit vote by either the board or a shareholder majority in order to adopt antitakeover provisions’ (Gourevitch & Shinn 46).

Opinions of financial experts on the effect of antitakeover practices refer almost exclusively to the effect on shareholders value. They take no or only limited interest in other stakeholders. Still, among these experts, there are two different hypotheses fighting for priority: the ‘stockholder interest’-hypothesis and the ‘management entrenchment’-hypothesis (Van Der Krans and Van Der Kolk 35). According to adherents of the ‘stockholder interest’-hypothesis, antitakeover practices have a positive effect on shareholders’ value and are useful instruments to protect the interests of the shareholder. They enable board and management to adapt a long-term strategy for the company. Without an antitakeover provision, they have to focus on short-term performance in order to prevent a hostile takeover. Adherents of the ‘management entrenchment’- hypothesis state that antitakeover practices have a negative effect on shareholders’ value. Management uses these practices to protect their own position at the cost of the shareholders (the ‘agency theory’ approach). They also state that antitakeover practices decrease the effectiveness

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115 The demolition of antitakeover practices in the Netherlands and Western Europe since the 1980s has ended nowadays. In 2004 on European level, the European Committee did not succeed to include a ban of antitakeover practices in the 13th European Guideline (Assers 801). New proposals are not considered.
of the market for corporate control, as described in section 3.2 of this thesis. Empirical research supports the management entrenchment approach (Van der Krans and van der Kolk 35).

Peter Gourevitch and James Shinn link antitakeover practices with ‘minority shareholder protection’ (MSP), provisions concerning information, oversight, control and incentives (Gourevitch & Shinn 40). They state that strong regulations on MSP and high thresholds for antitakeover practices result in higher shareholders value. The ‘MSP-school’ of experts fits into the ‘school’ of management entrenchment—hypothesis.

However, the overview of Gourevitch and Shinn on the link between MSP and ownership concentration shows the huge possible varieties in different countries (Gourevitch & Shinn 51). Of course, the differences correspond for a great deal with the Varieties of Capitalism as described in section 2.4.

I conclude that provisions for antitakeover practices are quite common within all Varieties of Capitalism. The neoliberal approach, e.g. within the EU, of the last decades has introduced many thresholds but could not eliminate these practices. In my interview with Hans Schenk, he stated: ‘I notice a renewed interest and research in upgraded and new forms of antitakeover practices, because of the financial crisis of 2008’.

Therefore, I consider the antitakeover-condition for the development of ASC as a feasible condition. However, it will demand a contextualised approach given the variety of rules and regulations per country and region, and given the variety of shareholders.

ASC and its member-companies have to focus on long-term investors (pension funds, banks, and insurance companies), strategic investors (families and regional and national governments) and interest groups of small private investors with long-term involvement in companies. The antitakeover provisions will keep the ambitions and interest of short-term investors (day traders, hedge funds) on an acceptable level.

I have elaborated on credit-based finance, as an important precondition of ACG. This precondition is wide spread in the steel industry and ASC, as a steelmaker, should try to maximise its credit-based financing basis. The dependency of capital-based financing, if any, should be kept as limited as possible.

There should be two levels of capital supply. First, at central level, handled by the financial specialists at the head office. This office should take care of financing of centralised investments and projects like R&D and control of the overall lines of credit of ASC. They should monitor the overall financial position of ASC and the right balance between the central and the regional investments. Second, capital supply at the regional level for the financing of the local investments of each member-company as key aspect of its autonomy.
ASC has to rely on the quality and loyalty of the employees of the Finance Department and their relationship with the company’s financial stakeholders. However, the company’s overall economic performance is the key to healthy financial arrangements, in accordance with expectations of the financial world. Without this performance of the company as a whole, it will be difficult for the Financial Department to do their job.

If we refer to Paul Hirst’s ideas the financial specialists should try to develop new arrangements based on alternative financial institutions (Hirst, *Associative Democracy* 147). Hirst considers the use of alternative financial institutes as an important instrument to incremental company democratisation. He mentions the following examples: regional investment banks, mutual manufacturing investment funds (non-profit making agencies that resemble building societies for manufacturing and attract ordinary citizens’ deposits), and industrial credit unions (where non-profit making firms would bank their short-term trading surpluses and their funds not required for immediate investment). National legislation could greatly favour these funds by giving a privileged tax position to investors and institutions. Civil society should support the promotion of these funds. As examples of this support, Hirst mentions ‘the religious interest in ethical investment and the environmental interest in promoting the use of renewable resources and earth-conserving technologies’ (Hirst, *Associative Democracy* 148).

Of course, a lot has changed since Hirst developed his ideas at the end of the last century. The financial world has become very international since then. Even local players like the Landesbanken in Germany jumped on the ‘haut finance’ wagon and tried their luck on the international financial markets. The results where disastrous and the German government had to intervene. Until now, mutual manufacturing investments funds and industrial credit units were unknown alternatives.

There are, however, new developments in the financial world that can be of interest to ACG. Where Hirst talks about ‘alternative financial institutions’, we could now add the alternative of investors who call themselves ‘sustainable investor’.

**6.2.2. Sustainable investors**

Sustainable refers in this case not only to environmental aspects of the investment, but also to moral aspects such as labour conditions and child labour. The non-profit-making feature was not successful, the regional aspect is limited, but the growing support of the civil society is a serious fact and goes far beyond religious and environmental interests as noticed by Hirst. In addition, the national legislation of the privileged tax position for individual investors is an accepted instrument. The origin of these sustainable investors is the growing interest in ethics and investment (Jeurissen 241). Herein, we can
distinguish two types of investors. First, ‘direct’ or morally oriented investors (banks, investment funds and insurance companies) who are aware that they too have to take responsibility in subjects such as climate change, biodiversity, arms trade and labour conditions.

Second, ‘indirect’ or financially oriented investors who care about the financial implications of undesired behaviour or activities. They are afraid of aspects such as environmental claims, lower attractiveness for qualified staff and a diminished reputation, which will have negative influences on key performance indicators such as ‘economic value added’ or ‘discounted cash flow’

The ASC’s Financial Department has to face both groups, although ASC prefers to deal with the morally oriented investors. Still, they probably have to face distrust in the financial world on economic performance of a company governed by ACG, and supply of decent and transparent information to the financially oriented investors is a necessary task of the Financial Department. Either way, the requested transparency is a key element of attracting both types of investors.

During the last decade of the last century and the beginning of this century, most ethical funds evolved into so-called sustainable investment funds. These funds take ecological, social, and governance aspects, the so-called ESG- criteria, into account. In principle, each fund has its own criteria, but they all refer to well-known international standards.

The ASC’s Financial Department should be orientated towards the most common already existing standards:
- The OECD Guidelines for Multinational Enterprises;
- The UN Global Compact, PRI (Principles for Responsible Investment);
- The IIGCC (Institutional Investor Group on Climate Change);
- The ILO Tripartite Declaration of Principles concerning multinational enterprise and social policy.

There is a steady growth in the number of investments and the amount of capital invested in sustainable investment funds. The availability of ‘alternative financial institutions’ as mentioned by Hirst has become a much more realistic road than he could have hoped for.

Pension funds are important suppliers of investment money for sustainable investors. Pension funds controlled by employees or beneficiaries are on the forefront of movements for improved corporate governance (Gourevitch & Shinn 239). Their only mission is the managing of the assets of the pensioners. They are not exposed to the temptations of institutional investors to ally with corporate chieftains whose business they aggressively seek. If they take an active stance and show up in shareholders meetings, they can influence the corporate governance of corporations.
Pension funds use the following five instruments for judging and influencing sustainable investors:

1. **The first and most aggressive instrument is ‘exclusion’**. This instrument is used if products and processes of corporations are in defiance of international agreements or conventions. This is the heaviest and most straightforward instrument and often difficult to justify;

2. **The use of the previously mentioned ESG-criteria.** Investors that signed the UN Principles for Responsible Investment have to use ESG-criteria in their investment decisions. In order to use ESG-criteria, information gathering on corporations’ sustainable behaviour is needed. This information can be bought from specialised research institutes. A different approach is participation in the Enhanced Analytics Initiative, a coalition of investment bankers and pension funds that try to influence financial analysts to spend more time on and give more attention to ESG-criteria in their reports;

3. **Third, and truly fitting into the associative philosophy, is ‘engagement’**. The active stance is shaped by pursuing a dialogue with the corporation on the corporation’s governance principles outside the shareholders meeting or boardroom. Willingness to enter into dialogue is considered as a positive sign;

4. **Active presence at shareholder meetings.** By submitting shareholder resolutions on ESG-subjects, the governance of the corporation can be influenced in a more sustainable direction;

5. **Active investment in companies that can be considered as frontrunners in sustainable projects like innovative clean technology, sustainable energy resources, etc.** The return on investment is often too long for commercial banks. ASC should present itself as frontrunner in renewing corporate governance and Industrial Democracy.

By using a mix of these instruments, pension funds can really influence the policies and behaviour of the financial world.
The importance of sustainable investors is growing very rapidly. Trade unions, as participants in many pension funds, recognise a second front in their negotiations with management, in addition to the empowerment instruments of Industrial Democracy. The rise of sustainable investment funds can mainly be found in Western Europe and the US, although examples of improved corporate governance as a result of pressure from pension funds controlled by employees or beneficiaries can be found in Chile, Malaysia and Singapore (Gourevitch & Shinn).

Hirst’s final aim, ‘the rebuilding of the institutions of economic ownership’, is still far away. However, the coming into existence of the ‘indirect’ financially oriented investors shows the growing strength of the ‘direct’ group.

The Finance Department has to present a distinct sustainable profile for ASC. One of ACG’s key elements should be the feedback between the overall performance of ASC and the Finance Department. Employees of M&S, Operations and all other key activities should learn about the way they influence the attractiveness of the company to the investors. They should be aware of the possible and impossible acts of their colleagues in the Finance Department. In order to meet the requirements of sustainable investment funds, ASC should report its performance by using the Global Reporting Initiative (GRI) guidelines, as noted in subsection 6.1.3. The G3 guidelines refer to reporting by corporations on their current practices of community performance and impact. The most recent report was published in 2008 and shows the impact of corporate activities in local and regional environments. These guidelines are of great importance to ASC, given ASC’s company values. The social embeddedness of ASC members should result in high scores on these guidelines. Another measure should be to present ASC as a member of WBCSD, as I discussed in the ‘corporate strategy’ section. The Financial Working Group of WBCSD focuses on influencing the capital markets on sustainable aspects. Besides this, ASC should show up on the Dow Jones Sustainability World

Indexes, as noted in section 6.1. This index reflects the growing demand on sustainable funds and the development of a measurement scale on sustainability.

There are a few complicating aspects for the Finance Department. First, the normal procedure of the Financial Department will be, given the long-term arrangements, to contact their blockholding partners if ASC needs new investment money. In my interview with Frank Brouwers, former Director Finance Corus, he states: ‘The preference will be to ask for a loan or a new long-term line of credit’.

Normally, there is no direct contact between the Finance Department and sustainable investors. Only if, after consultation with the Finance Department, a blockholding partner, like a commercial bank, contacts outside investment bankers for market-based financing arrangements, sustainable investment funds can become involved. ASC should match its corporate strategy with interested sustainable investors. Both parties should be aware of each other’s expectations, with no surprises.

Second, the opinions on the role and strength of sustainable investors vary greatly. Despite all the attention on sustainability, many experts do not believe in a real breakthrough in the financial world. In my interview with Frank Brouwers, he states: ‘Sustainable investors should be and will be just a marginal phenomenon. I never had to complain about the interest of regular merchant banks and investment banks. They like the cyclical character of the steel industry: they love it! They are just interested in the stock exchange business’.

Third, pension funds limit themselves or are limited by their board of trustees in the percentage of investment per company or per industrial section (Engelen 183).

This should be a point of further research to study this aspect of ACG.

6.2.3 Other funds
Hirst expected that the democratising conditions of associative governance would ultimately open up the possibility of Employee Share Ownership Schemes (ESOPs) (Hirst, Associative Democracy 148). I am not convinced that ESOPs really fit into the associative philosophy. Until now, the application of this instrument has been mainly limited to the UK and the US, and the gap between theory and practice of ESOPs is substantial117. This raises questions concerning the feasibility of this instrument. However, that is not my main concern. It could be possible to close the gap gradually by further experimentation and adaption. In particular, I question whether an ESOP brings more to the table if a corporation applies the associative corporate philosophy. Engelen mentions four advantages of ESOP for the employees:

117 For an extensive overview of theory and practice of ESOPs, see Engelen 197.
more influence on strategic decisions, more commitment, preservation of qualified jobs, and creation of capital and the possibility to share in the company’s financial results. (Engelen 200).

Considering these advantages, introduction of ACG already takes care of the full empowerment of the employees. This includes participation in the corporate strategy of the company. The philosophical background of the associative approach is the commitment and motivation of the participants. The Works Councils handle the creation and preservation of jobs. The transparent and reasonable sharing of the company’s results is part of the ACG-policies. Profit sharing by employees will be standard practice. Therefore, there is no urgent need for implementation of ESOPs. However, it should be on the agenda for further study.

The 2008 ESOP-study by SNPI, *Stichting Nederlandse Participatie Instituut* or Dutch Participation Institute, contributes to further scrutiny. Different authors highlight vision and practice. Paul De Beer refers to the positive contribution of ESOP to long-term commitment of stakeholders and participation practices (SNPI 20). He also underlines the positive aspects on the financial position of the company. The introduction of ESOP lowers the dependency of external funds. However, most important according to Paul De Beer, it will contribute to a necessary decrease in the tension between the factor capital and the factor ‘labour’. Fred Huijgen states that there are serious indications that EPOS can result in improved direct and indirect participation practices. Like Paul De Beer, he underlines the increased commitment of employees to the company and to the multi-stakeholder approach. He considers it as a ‘useful weapon’ to ‘shareholder capitalism’ (SNPI 30). Wout Buitelaar puts emphasis on the double role of employees as ‘shareholder and stakeholder’. He considers this a positive step in the further development of Industrial Democracy or ‘economic citizenship’ (SNPI 45).

This all means that implementation of ESOPs fits in with ACG and eventually can be a useful instrument in the further development of ACG.

The Finance Department should assist ASC’s regional member-companies in organising their local investments via local investors. On this regional level, the associative idea of regional networks can be established via regional blockholders and financial institutes. In addition, the local pension funds and the local political forces should play an important role. Here, we can really develop the regions as described by Philips Cooke and Kevin Morgan (Cooke and Morgan)\(^\text{118}\). See section 4.2.

Using Learning by Monitoring, the financial specialists should develop a healthy balance between local and central financing. The learning of

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\(^{118}\) Recently the Dutch government asked pension funds to increase their investments in the ‘region’ of Holland.
one ASC member-company, well monitored and reported within ASC, can be of great value to other member-companies. Via Micro-Macro the right micro example in one region can become the macro approach within the whole company.

A centralised investment could be the R&D budget or the investment in new technologies being of value for each member-company of ASC.

If local institutes cannot fulfil the local investment needs, a mix between local and central financing (70-30 or 50-50 per cent) can be considered between central and local finance specialists. Prior to September 2008, private equity funds and their role on the financial market was already a ‘hot’ item, from a financial, political and social point of view.

Private equity funds provide a large potential circuit for private blockholders to sell down to foreign portfolio investors. ‘Private equity funds purchase control from private blockholders in private transactions, and then they may repackage or relist parts of these firms on local exchanges or even on global equity exchanges. These funds are largely subscribed by the same Anglo-American institutional investors who also hold large amounts of foreign equities’ (Gourevich & Shinn 110). Private equity funds and especially the speculators amongst them - hedge funds - are often referred to as ‘vultures’ or ‘grasshoppers’ and usually use the leveraged buy-out method as financing method. The high percentage of failures in the classic mergers and acquisitions during the last decades created a market for these funds. They were able to present themselves as ‘clean-up’ specialists, cleaning-up the mash left behind by incompetent managers. They bring ‘winds of change’ to organisations that show features of ‘inbreeding’ culture and narrow-minded ‘insiders’. Their interest is per definition short-term-oriented, not more than a couple of years, and it is obvious that ACG with its stakeholder policy does not fit within their strategy. Representatives of these funds will not join participation platforms. Their behaviour and targets do not fit in with the stakeholder philosophy; they are only interested in shareholder value and high financial performance on the short run.

An important activity of the Finance Department is a watchdog function on this phenomenon. ASC should not become involved in this type of private equity, which is quite a complex task with no easy solution. The possibilities to keep these funds out of the company finances are limited. Of course, the best way will be to convince ASC’s blockholders not to sell their shares to these funds. This could be a problem if a blockholder ‘e.g. a state or a family,’ needs money’, or if the temptation to sell their share becomes too big. ASC’s financial stakeholders should develop a code of conduct for cases, e.g. the obligation to offer its shares first to sustainable investors, of course within reasonable limits. September 2008 changed the operational
opportunities for the funds. Suddenly, politicians and economists became aware of the economic and social results of their policies. I refer to section 3.3. An extensive debate has started on how to control and regulate private equity funds. National governments are considering creating rules and regulations in order to increase control on their performance. Not only private equity funds, but also the financial world as a whole is under great pressure from politicians and public opinion to change their performance and organisation. However, it is a two-way street. Likewise, politicians are recently under great pressure to change their performance and to react clearly and honestly to financial issues. It is too early to draw any conclusions as to the outcome. Without a doubt, however, it will have a positive result on the growth of sustainable investment funds, which increases the possibilities of ASC’s Finance Department, to realise their contribution to ACG.

6.2.4 Summary of policies and actions
The Finance Department’s policy, both central and local, as an important tool of the ACG philosophy, will include a number of objectives:

- To maintain and further improve the long-term relationship with blockholding financial partners;
- To arrange protection measures against unexpected and unwanted take-over’s by third parties of ASC or parts of ASC;
- To increase the attractiveness of ASC for sustainable investors in order to create the opportunity for its blockholders to involve these investors in the company. ASC should seek the right sustainable investors that fit into the corporate strategy (Janssen, Roel);
- To create the right balance between central financing by ASC and regional financing by the member-companies of ASC.

Subsequently, the resulting actions will be useful:

- To organise the necessary financial means for all ASC- activities;
- To maintain and monitor the relationships with the blockholding financial partners;
- To construct the protection against unwanted take-over’s via shareholders arrangement;
- To monitor the overall financial position of ASC, and to report in accordance with GRI Guidelines;
- To present ASC to sustainable investors according to their ESG-criteria;
- To assist as much as possible in the day-to-day necessary measures resulting from the WBCSD membership;
- To try to score on the DJSI World index;
- To create close cooperation between central and local financial

119 Interview with Peter Blom, CEO Triodos Bank in NRC Handelsblad of 14 April 2007.
specialists in order to shape the ACG financial features, and to assist and balance the financing demands within the company.

6.3. Supplies

Procurement and handling of all necessary resources are summarised under the name ‘supplies’. It is standard practice within the steel industry that supplies are split up in two categories, handled by two different departments:
- Raw materials such as iron ore, coal and energy;
- Medium and smaller supplies: equipment, construction materials, and commodities.

Within multinational companies, centralised procurement of resources is very popular. The higher the volumes, the higher the pressure on the suppliers. It is even one of the main reasons for the recent mergers and acquisitions in the steel industry. Especially the shortage on raw materials like iron ore and coal and the limited amount of suppliers demand concentration on the buyer’s side. Also for other supplies, volume increases play an important role. The price advantages of this policy go to all subsidiaries.

What will the influence of ACG be on this approach? Why should ACG lead to any changes?

6.3.1 Raw materials supply

The procurement of raw materials is an activity, characterised by spending large amounts of money, handled by only a relatively small staff. The price of raw materials like iron ore, coking coal and energy, can be a considerable part of the total cost price of a product, especially in the steel industry. For that reason, the department handling the procurement of raw materials enjoys lots of attention from higher management. The general attitude and opinion is that every euro or dollar that can be saved in procurement, contributes directly to the overall result of the company. It is considered ‘easily earned money’. To earn the same amount of money via an increase of efficiency of the production process is much harder. This is especially the case when it concerns raw materials where there is no ‘high-level’ technological link between the procured material and production processes.

Especially during the last decade, the shortage of raw materials, resulting from the growth of the Chinese steel production, has become a point of real concern and of extreme price increases. An additionally disturbing factor for the buyers of iron ore is the concentration of supply in the hands of just three mining companies, as noted in section 1.3. Steelmakers are wrestling

120 The costs of iron ore and coal as raw materials counts for 80% of the cost price for liquid iron, the base for producing crude steel.
with each other to try to arrange long-term contracts with these suppliers. Here, good stakeholder relationships are a must for the steelmakers. Given the market situation and the amount of money involved in the procurement of raw materials, it is obvious and understandable that procurement of these materials is handled by a centralised department. In this way, at least the negotiating power can be increased.

Nowadays, the answer is also found in diversification of steelmakers in the field of mining (‘upstream consolidation’). As already explained in section 1.3, they try to become shareholders of iron ore mining companies, and of coal mining companies, in order to secure their supplies of raw materials for the future. In the recent mergers and acquisitions, this also plays a major role. Corus was pleased to become part of the Tata Group given the available iron ore facilities within the Group.

The future will tell whether this trend is the right approach. In the 1970s, there was the same move into this industry, but it did not work out. Most participation was de-invested. Concentration on the ‘core business’ was the main reason to move away from this trend.

The financial crisis of 2008 changed the picture for a moment. Iron ore suppliers decreased their capacities and lowered their prices. However, as it worked out, just for a very limited period. Prices recovered very fast and we are back to a situation as before the financial crisis.

In the first place, ASC has to consider the position of suppliers as external stakeholder. However, the associative philosophy cannot pass over the broader institutional context of raw material supplies. I discuss both aspects.

In principle, all suppliers of ASC, including the raw material suppliers, are stakeholders of ASC and should be involved in ASC in accordance with its associative character. In reality, the actual relationship between steelmakers and raw material suppliers is, given the shortage on resources, a pure one-sided relationship. Steelmakers have to fight on the market to guarantee the availability of their raw materials. They are glad to keep the production process running. In this one-sided relationship, there is no real space for developing the right conditions for a stakeholder approach. Suppliers are not interested in becoming too involved with any specific company. They just sell their products against the highest prices and consider themselves to be in the middle of a ‘super cycle’. Until the end of 2008, the sky was their limit (Depuydt, *Prijsvorming*).121 As previously mentioned, the financial crisis

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121 Consider the following two examples: 1) in August of 2008, the Chinese steel industry announced it was renewing contracts with Rio Tinto, the British-Australian supplier of iron ore. The price increase for the period 2008-2009 was 96, 5%; 2) the price of coke increased from $100 to $300 dollar per tonne in one year. (Source: NRC Handelsblad, 25 June 2008 (Depuydt, *Prijsvorming*).
changed this picture only for a very limited amount of time. Prices are again on the same level as before the crisis.

The only possible aggressive way for a steelmaker to establish a closer relation with the suppliers is to become a shareholder straight away (ArcelorMittal). The conditions for the associative approach under these circumstances are simply not there. ASC can try to keep its relationship with the major suppliers as open as possible, but they cannot do this without the cooperation of the suppliers. Perhaps a future change in market positions can change the conditions. The drastic production cuts in the autumn of 2008 by the major steelmakers, recent acquisitions of mines by steelmakers, development of new mines and the decline of economic growth in China will influence the market and the relationship between supplier and customer. ASC should keep an eye on it and keep the associative stakeholder approach ready at hand.

In general, when suppliers show interest in a more associative relationship with ASC, they should be aware that at the end of the day they have to meet the ACG company values. These values will refer to the existence of acceptable labour conditions and human rights within the facilities of the supplier or sub suppliers. In the case of raw material suppliers, the market conditions make it almost impossible for ASC to discuss labour conditions and environmental issues with mining companies. Steelmakers are not in the position to argue with their suppliers on these issues given the shortage on raw materials and the threat of production cuts if they do not procure on time. Unfortunately, labour conditions and environmental issues in the mining industry are quite an issue and should be high on the agenda (Ministry). In practice, they often stay low on the agenda.

Therefore, whatever the progress may be in the associative philosophy on all other activities, ASC has a long way to go in the field of raw materials. Still, progress is possible. ASC has to open the dialogue within the World Steel Association on this subject. ASC should try to put in on the agenda of this association and should try to initiate an open dialogue with the suppliers.

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122 ArcelorMittal wants to become shareholder of Rio Tinto; it increased its share in MacArthur Coal in Australia from 14.9 to 19.9 %; it acquired three coalmines in Russia. Source: NRC Handelsblad 30 June 2008 (ArcelorMittal) Other acquisitions in mining companies were made in Kazakhstan, Ukraine, Algeria, Bosnia, Mexico, Canada, USA, Brazil, South-Africa, Senegal and Liberia. In 2008, ArcelorMittal’s own mines cover 45% of the necessary raw materials. ArcelorMittal wants to increase this percentage to 75% in the future. However, the financial crisis of 2008 has delayed further investments. The future is far more uncertain than expected until recently.

123 The Government Pension Fund of Norway, the biggest pension fund in the world, put Rio Tinto on their ‘black list’ in 2008 due to contributing to severe environmental damage. According to the Council on Ethics, the Fund runs an unacceptable risk of contributing to severe environmental damages and serious or systematic violations of human rights. Rio Tinto will also be excluded from any investment because there are no indications that the company will change its attitude in the future and because the company shows no interest in a reasonable dialogue on the problems. (Source: Press release of the Ministry of Finance Norway, 9 September 2008).
ASC can start the dialogue within the association by referring to the sustainable policies of the association as formulated in its Sustainability Reports. The sustainable indicators already formulated by the WSA in their 2005 and 2008 reports, are a perfect starting point for this initiative (World Steel Association, *Steel*):

- Policy statement IV: ‘demonstrate social responsibility by promoting values and initiatives that show respect for the people and communities associated with their business’.
- Policy statement V: ‘conduct the business with high ethical standards in their dealings with employees, customers, suppliers and the community’.
- Policy statement VI: ‘engage their stakeholders and independent third parties in constructive dialogue to help fulfil their sustainable development commitments’.

In my earlier mentioned interview with Ian Christmas, Director General of the WSA, he makes a few remarks on the three policies:

‘First, I consider the real meaning of ‘corporate social responsibility’ as not clear. Companies are part of their surrounding society and have to fulfil certain responsibilities. The translation of this policy in real measures depends strongly on the social environment. Steel companies operate under different Varieties of Capitalism and economic models. Second, the statement in relation to ‘ethical standards’ is still fresh and undefined. A discussion could help to take the first steps in translating this statement in a practical measure. In addition, there will be leaders and laggards. Third, with stakeholders the report means local unions, local authorities, suppliers, customers, but no NGOs or independent third parties. NGOs are considered as problematic parties, given their attitude and their internal, very often undemocratic, governance. Examples of independent third parties are financial and environmental auditors’.

In my opinion, these remarks show the necessity that ASC takes the initiative within the World Steel Association to ‘translate’ these statements into real workable conditions for the members of the association.

6.3.2. The broader institutional aspect of raw material supplies

I give special attention to the broader institutional aspect of raw material supplies. The mining of most of the raw materials takes place in the developing countries of this world. One of the key issues of ACG is the ambition to contribute to international justice via UN programs or other international initiatives. The ownership and use of the world’s resources of raw materials is a key element in political and ethical dialogues on world justice. In principle, the benefits of these resources should be distributed among all people of this world. It is beyond all logics that ownership of resources is determined by
the pure coincidence of being born on top of these resources. One of the most outspoken advocates of this viewpoint is the American philosopher Thomas Pogge:124 ‘What entitle global elite to use up the world’s resources on mutually agreeable terms while leaving the global poor empty-handed?’ (Pogge 202)

However, the political reality is that the ownership and use of these resources are key issues for and instruments of almost every politician worldwide. To plea for changes directly is a ‘mission impossible’. The recent discussions and the political game in relation to the North Pole resources are the latest examples of unchanged positions and viewpoints. In order to take a first small step in the right direction, Pogge proposes the creation of a ‘Global Resources Dividend (GRD)’ (Pogge 196). From every transaction in natural resources, a dividend should be donated to an international fund for the fight against poverty and environmental problems. This fund should be managed and controlled by the UN. Pogge comes up with examples related to oil transactions, but in our case, it will be related to transactions in ore and coal for the steel industry. It can even be connected to the procurement or use of energy by the steel industry. The recent international discussions and organisation of CO₂ certificates is a typical example of an attempt to find a suitable financial answer on a worldwide threat. Many environmental specialists and politicians consider poverty a bigger threat for the environment than global warming.

Mining of iron ore and coal takes place in many developing countries but also in rich countries like Australia and Sweden. ASC should introduce GRD within the WSA and should try to find support amongst colleagues. It should come up with a practical approach and in order to show its commitment. Initiatives by ASC to formulate a GRD policy are a logic element in the sustainable policy statements of the association. This initiative should be the first responsibility of ASC. If the initiative does not create real support from other steelmakers or if the discussion drags on without real progress, ASC should start up its own GRD initiative, along the lines of ACG’s realisation-focused perspective, as described in chapter 4.125 The introduction of the GRD policy within the WSA seems to be an example of transcendental institutionalism. In chapter 4, I explained why ASC should stay far away from such an approach. However, in this case, I consider it useful and practical to start up the discussion on GRD within the WSA. It will massage the thinking of WSA members and will place the initiative of ASC in the right perspective.

124 Thomas Pogge is Associate Professor in the Department of Philosophy at Columbia University. He published many articles and books on world justice. Here, I am referring to his book World Poverty and Human Rights, (Pogge).

125 ASC can start with a GRD of 0,1% on each tonne of iron ore procured on the market. Supposing an annual production of 25 million tons of crude steel, resulting in procurement of 34 million tons of ore against an average price of $120, means an annual GRD of approx. $4 million. If 40% of the WSA members should support the initiative this number could grow to $ 60 million.
Discussions within the WSA organisation can be reactivated after ASC’s first reports and results. As a first step, the fund can be operational within ASC, and representatives of ASC’s member-companies located in developing countries should manage the fund. They can judge the right way per country to channel the money in a decent and correct manner, given their embeddedness in the local regions. Another possibility is to outsource the distribution to one of the UN organisations. Although this looks more practical, the internal handling is more motivating and direct to the employees of ASC. ASC can combine Pogge’s GRD idea with Noreena Hertz’s idea of National Regeneration Trusts (Hertz, *IOU* 213). These trusts are managed by representatives of local NGOs such as trade unions, churches, female organisations and environmental groups.

The initiative will be limited but realistic and practical. It appeals to ASC’s stakeholders and the positive results will be in ASC’s direct local environments. This gives the initiative human dimensions and the necessary local feelings and support. In future steps, it can be extended to other countries or players.

6.3.3. Other supplies

Once again, as with the supply of raw materials, it is important to highlight the contribution of this part of the business to the philosophical idea behind ACG. Also for ASC member-companies, the ‘high volume’ approach of ASC as a multinational company is of interest. It is one of the advantages for a company to join ASC. However, the focus on high volume should be balanced with the advantages of more regional or local supply. If a company becomes part of a multinational company, the procurement activities of the new subsidiary will be screened and stripped in accordance with the rules of the new owner. Sometimes the mother company discovers attractive suppliers to the acquired company, who, until then, were unknown by the procurement department of the mother company. ACG asks for a more sophisticated approach to this aspect. ACG strives for the strong regional development of its members. That means that existing local relationships between a new member-company and local suppliers have to be respected. It is against the ACG policy to drop the local supplier only because there are cheaper alternatives somewhere else. The head office will ask the local management to start consultation with the existing supplier by confronting them with the opportunities of new possible suppliers from abroad and to start a dialogue on how to adapt to the situation. A new equilibrium should be created: the negative aspect for existing suppliers of a ‘threat’ from abroad should be balanced with the ‘opportunities’ of the existing suppliers for potential new clients within the ASC network. It should lead to fair compromises without damaging the long-term relationship in the region and the reliable image of the ASC member-company in the region.

The balance between centralised and decentralised supplies within
ASC will also be different from other multinational companies. ASC promotes supplies as close as possible to the plants as part of the associative philosophy of increased social embeddedness of ASC. It leads to an increased consultation between supplier and user, resulting in an increased process performance.

In order to learn about the latest leading aspects of ‘supplies’ as a discipline, I interviewed Evert Castelein, Director Supplies Mainland Europe Tata Steel Europe Strip Products. He states:

‘Leading aspects of my discipline are ‘low cost country sourcing’, ‘e-procurement’, ‘category- input’, ‘spend analysis’, ‘energy’, ‘all-in outsourcing of maintenance’, ‘total-cost-of ownership’. I do advocate to locate the supply-function as close as possible to the site in IJmuiden’.

ASC’s ‘close to the client’ policy fits perfectly in the ‘total-cost-of-ownership’ (TCO) policy, as mentioned by Evert Castelein. TCO or ‘value and use’ refers to the total costs of the chain supply-maintenance-performance, instead of just ‘easy’ focusing on the cost of supply.

As a typical example of TCO, Evert Castelein mentioned the process oriented supply of lubricating oil and refractories:

‘Talking about TCO, I can mention the example of the supply of lubricating oil for the rolls of rolling mills. Some oils are half as expensive as others are but lead to an increased wearing of rolls and increased volumes of oil. Consultations by specialists from both sides will result in an overall cost reduction for the company. A second example is the supply of refractories. Procurement of low quality refractories will lead to low direct costs of supply but to decreased lifetime of installations with high production and maintenance costs. Exchange of knowledge and ideas between refractory specialists from supplier and user will lead to lower total costs. The supplier will become a real stakeholder of the company’.

In order to decide ‘what should be procured and where’, ASC adapts two other modern aspects of the Supplies discipline: ‘category input ‘and ‘total maintenance outsourcing’.

Category input means the clustering of supply packages in global, regional and local packages. A raw material is a typical example of a global package, cleaning services of a local package. ASC will ask the Supplies Departments of its members to develop such a clustering of packages taking into account the associative approach of the company.

Total maintenance outsourcing tries to develop a strategy on outsourcing of maintenance. It tries to answer the question: which part of maintenance services should be outsourced and which part should be kept
‘in-house’? Services that are crucial to the company such as knowledge-based activities representing direct typical know-how should be kept in-house. In order to develop the ASC-strategy on *category input* and *total maintenance outsourcing*, ASC organises a dialogue between all stakeholders – representatives of the Supply Departments of its member-companies, of the Central Supply Department, and of main suppliers – on a continuous basis. The associative aspect of ACG, the social embeddedness of the member-companies, puts more emphasis on the importance of regional and local supply, without neglecting the ‘high volume’ aspect of global supply. It is a matter of the right balance.

TCO should give a constant feedback on actual results of the chosen balance. Once again, the Learning by Monitoring method will be the only workable approach. Circumstances will change constantly and will ask for a constant update.

ACG advocates the involvement of all stakeholders; in this case, it advocates the involvement of all suppliers to ASC. It is obvious that including all suppliers is impossible. Nevertheless, a start should be made somewhere. In order to determine the first step ASC has to establish the right platform for a dialogue between stakeholders on this subject. As mentioned before, ASC also has to organise a strategy on *total maintenance outsourcing* and *category input*, on TCO and spend analysis. Many other aspects of Supplies will ask for discussions and involvement of specialists and stakeholders. In order to develop these activities and to monitor progress, ASC assigns a Central Supply Team to cover all aspects of Supplies through the whole company. Member-companies are representatives of the Supplies Department of ASC members, of the Central Supply Department for raw materials, of a few of the most outspoken and long-term suppliers of the company and of the production and maintenance departments. The team assigns working committees for each aspect of the business as described. In relation to the start-up of stakeholder involvement, the team could advise to start on ASC-level with a group of ten stakeholders: three from the raw materials area and seven representatives of other important supplies such as refractories, energy or ICT-equipment. ASC member-companies should develop their own Local Supply Teams for the involvement of stakeholders on local or regional level.

All suppliers of ASC have to meet the ACG standards of the company. These standards refer to the existence of acceptable labour conditions and human rights within the facilities of the supplier or sub-suppliers. Suppliers with a long stakeholder relationship with ASC are part of the coordination meetings with the relevant NGOs. Labour conditions have to meet the ILO standards on labour conditions; the environmental policy of suppliers has to meet reasonable standards as discussed within the coordination meetings.

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126 It will be no surprise for the supplier of safety gloves or office commodities, not to be invited in the first rounds.
of the environmental NGOs. These types of initiatives fit very well into ACG’s Learning by Monitoring and Micro-Macro methods. Specialists try to formulate reasonable and possible steps forward. Every step will be monitored and will deliver points of concern and interest to move to a next step. Successful initiatives by one member-company can be copied by other member-companies and can result in an overall policy of the company.

It should be noted that ASC has to consider the relationships with suppliers as a two-way traffic situation. A lot will be asked from the side of the supplier. However, that also means that ASC has to show its interest and concern about the outcome of the cooperation. ASC has to fulfil the role of reliable and trustworthy client. ASC cannot switch suppliers overnight without any warning or reason. If the supplier does not maintain its performance because it considers ASC as a ‘fixed’ client, ASC should warn the supplier and give it the possibility to improve its performance. If the supplier does not react adequately, ASC can decide to switch to another supplier.

Three new developments support ASC’s associative long-term approach (Van Ede 30):

1. An increase in outsourcing of services;
2. The consolidation and specialisation of suppliers;
3. The shortage on raw materials.

These developments change the nature of the relationship between customer and supplier. Customers become more dependent on the willingness of suppliers to supply excellent services. Suppliers start to develop a preference for ‘best clients’. They prefer to share their new developments with highly respected clients. The insight that there is a mutual dependency gains ground. Recent research shows that attractive clients respect and trust their suppliers (Van Ede 31). Cooperation on product development is one of the important issues in creating this trust and respect. Clients try to become the ‘customer of choice’.

Although this seems a promising development there is yet another side to the issue: ‘low cost country’ sourcing is a hot issue for many steel companies. The background of this policy is purely price driven. Ethical aspects as part of an overall Corporate Social Responsibility hardly play a role. According to Evert Castelein:

‘There is just a limited or no control on labour conditions in case of equipment and commodities procurement in China or India. In the most favourable case, the choice of a supplier in a low cost country is made after a few orientating visits to the workshops of the potential supplier. If the conditions are judged

127 Companies like Philips, IBM, Ikea, Nokia, Atlas Copco and Honda periodically measure the ‘supplier satisfaction’. (Van Ede 31)
as reasonable and if the organisation of the workshop is judged as sufficient, supplies can start. It is obvious that these types of supplies are limited to commodities that are of no direct influence on the production process, e.g. simple mechanical equipment like steel pouring ladles. There is no need to deepen the relation by considering these suppliers as potential stakeholders of the company. There is also no systematic follow-up or control on labour conditions and human rights aspects’.

Translation of CSR in corporate sustainable supply management is still a ‘point of interest’ and no reality. Corporate ‘chain management’ and ‘chain responsibility’ is still a rare phenomenon in the steel industry compared with other industries. ASC develops the right characteristics for ‘chain organisations’ in order to shape ‘chain management’ and ‘chain responsibility’. ASC fulfils a vanguard position in the steel industry on these aspects. In section 6.7, I will elaborate this policy.

6.3.4. Summary of policies and actions

ASC should develop a policy of long-term relationships with suppliers in order to fulfil the requirements of ACG on associative and sustainable aspects.

ASC suppliers have to meet the ACG standards of the company. These standards refer to the ASC company values, ‘translated into the need for acceptable labour conditions and human rights within the facilities of the supplier or sub-suppliers

In developing ACG-supply policies, the following actions should be initiated by the Supply Departments:

- ASC has to open the dialogue within the WSA concerning the responsibility of steelmakers for labour conditions and human rights in the mines of their raw materials suppliers. ASC should try to put it on the agenda of the WSA and should try to initiate an open WSA dialogue with the relevant suppliers. ASC can start the dialogue within the association with reference to the sustainable policies IV, V and VI of the association;

- ASC has to start a dialogue within the WSA on the creation of a Global Resources Dividend (GRD). ASC will open this dialogue by creating a first realistic GRD approach within ASC;

- ASC starts to organise the introduction of suppliers as involved long-term stakeholders on a central and regional associative level. Total-cost-of-ownership, category-input and total maintenance outsourcing policies should reflect the associative approach;

- ASC has to develop the right balance between high volume centralised supply and local supply as part of the social embeddedness of its member-companies;
ASC has to introduce corporate sustainable chain management and chain responsibility, including low cost country sourcing policies.

6.4. R&D

One of the major aspects of R&D in the steel industry is the ‘long breath’-character. Technological developments are expensive and show a long lead-time compared to other industrial sectors. New developments and innovations, either process-wise or product-wise, do not come overnight because of a sudden brainwave from a brilliant employee, as is possible in the ICT industry.

In the steel industry, technological innovations are always a result of long-term oriented work by experienced specialists in the labs or in the plants. In my interview with Jean-Claude Charbonnier, Secretary General of the ESTEP, he uses the term: ‘Steady grinding of specialists with long-term experience’.

This fits perfectly within ACG’s long-term approach to long-term employment agreements and relationships built on trust and loyalty.

One of the reasons that Tata Steel was interested in acquiring Corus was the excellent record of accomplishment on innovative behaviour of the steel plant in IJmuiden. This record of accomplishment is based on the described long-term approach of this plant through the years. The British part of Corus with its short-term business approach and low investments in new developments did not bring any innovation to the party. In this aspect, the attitude of Tata Steel is comparable with the IJmuiden philosophy.

The R&D activity plays a crucial role in this thesis and is one of ASC’s ‘raison d’être’s’. It creates the possibility for new member-companies of ASC to join large-scale and diversified R&D-programs as a necessary answer to internationalisation and globalisation of the steel industry.

6.4.1 The innovative character

There are two major sources of innovations within steel technology: 1) the steelmaking companies themselves; and 2) their equipment suppliers.

Steel makers normally limit themselves to product development in steel qualities for the end-users and improvement of existing process technologies. The development of new process technologies is very often an activity of the equipment suppliers. Steel makers just ‘buy’ new technologies as soon as they trust the reliability of the new design. Western-European and Japanese companies operating in CME- environments as described in section 2.4, are the major equipment suppliers. This environment shows the needed product regime for advanced technological developments: cooperation between different industrial sectors, cooperation between industry and education centres, such as universities and high-level vocal training facilities.
Sometimes hybrid approaches appear. A first, rather recent example is the establishing and growth of Nucor, the US steelmaker. Nucor invested heavily in new thin slab casting technology in close cooperation with equipment suppliers. The management of Nucor had the strength and entrepreneurial courage to adopt this new technology and to work it out into a reliable production facility. Nucor is currently one of the leading steelmakers in North America and still frontrunner in thin slab casting technology.128

A second, less recent example is the development of BOF steelmaking after the Second World War by Austrian company Vöest, a steelmaker and equipment supplier combined into one company as part of an associative industrial environment.129

The examples show that both entrepreneurial behaviour or an associative environment can lead to innovations that go beyond the limited level of product development and improvement of existing production technologies.

However, as already mentioned, normal practice is that steel makers limit themselves to product development in steel quality for the end-users and improvements of existing production processes. Main focus of the last 10 to 15 years was on the development of new ‘advanced high strength steels’, based on the demands of the automotive market. Special ‘product application centres’ were created as part of the R&D organisation. This development has been slowing down (the last horizontal part of the S-curve). The market introduction is on its way, and no major developments are expected in the near future. The big steps forward have already been made. Now, the focus shifts to ‘customer-service’ product development.

A typical example is the development of sheets with variable thickness as wished by car designers and engineers (hydroforming) for stronger and lighter steels in automotive and transport applications.

There are currently more developments in construction of steels: energy-driven (‘climate change’ pressure) design and construction of new buildings (zero carbon housing, sustainable construction). A typical example is the development of photovoltaic cells in cladding and roof systems.

These developments of new steel qualities in close cooperation with end-users and the ‘customer-service’ product development are typical examples of existing practices already fitting in with the stakeholder philosophy of ACG


129 In 1963, I worked as student on work placement at the research centre of Vöest for three months and witnessed the positive drive of the company on the ongoing improvements of this break through strategy.
perfectly\textsuperscript{130}. Steelmakers, active in supplying automotive steel qualities, enter cooperation agreements with major clients. Of course, those agreements are not specific to the associative approach but they show that close cooperation with stakeholders is a well-known way to go. It shows that the associative approach does not demand revolutions but fits in with existing developments.

A new trend leading to an even closer cooperation between steelmakers and end-users is the involvement of advanced computer modelling.\textsuperscript{131} These new computer simulation techniques create the link between engineering and research. This modelling creates better opportunities to select the right process development in an earlier phase. This results in more lab-testing and more pilot plant work instead of testing in existing production equipment.

\textbf{6.4.2 The organisation}

It is obvious that the innovative character, as described in subsection 6.4.1, determines the way R&D is organised by the steelmaking companies. Although the creation of a specialised staff demands long-term orientation as described before, management will use capacity and time for short-term oriented-product development of new qualities of steel and limited improvements of existing process technologies. In my interview with Peter Jongenburger, Chief Technology Officer of Corus, he states:

‘The introduction of the ‘business unit’- concept of multinational companies in the last decades of the 20\textsuperscript{th} century has also stimulated this trend to short-term orientation. Business units want direct control over their R&D budgets and look for short-term results, which limits the opportunities for long term Corporate R&D. In the past, Corporate R&D was strong ‘blue sky’ and fundamental, with no direct link to the day-to-day business. As a reaction, following the business unit-trend, there was a move to more ‘short horizon’ research (services to clients, new products within one year on the market). The funding moved from majority corporate funding to less than 5 %. This resulted in a decline of breakthrough developments. The pendulum had swung too far to one side. As a result, there is recently a swing back to more corporate research (General Electric, Shell), also in the steel industry.\textsuperscript{132} Still, there is a problem! Companies do not receive any reward by embarking on an entrepreneurial way in fundamental research. It is impossible to expect a reasonable rate of return

\textsuperscript{130} Personal interview with Rob Boom, Director R&D Strategy & Competence Tata Steel Research, Development & Technology.
\textsuperscript{131} Personal interview with Rob Boom.
\textsuperscript{132} As an example of the ‘swing back’, Peter Jongenburger mentioned two major budgets which were allocated to Corporate Research Corus: 1) A Climate Change activity, as a result of the increasing political pressure on CO\textsubscript{2} emissions; and 2) the development of a new iron ore reduction process as a real ‘breakthrough’ activity.
on basic research, at least in the steel industry’.

This being a fact, it is understandable that business unit managers plea for a “zero” budget for corporate research, which means no corporate research at all. Peter Jongenburger considers this a failure of the system and has no solution available.

Nevertheless, the next logical step, namely to rely only on the R&D of equipment suppliers, as mentioned before, is also a risky situation. Take the example of refractory technology. Refractory suppliers only want to sell more refractories instead of less. The IJmuiden steel plant still has his own refractory- research staff, saving millions of Euros on refractory costs.

‘Good leadership’ for R&D should be based on finding the right balance between on the one hand the ‘blue sky, free thinking’ approach, which is absolutely necessary for the health and the spirit of the R&D staff and the company as a whole, and on the other the local need for short-term targets such as service to clients, and new products with a short lead time.

The R&D budgets of steel plants are reasonable substantial but not so substantial that they become a point of direct negotiations between capital suppliers and technologists. The Corporate R&D budget is handled internally between the Board and the management of the business units, and the management of R&D. Normally Corporate R&D operates as a cost centre, not as a profit centre. The target is to operate at a ‘black zero’ result. The spin-off and profit of technological innovations invented by R&D will be made by the business units and are much higher than the project result of the R&D work.

The recent concentration in the steel industry, as described in chapter 2, resulted in reduced total manpower R&D figures (less duplications, higher efficiency). The financial crisis of 2008 has result in even further reductions.

Finally, as stated by Rob Boom, Director R&D Strategy & Competence at Tata Steel:

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133 Personal interview with Peter Jongenburger. The R&D budgets (percentage of the overall budget) differ per region and company. The Koreans and Japanese steelmakers are always top level: POSCO 2.5%, NSC and other Japanese steelmakers > 1.0%. The Europeans are in the middle segment: Vöest 1.5%, Tata Corus 0, 8%, ThyssenKrupp low. The US steelmakers are always low-low: 0.2- 0.4%.

134 Normally an average of 25% profit on ‘customer service oriented R&D’. Source: interview Peter Jongenburger.

135 Corus reduced its staff from 1.250 to 900. After the take-over by Tata, further reductions were planned. Tata plus Corus staff was expected to be 1.050. In the USA, the reductions were disastrous. ArcelorMittal reduced its staff to 1300, the same figure as Arcelor on its own in the past. The amount of research centres went down by 50%. Another example, CRM, a famous steel research centre in Belgium, owned by European steelmakers, reduced its staff from 450 to 135. (Source: Personal interview with Rob Boom).
‘Another recent trend within the steel industry is the trend to ‘close doors’ headed by ArcelorMittal. They consider themselves that big that they do not need cooperation with colleagues. They do not have colleagues, only competitors. The ‘old’ trend in the steel industry of assisting each other and sharing resources or certain special equipment is fading out’.

In the coming decades, a completely fresh and new R&D approach could come from the growing steel markets in China and India. According to Dr Debashish Bhattacharjee, Group Director Research Development & Technology at Tata Steel Group, major steelmakers in these countries will embark both on the ‘Western’ limited product development attitude and on real ‘breakthrough’ process technology research. With the acquisition of Corus by Tata Steel and especially the steel plant in IJmuiden, Tata acquired state-of-the-art product development. Relevant expertise from IJmuiden will be implemented in the Tata organisation. However, Dr Bhattacharjee does not want to limit himself to this program of ‘continuous improvement’ of current operations but intends to increase his efforts on ‘breakthrough’ or, to use his expression, ‘cutting edge’ process research into long-term sustainability. He will concentrate these efforts in research labs and plants in India for three reasons: the better conditions of growing markets, the hands-on approach of Indian researchers, and the low man-hour costs compared with Europe or the USA.

He mentioned two examples of ‘cutting edge’ research. The first one is aimed at securing raw materials for the company. He states:

‘High quality mines become scarce and no longer available; the low quality ones are left. In order to be able to use coal and iron ore from these ‘difficult’ mines, Tata process engineers try to find new innovative technological solutions for handling, for example high ash coal, high Al-iron ore, and high P- iron ore from these mines. Existing technologies do not work, and no one is working on feasible solutions. Recently process engineers patented the treatment of high Zn-iron ore from mines in the South of Vietnam. The target is obviously: to take advantage from the lower prices of these materials’.

The second example of CO₂- reduction research refers to the global warming problem. He states:

‘Tata does not limit itself to CO₂-reduction on existing installations, for example

136 Personal interview with Dr Debashish Bhattacharjee.
137 In 2009 the steel demand in India increased with 7.6%. In 2010 steel producers have to face an increase of 9%. Source: World Steel Association. Worldsteel Short Range Outlook. 20 April 2010. <http://www.worldsteel.org/?action=newsdetail&id=293>. A number of green field projects in the East and the South by companies like Tata, ArcelorMittal, JSW and Bhushan are in development or already under construction.
via top-gas recycling, but also works on more fundamental and disruptive developments by introducing \( \text{H}_2 \) in the blast furnace process. Process engineers patented a method for producing \( \text{H}_2 \) via the slag granulation process’.

These examples show the interest in fundamental process research. According to Dr Debashish Bhattacharjee they show the willingness of companies like Tata to enter ‘break through’ areas.

Tata defines the role of R&D as fundamental for the sustainable future of the company. The two examples on raw material supply and environment are self-evident. It goes beyond the limited and low-risk product development approach of European steel companies. Dr Bhattacharjee considers the European approach to be a ‘low entrance barrier’ activity and European steelmakers will lose this game’ to steelmakers in India and China. The question is not ‘if’ but ‘when’\(^{138}\).

ULCOS is the ultimate example of the low-risk non-entrepreneurial attitude of the European steel industry on process research: complicated organisation, limited funds and a very relaxed time schedule. ULCOS (Ultra Low \( \text{CO}_2 \) Steelmaking) is a ‘forward technology’ initiative by Eurofer\(^{139}\). It is trying to develop a ‘low \( \text{CO}_2 \)’ process route, which should result in a 50\% reduction of \( \text{CO}_2 \) emissions. This new process should be available in 2050. However, the credibility of this initiative is low given the very limited budget of €50 million and the huge technological barriers. It looks like a political instrument in the discussion on emission rights and costs with the European authorities. Dr Bhattacharjee states: ‘Cutting edge research activity asks for an entrepreneurial attitude of the organisation. Researchers should go for the challenge of new solutions and approaches with a focus on process and problem solving. First comes the ‘idea’ or ‘thought’, the necessary budget will follow if the target is clear’.

Tata prefers to talk about ‘necessity’ instead of budgets. In Europe R&D is limited by ‘affordability’ or the question ‘can we afford the budget?’ Cooperation with the Production Department will be organised via hands-on testing and bench scaling in the existing operational environment, and not via the ‘European’ style of expensive test equipment and pilot plants in R&D labs. This asks for a special entrepreneurial mind-set as mentioned before, a mind-set no longer available in Europe with its low production growing rates and overcapacity.

Mr Bhattacharjee recognises the problem, both in Europe and elsewhere. He

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\(^{138}\) A good measure for judging the importance of R&D for a steel company is the amount of filed and obtained patents. The top four steel companies are POSCO South Korea, Bao in China, and NSC and Sumitomo in Japan. POSCO obtained 5,000 patents in three years; Corus obtained 300. This shows the rise of the leading role of Asian steelmakers, because each patent represents a unique step forwards in process technology.

\(^{139}\) I introduced Eurofer in section 2.2 as a major actor in the European steel industry.
states:

‘Governance of the ‘continuous improvement’ activity of current technologies and operations by addressing chronic problems is different from governance of the entrepreneurial ‘cutting edge’- break through role of R&D. You almost need two different organisations with different approaches in HR policies and administration’.

Although I understand Dr Bhattacharjee’s R&D approach of, I have some doubts about its feasibility. My experience within the Indian steel industry does not confirm an entrepreneurial attitude among workers and management. The entrepreneurial attitude is strictly limited to the top of organisations. Representatives of top management are well educated and well advised by consultancy companies like McKinsey. Their language is always promising, a heritage of the British. Tata Steel is a typical example.

In my interview with Mr Doc Mukherjee, non-executive member of the Board of Directors of Tata Steel, he explained how Tata Steel introduced TOP (Total Operating Performance), a management tool introduced by McKinsey. He summarises three conditions of success:

‘Tata Steel recognises three basic conditions, essential for success. In the first place, ‘emotionally charged’ involvement. Emotions play an important role in innovation processes. Mr Ratan Tata personally emotionally inspired me when I joined a TOP project for cost reduction within Tata. The resulting level of aspiration was very high. In my opinion, this was not the case in the set-up of Corus.

In the second place, we want to take away ‘fear of failure’. Employees should be judged via ‘input of effort’ and ‘action mind’ instead of just the results. I know that this is exactly save the company.

In the third place, we push the entrepreneurial mind-set. We want to involve all employees via employment engagement impact’.

6.4.3 The ASC answer
ASC must find a synthesis between, on the one hand, the need for its members to become part of a substantial R&D network within ASC, both in product development and process research in order to face the consequences of globalisation, and on the other hand, the decentralised associative philosophy of the company.

The best way to reach this synthesis is, on the one hand, to create two larger R&D centres, preferable in a CME- environment, for example in Europe and India, and on the other hand, to create decentralised ‘satellites’ per region.

The satellites will have two functions. In the first place, they will
assist in the implement of new process research as developed by the two R&D centres. In the second place, they will focus on detailed research, based on specific expertise available at these locations (Schumpeter II-type innovation). The satellites can become ‘centres of excellence’ within ASC. According to the ACG philosophy, its member-companies should invest in cooperation with regional education centres in order to develop the specific knowledge needed for these ‘centres of excellence’. This could result in the creation of regional ‘science parks’. New developed steel technologies can find applications in other industrial sections, such as high temperature control.

The ‘excellence’ could be in refractory design, rolling process technology, process automation or melting technology. In practice, these excellences should preferably be based on specific local historical developments within certain member-companies of ASC. The available knowledge and the freedom of the specialists to experiment during construction of new iron making facilities, made the IJmuiden refractory design world famous within the steel industry. Until today, the iron making facilities are among the best in the world. Many colleague steel makers adopted the knowhow of IJmuiden, recognizing its excellent character.

Other examples include rolling process technology in England and Germany, continuous casting technology in Germany and Austria and sponge iron technology in India.

ASC should follow this proven concept of regional excellence and should organise its R&D activities as a network between the centres of excellence. The products will be available for all member-companies of ASC against reasonable transfer costs.

The two central facilities concentrate themselves on three activities. In the first place, they handle R&D activities that are too demanding for regional facilities (Schumpeter I-type innovation). In the second place, they can invest in test equipment that is too expensive for the regional facilities. In the third place, they can initiate and develop new R&D, not yet suitable to spread out in the ASC network.

They also coordinate between the centres of excellence and should carefully map the development of new centres in the rest of the world. They should point out which part of the ASC R&D network should try to catch up with outside new developments. This can be done via joint ventures or by creating cooperation agreements.

The R&D organisation and network will be closely related to ASC’s education and training philosophy. For that reason, it can be developed as cornerstone of the ACG-philosophy.

Here the associative idea can really demonstrate that it works and that it creates excellence. To this end, the following four features of R&D are important.
In the first place, R&D forms a direct link with the future and health of the company on the long term. Each member-company of ASC wants to be involved and wants to use the output of the centres of excellence.

In the second place, R&D has a crucial direct link with the HR policy for attracting and keeping intelligent, fresh people with the company. Traditionally, in the steel industry, high-educated, new employees start at the R&D department.

I want to refer to two interviews on this aspect. In my interview with Dr Bhattacharjee, he summarises the Tata Steel approach:

‘We introduced at Tata Steel plant in Jamshedpur a slightly different approach. Operations attract fresh graduated engineers, the R&D Department fresh master and PhD level students. On plant level, it is difficult to keep and retain fresh people. On R&D level, it is easier to keep the interest of master-level students because they have chosen a career in research. Research is a challenge for them, they are proud on their work. This shows the need to give them this challenging work by creating an atmosphere of freedom. Tata creates the possibility for a sabbatical leave in order to enter the PhD or post-doctoral route. After 3 to 4 years people come back with more experience to the advantage of both parties’.

In my interview with François Mudry, Director Research of ArcelorMittal Liège, Belgium, he states:

‘For the master-level technical staff, we hire staff mainly through R&D. Usually, just graduated students are more interested by R&D than going straight to the plant or the commercial department. Moreover, we propose many traineeship positions for last year of masters to show to students what is really steel industry in order to change the image. However, the average level definitely changed. We also compensate hiring many different nationalities trying to create an attractive international atmosphere in R&D’.

Cooperation with universities in the regions of ASC member-companies leads to outsourcing of research to these universities and to potential PhD opportunities for students.\(^{140}\)

In the third place, the R&D organisation maps the differences in education level within the ASC regions, which will be translated in measures for improvement of education programs.

In the fourth place, the spread of work within the network as described

\(^{140}\) According to Dr Bhattacharjee, 25 % of the £5 million R&D activity at Jamshedpur, Tata Steel, is spent on projects based on collaboration agreements with technological universities and institutes worldwide. Nearly 60 to 70% of the research carried out with these partners results in new ideas for process and product development, protected by patents.
above shows the real face of ACG. The rules within the network have to fit in with the ACG philosophy. There cannot be a top-down organisation of work. ACG asks for participation in the decision-making process via central and local R&D discourse platforms on all R&D aspects, including the corporate strategy on R&D and related investments. Each region must have realistic ideas about their own capacities. Each region has to develop an education and training plan.

The management of ASC will be confronted with the general human hesitation at new technological implementations, resulting in a possible resistance and aversion. This attitude will be different per country or region, depending on the level of education as well as on influences of local stakeholders like trade unions. If introduction of new technologies leads to the closing of shops or staff reductions, the resistance will be understandable. The associative character of ASC asks for acceptable solutions in which the R&D network has to pay its contribution. The social and political aspects cannot be neglected or just transferred to management and HR colleagues. See also section 6.5.

In my above-mentioned interview with Rob Boom, he defines a possible opportunity for ASC, fitting in the associative philosophy and an example of institutional innovation: the development of a ‘small scale production site’ for steel regions.

‘The general trend of integrated steel plants is towards ‘big scale, less space, less resources’, resulting in a reduced numbers of steel sites. Still there is a need for small-scale plants (1, 5-2 million annual tonnes) close to the market. For example, three sites in Thailand close to the market and close to HR resources would be more practical than one big site. The technology for that is until now just the electric arc furnace route. The classic integrated route could become a smelt reductor, combined with thin slab casting in line with rolling mill facilities. The construction of the steel plant Saldanha Bay, South Africa, is a typical example. This route is important from a quality point of view. For high quality steel grades, you need iron ore input instead of scrap’.

A second technological solution can be the development of mini-blast furnaces (capacity between 500,000 and 1 million annual tonnes of liquid steel) that can produce iron ore for liquid charge into the electric arc furnace. This as an answer to the ever-demanding scrap market, which is the principal feedstock for electric arc furnaces. There is simply not enough scrap around since cars, for instance, have a longer lifespan (Zonneveld 3). The geographic need should steer the development of small-scale units close to the market, in order to reduce transport costs and environmental damage. The overhead costs of those small-scale plants should be remarkable lower. Companies can use
the existing HR knowledge and expertise of existing sites in India and South-East Asia. BHP, the Australian steelmaker, once had the idea of developing an Asian-rim of small-scale plants along the Asian coast, close to the markets.

6.4.4 Climate change

Why to spend a subsection on ‘climate change’ in a thesis on corporate governance? Unlike other industries, the ‘global warming’ or climate change issue is not just an environmental issue for the steel industry. For the steel industry, it is a major issue with no easy solutions. Not only is the steel industry one of the most notorious CO₂ producers, there is also no technological solution available to solve the CO₂ problem. The production process always needs carbon to reduce iron ore. That means that the only available option for steelmakers is the partially reduction of CO₂ emission via process improvements.

ACG shows a pro-active attitude on social and environmental issues as emphasised in chapter 4. This means that ASC has to use current technology to achieve the current best practices. In the discourse with environmental NGOs, this difficult topic should be discussed openly. Given the fact that there is no real technological solution, it becomes a social and political hot item. In subsection 6.4.2, I already introduced the ULCOS project as the low-risk non-entrepreneurial initiative of the European steel industry. The ULCOS project aims to develop a ‘low CO₂’ process route, which should result in a 50% reduction of CO₂ emissions. The credibility of this initiative is low given the very limited budget of €50 million and the huge technological barriers. It looks like a political instrument in the discussion on emission rights and costs with the European authorities.

The whole CO₂ issue can result in closing of ‘relatively clean’ steelmaking facilities in Western Europe and transferring steel productions to the BICs or other developing countries with less or no CO₂-emission costs. This, however, will not reduce CO₂ emissions; in the short term, it will lead to an increase of CO₂ emissions because of increasing capacity of ‘dirty’ plants in these countries. This quite complicated situation needs to be handled by the environmental discourse platform. The ‘normal game’ of NGOs putting pressure on unwilling multinationals to implement or develop clean technologies is not available. As a result, the issue has become a real social and political issue.

In the direct future, European steelmakers are already confronted with possible costs of CO₂-emission rights of approximately €20 per tonne of steel. This figure can increase to approximately €50.¹⁴¹ This will all also depend on possible global agreements in the international political arena.

For the moment, the discourse within ASC should focus on possible

¹⁴¹ Personal interview with Peter Jongenburger.
improvements in order to face the climate change threats. In the first place, ASC should reduce its carbon ‘footprint’ by using Learning by Monitoring for process improvements. This could lead to reductions of approximately 20 % in the coming decade. In the second place, ASC should reduce CO₂ emissions in the supply chain via stakeholder dialogue with its suppliers. In the third place, ASC should develop an internal policy on how to deal with the distribution of the carbon footprint between the member-companies. In the fourth place, ASC should support pro-active policies and actions in the political arena, within WSA and within other regional steel associations.

6.4.5 Summary of policies and actions
The following R&D policies and actions can be summarised:

Policy 1: Creation of an active and creative R&D network in and outside the company.

Actions:
- First, create two large R&D centres with large teams, substantial budgets and long-term programs for Schumpeter I-type innovations within ASC;
- Second, create centres of excellence within ASC based on locally available strengths and opportunities for Schumpeter II-type innovations within ASC;
- Third, active use the Micro-Macro approach by a possibly translating successful R&D initiatives of one ‘centre of excellence’ to create overall ASC policy;
- Fourth, in cooperation with HR colleagues, develop and maintain close relations with universities and other educational institutes in the regions of ASC member-companies as crucial part of the local AD-policies. See also the HR section 6.5. Monitor the relationship with the educational institutes in the regions of ASC member-companies, and develop education programs for students, including possible entrances in the company.142

Policy 2: Stimulate ‘cutting edge’ research in order to create the right balance of ‘continuous improvement’ research of current products and operations.

Actions:
- First, entrepreneurial initiatives for new break through process technologies in cooperation with equipment suppliers, also an example of increased stakeholder involvement;

142 Tata Steel IJmuiden has an average input of 60 young graduates each year, of which 40 are transferred to other disciplines within 2 years. Source: personal interview Peter Jongenburger.
- Second, as the first activity, but with raw material suppliers.

Policy 3: Encouragement of customer and supplier oriented associative cooperation on product and process development.
Actions:
- First, introduction of ‘customer-service’ product development via product application centres at the site of ASC member-companies as a logic step to increased stakeholder involvement of customers;
- Second, instalment of combined research-teams of specialists from ASC and from customer(s).

Policy 4: Introduction of central and local R&D discourse platforms.
Action:
- Installing of the central and local R&D discourse platforms (in line with Corporate Strategy and HR activities) in close cooperation with its direct stakeholders, customers and suppliers. This action needs the Learning by Monitoring approach given the complicated and long-term character of the discourse philosophy.

Policy 5: Creation of conditions in which entrepreneurial initiatives can flourish.
Action:
- Set up of activities as part of the overall creation of trust and loyalty within ASC as part of ACG.

Policy 6: Support of the pro-active role of ASC in social and environmental issues, with special emphasis on the ‘climate change’ issue.
Actions:
- First, emphasise promotion of initiatives within the regions of ASC member-companies with local stakeholders;
- Second, emphasise the ‘climate change’ issue by pro-active membership of working committees of WSA and international technology platforms like ESTEP. This is in line with the moral values of ASC as described in chapter 4.

All policies are based on existing trends and possibilities within the steel industry, and show that ACG does not require revolutionary changes or utopian conditions. ACG asks for further extensions and serious attempts to broaden the scope of these policies. Examples as discussed in this subsection

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143 ESTEP, the European Steel Technology Platform, is part of the Eurofer organisation and responsible for the ULCOS project. ESTEP considers its involvement in lightweight steel solutions for cars and steel based materials for energy efficient buildings to be an indirect contribution to the climate change issue. See also section 5.1.
show that the steel industry is the right environment to take next steps, given the long-term orientation, the already existing cooperation with stakeholders, and the composition of the workforce.

6.5. Human Resources

Human Resources (HR) activities will be one of the key elements of ACG. The associative philosophy with its strong emphasis on discourse ethics and the company values, also asks for a long-term orientation in human resources policies. The two key elements of ACG, trust and loyalty, must be based on long-term work relations and job security. The selection of top management and the way leadership is defined form crucial elements in the development of ACG. The development of ACG must be supported by management’s associative attitude\textsuperscript{144} based on reciprocity. In defining leadership further on in this section, I elaborate this aspect in detail.

I will not contribute a special subsection to the organisation of the HR Department. Different from R&D, as described in section 6.4, the corporate HR department limits itself to a coordinating function. In principle, each member of ASC has its own HR department as a logic consequence of the decentralised and autonomic character of ACG. On a corporate level, there will be a relatively small HR staff. This staff has three tasks. First, it assists Corporate Strategy in defining and developing of HR aspects of the associative philosophy. Second, it coordinates and facilitates HR services throughout the whole company in close cooperation with the local HR departments of the member-companies. Third, it handles the HR aspects of head office employees.

I do want to put an emphasis on the functioning of the local HR departments and the position of the HR representative in the management team ASC’s organisation units of. In my interview with Kees Blokland P&O Director of NS Group, and former P&O Director of Corus, he explains his ideas on how the HR organisation should be structured:

‘In my opinion, you need operational excellence at the basis and corporate strategy at the top. At local level, the HR department has to develop local policies and rules. Especially on labour conditions and remunerations, the ‘Blut und Boden’ work at the basis. At the top, HR specialists should be involved in corporate strategy discussions and policies’.

He distinguishes four different positions or roles for a HR representative based

\textsuperscript{144}In Box 2, I summarized the main ‘associative’ line: associationalism, associative democracy, ACG. When I use the term ‘associative attitude’ I refer to the general attitude of a person in support of the main features of associative democracy like restriction of scope of hierarchical management, a democratic accountable hierarchy, strong social embeddedness, trust and loyalty as main pillars of a sustainable company.
on the combination of professionalism and management alignment: 1) ‘his master’s voice’ (high management alignment and low professionalism); 2) expensive expert (low management alignment and high professionalism); 3) bureaucrat (both aspects low); and 4) professional partner (both aspects high). Kees Blokland prefers the ‘professional partner’ position. He highly values ethical behaviour as part of this professionalism and as a necessary ingredient of the credibility and effectiveness of HR representatives.

His specification of the different roles of the HR function partly corresponds with the roles as defined by David Ulrich, the ‘world-acclaimed leadership expert’ on HR 145. As elaborated by Luc Dorenbosch in his article on Ulrich’s HR philosophy, Ulrich distinguishes four roles: strategic partner, administrative expert, employee champion and change agent crosswise ordered on the dimension ‘long/short-term focus’ and ‘people’ (Dorenbosch 1). He believes that the only future for HR is the long-term strategic role. However, his rather strong and outspoken opinion is not undisputed. Other well-known HR specialists like Raymond Caldwell do not expect fundamental strategic role changes in the future (cited in Dorenbosch 4). Hereafter, I will come back to this professional discussion in relation to the aspects ‘change management’, subsection 6.5.2.

I prefer to look at HR from a different angle. I elaborate and summarise the HR task by focusing on the two, in my opinion, main aspects of HR:

- ‘To get them’, which means to create the right staff by recruiting effective and purposeful;
- ‘To keep them’, which means to keep employees within the company through motivation and commitment. Important feature of this aspect is the HR role within the company as knowledge intermediary that is ‘to connect them’.

6.5.1 ‘To get them’ or recruiting

In my interview with Ruud Van Neure, HR Manager of Tata Steel Europe IJmuiden, he states:

‘At this moment, HR officials recognise two major recruiting issues: 1) management of demographics; and 2) work-life balance. The two major aspects of demographics are ‘diversity’ and age structure. Each steel plant is still a ‘men’s world’, and in Europe steel plants are even a ‘middle aged white men’s world’. The composition of the workforce does not reflect the growing diversity in modern societies. In order to recruit the right people and to recruit the needed volume, HR has to focus itself on this mismatch’.

Tata Corus developed a ‘diversity policy’ to try to reduce this mismatch (Corus).

145 This is the most frequent used designation of David Ulrich. Business Week declared him the ‘world’s top management guru’ of 2001 (Dorenbosch 1).
This policy fits into ACG. I will mention three features. First, ‘employees have the right to be treated equally and with dignity, regardless of gender, sexual orientation, race, colour, ethnic origin, disability, religion, political views or age’ Second, ‘encourage taking advantage of available and relevant training facilities and opportunities for advancement’. Third, ‘respect local customs and good practices in different countries and regions’ (Corus 16).

Of course, it is easy to be cynical about these ‘nice’ words. The background of the diversity policy can be a practical one and not in the first place an ethical one: to increase the opportunities for successful recruiting. However, it is important that management show commitment to these items in order to promote them and protect them on each level in the organisation. It also shows that ACG does not require revolutionary new recruiting policies. It can be implemented by extending existing policies and taking them seriously.

The age structure is becoming a big problem in Europe and North America. The average age in the steel industry is high. Retirement will reduce the workforce considerably, and recruitment of fresh young people has a high priority.

Especially in Eastern Europe, the restructuring of the steel industry will embark on this process. A typical East European example is the restructuring of the Polish steel industry. Privatisation and concentration of the Polish steel industry resulted in the creation of ArcelorMittal Poland. In my interview with Andrzej Wypych, HR Director of ArcelorMittal Poland, he summarises this process as follows:

‘ArcelorMittal Poland has embarked on a HR project to ‘clean up’ the workforce. Thousands of employees, older and with limited education, must be laid off and hundreds of new, young and well-educated employees must be recruited. This measure must be implemented against the background of new and numerous trade unions. Since the fall of the communist regime and the role of Solidaritat free trade unions are a hot item. They are well protected by new labour laws, and the threshold to set up a new union is very low. In the Polish steel industry, I have to negotiate with more than 25 unions, actively supporting union members in the staff reduction programs’.

The privatisation of the Eastern Europe steelmakers will lead to demographic changes in the education programmes of the universities. In my interview with Zbigniew Malinowski, dean of the Faculty of Metals Engineering at the University of Science and Technology in Cracow, he states:

‘ArcelorMittal Poland, the biggest steel company in this country, reduced or stopped existing long-term research programs with my university. These types of programs were part of the old regime of state owned companies. Suddenly, I am confronted with a surplus on metallurgical graduates in Poland, which will
result in a brain drain to Western European steelmakers’.

An additional problem particular to the steel industry in recruiting young people is the ‘old and dirty’ image of the industry. In April 2007, a special conference between European universities and steelmakers was organised under the title: ‘Working together for growth and jobs’. I visited the conference and participated in the workshops as a reporter. The outcome was that the steel industry could definitely be very attractive given the great variety of technical processes and jobs. However, the bad image and the volatile market are the main drawbacks. I already mentioned the male-domination and old-fashioned culture. Besides the image and the previously discussed demography of the sector, the recent concentration and internationalisation of the steel industry, the constant cost pressure, and the limited innovation power were mentioned as decisive factors for the future.

It is obvious that these aspects are in the first place related to the steel industry in developed countries, where young, well-educated people can easily find jobs in other industrial sectors. Nevertheless, even in countries like China and India this aspect will come up earlier than may be expected as already indicated by Dr Debashish Bhattacharjee.

ASC should fight against this traditional image by following the recommendations of the Warsaw conference. The first recommendation is to create job security and reliable career pattern. The second one is to create a stable and motivated workforce with an HR policy based on long-term vision, continuous training and education programs, attractive and reliable career patterns and open communication. The third recommendation is to create cooperation between the industry and universities or polytechnic institutes by promoting joint research projects and traineeships. These recommendations are fitting for ACG, as described in chapter 4.

Besides the demographics issue an important role, both for recruiting and in maintaining the right workforce is the ‘work-life balance’ issue. The two major aspects here are health and motivation. People should stay healthy and vital. ASC should create healthy working-conditions and should promote attention for its employees on this aspect of life. The care for healthy working

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146 European Steel Companies- Universities Joint Conference, Warsaw, 26-27 April 2007. Organised by Eurofer in cooperation with the Warsaw University of Technology. Representatives of major European steelmakers and technological universities worked together in three workshops on training needs, recruiting needs and networking needs.

147 Personal interview Dr Debashish Bhattacharjee. See section 6.4 on R&D.

148 Presentation by Prof. Dieter Senk, RWTH Aachen. He even suggests combination of studies: for example materials plus social study.

149 My own decision to join the steel industry was heavily influenced by the fact that I worked as a trainee for the Vöest steel plant in Linz, Austria, during summer 1962. This traineeship was part of the cooperation agreement between the Technological University of Delft, Holland, and Vöest.
conditions fits perfectly in the existing safety and health policy of the steel industry and the social sustainability target of the World Steel Association. ASC staff should play an active role in the working group on safety and health of the association.

Of less direct impact but of major importance for a vital workforce is the balance between working hours and private hours. An important aspect of this is the growing part-time status of jobs compared with the standard fixed term status in the past. Part-time jobs fit the living circumstances of many young families around the world as well as the changing attitudes of young people towards work. The special attention Tata Corus IJmuiden pays to this aspect fits in the Dutch pioneering on this socio-economic aspect. The Dutch developed a system in which available work is divided in halves or thirds. This job sharing faces many problems but the principle is accepted and when practiced it is a useful tool in a volatile economy and a useful instrument to increase the potential of new employees (Sennett 185). Within the steel industry, the Austrian steelmaker Vöestalpine is trying to develop a best practice via its LIFE program, which aims to attract young people to join the company.

In practice, young people are becoming more and more assertive in this and making their own decisions. The work-life balance influences the employee’s decision to accept a proposed career, or to accept a job at a different location. This will influence the way corporations have to organise their management development policies. ASC should anticipate this development by trying to meet the existing best practice and joining the vanguard in order to develop new HR policies along these lines.

6.5.2. To keep them

Recruiting a staff is an important task for the HR department, but to maintain a motivated and committed staff is quite another challenge. The most important

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150 One of the most common indicators of safety is ‘lost-time injury frequency rate’. WSA members reported a lost-time injury frequency rate of 8.8 injuries per million hours worked in 2006 compared with 6.6 in 2004. The lost-time injury frequency rate is one of the 11 sustainability indicators of the World Steel Association. BlueScope Steel’s Port Kembla Works, Australia, is recognised as best practice within the steel industry: 14.9 million hours without a lost time injury. This represents approximately 6,000 employees and contractors who worked on average 13 million hours a year (World Steel Association, Sustainability 17).

151 A key challenge is to improve the work-life balance and to relieve health-related stress in the work place. All employees are allowed to spend 2% of their annual working time on further education. In some areas of the company, employees are free to choose their weekly working schedules (World Steel Association, Sustainability 19). The program started in 2005. The greatest problem in implementing the program was reconciling workers’ expectations with the slow pace of developing, discussing and implementing the LIFE measures. After two decades of downsizing, neither managers nor workers’ representatives could easily cope with a 180-degree turn in HR policy.
condition for meeting this challenge is the long-term character of ASC’s HR policies. This long-term character will result in the following policies:

1. Creating job security and transparent career patterns as already noted by the Warsaw conference.
2. A long-term vision on training and education programs, and HR’s role within the company as knowledge intermediary resulting in networks of knowledge and a ‘learning organisation’. As previously mentioned, the task is ‘to connect them’.
3. A high level of employee participation of in the governance of the company, combined with a decentralised organisational approach.
4. Managing ‘change’.

Apart from measures and actions along the line of these general policies, which every responsible and dedicated management can initiate, the associative character of the organisation of ASC demands extra contribution to these policies. Once again, trust and continuity, the two basic pillars under the associative concept, are crucial elements and determine the actual content of these policies.

The actual fulfilment of these policies in the existing organisation of ASC will also be a strong tool for the recruiting officers as elaborated in subsection 6.5.1. I will now highlight the four policies.

1. **Creating a job security and transparent career patterns**

*Job security* has always been high on the list in the steel industry. The most outspoken example is the Japanese steel industry. Companies like Nippon Steel Company offered their employees lifelong employment agreements. Other steel industries in different parts of the world, very often state owned, followed this policy. The volatile character of the steel market in the last decades of the 20th century and the recent trends toward concentration changed this picture. Cost reduction measures, initiated by declining market opportunities, resulted in substantial lay-offs and early retirement schemes.

This trend went hand in hand with the general attitude of younger people to be less dedicated to one company. Frequent job change became more common.

At the same time, outsourcing policies became popular. Activities considered as non-core businesses were outsourced to third parties. In most cases, this concerned lower ranking jobs like catering, cleaning, security and maintenance. In addition, more high-qualified staff tasks like IT and HR are outsourced.

As described in chapter 2, the expected concentration and internationalisation of the steel industry will result in mergers and acquisitions.
Obsolete plants will be closed and staff will be sent home. So why should ‘job security’ be on the agenda of steel companies? Is this a realistic policy? There are two reasons to continue the plea for job security although the character of this security can differ.

In the first place, there is the recent development of demographic problems in the steel industry. The average age of the employees is increasing rapidly and will lead to a shortage of workers in the near future. It will be difficult to attract new staff under unchanged conditions. It is of great importance to keep people aboard. As already described in the R&D activity, section 6.4, the steel industry needs long-term commitments for many jobs. In the same way, many operations skills are based on long-term experiences on the job.

As confirmed by the Warsaw conference delegations from steel companies and universities, job security and transparent career pattern are on the top of the list of many new employees. The recent trend of working couples diminishes the flexibility needed for job-hopping. Transparent career patterns give them the opportunity to plan their life and to reduce uncertainties.

The second reason for a job security policy is the associative philosophy as described in chapter 4. It takes care of the first two conditions of Sennett’s ‘cultural anchor’: ‘narrative’ and ‘usefulness’. Each human being needs a sense of narrative movement, ‘which means that events in time connect, experiences accumulates’ (Sennett 183). Each human being wants to feel useful, wants to contribute something that matters to other people. Employees are important stakeholders in the company. The company should stand for their future as a logic and reasonable answer to and condition for loyalty to and trust in the company. Layoffs are a cheap and short-term way of solving problems, too often also related to mismanagement. It is the transfer of responsibilities to the society. The taxpayer has to pay the bill when unemployment costs increase. It is like in the old days when dumping pollutants in open waters and in the open air was allowed. Nowadays, it is quite accepted by all political parties and civil society that companies have to take care of or have to pay for their own pollution. ACG, given its feature of strong social embeddedness, will ask a company to take care of all aspects of running the company. Jobs will disappear because of market changes or technology changes. However, the results from these changes should be taken into account in the calculations of the proposed new solution.

ASC has pre-determined policies and budgets on job changes or redundancies, of course ‘translated’ to regional conditions and rules on labour and compensation. All member-companies of ASC have to use these policies. They should be pre-determined policies in order to make the right calculations and decisions in an orderly way via dialogues in the HR discourse platforms. How can you otherwise ask stakeholders to agree with the closing of their plant, without knowing the compensating measures? Here, we are close to the
‘heart’ of the associative governance of the company where ‘nice words’ are of no use and where the associative philosophy is really challenged.

During the last decade of the 20th century, ‘job security’ was considered to be ‘old-fashioned’ and replaced by ‘employability’. The ‘old psychological contract’ between employer and employee, which was based on the exchange of job security for loyalty, should be replaced by a ‘new psychological contract’ based on the exchange of employability for commitment (Jeurissen 173). This switch means a massive shift in risk from employer to employee, and it does not fit in Shue’s basic subsistence right and ACG’s basic ‘loyalty and trust’ character. It also threatens Richard Sennett ‘cultural anchor’ of the employee as described in section 4.3 on company values.

That does not mean that ACG accepts the other extreme of job security: job security ‘without maintenance’. By ‘maintenance’ I mean the obligation of employee and employer to contribute to ASC’s the long-term vision on training and education programs, resulting in a ‘learning organisation’, as described in the next subsection. Too often, companies do not use the broad opportunities for these programs. They consider this the responsibility of the employee. They do not simulate their employees to the continuous learning attitude and do not compensate the costs. This results in ‘overdue maintenance’ (Blokland and Nauta 66) and the creation of threatening conditions for a realistic job security (De Waard).

ACG answers loyalty and commitment from the ‘bottom’ with job security and responsibility for long-term training and education programs from the ‘top’. Credible commitment and mutual monitoring of the real content of ‘job security’ should be a key aspect of HR. Job security and transparent career patterns will be part of the ‘social innovation’ policy of ASC as will be described further on in the subsection on ‘managing change’.

The real test of the ASC policy on job security is ‘how to handle job insecurity in case of redundancy’, resulting from changes in the market, changes in technology or any other change that disturbs the balance of a regional member of ASC.

The difference between ASC and other multinationals is that: 1) the policy is pre-determined as mentioned before; 2) ASC’s training and

152 My own experience with employability as a HR instrument taught me that employability policies increased inequality. It is a nice approach for young well-educated employees but it doesn’t work for people who cannot keep up with innovations and it has no answer for the problem of people who are hard to train in today’s labour market. It is a step back in the direction of ‘right of the strongest. See also Jeurissen 174.

153 A typical example of the growing understanding that lay-offs are counter-productive for the economy and the relationship between stakeholders involved is the appeal by the chairman of the Dutch employers association VNO-NCW, Bernard Wientjes, to the trade unions to improve rules on redundancies in order to completely avoid lay-offs in the future. Michèle De Waard, NRC Handelsblad, 22 April 2010.
education policy will take care of ‘well-maintained’ employees with no overdue education program; and 3) the associative regional network of each member-company is the natural and available setting for practical measures and solutions.

It will be the shared responsibility of all stakeholders involved in the change. Leading guidelines are Shue’s basic rights, together with reasonable and smart recommendations from the ILO (Jeurissen 179).

The first important condition for the downsizing or closing of facilities within ASC by the Central Management Team and the relevant Local Management Team is that it needs approval from the stakeholders in the Central Works Council and the Local Works Council. The decision to downsize should not be taken too quickly and too easily. Possible alternatives such as reduction of working hours, pay-cuts, and hiring freezes should be investigated. This means that if the decision to downsize does come, it is only after free and open discussions between stakeholders, during which all stakeholders had the opportunity to develop possible alternatives. This is one of ASC’s major conditions. If, at the end of the day, the decision to downsize has been made, it will be obvious to all participants that there was no reasonable and realistic alternative. As mentioned before, it is almost impossible for the Local Works Council to agree with downsizing if the representatives in the counsel do not know the consequences of downsizing for the employees. Therefore, the downsizing should be organised along a well-determined ASC redundancy policy.

The main idea behind the ASC-policy is that the negative outcome of restructuring should be transferred into new opportunities for the people involved, and that, in case of a negative residual of the change, this negative result should not be put on the shoulders of just a few victims or the surrounding society. The key instrument is the instalment of a Restructuring Committee that coordinates all restructuring actions resulting from the pre-determined rules of the ASC-policy. The Committee will consist of management representatives and Local Works Council representatives, and reports on progress to management and the Local Works Council.

ASC combines main features of ACG such as strong social embeddedness, loyalty and trust, and long-term approach, with the recommendations of the ILO. This results in the following tools and measures for the ‘work to work’ principle, to be used and implemented:

- Counselling. The Restructuring Committee will install a team of specialists to support each individual employee in coping with the change;
- Competency evaluation. Each employee will be given a competency test in order to determine his or her strengths and weaknesses;
- Training and development. This is part of ASC’s ongoing training and education schedule, one of the key aspects of an associative
company. The results of the competency evaluation will be extra input in this, essentially, continuous process;

- Internal reassignment. The HR department assists the Restructuring Committee in internal reassignments;

- Outplacement. The assistance in finding a new job is normally outsourced by companies. In the case of ASC the outsource activity will be linked to a regional organisation, installed by the regional industry as part of the associative policies within the region. This regional organisation monitors the supply and demand of jobs in the region on a constant basis. There are close links with training and education institutes in the region, and with the local authorities. The Restructuring Committee discusses this with this organisation and asks them to handle the outsourcing. Financing of the organisation will be done partly via the local membership arrangements and partly by charging costs per project. If associative regional arrangements are not available, the Committee has to organise the outsourcing itself. The ASC subsidiary in the region should take initiatives to establish such an organisation as soon as possible in close cooperation with the regional industry, education institutes and authorities. The company should not wait until there is a problem;

- Help for self-starters. The start-up of small businesses should be handled by the same organisation;

- Promotion of employee mobility. ASC will offer on a constant basis assistance in geographical mobility. The ASC network will create excellent opportunities for young people to change environment by accepting a job in one of the many international settlements of ASC. However, this will work just for a limited amount of well-educated employees;

- Early or partial retirement. This should also be part of ASC’s overall existing HR rules in this aspect;

- Alternative work schedules. The ILO refers to part-time work, temporary posting of employees with other businesses, subcontracting, etc. This will also be handled in close cooperation between RC and the regional organisation;

- Compensation for dismissal. This should be done strictly according to ASC’s standard existing rules within ASC. The basis should be equal throughout the whole organisation, all based on the basic moral right of ‘being socially guaranteed’. Each region should translate this starting point into locally realistic arrangements;

- Communication. There is a great need for information and communication during these ‘tough times’. It should be obvious that ACG is a strong player on this subject. The local Works Council is the centre of communication and the Restructuring Committee is the
main instrument.

ACG handles all of these tools in a transparent and discursive way. The result will be that almost every individual will get his or her own solution to the problem. Perhaps the term ‘job security’ should be changed in ‘work security’. This change in HR focus needs the ‘learning organisation’ focus as explained hereafter.

Examples have shown that just a few employees will end up with no new opportunity. These individuals should be compensated in a decent and humane way, each as in individual case.

It is important to describe this ‘downsizing’ or ‘redundancy’ process in detail. It is here that the basic right of subsistence really will be challenged and the trust of the stakeholders in the associative attitude is made or broken. It is a project where ‘nice words’ and ‘good intentions’ don’t work.

2. Long-term vision on training and education programs resulting in a ‘learning organisation’

The ‘learning organisation’ is a hot item on the list of HR departments all over the world. People within an organisation should ‘learn’ from each other and ‘learn to learn’. This happens, of course, quite often in the direct working environment of the relevant employee. Colleagues learn from each other how to perform a job and how to improve certain details. This is, however, not what is meant by ‘learning organisation’. ‘Learning organisation’ means that people learn from each other all over the company. The ‘best practice’ will flow free through the organisation wherever needed. This demands a systematic approach on skills and ‘craftsmanship’ and the establishment of the HR role as knowledge intermediary resulting in networks of knowledge as essential part of a ‘learning organisation’.

Learning by Monitoring and Micro-Macro fit into this idea and will be an essential part of it. Both methods assume an open mind and a positive attitude to the outcome of the learning process. Challenging targets can only be pushed if ‘fear of failure’ can be taken away and if the organisation has a long-term outlook. I refer to the interviews with Mr Mukherjee and Mr Bhattacharjee. This sounds rather ‘general’ but it needs a working environment similar to that, which can be found in the Continental European economic model. In the Anglo-Saxon model, failures are dangerous because stakeholders in this model are scared of what they call ‘surprises’ for the

154 I refer to own experience. In 1996, I had to reduce of my BU-staff by 50%; from 200 to 100 employees. By using the tools as described I could solve the restructuring for 95%. I made individual compensation packages for the final 5 employees. All in close cooperation with the Works Council. As a second example, I refer to the latest staff reduction (800 employees) of the steel plant in IJmuiden because of the financial crisis of 2008.

155 Personal interviews; see section 6.4 on R&D.
shareholders environment. The ‘control’ attitude kills spontaneous initiatives and the guts to take risks, and will not end up in a ‘learning organisation’.

The third element of Sennett’s analysis of ‘culture anchor’, ‘craftsmanship’, will be fulfilled in a learning organisation. Broadly understood, ‘craftsmanship’ means ‘the desire to do something well for its own sake’ (Sennett 194). The ‘learning organisation’ is linked to ACG’s long-term training and education approach as described in chapter 4. This aspect was one of the main issues during the conference in Warsaw between European steelmakers and European universities. Many speakers underlined the importance of the long-term vision on training and education156.

In my previously mentioned interview with Kees Blokland, he confirms the importance of ‘craftsmanship’:

‘I consider the focus on ‘craftsmanship’ as an instrument for increasing the sense of standards and values within the company. In my long-term experience in HR, I learned that the meeting point between hierarchy and craftsman plays an important role in the day-to-day performance of the organisation. Especially in the steel industry with its high organisation complexity and well-educated staff’.

ASC creates professional vocational and general training facilities on a regional level, combined with a central facility on general skills like languages, accounting and management. ACG seeks cooperation with local and regional educational institutions in order to fulfil associative policies. In my interview with Prof. Dieter Senk of the Technological University Aachen, during the Warsaw conference, he stated:

‘Many steelmakers in Europe are already developing such cooperation agreements. Major examples are the German, Spanish and Polish steel industry. The Aachen University attracts young students from all over the world. They organise special projects with German steelmakers and special master programs’.

On the European level ESTEP, the technological arm of Eurofer, is activating and organising numerous projects between universities and the steel industry. The financial results of the steelmaking industry in the first decade of this century boosted these types of activities in order to attract young people.

156 The World Steel Association accepted most of the advices from the conference. Steel companies try to attract the most talented people and enhance knowledge transfer by providing employee training and opportunities for educational advancement and career development, by investing in educational partnerships, and by developing knowledge management resources like steeluniversity.org. In 2006, the steel industry provided an average of 10.4 days of training per employee. This figure is one of the 11 sustainability indicators of the association (World Steel Association, Sustainability 18,29)
On the corporate level, ASC creates the opportunity to bring together the high potentials of ASC. The possibilities for young people to learn from experiments within the whole organisation of ASC and to have the opportunity to join corporate teams on specific items increase the scope of the learning organisation.

ASC policies fit in this general feature of the steel industry. Best practice examples are available and well defined.

I personally was involved for more than 20 years in training activities as Managing Director of Hoogovens Technical Services. This business unit within Hoogovens/Corus supplied training and operational assistance to many steelmakers all over the world, especially in the developing countries. Originally, we supplied training as classroom training and training on the spot, and in the 1990s we extended it to ‘e-learning’\(^\text{157}\).

ASC develops excellent educational programs in close cooperation with its members and regional educational institutes as key-element of the associative philosophy. In practice, this means embarking on, and extending existing policies of many steelmakers.

3. High level of employee participation of in the governance of the company, combined with a decentralised organisational approach

Creating job security and transparent career patterns’ and developing a long-term vision on training and education programs fits very well in existing benchmark approaches, as elaborated above. For the third long-term HR issue, a high level of participation of employees in the governance of the company, combined with a decentralised organisational approach, it is much more difficult to find acceptable existing benchmarks in the steel industry. The only available substantial examples for direct participation can be found in Western Europe\(^\text{158}\) and Japan, and for indirect participation only Western-European steelmakers with their Works Council policies on local, national and European level deliver an acceptable starting point for ASC. ASC has to develop its own benchmarks as a real vanguard.

On the other hand, the steel industry has played and continuous to play an important role in the Industrial Democracy history in Europe. The fact that economists and politicians considered and still consider the steel industry to be a so-called ‘basic’ industry, in combination with the long-term character of

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\(^{157}\) Via e-learning, trainees step inside a virtual steel plant, operate the equipment, produce and test their own grade of steel. The World Steel Association developed its own e-learning ‘steel university’ via Steeluniversity.org. Steeluniversity.org is used in more than 50 universities worldwide (World Steel Association, Sustainability 18). Another example of close cooperation between a steelmaker and educational institutes is the Tenaris University of the Riva Group with offices worldwide(Gonzales et al. 72)

\(^{158}\) EPOC report of the European Foundation for the Improvement of Living and Working Conditions (1997) as already referred to in section 4.2.
the industry, as described in chapter 1 form a natural background for this role. In addition, the renewed emphasis on maintaining and enlarging a healthy ‘manufacturing and value-adding real economy’, since the financial crisis of 2008, can create conditions for a possible next step in Industrial Democracy.

There will be a need to educate and to initiate people to be active in the associative processes at home and in the company as a whole. It is not a self-evident subject but requires special attention from the HR Department and influences a lot of HR policies and actions. Associative behaviour needs care and maintenance. That means that communication and deliberation should be important skills for every employee. Of course, the ‘ideal employee’ in relation to these skills is not available but at least it should be high on the agenda of the ‘learning organisation’; training courses should be available to strengthen these skills and maintain them.

Training in discourse ethics requires special emphasis. Employees must learn to go back to the ‘zero level’ of communication:
- ‘In discourse, whatever was taken for granted as true or normatively right in communication is treated as problematic, and everyone is free to contribute to the discussion’ (Edgar 42). Discourse will ideally end in new consensus between participants in the discussion;
- ‘The task of finding solutions remains that of the people who will be affected by that solution and who will have to live with it’ (Edgar 44).

It is important to teach Sen’s realisation-focused perspective and the idea of comprehensive outcomes as described in section 4.3. In order to handle the difference in outcome employees need training in practical communication and deliberation skills. They should learn how to accept outcomes of discourse practice they originally did not support without becoming frustrated. In the future, new information may arise, challenging a former outcome and initiating a new debate. Judgment of these skills is an important part of the annual assessment of the employee.

The best way to keep every employee in touch with the associative conditions is to keep trust and loyalty at high levels. This careful process has to be built up slowly and gradually. Management representatives must keep their words and must show commitment and passion. The selection of the higher management functions by the Management Development Department within the HR Department must be understandable and transparent. A manager should be able to fulfil the requirements of ACG in the day-to-day processes.

The most important aspect of ACG is the decentralised and democratic management style. Participation by all employees in general and specific discourse platforms, in particular, must be institutionalised. Skills for this delicate task should be taught constantly at the training and education
In addition, the trade unions play an important role in the functioning of the Works Council. They deliver candidates for their ‘list’ during elections, although sometimes or even very often, candidates are independent.

The responsibility of the HR Department goes beyond the support and guidance of the process as such. They also should control the quality of the process. Very often, the functioning of Works Councils is complex and it is difficult to find the proper candidates for this institute, even in the steel industry where the trade unions still hold a strong position compared with other industrial areas. The HR Department must try to analyse the reason for this decline of the process and should come up with improvement programs.

One of the reasons is that the participation process extends too far beyond the real work environment of the members. Units become too big and the distance to the day-to-day working conditions became too large. In addition, the Anglo-Saxon process of mergers and acquisitions alienates the employee from the identity of the company. It takes away his or her narrative. Here we see the results of a change of economic model, e.g. from the continental European to the Anglo-Saxon as happened to the employees in the steel plant in IJmuiden. The people in IJmuiden still function according to the old model, but they are embedded in the new model. Denying the real change both by local management and the ‘man on the floor’ leads to erosion of local institutions like the Work Councils. In addition, a change should be initiated via the new ‘diversity policy’. Members of Works Councils are still too often ‘old white men’ with fixed opinions and old-fashioned solutions.

In my interview with Rienk Goodijk, professor of Internal Labour-relations and Corporate Governance on the University of Groningen, he summarised the strong and weak points of the Dutch Works Councils. He tries to develop new initiatives:

‘We have to search for new ways of connecting people, for new structures with the right balance between coherence and differentiation in order to increase motivation. I propose to develop new rules on decentralised participation via networks and/or dialogues. The balance between fixed structures and flexible arrangements changes. We must try to find new equilibriums, fitting in the special circumstances of the company. I expect new interest for the cooperative approach: a re-defining of the Rhineland-model, resulting in new ways of participation. As a strong answer on the increased influence of the Anglo-

159 In the Netherlands, it is quite common that new members of Works Councils are trained and educated on the Dutch Participation Laws. Tata Corus IJmuiden organised special programs for interested employees on participation in the Works Councils.

160 Source: personal interview with Ruud Van Neure.
Saxon model. I put question marks at the role of Central Works Councils. Perhaps participation on this level can be replaced by networks and structured dialogues’.

A typical example of new ‘Goodijk’-initiatives is the introduction of a ‘Core Works Council’ within Philips with the limited number of nine members replacing the Central Works Council with twenty-one members. The ‘Core Works Council’ can install project groups and special committees. Normal employees, non-members of the Works Council, are invited to join the dialogue in this groups and committees. These teams prepare pre-advices for the ‘Core Works Council’. The advantage of this initiative is that a broader range of employees can be involved in the participation process. In addition to this ‘Core Works Council’, Philips installed a new discourse platform for all twenty-three Works Councils. Main agenda item is the discourse on corporate strategy and employment developments (Buitelaar and Van Der Meer 86).

For a second example of innovative change I refer to my interview with Frans Pistorius, former director DSM Nederland BV:

‘I visited each location of my unit once a month in order to discuss running business with management and works council members. Based on these dialogues, I introduced ten new initiatives in the functioning of the Works Council: amongst others the limitation of council membership to four years, reducing the amount of members from twenty to eight, strong improvement of the council facilities, membership as part of the career planning, introduction of core teams and special platforms on HR and social issues, and practical measures for avoiding ‘wallflowers’ amongst the members. Participation and dialogues must be credible and reliable. It must be possible to score’.

In addition to the care and guidance of the participation process in the general and specific discourse platforms, the HR Department must develop HR policies for associative behaviour in the different decentralised regions within ASC. The differences between the regions are numerous. We discussed the problem of keeping the participation process alive and fresh in the Continental European model. In other models, it will be quite a challenge to start up a participation process. The Asian and Latin model will be easier than the Anglo-Saxon model, but even more difficult will be the start up of the process in the developing countries.

My own experience has taught me how difficult it is, to organise participation in the Anglo-Saxon context. I tried to organise participation in our office in Pittsburgh along the lines of our experiences with Works Councils in Holland. The Pittsburgh employees did not trust our intention at all and were reluctant to give their opinions on almost any subject. In the best case,
they just gave us the opinions they thought we wanted to hear. No dialogue, no discourse! Our intention did not fit in the American ‘hire and fire’ culture. We gave up.

However, even within Continental Europe it can be a problem. In my above-mentioned interview with Frans Pistorius, he gave another example:

‘In my Belgian subsidiaries, they did not understand the harmony model of the Dutch. This model was well based on the regional culture with informal contacts in several organisations like the church, the unions and the rich variety of clubs. The Belgians did not trust informal ‘coffee meetings’ and the ‘no surprise’ policy. Also the attempt to introduce the ‘Maaslandse’ DSM-model in USA subsidiaries by Henk Walravens, former Dutch union leader, did not worked out very well.161

Each region has to face the reality of the cultural and economical environment. I used the term ‘diversity’ in talking about the demographical situation, but in the participation-process, diversity is also the name of the game. Per region, a participation model should be designed, compromising between reality and the associative philosophy. In addition, here, the Learning by Monitoring and Micro-Macro methods are the only practical way to move forward and to make progress.

One of the best contributions in the literature on cultural differences and their influence on organisations is by Geert and Gert Jan Hofstede. The functioning of multinational companies is based on intercultural communication and cooperation. They state that successful performance of multinational companies is shifting more and more from technological and market aspects to the successful handling of the cultural factor (Hofstede and Hofstede 334).162 This means that ASC, with its ACG policies on diversity and autonomy, is on the right track. On the one hand, the lack of institutional design in certain regions makes it easier to create a first participation model; on the other hand, it is difficult because there is no back up or help from existing institutions, such as local trade unions, or substantial and reasonable functioning local public authorities. This puts extra responsibilities on the shoulders of ASC’s local management teams.

A potential conflict of interest can develop if discussions in discourse platforms on corporate level between stakeholders on corporate level, like the international NGOs lead to certain macro policies within ASC on environmental and human right aspects, which can differ from the micro solutions developed

161 For a detailed description of this model I refer to Buitelaar and Van Den Toren.
162 Geert and Gert Jan Hofstede present a list of examples of mergers and acquisitions in which the cultural differences at the end destroyed the financial expectations (336). In each case, insufficient attention by financial specialists was given to the cultural differences. I can confirm by personal experience two identical examples.
by local stakeholders, including local NGOs. Coordination between local and central discourses with local and central NGOs is necessary.

Each ASC member-company shapes the participation by its stakeholders as a balance between the principles of ACG and local cultural and economic reality. The HR Department has to monitor the participation process. It must measure results at the basis of the organisation, and it must measure the support of the different stakeholders.

Monitoring the quality of the ACG process is a complicated but feasible task as far as it concerns employees and management as stakeholders. It really becomes a challenge when it concerns outside stakeholders like trade unions and local authorities.

For a proper development of ACG policies and practices, it is important to look for cooperation with the unions. A positive attitude from the unions with respect to ACG as a new step in corporate governance could improve their image and could increase their attractiveness to young people. This is quite a problem in Western Europe and North America. Some initiatives have been taken, such as the creation of ‘parallel institutions’ in the UK and the Unites States, which seek to afford workers the continuity and sustainability missing in short term, flexible organisations. These efforts focus on rethinking the nature of labour unions (Sennett 184). The United Auto Workers in America now admits young university lecturers into its ranks.

In the steel industry, the unions still function relatively well, although they are reluctant to embark on new ideas from management. Very often these ‘new ideas’ place heavy burdens on the shoulders of labour without being clear about the burdens on the shoulders of other stakeholders.

A positive example of cooperation between management and trade unions is the earlier mentioned set-up and organisation of the participation institutes within the European steel plants of ArcelorMittal. Negotiations took a long time, but in April of 2007, an agreement was reached on the institutional setting of the participation councils.163

4. Managing change in order to create continuity

As previously mentioned, the management of ASC is convinced that ACG forms the best answer to the changes and challenges of globalisation. Changes are more frequent and come faster than expected. The growing Chinese steel export is a typical example. The international steel industry was aware of the growing strength of the Chinese colleagues, but it would take a ‘considerable amount of time’ before they could produce high quality steels and it should take even longer to feed the internal market. Export was ‘far down the road’. Much faster than expected by anyone, China is now exporting to the European and American markets. In order to react to this threat, European steelmakers are

163 Personal interview with Enrico Gibellieri, EMF representative.
trying to switch the focus of their organisations from ‘operational excellence’ to ‘business excellence’. Instead of focusing on production improvement programs, they are trying to focus their employees on ‘added value’ in the production chain.

ACG is the right instrument for this. Its focus on participation and the creation of the ‘learning organisation’ shape the right attitude towards changes and challenges.

The everyday practice of these policies can be very tough. Introducing changes and reacting to them with new ideas and initiatives is a stimulating process with positive results in the first phase. However, it happens too often that after some time the positive results slow down and enthusiasm decreases. This is a crucial moment in the process of change. The participants have to straighten their backs. Changes should be introduced according to the Learning by Monitoring and Micro-Macro methods and results will start to move in the right direction. However, they do so at a slower rate than in the original phase, the phase of ‘picking the low hanging fruits first’. Too often, participants and management become impatient and the enthusiasm slows down further. HR should educate and train employees and management on this aspect and should teach them to recognise this phase.

The management of ASC should not react in the way that is common within companies by introducing a new tool or hype. This ‘new toy’ is very often motivated by the cheap statement that ‘you have to stir the pot’ occasionally with a new management gadget. This is a very dangerous route eroding the enthusiasm and motivation of many employees. ASC should stay away from these cheap practices and focus on sustainable issues in order to keep up the credibility of the participation process.

A typical example within the IJmuiden steel plant of Tata Corus is the decision of the management to stop the use of self-steering teams. The idea of self-steering teams was introduced with great enthusiasm in the 1990s as an excellent example of direct participation. The results were promising and management and participants were very positive. However, in certain teams the operational tasks and the organising aspects of the team grew out of balance. In addition, it was not always clear to each team member where and how the responsibilities were divided. In the mean time the ideas at management level about the balance centralised-decentralised actions started to move again in favour of centralised actions. Instead of using Learning by Monitoring and adapting the organisation of the teams based on experiences, the whole idea of self-steering teams was abolished. This hurt the credibility of management and HR. The managers and HR employees who previously ‘preached’ the concept of ‘self steering’ now suddenly killed it. A new toy was introduced: ’policy deployment’, a way of translating strategic targets in real...

164 Sjaak Slingerland, HR manager Facilities Tata Steel Europe IJmuiden. Personal interview.
work floor activities. In principle, the same ‘self steering’ philosophy is used. The difference is the re-introduction of the middle management role, which had deteriorated, in the self-steering philosophy. A better solution would have been to keep the self-steering philosophy and via Learning by Monitoring adapting changes on the aspect of the middle management role.

Change management refers to ‘changes’. Which changes can be expected? Hans Van Der Heijden and Saliha Bochhah in their book DEWERKELijkheid van morgen recognise seven ‘megatrends’ that will turn HR theories and policies ‘upside down’. These trends are: 1) more digital; 2) more global; 3) more multiform; 4) more uncertain; 5) more responsible; 6) more vital; and 7) more entrepreneurial.

ASC has to recognise these trends and has to have its own answers or intentions. More digital is part of the new possibilities for increased autonomy via modern digital communication and information instruments. More global is the basis for the introduction of ACG. More multiform is translated in the contextualised approach of ACG. Management of change is very often a matter of management of diversity and differences. More uncertain is the key for the need for a different corporate governance attitude as delivered by ACG. More responsible is the justification of ACG’s discourse policy. More vital is part of ACG’s diversity and the work-life balance policy. More entrepreneurial is part of the ACG philosophy, away from the ‘control freaks’ of the Anglo-Saxon attitude.

HR has to play a crucial role in training of the right attitude in change management. In principle, all stakeholders are involved in changes and change management. Traditionally HR refers to management of the human resources of two stakeholders: employees and top management of the company. Of course, this is also the case in ASC. However, the HR Department of ASC has to develop a ‘third front’: communication and coordination with other major stakeholders such as suppliers and clients, on the ‘discourse quality’ of their employees and management. Involvement as stakeholder in ASC activities means accepting the right balance between rights and obligations. It is easy to think of this item as ‘a bridge too far’ and impossible to introduce. However, not facing the reality of the damage by unprepared agents in discourse processes is not an option. The HR Department could, as a first step, introduce and explain the ASC discourse education programs to HR representatives of major stakeholders. ASC could even ask its stakeholders to train their major participants in these programs. Training in discourse and dialogue can reduce standard meeting durations with 60 to 70 % (Kohlrieser 25) and increases the quality of the discourse process.

Although this ‘third’ front needs attention and demands ‘start-up’ policies I limit myself to the first and second front: the education and training of employees and top management.
The expression ‘change management’ needs some criticism. It can put too much emphasis on ‘change’. ACG wants to balance change and continuity as two sides of the same coin. ASC’s company values as determined in section 4.3, ask for continuity, trust and loyalty. Changes are necessary in order to react to the competitive outside world, but they are also necessary in order to save the continuity of the organisation. The target is to maintain continuity and changes must be managed to protect this continuity. As already mentioned in the introduction to this thesis: implementation of ACG does not require revolutionary changes in the day-to-day practice of the company. It can be implemented step-by-step using initiatives and practices that are already available, in order to keep a reasonable balance between change and continuity within the organisation.

I link the issue of change management with another HR issue: ‘leadership’. Leadership is back on the agenda of HR departments\textsuperscript{165}.

Too often top management of MNCs is involved in creating company growth via mergers and acquisitions according to the Anglo-Saxon style, of course combined with accompanying remunerations. As a forced leadership act, management introduces HR tools lower in the organisation to ‘control’ performance, for example business balance score cards, key performance indicators, competence profiles, and leveraged bonus systems. These tools suggest a reliable way of measuring the performance of employees, an accuracy that hardly exists in practice\textsuperscript{166}. This ongoing ‘control’ is often combined with top down incidental managerial ‘hypes’ as mentioned before, or new reorganisations initiated by Corporate Strategy. Intrinsic motivation is replaced by extrinsic stimulants, with a growing distance between management and employees. It becomes more and more difficult to manage change. Employees react with a cynical persistence to the top-down flow of ongoing hypes and reorganisations, which frustrates changes on an active and passive way (Brakman and Witteloostuijn).

ASC manages changes on a different way. It reacts on changes via ‘social innovation’. The social and economic performance of the organisation is increased via an innovating process in which employees and other stakeholders are heavily involved (Blokland and Raalte 94). In my interview with Kees Blokland, he states:

’I consider ‘social innovation’ to be the search for new ways of functioning of employees in order to optimise the company performance and to improve the working climate.

In my opinion, the key elements in this process are: 1) a high level of participation combined with increased level of own responsibility of the participants; 2)

\textsuperscript{165} Personal interview with Ruud Van Neure, and personal interview with Kees Blokland.
\textsuperscript{166} In my interview with Kees Blokland, he calls these tools ‘mechanical’ tools.
management by trust instead of control; 3) talent development via education and training; and 4) integration of theory and practice'.

I use this definition of social innovation but want to add two elements: the involvement of the tacit knowledge of employees and the organisation of the discourse platforms with all stakeholders as part of knowledge networks within companies. This leads to a ‘knowledge triangle’: ‘associative culture’ and ‘discourse policy’ as the basis, the resulting ‘learning culture’ at the top of the triangle.

The corresponding leadership profile is: 1) focus on delegation of responsibilities fitting in with the associative features of autonomy and empowerment; 2) clear and straight communication of company values and vision at the discourse platforms; 3) care for education and self-development of the employees; 4) emphasis on team performance and remuneration. This results in a growing common associative company culture within ASC. Participants are proud to work for the company and willing to support and initiate social and technological innovation. Intrinsic motivation is the key element for ACG.167 The performance of the company, both social and economic, increases168. A detailed study on the effects of HR practices on productivity of 36 steel finishing lines within 17 companies in the USA, confirms the increase in performance by using innovative work practices, such as extensive recruitment policies, employment security, skills training, flexible job assignments, communication, teamwork (Ichniowski et al. 311).

ASC’s discourse policy with its emphasis on open dialogue is the right instrument for holding on to people and improving their functioning. However, the boss should be a ‘secure’ basis. He must be reliable in his actions and reactions. He must show a high emotional intelligence in order to create bonds between participants. Dialogue bridges differences and solves problems in a constructive way. A leader who avoids the dialogue will never understand the ‘other’ (Kohlrieser 25). It is for this reason that the HR Department’s management development policies of play a crucial role in the creation and success of ASC’s discourse policy.

I now come back to the roles of the HR function as defined by David Ulrich (as mentioned in the beginning of section 6.5). I recognise his four roles but in my opinion, reality is diverse. All four aspects do play a role in a certain mix and to focus on just one role is unrealistic. In section 6.1, I described the

167 For the importance of intrinsic motivation, see the long-term research of Hans Achterhuis (Achterhuis 278). On this page he also refers to Naomi Ellemers’ recent research results (KNAW Merian Award 2009 and NOW Spinoza Award 2010).

168 ASC’s leadership profile corresponds with the profile as defined by representatives of NCSI, the Dutch social innovation platform (De Graaf, Heleen) and defined by Kees Blokland in the personal interview.
role of the HR Department in the ‘spinning ball’ of the corporate strategy process. As emphasised in this section, HR is involved in the change process of social innovation. A recent study of major transformations in ten European steel companies during the 1990s confirms the role of the HR Department as a strategic partner in the accomplishment of sustainable change (Den Hertog et al. 14). An important HR contribution was the creation of trustworthiness regarding the change process and the implementation of the change. This means that they also served the interests of the employees and that they were responsible for the administrative expertise. This example confirms the earlier mentioned vision of Raymond Caldwell that HR will always be at the centre of all social aspects and has to play the game ‘as it comes’.

The only change to be expected is the possibility of outsourcing certain HR services. Johan Lourens and Ivo Brughmans present a comparable but slightly different approach to the HR role. They recognise two functions: the HR Business Partner and the HR Service Provider. The HR Business Partner is comparable to Ulrich’s strategic partner and change agent, the HR Service Provider to Ulrich’s administrative expert. Companies are involved in formulation and implementation of outsourcing of the Service Provider role. Operational activities like recruitment, selection and administration fit into this role. The goal is to limit the operational role of the HR Department, and to increase the strategic role and change management functions within the Business Partner role.169 The HR function grows qualitatively but decreases quantitatively (Lourens and Brughmans 48).

Recruitment is one of the key tasks of the HR Departments in the steel industry. ASC does not outsource this activity. HR recruitment employees work closely with colleagues from the regional education institutes. Their cooperation needs long-term planning and trust. Outsourcing of this activity is a typical example of creating unnecessary distance between the company and society.

Another key aspect of the HR function within ASC is education and training in the associative process of ACG. This is a second task, which cannot be outsourced. The associative philosophy should come straight out of the mouth of ASC’s HR employees themselves. This is the only way of keeping the credibility of the associative philosophy alive.

ASC’s contextualised approach and the autonomy of the member-companies results in a contextualised HR approach on outsourcing. The social and economical environment of some member-companies can allow outsourcing if reliable third parties can provide these services. Other member-companies have no choice. They have to take care of all aspects of HR themselves.

169 See also the lecture of Prof. dr. Wout Buitelaar, of the University of Amsterdam, on this subject (10 November 2007).
6.5.3 Summary of policies and actions

The following HR policies can be summarised:

1. Management of demographics by increasing diversity and a balanced age structure;
2. Creation of a sustainable work-life balance;
3. Creation of realistic job security;
4. Long-term vision on training and education programs resulting in a ‘learning organisation’;
5. A high level of employee participation in the governance of the company combined with the decentralised organisational setting of ASC;
6. Change management by ‘social innovation’.

All policies are based on existing trends and possibilities within the steel industry, and show that ACG does not need revolutionary changes or utopian conditions. ACG asks for further extensions and serious attempts to broaden the scope of these policies. Examples as discussed in this subsection show that the steel industry is a suitable environment to take the next steps, given the long-term orientation, the already existing cooperation with stakeholders, and the composition of the workforce.

ASC should consider changing the name of ‘HR’ to a more people-oriented name. The name HR suggests that human beings should be managed like a production ‘resource’, top-down and following rational management principles. A more suitable name could be the P&E: Participation & Education’ as the basic elements of the activity. Participation & Education as practical translation of the ACG features of continuity, trust and loyalty.

The above-mentioned policies demand the following practical actions per policy:

Management of demographics
- First, by introduction and monitoring of ‘equal treatment’ attitude throughout the company on all levels;
- Second, by encouraging taking advantage of available and relevant training facilities and opportunities;
- Third, by respecting local customs and good practices in the different regions of the company;
- Fourth, by creating a stable and motivated work force via a long-term HR vision on job-security, continuous training and education programs, attractive career patterns and open communication;
- Fifth, by creating cooperation between ASC member-companies and universities and other regional education institutes by promoting joint research projects and traineeships.
Creation of a sustainable work-life balance
- First, by taking care of healthy working conditions and promoting attention for this aspect of life;
- Second, by taking care of the right balance between working hours, education hours and private hours.

Creation of a suitable job security
- First, by organising the right balance between the responsibilities of the employee and the employer. The employer has to take care of ‘good maintenance’ of the employee via training and education programs resulting in a ‘learning organisation’. The employee has the obligation to become an active member of the ‘learning organisation’. This results in the previously defined attractive career pattern and open communication on opportunities and threats;
- Second, by establishing of pre-determined job-change and redundancy rules defining the rights and obligations of stakeholders.

Creation of a ‘learning organisation’
- First, by stimulating the two ACG methods Learning by Monitoring and Micro-Macro, in order to create an open mind and positive attitude toward the outcomes of the learning process;
- Second, by creating professional vocational and general training facilities on regional level;
- Third, by promoting craftsmanship.

High level of participation
- First, by educating employees and other stakeholders about and initiating them in the participate in the associative process at a regional and a company level. Emphasis is put on the ‘rules and tools’ of a decentralised and democratic management style;
- Second, by developing communication and deliberation skills of all participants;
- Third, by training participants in discourse ethics and rules;
- Fourth, by continuous monitoring of the functioning of the participation process and the discourse platforms. This results in a continuous improvement program of both associative elements, via Learning by Monitoring and Micro-Macro;
- Fifth, by taking a pro-active role in the introduction and guiding of new stakeholders.

Change management by social innovation
- First, by choosing ‘social innovation’ as the organisation’s major approach to changes as a logical result of the high level of participation within the company; the management by trust instead
of control; the learning organisation feature; and the integration of theory and practice via Learning by Monitoring and Micro-Macro;
- Second, a leadership profile based on intrinsic motivation of employees and other stakeholders via focus on delegation of responsibilities as part of the associative philosophy, on clear and straight communication of company values and vision, on care for education and self-development of the employees, and on the emphasis on team performance;
- Third, by using the discourse platforms as starting points for development of change practices;
- Fourth, by continuous monitoring of willingness and usefulness of the introduction of new stakeholders.

In general, ASC should try: 1) to meet the best available practices within the WSA community; and 2) to play an active role within the WSA in trying to improve these best practices.

6.6. Marketing and Sales

The concentration of ASC’s activities in just seven clusters makes each cluster an essential part of the functioning of the company. R&D and HR were already marked as ‘of great importance’ but Marketing & Sales (M&S) also play a crucial role in the developing of the associative character of ASC. ASC’s feature that allows member-companies to join the company on a voluntary basis and allows them to assert the ‘exit-option’ puts a high additional emphasis on the protection of ASC’s corporate image.

The standard task of the M&S Department:
- The marketing and sales of the products of the company; and
- Watching and following of consumer behaviour.

is extended to
- Marketing of the company as an attractive opportunity for local steelmakers to acquire ASC’s membership, or, in other words, the ‘branding’ of ASC as a community and socially embedded company.

The M&S Department has to market ASC as an attractive and feasible possibility for steelmakers around the world to face the need for concentration and globalisation of the world steel industry without losing their identity.

M&S as a specific element of industrial development plays a limited role in the Varieties of Capitalism literature and discussions. I could only find a few remarks in Colin Crouch and Wolfgang Streeck’s Political Economy of Modern Capitalism and Richard Whitley’s Divergent Capitalism. Crouch and Streeck consider sufficient demand on the international market for high quality products as one of the basic conditions for the continental European
model (3). Whitley compares companies based on their capability to react decisively to changes in the market (74).

In the corporate governance literature, M&S plays a prominent role. I do not elaborate on the various aspects of the standard tasks of M&S within a company, but limit myself to the following aspects:

- ACG’s positive contribution to M&S’s consumer-watcher role (M&S → consumer);
- ACG’s positive contribution to the M&S policy of becoming ‘the best supplier to the best client’;
- M&S’s specific task as ‘image-protector’: the ‘branding’ of ASC as a community and a socially embedded company and as an attractive and reliable association (consumer → M&S).

6.6.1 Consumer-watcher role

In the steel industry, new products for the automotive, construction and packaging markets are developed in close cooperation with customers. Steelmakers have no direct interaction with consumers but are faced with consumers’ behaviour via their customers: the automotive industry, the construction companies and the packaging industry. In order to reduce fuel consumption, the automotive industry asks for lightweight, strong, easily deformable steel sheets with a smooth surface. Construction companies need strong, lightweight steel beams and durable steel cladding for buildings. The packaging industry needs lightweight, ultra thin steel sheet for convenient food packaging.

Specialists from both sides, customer and steelmaker, work together in joint project teams in developing new qualities in order to respond these requests from the market. The steel industry has to compete with materials like aluminium and plastics.

An important aspect nowadays is the environmental issue. The recycling possibility of steel has become a major plus. Steel is perfect for recycling, and today 50% of steel production throughout the world uses recycled steel.

ACG, with its well-developed and systematic stakeholder involvement throughout the whole company, forms an excellent platform for this process of product development via consumer watching. The key feature of this process is continuity and trust. Product development in the steel industry is a slow and ongoing process with no spectacular moments but the result of day-by-day hard work by specialists as explained in section 6.4. This fits very well into the associative character of ASC. The involvement of NGOs gives ASC a great

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170 Crouch and Streeck refer mainly to Germany. Germany remains one of the leading export countries in the world, although critics refer to the fact that export figures are more based on assembly of semi-finished products produced in low cost countries than on real own industrial production.
advantage compared with other steelmakers. M&S gets direct input and early-warnings of the societal developments.

The indirect connection with consumers makes the life of steelmakers less turbulent and less vulnerable than the life of companies like Shell or Unilever. Nevertheless, the steel industry has to face the penetrating global warming issue. This can become a rather threatening societal issue, as highlighted in chapter 1 and section 6.4. Regular dialogue between M&S and NGOs on local and central level is a necessary instrument to keep this issue manageable.

6.6.2 The ‘best supplier’ role
ACG and the continuous involvement of ASC clients as major stakeholders results in long-term relationships with clients based on trust and continuity.

Steelmakers in Germany, Scandinavia and Holland are well known as loyal partners in long-term commercial relationships with clients. In my interview with Jacques Van Exter, former Director of Sales at Hoogovens/Corus Group IJmuiden, he states:

‘In principle, the steel plant in IJmuiden tries to stay away from ‘revolving door’ clients. English and Italian steelmakers represent the opposite position. The steel plant in IJmuiden enters in annual contracts with approximately 50% of its clients and the rest of the business contracts are often on a quarterly basis. This long-term relationship policy, also necessary for the above mentioned product development approach, has recently been developed further as the company’s ‘best supplier to the best client’ policy. It is preferable to supply attractive specialities to attractive and successful clients. A newly developed steel quality will be most successful if supplied to successful clients. The percentage of default supply will be low.

In principle, the steel plant in IJmuiden refuses to do business with dubious clients or to accept dubious payment methods. Contracts are simple and straightforward, with no legal excess baggage but with useful detailed technical specifications’.

Important aspect of this trust and continuity orientation of the M&S Department was the reliability of the clients. According to Jacques Van Exter: ‘We never took our chance with unreliable clients and never accepted dubious payment arrangements. On the other hand, clients never asked us for ‘code-of-conduct’ declaration, with the exception of Renault. There were no chain responsibility requests as far as I know’.

The merger between Hoogovens and British Steel in 1999 was a real culture shock for both sides. The British were shocked when they learned about the limited and, in their eyes, irresponsible scope of the contracts. As good
representatives of the Anglo Saxon attitude, they preferred complicated contracts produced by lawyers far away from the real business. They also had this attitude because they just went for a market share in their M&S policy accepting every client at their doorsteps. This policy resulted in high annual amortisation costs because of unpaid bills and defaults. The example of the steel plant in IJmuiden shows that long-term relations with reliable partners based on trust, respect and continuity are possible in the steel industry. This aspect of ACG is a possible business attitude and no utopian picture. The business success of the steel plant in IJmuiden confirms the feasibility and the positive economic and financial performance of this policy.

6.6.3 The ‘branding’ role

The role of branding normally focuses on customers and markets. However, in the case of ASC it has a second and very important role: to attract potential new member-companies. This second role relates directly to the associative character of ASC. As mentioned before, the voluntary entrance of new member-companies and the exit option of existing member-companies demand from ASC an image as an attractive and reliable association. Steelmakers will be interested in the membership if they see ASC as a potential answer to their need for concentration and internationalisation of their steel business.

I interviewed Jozef Tettero on the role of branding, and how to organise this business aspect. In his opinion:

‘As part of the overall company strategy ASC should introduce strategic brand management as developed by Kevin Lane Keller, a leading authority in this field. This should result in a customer-based brand equity model, based on the specific company values and company character of ASC. Key aspects of this model are the strong awareness of the specific character of ASC and the loyalty of clients and member-companies to the company’.171

In this subsection, I refer to Kevin Keller’s *Strategic Brand Management: Building, Measuring, and Managing Brand Equity* and the summary of his ideas as presented by Jozef Tettero during the interview. According to Keller, the role of branding is ‘to create and sustain lasting value in the customers mind. The brand name is the key. It triggers the release of a set of associations and emotions’. In the case of ASC, there are two different kind of ‘customers’: 1) regular clients in the automotive, construction, and packaging industries, and 2) steelmakers as potential new member-companies. The name Associative Steel Company is the key because it triggers ASC as a community and a socially embedded company.

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171 Personal interview. Prof.dr. Jozef H.J.P. Tettero is professor at the Faculty of Economics and Business of the University of Amsterdam. He studied the role of branding in the performance of corporations.
In order to organise the branding activity ASC has to implement strategic brand management, involving the design and implementation of marketing programs and activities to build, to measure, and manage brand equity (44). Keller defines the benefits of brand equity as: 1) enjoy greater brand loyalty, usage, and affinity; 2) command larger price premiums; 3) receive greater trade cooperation and support; 4) increase marketing communication effectiveness; 5) yield licensing opportunities; and 6) support brand extensions (60).

ASC organises strategic brand management along the lines of the ‘spinning ball’ approach as developed in the Corporate Strategy section 6.1. Keller distinguishes four main steps in the strategic brand management process, with: 1) identifying and establishing brand positioning and values; 2) planning and implementing brand marketing programs; 3) measuring and interpreting brand performance; 4) growing and sustaining brand equity (44). The ‘spinning ball’ approach can be compared with Keller’s ‘reinforcement and revitalisation’ concept as part of his fourth step of growing and sustaining of brand equity. As guiding principle in the process, Keller introduces the customer-based brand equity pyramid (76,99).

In the case of ASC, this results in two, partly different, ‘brand equity pyramids’: the ‘customers oriented’ pyramid and the ‘member-company oriented’ pyramid.

The basis of these pyramids is ‘brand salience’ The next levels are ‘brand performance & brand imagery’, and ‘judgments & feelings’ respectively. The top level is ‘resonance’ (99). In other words, from ‘identity’ (‘who are you?’) to ‘meaning’ (‘what are you?’) to ‘response’ (‘what about me?’) to ‘relationship’ (‘what about you and me?’) (76). The M&S Department has to develop branding policies and actions to move from the basis to the top.

Brand salience (‘who are you?’), the basis of the brand equity pyramid, is about ‘deep, broad brand awareness’ (99). In order to create this strong brand awareness the M&S Department must present ASC’s company profile as an associative steel company, with its primary characteristics, features and values. M&S has to explain why and how ASC is different and to explain the added value of its corporate governance philosophy. For the member-oriented pyramid, it must focus on the advantages of joining the ASC organisation for potential new member-companies. For the customer-oriented pyramid, it must focus on quality, social embeddedness, sustainability and long-term orientation.

For the next level, brand performance & brand imagery (‘what are you?’), emphasis should be put on high performance via strong social embeddedness of the member-companies, on the availability of the strong products and advanced R&D programs, on the strong international network with its webs of dialogue and influence, on corporate governance based on trust and loyalty instead of control, and on the sustainable long-term target of...
the company.

For the level of judgments & feelings (‘what about me?’) M&S must develop and monitor ‘judgment’ dimensions such as brand quality, credibility, relevance and superiority. It should work on the ‘feelings’ dimensions such as social approval, self-respect and security. Potential new member-companies must reach the point that they judge that ASC membership can be an interesting answer to the need for internationalisation and concentration. They should have ‘good feelings’ about this strategic move. Customers should have ‘good feelings’ about reliable long-term supply arrangements.

Finally, at the top level of resonance (‘what about you and me?’), new potential member-companies seek information, visit ASC and express their intention to ‘join the club’. In Keller’s words, they feel that they are ‘in sync’ with the ASC brand. He distinguishes four categories of resonance: behavioural loyalty, attitudinal attachment, sense of community, and active engagement (92). These categories fit perfectly well in the company values of ASC.

M&S is responsible for all these aspects of the strategic brand management process. It should result in ‘best client to best supplier’ arrangements and sufficient worldwide interest from steelmakers to start negotiations on Entrance Agreements.

M&S is also responsible for the process, both on an international level and on the regional level of the different member-companies of ASC. The associative character on a regional level needs protection and explanation on a continuous basis. The region must understand and support the associative policy of its ASC-member-company.

Given the central role of steel plants as nucleus of industrial regions and the fact that the steel complex makes its presence very much felt, most steelmakers introduce a special communication department for their communication with the local and regional authorities and organisations. Its task is limited to caretaking a good neighbourly relationship. On the national level, they assist management in presenting the company and protecting its interests on ministerial level.

However, the associative character of ASC demands a much more sophisticated approach. Authorities and organisations are not just ‘neighbours’ but stakeholders. As stakeholder, they will be involved in the policies and strategy of ASC along the lines of ACG.

Each member-company should have its own M&S department working together with the centralised M&S department in the head office of ASC. The centralised staff should concentrate itself on building and protecting of the company’s international image in order to attract new member-companies. It has to develop policies and procedures on ASC level to be used on regional
level by its member-companies. The local M&S departments limit themselves in building and protecting the image of the steelmaker on a regional and national level. They translate and adjust the central procedures by taking into account specific local or regional conditions.

M&S should have a pro-active attitude to the outside world as described in chapter 4. ACG facilitates this attitude through its stakeholder’s policy. Within ASC, there is the dialogue with NGOs and other outside partners on the latest developments on social, environmental and economic issues. The pro-active attitude results in image ‘building’ and not just image ‘protecting’.

So far, all policies and actions refer to the ‘nice’ side of strategic brand management. However, strategic brand management of ASC also has a ‘tough’ side. If member-companies develop attitudes or activities that can damage the positive image of ASC, the central M&S staff has to warn the management of this member-company. Management should try to change its behaviour and should have the opportunity to correct its performance. A typical example should be environmental or social hostile behaviour. If a member-company fails to correct its behaviour, the Board could make the decision to use the ‘exit-option’ as a last but necessary attempt to correct its member-company and to protect its overall image. The exit option can protect ASC and its member-companies against defaults of one specific member-company within the group. Of course, the exit option can also work the other way around. It can protect a member-company against a performance default by ASC. Both ways should be handled very prudently with procedures for ‘repair’ opportunities and rights for appeal by external arbitration. In section 6.7, I elaborate on ASC’s Entrance Agreement, including the exit option.

M&S should develop initiatives to improve and maintain the ‘ASC brand’ given its pro-active task. An important aspect should be the membership of internationally well-known organisations on sustainable entrepreneurship like the World Business Council for Sustainable Development (WBCSD), as already mentioned in section 6.1. WBCSD stands for many issues that are of great importance and value to ASC. It shows that ASC’s products have a high eco-efficiency, that labour conditions within ASC comply with high standards and that ASC in general wants to contribute to a sustainable future for humankind. M&S should join working committees and WBCSD special projects, in order to contribute and to learn from its programs. WBCSD underlines the importance of intangible values for a company, such as goodwill and know-how. Companies, that do not protect these values by sustainable policies, will lose their position on the market. ACG, with its institutionalised cooperation with NGOs, can play an important role in the overall functioning.

of WBCSD.

WBCSD considers as the five top key drivers for sustainable development: globalisation, the growth of the economies of China and India, energy and climate, water, and land use. Other drivers are poverty allocation, demographics, urbanisation and media. Recently, WBCSD has added ‘financial markets’ to the top key drivers list. The steel industry has to face the influence of the key drivers of globalisation, China and India, and energy and climate on a daily basis.

According to WBCSD, the present institutions and processes are not designed for transformational change. New platforms for interactions between governments and businesses on global issues should be initiated. ‘We are in this together’, and ‘Business cannot succeed in a society that fails’ are the two major statements of WBCSD. ACG, with its associative character and overall stakeholder philosophy, forms a real new platform for interactions of business and society. Its social embeddedness shows that ‘we are in this together’ and that society and business can be successful together. Indeed, the design of the company and its relationship with society should be changed, as aimed for by ACG. To introduce CSR without changing the corporate design and governance will be an insufficient answer to the necessary transformational change.

At this moment, WBCSD has three steelmakers on its membership list: ArcelorMittal, Posco and Baosteel. This is quite interesting because all three are major Asian steelmakers. It would be worthwhile to find out why these three steelmakers decided to become a member of WBCSD, and why European steelmakers decide not to join this organisation.

It is obvious that ASC should also be pro-active within WSA, the world steel association.

As noted in section 6.1, during the annual WSA meeting in Washington DC on 7 October 2008, Björn Stigson, WBCSD President, presented a paper on ‘climate change’ and the possible role of the steel industry. The world steel industry is the second-largest industrial consumer of energy and produces 4-5% of the total world CO₂ emissions. Therefore, the steel industry has to accept its responsibility on this front.

6.6.4 Summary of policies and actions

I can summarise the M&S policy as follows:

- Introducing and developing of policies on the consumer-watcher role;
- Introducing of policies on ‘the best supplier to the best client’ strategy;
- Introducing and developing of strategic brand management policies in order to develop and protect a positive sustainable brand equity to the market and society in order to sell the unique position of the ASC organisation and its products.
This will result in the following actions:
- Initiating and developing discourse platforms with NGOs and other stakeholders on consumers’ wishes and behaviour;
- Initiating and developing ‘best supplier to the best client’ contracts;
- Developing the brand equity pyramid on each level;
- Representing ASC as an active and reliable member of the WBCSD organisation via special projects and initiatives.

6.7. Operations: integration of activities

The majority of ASC’s employees are involved in operations at one of the capital-intensive production facilities of its members.

The most fascinating aspect of operations is the integration of all activities, as highlighted in the previous sections, in the final production of excellent products and the creation of sufficient cash flow to feed the company. In the day-to-day practice on the work floor, ASC must show the viability of ACG by performing according to the expected extra efficiency due to the high social embeddedness of the company. The proof of the pudding is in the eating. The viability of ACG in real hands-on situations should be clear and credible in order to create and maintain support for the associative philosophy.

In this subsection, I discuss the role of the management of ASC’s regional member-companies, given their direct responsibility for the main operations activities, and the integration of policies and actions as developed within the activities Corporate Strategy, Finance, Supplies, HR, R&D, and M&S. The Local Management Teams of ASC member-companies form the pivoting points of ASC’s associative philosophy. On the one hand, they are responsible for implementation and maintaining the associative philosophy in its steel plant and region, on the other hand they have to support and accept the associative rules within ASC as their international framework in the steel industry.

The Central Management Team at the head office should provide Local Management Teams with sufficient autonomy to do their job and with sufficient support through the ACG policies: a high level of trust and loyalty, stakeholder involvement, networking competence, and the Learning by Monitoring and Micro-Macro methods. All these instruments are available for Local Management Teams. The balance between top-down and bottom-up governance as essential feature of ACG will have its practical application for each member-company of ASC.

I will describe the three situations in which Local Management Teams have to perform:
- The ‘entrance’, joining the international ASC organisation;
- The daily normal routine of managing the operations within ASC;
- The ‘exit’ option, leaving the ASC organisation.
The entrance option

Entrance of a steelmaker in ASC will result in many advantages for the company and its region. The associative philosophy can bring to the candidate member-company the answer to the concentration and internationalisation of the steel industry as described in chapters 2 and 3. It creates long-term survival opportunity for the steel plant as a motor for the region. It increases the availability of new technologies and expertise, new financial resources and new business opportunities. It introduces a higher level of standards and norms, both technical and social.

Introduction of ACG increases the social embeddedness of the company, which can and should result in substantial social and economic improvements in the region. The social embeddedness results in a two-way street: ASC interacts with the region and the region interacts with ASC.

It results in the involvement of local and regional authorities, education institutes, and local and regional NGOs, suppliers, customers, trade unions, local and regional banks as stakeholders of the company. This results in improvement in labour conditions, upgrading of education facilities or the creation of new facilities, and creation of new learning and career opportunities for young potentials within the international ASC educational network. Another area in which the introduction of ACG delivers a positive change is the regional environmental situation.

It all starts with the decision by a steelmaker to contact ASC and to show interest in membership. This results in entrance negotiations between the new potential member-company and ASC. As in each negotiation, both parties will have their own agenda. A new candidate has its reason to start negotiations with ASC, reasons founded in the possible advantages as mentioned above. ASC wants to increase its network in the steel industry.

A candidate member-company has to accept that ASC cannot change the overall market situation in the world steel industry. ASC uses ACG in running the company, different from its competitors, but it has to operate in the same market as its competitors. It is inevitable that a new member-company has to accept a critical analysis of its facilities and products by the central staff of ASC. This can result in new investments facilitated by ASC, but also in closing of existing facilities, reshuffling of its product range, and overall staff reductions.

The difference with an ordinary take-over by a competitor is that the possible entrance of a new member-company is a voluntary step. For that reason, a new member-company can accept a possible entrance burden. It becomes part of a new entity instead of being a victim of a hostile take-over with only a nice compensation for unknown shareholders and maybe the top management, and without loyalty to other stakeholders. Both sides support the entrance decision, and the autonomy of the new member-company within ASC is guaranteed as defined within ACG.
However, why should steelmakers burden themselves with ASC’s rules on a voluntary basis? What could be the reason for their final decision to become a candidate new member-company and to enter the negotiations on the Entrance Agreement? Of course, as elaborated before, the need for concentration and internationalisation, together with the threat of a hostile take-over, is always there. However, the decision to consider ASC as a realistic and viable opportunity requires further considerations.

In order to answer these questions, I refer to the research of Elinor Ostrom on the governing of ‘Common Pool Resources ‘(CPRs): *Governing the Commons, The Evolution of Institutions for Collective Action*. Most of her research concerns the governing of natural resources such as fishing grounds, groundwater basins, and mountain meadows. Nevertheless, her findings are of interest for defining rules and policies for the resources of ASC. Although, strictly speaking, the resources of ASC are not limited as Ostrom’s CPRs, in practice financial and knowledge resources of steel companies and also of ASC, such as investment programs and R&D programs, are rather limited and will only increase step-by-step.

Ostrom asks the question: ‘Why is it that some appropriators can supply themselves with new rules, gain quasi-voluntary compliance with those rules, and monitor each other’s conformance to the rules, whereas other cannot?’ (185). She considers appropriators as ‘fallible, norm-adopting individuals who pursue contingent strategies in complex and uncertain environments’ who can be expected to make contingent commitments to follow rules (185) that:

- Define a set of appropriators who are authorised to use a CPR (design principle 1);
- Relate to the specific attributes of the CPR and the community of appropriators using the CPR (design principle 2);
- Are designed, at least in part, by local appropriators (design principle 3);
- Are monitored by individuals accountable to local appropriators (design principle 4); and
- Are sanctioned using graduated punishments (design principle 5).

These principles can be ‘translated ‘to ASC circumstances:

- Only member-companies should be authorised to use ASC resources;
- Investment- and R&D-programs per member-company should be well defined year-by-year;
- The rules on investments and R&D resources should be well defined in the Entrance Agreement or any other detail-attachment of the agreement;
- The monitoring of the supply and commitment of the resources should be transparent and accountable to each member-company;
- The Entrance Agreement should be clear on graduated punishments in case of not fulfilling of commitments.

These rules on credible commitment and mutual monitoring are a necessary condition for the above-mentioned ‘final step’ for steelmakers’ voluntary decision to start serious negotiations with the ASC organisation.

By signing the Entrance Agreement, member-companies accept and adapt the principles, rules and procedures of ACG as used by ASC. This refers to practical issues, for example investment- and R&D- resources, but especially to the main values of ACG as elaborated in section 4.3, and the HR policies as elaborated in section 6.5.

To mention one serious HR-aspect: if staff reductions or reshuffling should be part of the final negotiation result, they should be handled along the lines of ACG, as described in subsection 6.5.2. It is an excellent opportunity to show the sincerity and strength of the associative policy to insiders and outsiders of the region. It shapes new associative connections between ASC and regional authorities and educational institutes.

This possible aspect of the final negotiation result puts emphasis on the stakeholders’ labour. However, the entrance will influence the world of all stakeholders. The shareholders arrangements and the financial relationships with local banks will change. As described in section 6.2, regional blockholders and financial institutes have to adopt the long-term approach of ACG and the exchange in shares between the new member-company and ASC.

Local suppliers as stakeholder become involved in the process as described in section 6.3. Local and regional authorities and local and regional education centres all become participants in the associative approach of the steel plant, according to the ground rules of ACG.

The moment of entrance and the first years thereafter becomes an important event in the region, requiring special attention from the steel plant management, the authorities and all other stakeholders involved. ASC’s Central Management Team and the Local Management Team of the new member-company have to monitor progress and should be very alert to possible roadblocks or threats. If necessary, specialists and advisors from other members can be brought in to assist the participants. Delegations of stakeholders of the new member-company can visit other ASC regions to learn about failures and successes via the Learning by Monitoring and Micro-Macro methods.

Tension between the existing own identity, routine and capabilities of a previous autonomous firm and the new environment of ASC, are well described and studied by Peer Hull Kristensen and Jonathan Zeitlin. They raise the question whether a cooperative strategy can be established in such a way that the
development of a multinational can be advanced as a whole, or do mutual misunderstandings and the unintended consequences of strategic interaction among the players instead lead to endemic conflict and disintegration.

They studied the strategic constitution of an actually existing multinational within the North-West European environment with a dominant role for the headquarters in London and the connecting rules of the Anglo-Saxon economic model. Their description of the interactions between corporate headquarters and the financial markets in London City confirms my own experience in the Corus/Hoogovens case. Kristensen and Zeitlin summarise this world as follows (303):

‘MNCs are increasingly run by executives who have specialised in sending the right signals to the financial markets, thereby enabling fund managers employed by institutional investors to meet the tough short-term relative performances benchmarks required for their own survival’. ‘Ironically this game continually draws in new players’.

They also reinforce the critique of Paul Hirst and Grahame Thompson on the strong version of globalisation (the ‘myth’ of a fully globalised economy), and emphasise the continuing role of nation-states in supporting and governing economic activity. Nation-states are still major actors in the webs of influence of steelmakers.

Still, they see possible improvements. They plead for the institutionalisation of open coordination and social dialogue within multinational companies by improvement of the reliability of corporate strategy plans and disciplining managerial opportunism through participatory goal setting and monitoring procedures (Kristensen and Zeitlin 309). Eventually, this could also help to civilise the ongoing London game as described before.

ACG does improve the reliability of the corporate strategy as described in section 6.1, does introduce Learning by Monitoring procedures, and does opens the participation discourse.

Coming back to ASC’s new member-companies and the associative philosophy of the company, Kristensen and Zeitlin do underline the advantages of a new member-company joining a multinational company. The multinational company could also be viewed as potentially complementary to existing industrial districts or regional clusters of firms. As previously mentioned in

173 The financial crisis of 2008 has dramatically exposed this game. The acquisition of Corus by Tata Steel in 2008 was the last ultimate example of this game. During the acquisition of Hoogovens by British Steel in 1999 the Dutch management still had a say in the final stage. During the final stage of the Tata deal management had no say at all. Source: personal interview Rauke Henstra.

174 The recent financial crisis strongly confirms this role of national governments.

175 Today, as a result of the financial crisis 2008, there is an ongoing dialogue on the necessity to change the rules of the game for the financial markets. Is this crisis just an ‘industrial or financial accident’ or do we need new rules?
section 2.3, Kristensen and Zeitlin see five potential gains for a previously independent firm within an industrial district from seeking membership (they even use the ACG term ‘membership’ instead of the common expression ‘subsidiary’): easier access to low-cost capital, insurance against the increasing volatility of markets, expansion of the global reach of the industrial region of the member, cultivation of own distinctive comparative advantages without losing access to complementary assets and competencies, access to a multiplicity of cognitive perspectives and problem-solving approaches (2). These gains are comparable to the advantages already listed at the beginning of this subsection.

Summarising, there is a great potency for a new ASC member-company to grab these advantages as soon as it has joined ASC.

The overall result of the negotiations between the new member-company and ASC will be summarised in an ‘Entrance Agreement’ and an ‘Entrance Plan’. The Entrance Agreement is a formal, legal contract initiating financial arrangements, and detailed specific entrance conditions on labour, investments and R&D programs. It also confirms the acceptance of the new member-company of ACG as the leading corporate governance principle and the mutual rights and obligations of both parties. Finally, it describes guarantees and warranties, including arbitration rules. The Entrance Plan includes the main activities and schedules for the first three years. It shows performance indicators on production, staff, investments, and R&D, and also the implementation schedule of the main features of ACG such as discourse platforms, stakeholder involvement, and the introduction of company values. The Local Management Team has to report on progress to the Central Management Team and all stakeholders. Possible deviations should be discussed among the stakeholders and improvement programs should be developed.

An important issue on the agenda during the entrance negotiations is the organisation of the stakeholders’ dialogue in discourse platforms. This is different for each new member-company and region because of cultural, social and political differences. It will be quite complicated for ASC’s Central Management Team to judge if certain limitations on dialogues have a serious cultural, social or political background, or that they are just the result of the unwillingness of local management to accept the associative policy of ACG. The starting conditions for the dialogue should be a reasonable balance between ACG policies and the existing cultural, social and political habits. This balance will be determined as part of the entrance negotiations between ASC’s Central Management Team and the new member-company’s Local Management Team from the new member-company. ASC has to be straight and tough on this key-issue, but can accept a three- or five-year program of improvements and adaptations in order to reach the ultimate possibilities in these fields.
Finally, part of the ‘Entrance Plan’ is the introduction of the new member-company into the ASC organisation. Exchange programs on each activity, each level and each stakeholder are scheduled during these first years in order to create the trust and loyalty basis of ACG. These exchange programs are the windows of the stakeholders of the new member-company into the international steel industry.

6.7.2. The management of the operations

After signing of the entrance documents, the Local Management Team has to introduce ACG on all levels within the organisation and to mature its position within ASC. It goes beyond the scope of this thesis to discuss each aspect of this challenging job. Partly, it will be no different from operating within other multinational companies: the challenge to reach the safety, operational and financial targets as agreed upon in annual plans, the day-to-day communication with the head office, the use of instruments like ‘best practice’ and cost reductions.

The major difference is the obligation to introduce ACG as agreed upon in the Entrance Agreement. To run the company along the lines of ACG will be quite a challenge. The positive aspects of autonomy, one of the key features of associative philosophy, are counterbalanced by two obligations: 1) the obligation to organise in a pro-active way the associative process in the steel plant and the region along the lines of ACG; and 2) the obligation to be a pro-active participant of the associative process within the ASC organisation, in close cooperation with the Central Management Team and colleagues from other Local Management Teams.

The regional associative practice as described in Philips Cooke and Kevin Morgan (see section 4.1), should be a well-known handbook for all Local Management Team members and other stakeholders. It should be translated and adapted to local situations and conditions by the ACG philosophy of ASC.

In sections 6.1 through 6.6, I introduced specific policies and actions for shaping, step-by-step and as part of the daily routine, the ACG philosophy. The Local Management Team is responsible for facilitating and steering of the overall implementation of all policies and actions, as developed in these sections, in the operations processes in close cooperation with the relevant staff departments of Corporate Strategy, Finance, R&D, HR, M&S, and Supplies. Each policy and each action asks for relevant contribution by the Operations department. In order to specify this contribution, I have to limit myself to a few examples.

In close cooperation with the staff of the HR department, the Local Management Team has to present itself as the in-house ACG ambassador. As mentioned before, it has to facilitate the right conditions for: 1) a sustainable work-life balance (healthy working conditions, right balance of working
hours, education hours, and private hours); 2) a ‘learning organisation’ (promoting craftsmanship, stimulating Learning by Monitoring, stimulating professional training); 3) a high level of participation (educating and initiating employees and other stakeholders to participate in the associative process on a regional and company level, developing communication and deliberation skills of participants, training participants in discourse ethics and rules); 4) change management by social innovation (self-steering teams, leadership profile based on intrinsic motivation of employees and other stakeholders, self-development of employees, clear and straightforward communication of company values); and 5) creation of ‘work security’ (attractive career patterns, pre-determined job change and redundancy rules, good ‘maintenance’ via training and education programs).

In close cooperation with the staff of the R&D department, the Local Management Team has to encourage customer- and supplier-oriented associative cooperation on product and process development. It has to support a pro-active role in social and environmental issues. It has to facilitate ‘cutting edge’ research by allowing pilot tests on production facilities and to create a ‘knowledge coalition’ with R&D specialists.

In close cooperation with the staff of the M&S department, the Local Management Team has to present itself as the external ambassador. It has to initiate customer contacts and visits in order to shape the policies of ‘the best supplier to the best client’. It has to present ASC to the outside world via special projects and initiatives in order to develop strategic brand policies and to present the unique position of ASC in the international steel industry.

In close cooperation with the staff of the Supplies department, the Local Management Team has to develop a sustainable chain responsibility within ASC. For this, it has to cooperate very closely with Local Management Teams of other member-companies and the Central Management Team. The autonomy feature of ACG asks for a specific chain coordination policy. I wish to highlight two aspects of the foregoing actions more in detail:

- The chain responsibility; and
- The organisation of the discourse platforms.

These aspects have an impact on various policies and actions, and deserve extra attention from the Local Management Teams and the Central Management Team.

**Chain responsibility**

In section 6.1 on Corporate Strategy, I referred to Michael Porter’s ‘value chain’. In section 6.3 on Supplies, I introduced ‘chain management’ and stated that ASC should become a frontrunner within the steel industry on ‘chain management’ and durable ‘chain responsibility’.

In section 5.1, I already referred to Manuel Castells ‘network society’ and ‘webs of influence’ as introduced by John Braithwaite and Peter Drahos,
as background to the ‘chain phenomenon’.

Jan Van Dalen describes the coming into existence of this phenomenon. He states that the growth of chains is based on the finding of practical solutions for the tackling of day-to-day problems in for example transportation, boundary-crossing production, and in building reliable supplier operations. However, he notices that since the last two decades, chains became subject of further study and review.

I will combine Van Dalen’s review on the growth of chains with the features of ACG in order to develop a feasible chain responsibility for the management of ASC. Van Dalen recognises five minimal characteristics for the organisational form of chains: 1) association of people; 2) differentiation; 3) integration; 4) goal orientation; and 5) durability (Van Dalen 6).

In describing the first characteristic, association of people, Van Dalen states that too often the association refers to organisations instead of people. He advises to put more emphasis on ‘people issues’ like chain-wise training and manpower mobility. This fits into the ‘learning organisation’ feature of ASC (6).

Differentiation, the second characteristic, is an important principle in chain organisation. Van Dalen refers, amongst others, to chains as a vehicle to enhance the internationalisation and globalisation of business activities. The differentiation within ASC indeed shows a rich differentiation on knowledge and skills, type of clients and places of activities. Entrance of new member-companies demands new arrangements in combined research, market activities and supplies (6).

Integration, the third characteristic, as a counter-principle of differentiation, must prevent a chain organisation from atomising into independent fragments. Van Dalen mentions a ‘continuum of measures’ to create integration: from ‘total supervision’ as the strongest form of coordination, via ‘resource sharing’ and ‘performance measuring and learning’, to ‘mutual adjustment’ as the weakest form of coordination (6). The high degree of autonomy of member-companies within ASC is not the right background for the strongest measure: total supervision. ASC has to focus on the other three measures, as fitting into ACG. This can be a handicap for the development of chain management and chain responsibility. However, this handicap should be compensated for by a strong focus on the fourth and fifth characteristic: sharing of goal orientation and durability. Van Dalen stresses the importance of cross boundary relationships between individual organisations participating in the chain (7). Intra-chain relationships and intra-chain politics will create possibilities ‘to navigate through the chain’. Van Dalen underlines the crucial role of organisational ‘trust’ as the solid basis for building durable chains(8).

Summarising the chain characteristics, I conclude that the possibilities to develop the right characteristics within ASC are present. ACG’s features form the right feeding ground for reliable and durable chain characteristics:
people orientation, rich differentiation, reasonable integration measures, goal orientation and trust. The Local Management Teams and the Central Management can fulfil their chain responsibility on these characteristics.

The organisation of the discourse platforms

The organisation of the discourse platforms will be the basis for the introduction of the ACG policies on direct and indirect participation and change management as described in section 6.5 on HR. They are the main tools for the creation and maintenance of the ‘trust’ and ‘loyalty’ culture as key elements of the associative philosophy.

The ‘zero’- status of the entrance documents describing the agreed long-term program of improvements and adaptations of the participation process, is the starting point. The Local Management Team is responsible for the start-up and functioning of the discourse platforms, the consistent supply of information to all participants and the monitoring and control of the progress. I refer to Elinor Ostrom’s rules on credible commitment and mutual monitoring, as elaborated in this section. Rules and procedures do not form a bureaucratic threat but represent the long-term approach of the company as necessary basis for the previously mentioned culture of loyalty and trust.

Participants should be hands- on and regularly active stakeholders, only part-time involved in discourse activities in order to guarantee the status of the platform as a practical and efficient communication instrument. In section 6.5, I described the important supporting role of the HR department. An important aspect is the training and education of stakeholders in discourse ethics and procedures in close cooperation with local and regional education institutes.

The centre of discourse activities is formed by the Local Participation Platform. This platform can use existing participation initiatives as a start-up nucleus. This nucleus differs per member and per plant. The nucleus can be well-organised independent Works Council with a well-developed agenda as in North-Western Europe; it can be a very limited workers committee just handling safety and local working conditions and controlled by the management. This fits in the associative philosophy of ACG: contextualised approach, minimum morality policy, autonomy, Learning by Monitoring and Micro-Macro - methods.

The Local Participation Platform is responsible for the organisation of specific local specialised participation platforms on key issues of the plant such as environmental policies, product development, safety, labour conditions and HR policies. These specialised platforms report to the Local Participation Platform.

Plant size can influence the organisation of the discourse. Participants must recognise the agenda points of the discourse as their own points of
concern. Larger sites can result in more than one Local Participation Platform. In that case, there must be a Central Platform for the site to coordinate agendas and outcomes, and to handle central issues like investment programs, R&D policies and centralised HR policies. It should coordinate contacts with local stakeholders outside the plant such as education institutes, local authorities, local trade unions and local NGOs.

The systematic development of stakeholder participation other than management and employees, the traditional stakeholders in traditional Works Councils, is part of the long-range participation plan. The kick-off will be the integration and upgrading of all already available contacts with stakeholders, resulting from already existing ‘good neighbour’ policies, cooperation agreements with local education institutes, and informal contacts with local NGOs. Local Participation Platforms should be more than just ‘upgraded’ Works Councils where new participants of other stakeholders would enter reluctantly. New participants should be welcomed in a fresh atmosphere with new rules and codes.

Although there is a long way to go, there are numerous examples of already successful operating discourse platforms in many steel plants under different circumstances as described in section 6.1. These micro initiatives can be developed further along the lines of the Micro-Macro method. Exchange of experiences and Learning by Monitoring through the whole ASC organisation is part of this process. Where micro initiatives are available, they will form a healthy nucleus for further developments. Where there are no micro initiatives, it will be a challenge to start from scratch and to develop a new generation of employees and other stakeholders, educated in the ACG discourse ethics. It is even more challenging to push reluctant management on this subject and to keep them on the agreed long-range program on participation as part of the Entrance Plan.

The realisation-focused perspective of the discourse as described in subsection 6.1.2 is of decisive importance for success of the discourse platforms. Endless and fruitless discussions will be deathblow to real dialogue between the stakeholders. The company has to move on and has to survive in a volatile market. The Local Management Team has to take its responsibility and has to make decisions on important subjects in due time.

In order to balance the pressure between ‘time for dialogue’ and the need for action, five aspects are of importance:176:

- In the first place, the previously mentioned condition that discourse participants should be hands-on and regularly active employees, only part-time involved in discourse activities. The coming into existence of a ‘discourse circuit’ with ‘discourse animals’, whose only interest is to keep the discourse ongoing in order to ‘fill their time’ or ‘to be important’, must be prevented. Membership of Local

176 I refer to own experience in working with Works Councils for more than 15 years.
Participation Platforms and specialised platforms should be limited to three years;
- Transparent rules on membership for the various discourse platforms: who can join which platform and how to prevent duplicates;
- The discourse ethics as described in section 6.5 should be respected, including decision-making conditions and the agreed scope of the discourse;
- Local Management Team- members should be consistent in their decisions and reliable on agreed actions, in order to keep their credibility and legitimacy as decision-maker and to create and protect a ‘trust ‘and ‘loyalty’ culture. Management’s authority and legitimacy should be based on the correct attitude to the associative philosophy;
- The monitoring of the quantitative and qualitative progress.

As an overall safety measure, it will be necessary to install a right of appeal for participants of discourse platforms. I support Paul Hirst’s idea to introduce an ‘International Corporate Senate’ (ICS). This senate should be ‘an advisory body composed of persons of unimpeachable integrity’ to whom discourse platforms could appeal ‘to air and investigate their grievances’ (Hirst, Associative Democracy 148). It should function on two levels: within ASC to handle appeals of discourse platforms on ASC’s central level, and appeals on a regional level of ASC member-companies. Members accept the role of ICS as part of the ‘Entrance Agreement’. The creation and functioning of this senate needs more research beyond the scope of this thesis.

I want to give one example of a possible appeal on the wisdom of ICS: the CO₂-issue. Somehow, somewhere, ASC’s member-companies have to decide how to reduce CO₂ emissions. This issue could become an example of potential ‘rough sailing’ for the associative philosophy. A starting point in the discussion could be the decision to produce the ‘carbon footprint’ of each member-company of ASC, and to look for practical and realistic improvements in this field (Russon 24). Nevertheless, it could be possible that at the end of the day there will be no agreements at hand in the discourse circuit. That the CO₂ issue can become a real tough issue for all stakeholders to handle along the lines of ACG, shows the demonstration against intended reductions of CO₂ by the EU authorities by employees of European steel plants in Brussels, in

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177 Within Tata, the plant of Tata Colors at Shotton will have its carbon footprint by 2012 and eventually become carbon neutral. Management discovered opportunities in energy savings schemes, good housekeeping and renewable energy generation (Russon 24)
In the next subsection 6.7.3, I handle the exit option. I hope that this option will seldom be negotiated within ASC, although the possibility of this option is crucial for the associative philosophy of the company.

6.7.3 The exit option

Pièce de résistance of the associative philosophy is the option for member-companies to leave the association. I am talking about a real option not about a formal option unreachable by limited freedom or limited alternatives. That means that ASC’s member-companies have the freedom to leave the company if they do not want to prolong their membership. However, as I already elaborated in section 6.6, the exit option can also be used by ASC when a member-company does not fulfil its obligations as agreed upon in the Entrance Agreement or in general, if member-companies damage the image and the future of ASC.

In order to prevent uncontrolled, irrational and damaging behaviour, ASC must develop exit rules and procedures. Parties should agree on them beforehand, and the rules will be an integral part of the Entrance Agreement. This subject needs a realistic and prudent approach from all parties, and will be quite complicated to handle.

To mention just one aspect: how to handle investments financed by corporate finance? It will be quite obvious that the exit rules and procedures have a financial subsection how to transfer these investments within a reasonable timeframe. The same accounts for tangible assets like good will and expertise.

Prudence also requires repair procedures. Both parties must have the opportunity to improve their performance after they learned about the complaints against them and the reason why the ‘exit’ option has been raised on the agenda. It is possible that, at the end of the day, the ICS can find the right solutions.

Nevertheless, the Entrance Agreement should include the procedure for an external international arbitration authority such as the International

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178 The demonstration that took place on 2 December 2008 was organised by the European Metalworkers’ Federation (EMF). They called all affiliated unions to demonstrate and protest against the CO₂ emission reductions as proposed by the EU authorities. The EMF is concerned about the competitive position of European steelmakers compared to their non-European colleagues. They asked the EU Commission to limit the proposed CO₂ emission reduction. Along the lines of ACG, this issue should be discussed within the ASC organisation between all stakeholders involved. Unions from all different regions and environmental NGOs should be part of a dialogue in which the balance between jobs and environmental needs should be determined. There is no possibility to walk away from this issue, a solution must be found. By putting in on the agenda within ASC, the organisation will become a frontrunner instead of walking away from the inevitable decisions to be taken by the steel industry.
Chamber of Commerce in Paris, should the exit option become unavoidable. Like the Entrance Agreement and the creation and functioning of ICS, the exit rules and procedures need more research beyond the scope of this thesis.

This all seems rather complicated. However, procedures on ‘classic’ mergers and acquisitions and on disentangling of multinational companies because of non-functioning are at least as complicated as is the case with ASC. It must be possible to create realistic documents on these subjects.

6.7.4 Summary of policies and actions
In this subsection, I focused on the functioning of the Local Management Teams as ‘pivoting points of the associative philosophy’. They have to implement ACG after signing of the ‘Entrance Agreement’. This results in the following policies:
- Introduction of ACG within the steel plant;
- Introduction of the associative philosophy in the region in which the steel plant is located;
- The introduction of the company as a new member-company within the ASC organisation.

These policies result in the following actions:
- Start-up of discourse platforms using existing communication channels as kick-off;
- Educating staff and potential stakeholders in the discourse ethics of ASC;
- Monitoring and pro-active increasing of the scope of the associative process during the years using Learning by Monitoring and Micro-Macro within the ASC organisation.

By highlighting the role of the Local Management Team, I introduced the following actions for the Central Management Team:
- The preparing of a standard ‘Entrance Agreement’ for new member-companies;
- The creation of the International Corporate Senate;
- The preparing of standard exit rules and procedures.
Summarising Part 3:
The reader has finished the ‘long march’ through the activities as introduced at the start of Part 3. In order not to lose track I presented the results upfront. For good measure, I will repeat these results of the three-step approach, from activity to policies to actions:

<table>
<thead>
<tr>
<th>Activities</th>
<th>Number of policies</th>
<th>Number of actions</th>
<th>Keywords</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate strategy</td>
<td>4</td>
<td>8</td>
<td>Introduction ACG (voluntarism, autonomy); Discourse platforms; Realistic company values; Long term orientation; Sustainable growth CSR; Break through strategy; Spinning ball; Social innovation; Democratic representation of stakeholders.</td>
</tr>
<tr>
<td>Finance</td>
<td>4</td>
<td>8</td>
<td>Blockholding; Long-term relationships; GRI Guidelines; Protection measures; Sustainable investors.</td>
</tr>
<tr>
<td>Supplies</td>
<td>1</td>
<td>5</td>
<td>Long-term relationships; Chain responsibility; GRD.</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>6</td>
<td>12</td>
<td>R&amp;D network/platforms (professional knowledge); Cutting edge research; Associations (customers, suppliers); Entrepreneurial initiatives; Climate change.</td>
</tr>
<tr>
<td>HR</td>
<td>6</td>
<td>21</td>
<td>Management demographics; Work-life balance; Learning organisation (tacit knowledge, craftsmanship); Participation: trust and loyalty; Social innovation.</td>
</tr>
<tr>
<td>M&amp;S</td>
<td>3</td>
<td>4</td>
<td>Strategic brand management; Resonance; Consumer-watcher role; Best supplier to the best client</td>
</tr>
<tr>
<td>Operations</td>
<td>3</td>
<td>6</td>
<td>Entrance agreement; Integration ACG policies and actions; Regional social embeddedness; High social and economic performance.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>64</strong></td>
<td></td>
</tr>
</tbody>
</table>

27 policies result in 64 actions dedicated to 7 main activities. Each policy and each action contributes to the fulfilling of one or more of the ACG features as developed in Part 2.
As explained in section 6.7, all seven activities come together in the operations of the company. Policies and actions in each activity meet in the operational performance. For example, HR policies and actions reflect the quality and quantity of the workforce; R&D policies and actions reflect the innovative character of the operations. The seven activities are not isolated areas within the company. Operations tie them together and create an integrated process.

I have presented the natural and ever-present tension between theory (Part 2) and practice (Part 3), and tried to build a ‘bridge’ between the two.

Part 3 shows that the introduction of ACG can be organised company-wide in each activity of ASC via numerous realistic policies and actions. It is obvious that in case a real company should take the decision to introduce ACG, the stakeholders of that company will, of course, to organise their own specific discourse practices. They have to decide which policies and actions to choose in which priority and in which timeframe.