

DEVELOPMENT MODEL FAIR PROFIT

Introduction and Abridged Version ¹

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Development Model Fair Profit – Abridged Version

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¹ In the following, for reasons of better readability, the term "enterprise" is primarily used, even though non-profit organisations such as NGOs are also addressed in the Development Model.

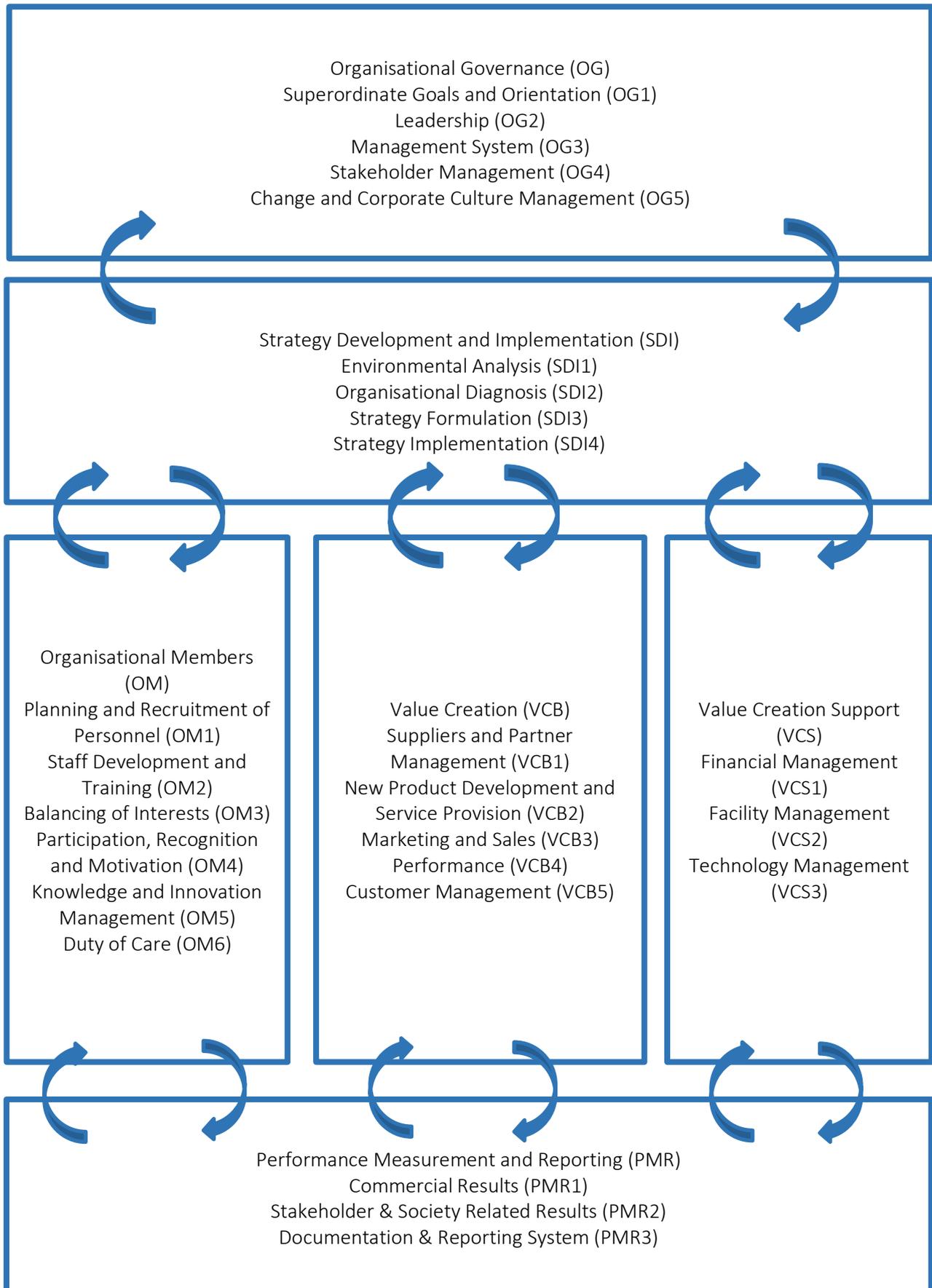
1 INTRODUCTION

The Development Model "FAIR PROFIT" shall serve enterprises to analyse and evaluate their own degree of maturity with regard to both success and ethically relevant aspects and to derive focal points for further development. This shall be based upon the assumption that, regardless of the business model, there are certain development areas that the management of every enterprise must attend to: Firstly, to ensure the success of the enterprise, to meet the legal organisational obligations and to minimise the risks for the enterprise and its environment. Secondly: to live up to the prevalent standards set for acting ethically in a legitimate manner, socially responsible and in accordance with the principle of sustainable development.

- To this end, top management shall develop appropriate superordinate orientation (mission, vision, values, principles), define a suitable organisation (structures and processes) and shape internal and external relations in accordance with this orientation. In the Model, this is the development area **"Organisational Governance (OG)"**.
- Moreover, every enterprise requires a strategy. Such shall be developed on the basis of the superordinate orientation (also called mission statement) under consideration of opportunities and risks (environmental analysis) and strengths and weaknesses (organisational diagnosis), communicated in a suitable form and implemented in the form of strategic projects. Our Model calls this development area **"Strategy Development and Implementation (SDI)"**.
- The implementation of strategy as well as the superordinate goals and orientation shall be reflected above all in the value-creating processes, in the "core processes": Starting with procurement, through product development, sales, production or provision of services, as well as to customer relation management. The Model calls this development area **"Value Creation (VC)"**.
- The implementation of strategy and the realization of the core processes require employees and the one hand and material or immaterial resources on the other. This results in two further development areas: **"Organisational Members (OM)"** and **"Value Creation Support (VCS)"**. The development area "Organisational Members" comprises the entire personnel management process, from personnel planning to personnel recruitment, development and training to the dismissal of staff. Within the framework of the Model, not only salaried employees are counted as employees, but also interns, part-time employees, temporary workers and the employees of subcontractors, provided that the respective development potential within the development area is also relevant for such individuals. Finance, facility and technology management are assigned to the development area "Value Creation Support".
- The development area **"Performance Measurement & Reporting (PMR)"** serves to determine which performance the enterprise has achieved and how the enterprise creates transparency both internally and externally.

The organisational structure and the process organisation shall be designed and described in a suitable form (organisational charts, functional descriptions, process guidelines, procedural instructions, etc.). Upon designing the formal organisation, it is important to ensure, in accordance with the requirements of ethical entrepreneurship, that all processes are in line with the binding requirements and ethical values of the enterprise and that all managers and employees observe them. It is well known that formal stipulations can govern typical cases, but cannot govern individual situations. It is therefore important that the formal organisation is embedded in a corporate culture that is equally shaped by ethical values and principles. In addition to an organisation's recipe for success, its corporate culture - in the form of unwritten laws and assumptions – also transmits its informal decision-making parameters and thus determines how formal regulations are to be dealt with in individual cases. Against this background, corporate culture is one of the most powerful control factors of an organisation, the awareness of which needs to be promoted as well as systematically developed. One of the decisive factors for such is how managers behave as role model. By structuring both the formal and the informal organisation, exemplary behaviour is anchored in the organisation. This is a continuous process, which is why we also speak of a development model.

2 THE DEVELOPMENT MODEL AT A GLANCE



3 THE DEVELOPMENT MODEL

3.1 ORGANISATIONAL GOVERNANCE (OG)

3.1.1 Superordinate Goals and Orientation (OG1)

The organisational management shall develop meaningful orientation for the positioning and alignment of the organisation and shall make such the basis of daily actions and decisions.

The organisational management shall develop guiding principles (mission, vision, values). Such principles are substantiated by a Code of Conduct which provides orientation guidelines for actions and conduct, which shall be binding for all members of the organisation as well as for important partners within the value chain.

3.1.2 Leadership (OG2)

Managers are to act as credible role models and lead by good example in the development processes.

Managers shall recognise their role model status and shall take a proactive approach. This applies particularly to the communication and implementation of strategy, normative goals and conduct relevant orientation, which are important for successful organisational and cultural development (e.g. integrity, customer-, change- and innovation orientation, quality and environmental awareness).

Their communication and cooperation with colleagues, employees and other stakeholders is characterized by honesty, respect, fairness, appreciation, responsibility and empathy.

3.1.3 Management System (OG3)

The organisation shall have an appropriate (integrated) management system in place and shall constantly improve its performance on the basis of such system.

The organisation shall have a system of coordinated rules that describe and coordinate the target system, the organisational structure, and the process organisation. Such shall correspond to the size and characteristics of the organization.

The management system shall meet all legal requirements and binding obligations as well as the requirements and recommendations of relevant standards and reference systems for important aspects of organisational management which are relevant to success and are ethically significant.

3.1.4 Stakeholder Management (OG4)

Managers shall communicate with those significant internal and external stakeholders and include their legitimate expectations (demands) appropriately in the corporate decision-making process.

All significant internal and external stakeholders and their legitimate expectations and demands as concerns the organisation shall be regularly surveyed and taken into account (stakeholder analysis). The survey is based upon knowledge of the organisational specific sphere of influence and the associated responsibility of the organisation within its value chain.

A continuous exchange shall take place with the most important stakeholder groups. Cooperation and communication processes with all stakeholders are systematically structured.

3.1.5 Change and Corporate Culture Management (OG5)

The organisation's adjustment to changing internal and external requirements shall be planned in a deliberate manner, in consideration of significant stakeholder groups as well as the existing organisational culture.

Managers and other members of the organisation shall ensure that the organisation continuously adapts to new requirements, environmental conditions (e.g. Industry 4.0). These are systematically recorded and assessed in terms of their impact on the organisation.

Together with the internal and external stakeholders, a culture of change and innovation, ethical reflection and integrity, open dialogue and the ability to accept criticism shall be created - even beyond the framework of the organisation. Appreciation, mutual respect as well as respect for the environment and society shall form the basis of such.

3.2 STRATEGY DEVELOPMENT AND IMPLEMENTATION (SDI)

3.2.1 Environmental Analysis (SDI1)

The organisation's strategy shall be developed upon the basis of those guiding principles and the general guidelines (see OG1) and based upon a thorough analysis of the environment, while respecting the legitimate interests of key stakeholders and the principle of sustainable development, in particular Agenda 2030.

The development and updating of strategy shall be based, inter alia, on a thorough analysis of the environment. Such shall take into account the legitimate interests of all stakeholders as well as the superordinate corporate goal of sustainable value creation (*shared value*).

On this premise, the environmental analysis shall identify the strategically important opportunities and risks for the enterprise as an essential input for the formulation of the organisational strategy.

3.2.2 Organisational Diagnosis (SDI2)

The strategy shall be developed upon the basis of a thorough organisational diagnosis and the evaluation of individual strengths and potentials for improvement.

The second pillar of strategy development and its continuous update shall be periodic organisational diagnosis, which includes the identification of the organisation's own strengths and areas for improvement.

3.2.3 Strategy Formulation (SDI3)

Strategy shall be formulated, reviewed and further developed in a transparent and meaningful manner.

The normative goals (vision, mission, values), the results of the environmental analysis (opportunities, risks) and the organisational diagnosis (strengths, areas of improvement) shall create the input from which strategy is to be derived, periodically reviewed and, where necessary, adapted.

In addition to objectives relating to the targeted commercial business results, strategic objectives shall be formulated which serve to meet the legitimate requirements of the significant stakeholder groups and which relate to the key aspects of enterprise-specific responsibility.

3.2.4 Strategy Implementation (SDI4)

Strategy shall be communicated, consistently implemented, monitored and, where necessary, corrected.

Management shall demand and promote the implementation of the strategy and act credibly and effectively in their role-model function. Employees and other significant internal and external stakeholders are to be appropriately involved in the implementation of strategy. An integrated monitoring and controlling system shall provide timely and appropriate data for the implementation of the strategy and the achievement of objectives.

If necessary, in particular in the event of changes within the organisation or new environmental conditions, the strategy shall be adapted and updated in a modified form.

3.3 ORGANISATIONAL MEMBERS (OM)

3.3.1 Planning and Recruitment of Personnel (OM1)

Personnel planning shall be in accordance with normative goals and orientation as well as with strategy and is to consider the legitimate interests of all organisational members.

Long-term personnel planning is to be systematically derived from the normative goals and orientation as well as from the organisational strategy. Employee-related values, principles and conduct orientation as well as the relevant labour and social standards are to be consistently observed.

In personnel planning, recruitment and staff deployment, the legitimate interests of all organisational members are to be considered in a fair and balanced manner.

3.3.2 Staff Development and Training (OM2)

The competencies of all organisational members are to be systematically promoted and developed in line with values and strategy.

A systematic personnel development system shall exist to promote the personal development of employees and managers, their advancement and their employability on the general labour market. All members of the organisation shall be thoroughly trained according to their respective tasks and responsibilities and analogue to the normative orientation of the organisation.

3.3.3 Balancing of Interests (OM3)

A fair balance between the interests of the enterprise, the organisational units and the individual employees shall exist.

Regulations, suitable procedures and instruments (including a whistleblower program) shall be established to support a fair balance of the legitimate interests of the enterprise, the organisational units and individual members of the organisation. Compliance with statutory regulations, recognised working and social conditions, as well as individual and collective bargaining agreements, are to be guaranteed as a minimum requirement level. This shall also apply after termination of the employment relationship.

3.3.4 Participation, Recognition and Motivation (OM4)

Organisational members are to be adequately engaged in communication and cooperation within the enterprise. The recognition of performance shall support normative goals and orientation of the organization.

Structuring the communication and cooperation with employees and other members of the organisation shall ensure that they – at the minimum – are timely informed as concerns foreseeable developments, and above all as concerns strategy implementation, and are also integrated into the development processes wherever possible and meaningful.

All formal and informal management and control instruments, in particular the material and immaterial incentive systems of the organisation, are to be structured in such a fashion that integrated value-compliant decision-making, actions and conduct shall be promoted and encouraged at all hierarchy levels.

3.3.5 Knowledge and Innovation Management (OM5)

Information and know-how are to be systematically generated, made available, monitored and further developed; knowledge sharing, creativity and freedom are to be actively promoted for the sake of effective innovation management.

Together with the members of the organisation and the relevant stakeholders, all executives as well as the organisational management are to create the formal-structural as well as the informal-cultural prerequisites for effective knowledge and innovation management.

In the development, implementation and improvement of innovations, in addition to compatibility with the normative and strategic goals and the legitimate interests of the important stakeholders of the organisation, any positive effects for the sustainable development of global society and the potential for solving societal challenges are to be identified and effectively considered.

3.3.6 Duty of Care (OM6)

The duty of care of the employer shall be reasonably exercised towards all members of the organisation.

The duty of cares shall be comprehensively performed. Legal regulations, relevant standards, recognised international standards of conduct (human rights, ILO core labour standards) as well as individual and collective bargaining agreements shall be consistently implemented and complied with throughout the organisation.

To the extent that the organisation has influence and control over such and can exercise same, fair and dignified working conditions are to be successively established and tracked throughout the value chain.

3.4 VALUE CREATION (VCB)

3.4.1 Suppliers and Partner Management (VCB1)

Cooperation with important partners throughout the entire value chain shall be designed to be systematic, professional, fair, having integrity and sustainable, in consideration of their legitimate expectations.

Cooperation with partners is mutually beneficial. It is characterized by professionalism as well as by the observance of fair operating and business practices and the core principle of social responsibility, the observance of which is a core criterion, especially when selecting new partners.

Suppliers, dealers and other key partners within the value chain are to be encouraged to develop equally dignified and socially responsible working and business practices and, if necessary, are to be supported when establishing such and, in the event of violations, sanctioned as far as possible and reasonable.

3.4.2 Production and Service Provision (VCB2)

Products and services shall be systematically developed in accordance with ethical principles and the legitimate interests of significant stakeholders.

Products and services are to be systematically developed and improved in accordance with the legal requirements, ethical standards, relevant technical standards and the legitimate interests of significant stakeholders of the organisation, in particular customers and consumers.

Decisions for the development and manufacture of products shall be ethically reflected. Products and services that are detrimental to the implementation of human rights shall not be produced or supplied.

3.4.3 Marketing and Sales (VCB3)

Products and services shall be advertised and marketed effectively, efficiently and ethically correct, taking into account the legitimate interests of significant stakeholders.

Marketing and sales processes are to be structured in accordance with fair advertising, sales and contractual practices. This shall include, in particular, complete, true and unbiased information concerning the product characteristics and their potential risks for the user.

3.4.4 Performance (VCB4)

Products and services shall be produced and provided in an ethically correct manner in accordance with the stipulated and required specifications.

All products and services are to be manufactured and provided in accordance with the stipulated specifications as required by law and as necessary for their proper use. They are to be designed for sustainable use, ensuring the safety and health of customers, consumers and other users at all times.

Production processes as well as the separate process of providing services are to be structured in such a way that harmful effects on employees, consumers, society and the environment are reduced to the unavoidable minimum.

3.4.5 Customer Management (VCB5)

Customer relationships shall be systematically managed and developed in accordance with ethical principles and the legitimate expectations of customers and consumers.

The interests of customers, including those of specific customer groups as well as end-users of products and services, are to be identified, documented, communicated and regularly updated throughout the value chain. In addition to continuously conducted market research, competitive analyses and satisfaction surveys, the organisation's own stakeholder management shall also conduct regular dialogues with direct customers as well as with consumers and end-users of products and services. Legitimate interests and expectations are to be taken seriously and where possible considered - in any case such shall be responded to.

3.5 VALUE CREATION SUPPORT (VCS)

3.5.1 Financial Management (VCS1)

Financial resources shall be managed in accordance with the strategy and in compliance with legal requirements, ethical principles and legitimate societal expectations and stakeholder demands.

The organisation shall ensure the optimal availability of financial resources for the targets and issues which are essential from a normative and strategic point of view. This shall also include the maintenance of an (integrated) management system as well as stakeholder management.

When financial decisions are taken, particularly concerning investments and capital assets, the effects are to be analysed and considered for all significant stakeholders as well as for the environment, public welfare and the sustainable development of the global community. Investors who are interested in ethically correct and sustainable investments shall be given preference; taxes are principally paid where the profits are generated.

3.5.2 Facility Management (VCS2)

Buildings, real estate, equipment and materials shall be managed sustainably in accordance with their life cycle.

The design of real estate and the furnishing of the buildings, equipment and materials shall meet legal and other relevant requirements of social responsibility and sustainability, especially occupational safety, environmental protection and health protection.

Environmental friendliness and resource conservation shall play a central role in both procurement and disposal.

3.5.3 Technology Management (VCS3)

Technologies shall be developed, introduced and monitored taking into consideration side effects and remote effects as well as their potential contribution to solving societal challenges.

When planning, developing, improving or implementing new technologies, their compatibility with the normative and strategic goals as well as with the legitimate expectations of significant stakeholders of the organisation as well as their potential for solving societal challenges are to play a decisive role alongside commercial aspects.

Technologies are to be purposefully developed, implemented and monitored taking into account their life cycle, the assessment, evaluation and consideration of their negative side effects and remote effects, and their positive effects on the sustainable development of global society.

3.6 PERFORMANCE MEASUREMENT & REPORTING (PMR)

3.6.1 Commercial Results (PMR1)

The organisation's key business indicators shall confirm that it has a solid commercial foundation and operates on a commercially sustainable basis.

The organisation shall secure its existence in the long term, across generations and thus, in such sense, sustainably. Its financial success shall be based upon socially and ethically responsible activities. Its orientation is to be confirmed by the identification and establishment of suitable quantitative and qualitative measures combined with the collection of corresponding non-financial key indicators (cf. EB 2).

3.6.2 Stakeholder & Society Related Results (PMR2)

The organization shall identify key indicators that are suitable to demonstrate ethically correct, responsible actions and decisions vis-à-vis its significant stakeholders and society.

The organisation shall identify meaningful information as well as suitable qualitative and quantitative measures and collect data on responsible organisational management in essential development areas, at the minimum on the following aspects and results of its activities

- Environmental impacts (e.g. carbon footprint)
- Employee issues (e.g. employee satisfaction, fluctuation, diversity rate in supervisory and control bodies)
- Compliance with and promotion of the implementation of human rights
- Counteracting behaviour that does not respect integrity (e.g. number of documented violations of the Code of Conduct)

3.6.3 Documentation and Reporting System (PMR3)

The organisation shall establish transparency as concerns its decisions, activities and consequences against the backdrop of the legitimate expectations of its stakeholders.

The organisation shall have a networked, consistent and secure internal and external documentation and reporting system that enables it to provide target group-oriented, honest and transparent information on plans, decisions, activities and consequences relevant to its stakeholders and society.

The documentation and reporting system shall be legally compliant and refers at least to the compliance with and implementation of the normative and strategic goals of the organisation as well as to the measures taken and goals achieved for the significant development areas within the core topics of ethically and socially responsible organisational governance.