



## IHRM in Action Case 9.3

### Degussa's global code of conduct

#### The firm

Degussa group is a multinational corporation with a market leadership position in the sector of specialty chemistry. The group is represented worldwide on all five continents and based in more than 300 locations. The cornerstone for Degussa was placed in 1843 in Frankfurt, Germany; after several acquisitions, today 44 000 employees work for this company worldwide. Since June 2004, the Degussa group has been a 100 per cent subsidiary of Rag AG. Due to its important size and long history, as well as its broad international experience, Degussa operates relatively independently from the parent company. Key production facilities, sales and marketing offices of Degussa can be found in around 60 countries, whereas the business activity focuses on Europe, North America, and Asia. Degussa generates almost three-quarters of its sales volume outside of Germany.

#### The organization

Degussa has a decentralized organization within a global business framework. This is achieved through business units, which have full accountability for local operations. However, to maintain strategic control of its international business, strategic management decisions are mainly made in the headquarters – this philosophy is also reflected in the structure of the management board, which consists solely of German managers.

To foster a corporate strategy and a new corporate culture known as 'Blue Spirit', a set of supporting principles including Degussa's Global Social Policy, guiding missions which are incorporated in management practices (e.g. a bonus system for executives linked to corporate goals), as well as a Global Code of Conduct were developed. The aim was to bring together several different corporate cultures and to create one company in which every employee at every site feels as though he or she is part of a common whole.

#### The Global Code of Conduct

The Global Code of Conduct aims at supporting the employees in their daily work and providing them with reference points. In the course of growing globalization, the variety of relevant markets and cultures has increased. The expectations of employees as well as customers are becoming more complex, and different national and cultural backgrounds gain importance in the day-to-day work in this multinational company. The Code of Conduct is binding for every Degussa staff member and is applied in all subsidiaries as well as in the parent company. In addition, the code includes guidelines which control interactions with the corporate environment as well as with the public and governmental agencies or institutions. Even in countries (e.g. India) where local rules and laws have other standards, the Global Code of Conduct is enforced. In case regional requirements go beyond the Degussa Code, the firm is forced to adapt to these conditions and has to include respective deviations within the Code.

Every employee worldwide is expected to comply with the Global Code of Conduct. Degussa has appointed various compliance officers in different units to ensure that the rules are respected. In addition, these officers might answer any related questions to assist employees in complying with these rules. Beyond this, local HR departments offer training sessions, information and publications to ensure that all employees are familiar with the Code. All employees are encouraged to name strengths and weaknesses and to actively participate in the continuing further development of this Global Code of Conduct.

### Content of the Global Code of Conduct: compliance rules for the Degussa group

1. Scope and objectives
2. Business conduct
  - 2.1 Managing business transactions
  - 2.2 Business relations
  - 2.3 Conflicts of interest
  - 2.4 Insider trading
  - 2.5 Maintaining the confidentiality of internal information
  - 2.6 Political involvement and contributions
  - 2.7 Ethics
3. Technical issues
  - 3.1 Competition and anti-trust law
  - 3.2 Foreign trade, export, and terrorism controls
  - 3.3 Tax law
  - 3.4 Environmental protection, safety, occupational health, and quality
  - 3.5 Data protection
  - 3.6 IT security
4. Practical implementation of compliance rules

Source: Based on information obtained from Degussa's website, and 'Consult' – Kienbaum Kundenmagazin, Kienbaum Human Resources Management Consulting, 1/2007, pp. 1–7.

multinational. Nonetheless, in terms of global control and operations, there may be similar managerial concerns to those of, for instance, oil companies. Physical risk – such as the danger of staff being taken hostage and of having property damaged – is common to firms operating in hostile contexts. As Fenwick<sup>86</sup> identifies, non-profit organizations have been largely ignored in IHRM research, possibly because IHRM “reflects the traditional management ethos of effectiveness and efficiency rather than the non-profit ethos of values-driven, charitable, and philanthropic ideals”.<sup>87</sup> It would seem that the need to broaden the focus of the IHRM field to include NGOs will be necessary, as the impact and influence of NGOs is more than likely to continue well into the twenty-first century. For an excellent review of the role of NGOs in international business, see the paper by Lambell *et al.* (2008) in the Further Reading list at the end of this chapter.