

# Corporate Culture Based on Partnership and Company Health Policy

## - Business Case -



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**Bertelsmann Stiftung**  
Carl-Bertelsmann-Str. 256  
D-33311 Gütersloh

**Detlef Hollmann**  
☎ +49 (0) 52 41 81-815 20  
✉ detlef.hollmann@bertelsmann.de  
www.bertelsmann-stiftung.de

**BKK Bundesverband**  
Kronprinzenstr. 6  
D-45128 Essen

**Dr. Gregor Breucker**  
☎ +49 (0) 2 01 1 79-12 09  
✉ BreuckerG@bkk-bv.de

**EfH-President**

**Prof. Dr. Dr. hc Rita Süßmuth**  
Platz der Republik  
D-11011 Berlin  
☎ +49 (0) 30 22 77 79 98  
✉ rita.suessmuth@bundestag.de

**Executive Project co-ordinator**

**Prof. Dr. Dr. hc Eberhard Ulich**  
Obere Zäune 14  
CH-8001 Zürich  
☎ +41 1 254 30 65  
✉ ulich@iafob.ch

**Scientific Advisor of the Network**

**Dr. Ron Z. Goetzel**  
Vice President  
Consulting and Applied Research  
☎ +1 202 71-78 50  
✉ Ron.Goetzel@medstat.com

**Prof. Dr. Jean-Francois Caillard**  
Former President of the  
»International Committee  
for Occupational Health  
(ICOH)  
☎ +33 1 42 34-81 90  
✉ jean-francois.caillard@chu-rouen.fr

**Prof. Dr. rer. pol. habil. Klaus Zink**  
Universität Kaiserslautern  
Sozial- und Wirtschaftswissenschaften, IBL und Arbeitswissenschaft  
☎ +49 631 205-20 27  
✉ kjzink@sozwi.uni-kl.de

**Alcoa-Köfém Kft., Hungary**  
Versegi 1-15 Pf. 102  
H-8002 Szekesfehervar

**Dr. Istvan Miniska MD.**  
Occupational Health Manager  
☎ +36 30 95 63 56 70  
✉ istvan.miniska@alcoa.com

**Bertelsmann AG, Germany**  
Carl-Bertelsmann-Str. 270  
D-33311 Gütersloh

**Dr. Franz Netta**  
Head of Central Services  
Human Resources /  
Principles of Social Policy  
☎ +49 (0) 52 41 80 16 20  
✉ Franz.Netta@Bertelsmann.de

**Caixa Geral de Depósitos, Portugal**  
Av. João XXI, 63  
P-1017 Lisboa Codex

**Dr. Manuela Neto**  
Company Doctor  
Caixa Geral de Depósitos  
DPE Medicina do Trabalho  
☎ +351 21 790-55 52  
✉ elsa.baltazar@cgd.pt

**GlaxoSmithKline, UK**  
980 Great West Road  
Brentford, Middlesex  
TW8 9GS, UK

**Susan Cruse**  
Manager, Employee Health Support UK  
☎ +44 20 80 47 53 54  
✉ susan.m.cruse@gsk.com

**HÄG a.s.a., Norway**  
PB 5055  
N-0301 Oslo

**Kirsti Vandraas**  
Project Director R&D /  
Ergonomics  
☎ +47 22 59 59 13  
✉ kfv@hag.no

**HILTI AG**  
Werkstrasse 13  
A-6712 Thüringen

**Dipl.-Ing. Hartwig Eugster**  
Head of Corporate Human Resources  
☎ +43 5550 2451 3213  
✉ EugHart@Hilti.com

**REWE Zentral AG, Germany**  
Domstr. 20  
D-50668 Köln

**Dieter Steinborn**  
Head of Social Services  
☎ +49 (0) 221 149-19 20  
✉ Karin.Maurer@REWE.de

**Ruhrgas AG, Germany**  
Huttropstraße 60  
D-45138 Essen

**Carl-Sylvius von Falkenhausen**  
Head of Human Resources Concepts & Management Department  
☎ +49 (0) 2 01 84 42 15  
✉ Carl.von.Falkenhausen@ruhrgas.com

**Stora Enso, Finland**  
Stora Enso Oyj  
FIN-55800 Imatra

**Dr. Paavo Jäppinen**  
Vice President Employee Well-Being and Occupational Health & Safety  
☎ +358 204 62 43 31  
✉ paavo.jappinen@storaenso.com

**Volkswagen AG, Germany**  
Brieffach 1599  
38436 Wolfsburg

**Dr. Uwe Brandenburg**  
Zentrales Gesundheitswesen  
☎ +49 (0) 53 61 92 74 87  
✉ uwe.oppermann-brandenburg@volkswagen.de

**Zakład Energetyczny Toruń S.A., Poland**  
ul. Generała Bema 128  
PL-87-100 Toruń

**Wiesław Szurmiej**  
Head of Human Resources Department  
Zakład Energetyczny  
☎ +48 566 59 51 00  
✉ w.szurmiej@zetsa.torun.pl



## Corporate Culture Based on Partnership and Company Health Policy

How can company executives and senior managers be convinced that investments into corporate culture and the health of employees pay off? What contribution can corporate cultures and company health policies make to value creation? Is there any evidence to prove the economic and social effectiveness of measures to promote corporate culture and improve health at the place of work? What will be the importance of the potentials of our employees in tomorrow's working world?

These questions were discussed by the European network "Enterprise for Health" (EfH) at its second conference in Berlin on 29th and 30th October 2001. EfH is an international network of companies which, having been initiated in Germany by the Bertelsmann Foundation and the Federal Association of Company Health Funds (BKK), meets under the chairmanship of EfH president Rita Süßmuth to consider questions of the development of corporate cultures based on partnership and modern company health policies.

### The business case for work design and prevention through behaviour – the European and US experience

Work design, as *Eberhard Ulich* (the scientific head of EfH) defines it, is a crucial factor for what happens at the place of work in terms of health or illness. At the very centre is the design of the individual work processes or tasks. They will promote personality development and health if they are organised in as holistic a way as possible. Holistic in this context means, among other things, that employees are free to set their own targets and to influence the planning and controlling functions in their respective work areas. These findings on the health effects of different forms of work design and organisation are based on a long research tradition, says *Eberhard Ulich*, and it would be legitimate to describe them as a European consensus. At the practical level these findings become particularly important in companies when it comes to developing partially autonomous work groups. Group work in the European tradition – in contrast to the Japanese model of group work – relies on self-regulation, social support and heterogeneity. Research in occupational psychology and social epidemiology has produced powerful evidence to show that the extent of social support and cohesion has a profound effect on the health of populations and groups.

The economic effects of a health and personality promoting work design and organisation include productivity increases, cost reductions and quality improvements. This is why *Eberhard Ulich* considers the current situation in Europe to be quite paradoxical in that despite the numerous scientific findings only very few companies have so far made systematic use of them to improve their economic and social situation.

*Ron Goetzel* (Medstat / USA) reports on the results of the Health Productivity approach in the USA. Here, the 80s had been dominated by cost containment efforts while in the 90s it was attempted via the Managed Care models to create new forms of agreements between those who needed and those who provided health care services. Today the main emphasis was on the Health Productivity approach. This focused attention on integrated management systems in companies and particularly on the contributions that personnel and health policy measures could make to productivity improvement. The business case for corporate culture and a company health policy, according to *Ron Goetzel*, is currently made up of two elements in the USA. From broadly based benchmarking studies it was possible to deduce the monetary improvement potential for participating companies in the form of cost savings

in a number of different areas (health care, staff turnover, absenteeism, handicaps, wage compensation payments in the event of accidents). Added to this had to be cost estimates for the most important physical and mental illnesses. At the company level one could even go one step further and estimate the productivity losses caused by employees who had reported for work but whose health was impaired. In this way it then becomes possible, in combination with information on the prevalence of diseases and ailments in companies, to gauge the total cost saving potential. Under the specific conditions prevailing in the USA in terms of the social security system this information can be used, according to *Ron Goetzel*, to make out a powerful business case for a corporate culture and a company health policy.

# From practitioners for practitioners – successful examples from corporate practice

## From practitioners for practitioners – successful examples from corporate practice

Experience from corporate practice at *HILTI AG (Liechtenstein)* shows, according to *Peter Hauenstein* and *Hansjörg Meisser*, that the measures to promote the development of a corporate culture also have positive repercussions on the development of profitability in the company. These measures are based on the *HILTI* values which in turn form the basis for the so-called People Strategy. This strategy includes nine different guideline principles and describes the people/employee model. Detailed analyses were able to show that any management style, if guided by these values and models, increased employee satisfaction and motivation. This in turn improves customer satisfaction and loyalty and in the final analysis also the profitability of the company. Team work, a corporate culture based on agreements and codetermination, the reduction of hierarchies and continuous coaching, says *Hansjörg Meisser*, are key concepts when it comes to understanding the role of the corporate culture based on partnership at *HILTI*.

The *HILTI* production system is completely in line with these principles: Production is organised around products and focuses on partially autonomous work groups that are given holistic tasks to the extent possible. This means that the work groups also assume logistics tasks and are involved in production control and quality assurance. The design and organisation of the work processes make a significant contribution to the company's objectives being achieved in the field of productivity development: Some 50 per cent of the progress in productivity are achieved by way of employee suggestions on the basis of the process of continuous improvement.

*Stora Enso* is among the five largest companies worldwide within the forest industry. The systematic design of the corporate culture is closely tied to the development of business activities, says *Paavo Jäppinen*. For securing the company's competitive position, growth of the company size will be inevitable also in the near future. Success in this context,

*Paavo Jäppinen* feels certain, will depend significantly on a successful, consensus-based integration of the different corporate cultures coming together.

For this reason, the merger between the Swedish *Stora* company and the Finnish *Enso* company was carefully supported by the corporate management by means of surveys concerning the corporate culture and the values and attitudes of the company. As the basis for developing a corporate culture, the *Stora Enso* values were established (customer focus, performance, responsibility, emphasis on people and focus on future). Company health and safety policy supports the corporate business and human resource strategies. Their added value resulted from the pragmatic opinion held by *Stora Enso*, according to *Paavo Jäppinen*, that the customers and the public attached increasing importance to economic success as measured in high quality at competitive prices being attained in a socially responsible manner. This explicitly included employee health and well being and a corporate culture based on partnership as highly significant elements. At the moment work is going on at *Stora Enso* to develop a web-based survey system that will be made available to executive staff for a variety of applications.

## Culture and health: Decision-makers have to be convinced first.

How can the in-company decision-makers be persuaded of the benefits of investments into cultural development and health policy? Answers to this question are, in the opinion of the EfH members, the key to a stronger establishment and dissemination of exemplary corporate cultures based on partnership and company health policies in general corporate practice.

To this end the EfH network is discussing two complementary perspectives. What is needed on the one hand is data-supported experience illustrating the correlation between culture and health and their contribution to achieving the company's core objectives. A number of companies have been adopting this approach with increasing success. They introduce culture and health topics as management objectives especially by systematically developing appropriate reporting systems in personnel departments and establishing continuous improvement processes on the basis of internal and to some extent also external benchmarking processes.

Thus, *Franz Netta (Bertelsmann AG / Germany)* reported about the project of investigating the interdependencies between customer satisfaction, economic performance indicators and employee satisfaction. In addition it was planned to examine the introduction of certain personnel policy instruments and their repercussions on employee satisfaction within the context of the further development of the corporate culture at *Bertelsmann* (reporting system on the development of corporate culture).

*Paavo Jäppinen* confirms that the future target of *Stora Enso* is to be able to differentiate the economic efficiency of individual Business Units on the basis of a few significant employee satisfaction indicators.

*Carl-Sylvius von Falkenhausen (Ruhrgas AG / Germany)* reports on measures for target-oriented executive development supported by a simultaneous in-company communication policy. The objective was to establish a permanent learning process among top executives to benefit a corporate culture based on partnership.



*Peter Hauenstein (HILTI / Liechtenstein)* reports that *HILTI* had been able to prove the effects of employee satisfaction on customer satisfaction and corporate profitability. To this end the most important elements of the employee survey were aggregated into an index or working morale. Yet, it was not possible to transfer this system to other companies because the procedures were based on values specific to *HILTI*.

*Kirsti Vandraas (HÅG / Norway)* describes the role of the work climate index in her company. This index is based on an annual employee survey on the implementation of the *HÅG* corporate values and is part of the target agreement with management staff in addition to financial targets.

*Klaus Zink (ITA / Germany)* proposes as a matter of principle in this context to think about new evaluation procedures for the assessment of the effects of in-company measures in the fields of corporate culture and health policy on economic performance. The classic methods of business administration and economics were not adequate and should be combined with the proof of positive, practical examples.



# Practical consequences

The exchange of experience in the EfH network suggested the following consequences for future activities:

## Culture and Health

This personnel policy strategy should be supplemented by increased efforts to include "health as a value per se" in the normal range of corporate values. One possible entry into such an approach might be the concept of autonomy borrowed from the field of work organisation. The requirement for the employee to identify himself with his work like an "entrepreneur" in his own right can only be met with appropriate freedom for action and decision-making. This interpretation of the role of an employee therefore demands a high measure of autonomy, emphasises personal responsibility and calls for a new perception of the balance between the importance of external conditions (working conditions and work design/organisation) and the role of individual behaviour. Individual, personal responsibility can, however, best be promoted in corporate culture based on partnership. Health is seen here as a resource, both in the form of the personal health of the employee and as the production capacity of the company.

*Dieter Steinborn (REWE / Germany)* holds the view that the economic benefit of cultural and health issues at the place of work had to be assessed in the context of an enhanced cost-benefit calculation. The value of a company was also dependent upon its social policy investments as reflected in employee turnover, sickness rate and absenteeism, but also in the reputation the company enjoys in the public.

In addition to autonomy and a health-promoting work organisation the crucial factor is the way in which the corporate values are actually lived. This is the conclusion that *Bertelsmann AG* draws from its extensive experience. The important thing was, said *Franz Netta*, that management staff behaved in such a way that employees felt treated like human beings. Comprehensive analyses of stress phenomena in parts of the company that primarily imposed the traditional physical strains on people showed that from the point of view of the employees the style of communication between themselves and the managers was subjectively more stressful than all the physical strains.

- 1 Development of a European business case for a corporate culture based on partnership and a company health policy**
- 2 Further development of tools to analyse current practice within companies in the areas of corporate culture and health**
- 3 Interpretation of corporate culture based on partnership and company health policy as part of a long-term cultural change**

The scientific evidence showing the contribution made by culture and health to corporate success has so far not been compiled systematically. While the US experience primarily focuses on the effects of measures of preventive behaviour important findings were generated in Europe concerning the social and economic effects of a health and personality promoting work design and organisation. These two fields of knowledge should be combined as well as enhanced and elaborated upon by adding the practical experience gained with the concepts developed in our industrial and scientific communities.

In corporate practice a large number of methodological elements are currently used for the acquisition of data to describe the actual situation in terms of corporate culture and health policy. As a rule they are part and parcel of company-wide employee surveys that quite possibly fail to capture the targeted information with sufficient validity and reliability. However, this impairs the basis for strategic decisions, especially since these are increasingly based on survey data. An added problem is that the conventional evaluation systems used in business administration do not make adequate allowances for the value of human capital. The consequence of this is that investments into human resources are often viewed merely as cost items.

The experience gathered by the EfH member companies provides impressive proof that the introduction of corporate culture and health issues into the everyday processes of a company can only be interpreted and tackled as a long-term mission. For the purposes of a continuous learning process it will be helpful to provide possibilities for an exchange of experience, especially also on failures, because these tend to make the true success factors particularly obvious.