

THE THREE RULES OF GLOCAL CORPORATE CITIZENSHIP

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For nearly 20 years, Microsoft was a very successful company by nearly every standard of business performance. Its software products enliven almost every PC; its sales and market shares soared, yielding hefty returns to its stockholders and—most notably—to its founders. Microsoft was a major contributor to the US and the world community, both as a taxpayer and as a socially responsible partner, especially in poorer areas of the world where the Bill & Melinda Gates Foundation supported a number of social programs to fight disease and poverty.

In recent years, Microsoft has continued to be a successful company, but has also encountered a number of problems with American and international regulators, local competitors and community activists that threaten to derail its early successes, and it isn't alone. CitiCorp had its own share of problems with local restrictions in Great Britain and Japan, where regulators shut down its corporate investing division. Similarly, Nike's advertising campaigns have drawn the angry protests of civic groups and governments around the world.

The root cause of Microsoft's, CitiCorp's and Nike's problems is the failure of their respective leadership to strike a balance between global and local corporate citizenship. For Microsoft, this failure is most pronounced in countries like South Korea and Thailand, where the company's global "one size fits all" strategy has backfired. Such a blanket strategy invoked scores of protests by local competitors, governments, and civic groups.ⁱ "When strategies from a home market are transported abroad without modification, they may under-perform or even backfire spectacularly, as happened to Microsoft in Korea. There are national differences in policies, wealth, commercial environment, infrastructure, history, language, and so on."ⁱⁱ

Developing a sensible and *proactive*, rather than *reactive*, corporate citizenship for a glocal or semi-global market that is highly integrated and yet diverse in national and local markets is a tricky, complex, and difficult task. It is a tricky task because it requires the combination and compromise of the two opposite trends of globalization and localization that is often compounded by religious and cultural divides. It is a complex task because corporate citizenship means different things to different societies. In most European countries, good local citizenship means spreading the benefits of economic growth to all members of society, respect for workers' rights and, in some cases, mandatory inclusion of labor in business decision making. In China, good citizenship means that companies are expected to contribute to society by building and supporting schools, hospitals, etc. In Japan, good citizenship means concern for the employees' livelihood as expressed in the implicit guarantee for lifetime employment, housing subsidies, and concern over consumers' interests, as in implicit product guarantees. In America, good citizenship means contribution to charity and philanthropy.

Achieving the status of sensible corporate citizenship is a difficult task because image/reputation is a community good that must be shared and treasured by all members of the organization. One mistake by a subsidiary can destroy the image of the entire organization. How can this task be carried out? Where does good global-local corporate citizenship begin?

Glocal corporate citizenship should begin with a portfolio including a universal system of values at its core, and should be supplemented and augmented by a portfolio of regional/local values. The relative importance of each portfolio depends on the global/local content of value offerings of each corporation.

RULE 1: BEGIN WITH A UNIVERSAL SYSTEM OF VALUES

Glocal corporate citizenship must begin with a universal system of values—a common denominator of ethics practiced by culturally diverse national and local communities. However, further study of this issue conjures up difficult questions such as these: Is there such a thing as a common denominator in the values and the goals of diverse communities? Simply put, are there broadly acceptable ethics in a global society?

A good paradigm to follow for a universal system of values is the classical Greek philosophy of Plato and Aristotle, specifically ‘virtue ethics,’ wisdom, courage, self-control, and justice. ‘Virtue ethics’ are important in ensuring compatibility between the objectives of the members of an organization and those of a global community, leading to harmony and *eudaimonia*, the material and spiritual wellbeing of the individual and the community. Aristotelian ethics was never part of a religion that people had to believe without questioning its validity and rationale. In fact, the Aristotelian system was the first serious attempt to rationalize a system of values and ethics that support and reinforce individual and social harmony.

- *Wisdom*

According to Aristotle, wisdom is the “scientific knowledge,” “intuitive intelligence,” and capacity to distinguish between actions that one ought to pursue and those one ought not to pursue as well as one’s capacity to judge another person’s behavior correctly. Applying it to business, wisdom is the cumulative experience of an enterprise from its inception to the present which helps the enterprise navigate between extreme actions that may upset its internal or external relations. Understanding the importance of wisdom, every major corporation conducts internal and external training for its employees. Some companies, like the Mitsui Group, keep scripts of company wisdom that advise new generations of employees to practice prudence, frugality, and especially close cooperation (see Exhibit 1).ⁱⁱⁱ

“Wisdom,” for the purpose of this article, means global awareness and understanding of diverse standards and regulations, of different cultures, and the effect of these factors on cross-border management. North American managers, for instance, tend to be appreciative to straight answers from their employees; otherwise they consider them dishonest. European and Asian managers are appreciative of less straight answers from their employees; otherwise they consider employees rude and aggressive. Also, in keeping with the theme of corporate wisdom, companies should never promise what they cannot deliver; such blunders damage their credibility. Enron’s and America-On-Line’s woes discussed below are two cases in point.

Wisdom further means the embracing, discovery and diffusion of new technologies for the development of new products and better communication within the company and the outside world. Intralot of Greece is becoming a world leader in the gaming industry by providing state-of-the-art integrated systems, transaction processing, game content and value-added services, ensuring a secure, reliable, and profitable operation.

Yet wisdom alone is never sufficient to navigate the rough oceans of the highly globalized segment of the semi-global economy; it must be supported and re-enforced by courage to make the right decisions at a time that is ripe.

- *Courage*

According to Aristotle, “the courageous man is he that endures or fears the right things and for the right purpose and in the right manner and at the right time, and who shows confidence in a similar way....” By contrast, “he that exceeds in fear is a coward, for he fears the wrong things, and in the wrong manner, and so on with the rest of the list.”^{iv}

Courage in international business is the virtue of daring to invent and innovate, abandoning old businesses and products and pioneering new products and markets, as a Schumpeter-style entrepreneur. For example, a European company, Folli-Follie, totally transformed itself during the last six years into a “jewelry and accessories brand for the global consumer”. Two more European companies, Apivita and Korres, taking advantage of the rich biodiversity of plant life in Greece, developed natural products for “the body and the soul” and achieved double-digit market shares in the Japanese and US markets, respectively.

As one of the TDK Corporation’s motto states, “Always perform with courage. Performing power is born by confronting contradiction and overcoming it.” Courage steers one between the extremes and the vices of excess, cowardice, and recklessness. In designing its strategy, for instance, the international business leader must be daring yet cautious. Assuming new challenges indiscriminately, rushing into new markets without calculating the risks and rewards could prove a reckless venture. Contemplating venturing into a new market for too long, on the other hand, could indicate cowardice. International business leaders must further dare to assume responsibility for choices that might have adverse effects on the international or local community, and try to remedy them. Courage also means assuming responsibility for reckless behavior that can shatter the image of the corporation. As *Keidanren*, the Japanese Federation of Economic Organizations, urges its members after a host of corporate scandals were made public in 1997, “Companies must strive to meet a higher standard of ethics and to abide by the principle of ‘soft’ responsibility,” a principle that is closely related to the virtue of self-control.

- *Self-control*

Caught in a euphoria brought about by opportunity and greed, corporations, like individuals, often lose sight of their limitations and possibilities; they lose control of their destiny and become arrogant, insensitive, and self-indulgent. This, in turn, spoils their relations with the community. Self-control is about knowing ‘one’s self,’ the possibilities and the limitations of human capabilities, and how far people can go without risking failure, or spoiling relations with others. Aristotle’s message is loud and clear: “The man who runs away from everything in fear and never endures anything becomes a coward; the man who fears nothing whatsoever but encounters everything becomes rash.”

Knowing ‘one’s self’ and being self-restrictive is a difficult task, especially if the ‘one’ is an institution such as a large corporation with an international presence. How can limits be placed on such an organization? How can the management of such an

organization be kept from becoming self-indulgent, arrogant, and insensitive to the needs of the global and local communities? Two good examples are Cosmote, the leading mobile telecommunications operator in Southeastern Europe, and EFG Eurobank, the leading commercial bank in Southeastern Europe, who have possessed much self-control during the last five years, through rational use of resources, customer-centric approaches on all fronts and geographic regions, increasing their social responsibility, and continuing in their efforts on improvement, despite operating in dramatically growing and friendly markets.

For some corporations this is an impossible task. Take the cases of Enron, MCI Worldcom, and Global Crossing for instance. All these companies failed to recognize their own limitations, as well as steer away from excess and unrealistic goals, and ended up bankrupt. In 1996, in an attempt to expand the number of subscribers to its services too quickly, the management of America On Line introduced a flat monthly-rate for unlimited use. What the management failed to provide, however, was the capacity that would allow all these users to sign up at the same time, drawing scores of customer protests. In another case, AT&T became too aggressive with acquisitions, buying up companies, such as NCR in the early 1990s, which did not fit well with its core business. The company further became self-indulgent and complacent about its dominance in long-distance service and underestimated the competition that gradually chipped away its market share. Ford and Volkswagen merged their Latin American operations, only to end in a bitter and costly divorce a decade later. In yet a third case, Tyco Toys pushed its way too quickly into Europe with serious consequences for its bottom line.

However one does not have to look only to the US to find examples of companies that lost control of their destinies. A number of South Korean and Japanese companies rushed to buy assets in the US while the prices were inflated in the late eighties, only to find themselves with big losses by the mid-nineties. Matsushita's acquisition of MCA and its divestiture a few years later at a fraction of the acquired price is just one of the many cases that demonstrate how loss of self-control can shatter corporate images, hurt bottom lines, and erode competitive positions.

- *Justice*

Justice is the highest virtue in the interaction of one member with other members of a group, whether that group is a corporation, or society as a whole. This is summarized by Aristotle in the proverb: "In justice is all virtue found in sum." Justice also relates to fairness, the equitable treatment of the members of a corporation by management as well as the just treatment of partners, clients, suppliers, and the general public. What this means for the global unit of the semi-global corporation is that it should treat each and every group, and each and every member as an equal partner; an entrepreneur who shares the risks and the rewards of the partnership.

This principle must be reflected in all aspects of the global unit's organization, decision-making structure, employee recruitment, compensation, promotion practices, and working conditions. S&B, one of the world's leading industrial minerals company, and Titan Cement both promote and reward - on a quarterly basis - activities and actions that value their employees and partners and foster their development within a safe working environment of mutual trust and respect.

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Fairness further means sensitivity to the cultural mosaic of its labor force and clientele, avoiding practices and actions that may insult or humiliate its labor force or insult its consumers. In August 1996, for instance, a Vietnamese court found a manager at a South Korean-owned factory, a Nike subcontractor, guilty for humiliating workers.^v Almost a year later, and while the dispute continued between labor and management in the company's Vietnamese factories, Nike came up with an Allah-shoe model that the Muslim community found insulting. In 2004, Nike continued its provocative advertisements by featuring an American athlete killing a dragon, China's symbol of power.

Fairness must also provide the basis for the spreading of the gains of globalization, filling the vacuum caused by the weakening of local and national governments. It must contribute to the provision of funds for the creation of a safety net for small corporations and individuals who cannot keep up with the intensity of competition and the demands of new technology.

EXHIBIT 1 SELECTED COMPANIES WITH ARISTOTELIAN ETHICS

Wisdom	Mitsui Group, Nextbridge Inc., Washington Group International, Gaz de France, Seasilver, Inc., MSJ Group of Companies, Berrett-Koehler, Wisdom Consulting Group, Inc., LG Electronics, Hitachi, National Bank of Greece, Intralot
Courage	TDK Corporation, Matsushita Electric, LG Electronics, Hitachi, Folli-Follie, Korres, Apivita
Self-Control	Mc2 Management Consulting, Andercol SA, Omron Corporation, UTI Group, Cosmote, EFG Eurobank
Justice/ Fairness	Darden Restaurants, Matsushita Electric, Sony Corporation, Johnson Controls, Daystar Technologies, Symbiosis Software Development, LG Electronics, N. V. Philips, Toyota Motor Company, Nestlé, Titan Cement, and S&B

Source: Corporate Reports

In short, a good global citizenship begins with a set of universal values like the Aristotelian values, which include courage, self-control, wisdom, and fairness. Next, this citizenship must be supplemented and augmented by a portfolio of regional/local values.

RULE 2: SUPPLEMENT AND AUGMENT ARISTOTELIAN VALUES WITH A PORTFOLIO OF REGIONAL LOCAL VALUES

Aristotelian values must be supplemented and augmented by a portfolio of regional and local values (see Exhibit 2). In the US and Europe, for instance, foreign subsidiaries must pay close attention to Western values of individual liberty, worker participation, human rights, and the Christian values of wealth sharing (see Exhibit 3). In Japan, foreign subsidiaries must adhere to *Kyosei* (living and working together for the common good), and *Kinkei* (connections). This means that they must demonstrate concern for the employees' livelihood as expressed through the implicit guarantee for lifetime employment and housing subsidies; this is also seen in concern over consumers' interests as expressed in implicit product guarantees. In Korea, foreign subsidiaries must adhere to *Inmak*, that is, they must develop a social network. In China, foreign subsidiaries must adhere to *Guanxi* (a system of mutual obligations), and function as 'welfare agencies,' contributing to the needs of the community by funding schools, hospitals, roads, etc. Thai subsidiaries must adhere to the Buddhist *Santutthi* (the importance of self-restraint); Indian subsidiaries must adhere to the Hindu *Dharma* (the fulfillment of inherited duty), while subsidiaries in Muslim societies, like in the Middle East, must adhere to Muslim *Zakat* (the duty to help the poor).^{vi}

**EXHIBIT 2
SUPPLEMENTING AND AUGMENTING ARISTOTELIAN VALUES WITH A PORTFOLIO OF REGIONAL LOCAL VALUES**



While different local value systems share a number of common values, the ranking of these values varies across countries. Korea and many other Southeast Asian countries, for instance, rank family cooperation and group harmony at the top of their value list, while Americans put equity, freedom, and openness ahead of family cohesion and cooperation.

“Out of this discussion and reporting process, patterns in similarities and distinctions between the groups could be observed. For example, all Malaysian cultures (Malay, Chinese, and Indian) listed the value of ‘respect for elders’ in 100 percent of the sessions, but was not mentioned once by US participants. Family and maintaining community (and often harmony) were frequently reported by all Malaysian cultures, whereas family was mentioned sporadically by US participants, but never community. The most common distinctive values expressed by US participants were freedom, independence, and self-reliance. The Chinese distinguishing stated values included long-term accumulation of wealth, hard work, filial piety, and food. The ethnic Malays reported unique values which were hospitality, gentility, speaking softly, adherence to religious requirements, and neighborly sharing of food. The Indian groups often referred to the belief of cause and effect, such as Karma as a strong influencing value, and anxiety over what, when, and where to do things based on family expectations, and traditional beliefs.”^{vii}

EXHIBIT 3
A PORTFOLIO OF REGIONAL AND LOCAL VALUES

Region/Country	Core Values	Description
Europe	Catholicism/Protestant Ethics/Social Democracy	Worker participation, human rights, and wealth sharing
India	<i>Dharma</i>	The fulfillment of inherent duty
Thailand	<i>Santutthi</i>	Self-restraint
Middle East	<i>Zakat</i>	Duty to assist the poor, respect for authority
United States	Individual Liberties/Protestant Ethics, Openness	Individual freedom, merit, voluntary contribution to charitable organizations
Japan, Korea, and China	<i>Kyosei, Kankei, Guanxi, Inmak</i>	Symbiosis, living and working together for the common good, concern for employees’ livelihood. Emphasis on mutual obligations

In short, the global portfolio of Aristotelian values must be supplemented by a portfolio of regional/local values such as *Kyosei*, symbiosis in Japan, *Dharma*, the fulfillment of inherent duty in India, and *Zakat*, duty to assist the poor in Middle East. However the question remains: What determines the relative importance of each portfolio?

RULE 3: DETERMINE THE RELATIVE WEIGHT OF EACH VALUE PORTFOLIO

In two earlier publications, one of the authors classified value propositions crossing national and local markets into three categories: highly globalized (value propositions creating value primarily through global characteristics), neutral (creating value through equal contributions of global and local characteristics), and highly localized (creating value primarily through local characteristics).^{viii}

Following this framework, corporations that offer highly globalized value propositions must weigh the universal portfolio of values more than the regional portfolio of values in formulating their glocal corporate citizenship. By contrast, corporations offering highly localized value propositions must give more weight to the regional portfolio.

Developing a glocal corporate citizenship is a complex venture because companies are faced with two competing and contradicting tasks: being global and local at the same time. A good glocal corporate citizenship must begin with a universal portfolio of values, such as the Aristotelian values of wisdom, courage, and self-control at its core, which is subsequently augmented and supplemented by another portfolio of regional and local values. The relative importance of each portfolio depends on the global/local content of the value propositions of each particular corporation.

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- ⁱ Microsoft's missteps in Southeast Asia were acknowledged by the company's senior officials at the International Geographical Union Congress held in Glasgow in August 2004. For details, see Amer (2004).
- ⁱⁱ Sam Wilkin, "Global Differences," *Barron's*, Sept. 20, 2004, p. 45.
- ⁱⁱⁱ Leonard Koren (1990).
- ^{iv} The Nichomachean Ethics, p. 67.
- ^v *Far Eastern Review*, Vol. 159, Issue 34, Aug. 22, 1996.
- ^{vi} Donaldson (1996).
- ^{vii} Doorly (2003), p. 53.
- ^{viii} Mourdoukoutas (2006) and Mourdoukoutas and Mourdoukoutas (2004).