

## **Global Economic Ethic as Transcultural Management**

### **1. Introduction**

The Manifesto "A Global Economic Ethic – Consequences for Global Businesses" defines global economic operations as a process of competitive exchange and cooperation: Exchange of goods and ideas and cooperation between actors who follow their personal interest to realize mutual gains from cooperation. In this process it is, above all, the willingness and ability to cooperate which determine the attainable level of private success and the level of sustainable social welfare. However, cooperation and a global economy require personal, institutional and organizational foundations, without which there would be neither stability nor sustainable development. As a matter of fact, globalization is still accompanied by a massive institutional and organizational deficit up to this very day. Globally accepted and enforceable norms and rules of good and legitimate business practices are still in their infancy. There are also too few globally accepted organizations that are able to support the process of developing formal and informal rules of the game for the global economy. I am glad to say that United Nations Global Compact is one of the valuable exceptions.

Sometime, some aspects of the global economic governance remind me of a football world championship, in which the participating players and teams cultivate *different* ideas about fair-play and justice, in which common rules and institutions for their enforcement only *rudimentarily* exist (referees, sports jurisdiction, laws of association etc.), and in which there is essentially *no sufficiently powerful organizer* such as today's FIFA. We all know that

under these conditions it would not be possible to play a decent and successful match of football. And such a tournament could probably not even take place or would already have to be cancelled during the preliminary rounds. Hobbes' "war of all against all"<sup>1</sup> would run rampant and ruin any form of sportsmanship and performance. And still this scenario might be a little bit overdone but is not entirely inappropriate as a description of the conditions under which we are currently attempting to develop and stabilize a global capitalism based on cooperation.

Given this situation, a particularly strong significance must be attributed to individual leadership, personal character and virtue ethics. Don't get me wrong: they can't compensate the named deficits but they can be a resource to start a global dialogue to deal with and finally to overcome these deficits. This can only be achieved through the collective action of all economic stakeholders, and therefore the manifesto for a global economic ethic addresses not only management and entrepreneurs, but *all* economic stakeholders, thus investors, creditors, employees, suppliers, agencies, consumers, trade unions, NGO's and so forth bear responsibility for creating a framework for global economic operations together with political institutions.

As a first result I would like to state that preparing for moral leadership and contributing to an emerging global societal order are fundamental consequences from the Manifesto. One of its basic messages is that not only society is a stakeholder of the economy but that businesses are also stakeholders of the society.

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<sup>1</sup> Hobbes 1985, chapter 15.

## 2. Basic principle: Humanity

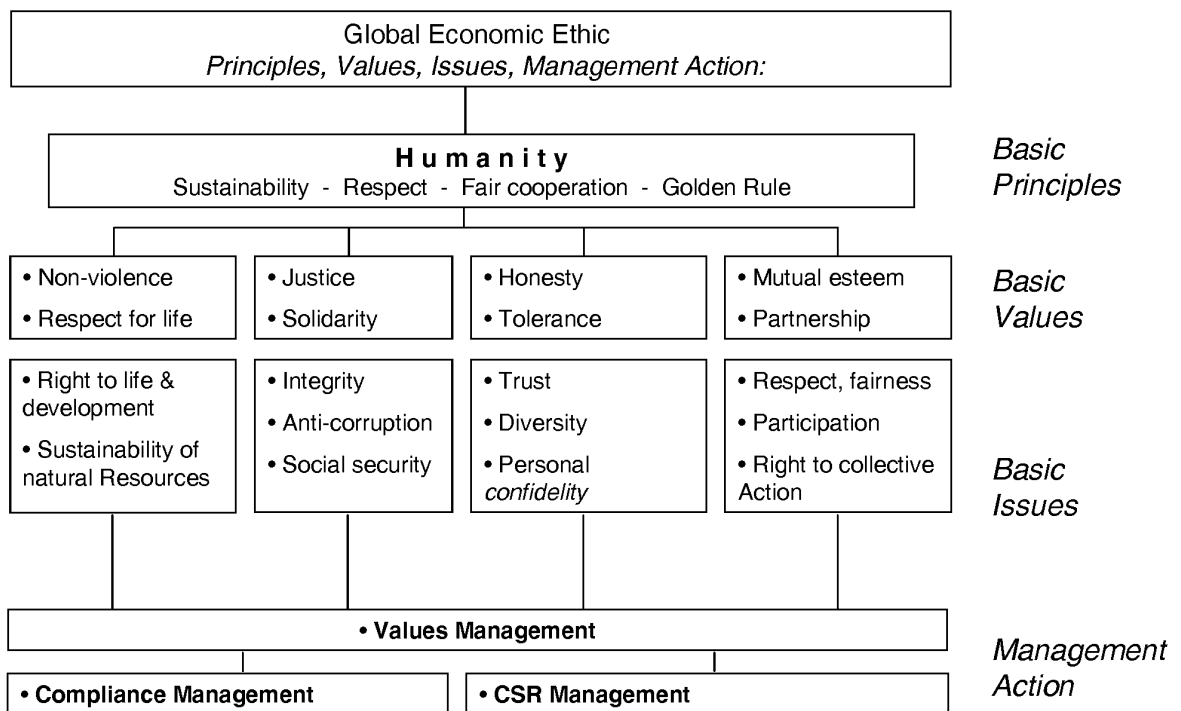
The manifesto for a global economic ethic is an initiative to develop a dialogue towards globally accepted principles and values of good business behaviour.<sup>2</sup> In order to accomplish this, a normative reference point is needed which all human beings as human beings have in common or at least could have in common and can agree upon because they are already part of global cultural practices and forms of civilization. "Humanity" is the basic moral principle and point of view of the Manifesto which serves as this normative reference point. I would like to stress one aspect which seems to me to be of some importance with regard to a global ethic. All forms of morality have their roots in practical interactions between people and are therefore bound to certain cultural groups and regions. Therefore all morality is based on an emotional feeling of *belonging to a group or a specific cultural sphere*. What we have not yet developed is a system of ethics for cooperative networks *between* cultures which is based on an emotional feeling of belonging to this network, which means *to a global world*. The aim to do so is a particularly important aspect of the Manifesto and its focus on humanity.

However, an ethical Manifesto cannot restrict itself to making proposals on the *content* of globally accepted moral norms, rather also must answer questions about their *reach*. All morality can be broken down into two aspects, namely the aspect of their material content and the question to whom these ethical standards must or should be applied. In face-to-face societies and to some extent even in nation-states the second question is answered by territory and the bonds resulting from history and everyday cooperation. However, globalization raises questions about responsibility for others under the condition that there are no longer emotionally easily perceivable community boundaries. To act morally is no longer self-evident

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<sup>2</sup> Cp. Küng 2003.

in this case.<sup>3</sup> The boundaries of morality and the methods of overcoming them therefore must be answered anew in a global world.<sup>4</sup> The answer of the Manifesto lies in *transcultural values* which have been shared by all cultures since ancient times, or which can be shared and which have proven to be indispensable in everyday practical life. The Manifesto initiates not only a dialogue about values but starts with the basic principle of human dignity, humanity, which materializes in the principles of sustainability, respect, fair cooperation, and the universal applicability of the golden rule. These principles are reflected by equally basic values of *non-violence, respect for life, justice, solidarity, honesty, tolerance, mutual respect and partnership* (see illustration 1).



*Illustration 1: Principles, Values, Issues and Management Action for a Global Economic Ethic*

<sup>3</sup> For this idea cp. the German writer Bernhard Schlink (2009): „The decisive point is in fact the problem of borders of morality and its overcoming; the problem of coordination and cooperation, the distribution and the balance transcending nations, beyond nations and their spheres of interests and influences.”

<sup>4</sup> Cp. Dunning 2003.

From the perspective of the Manifesto these principles and values define the fundamental responsibilities and demands for economic activities. They include, for example, the right to development for all stakeholders, the commitment to the sustainable management of natural resources, integrity in business life and efforts to create a social security system, the appreciation of diversity and trustful interactions between those involved in economic activities based on respect, as well as the possibility to take part in economic activities. At the end of the day this is not merely a question of having a CSR or Compliance program including a sustainability and compliance office. The Manifesto is about a values driven business model that places certain demands on the moral awareness of business leadership, on the formation of a corporate culture and communication and the process of implementing effective policies and procedures for morally sensitive business areas. The Manifesto asks for an *ethics of governance*<sup>5</sup> in the truest sense of the word: how do we lead, manage and monitor business organizations?

### 3. The common bond

The management challenge of the Manifesto is to develop a *Transcultural Management System* (TMS). Unlike inter- and multicultural management it does not begin with the ethical difference(s) between nations and/or cultural regions, rather with the declaration that all human cultures have common collective ethical values and experiences.<sup>6</sup> The recognition of differences and tolerance as a form of behaviour towards others are necessarily the elementary objectives of inter- or multi-cultural diversity management. The transcultural approach of the Manifesto accepts and supports these goals, but also and moreover strives to develop a management culture which embodies jointly developed transcultural virtues, and these transcultural virtues form a *common bond* through all culture differences. In my view, the Manifesto is not about exporting or creating a uniform global economic

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<sup>5</sup> Cf. Wieland 2006 and Wieland 2001

<sup>6</sup> Cf. Welsch 1999.

culture and overcoming diversity. On the contrary, it is instead aimed at linking national cultures, professional cultures, entrepreneurial cultures and individual cultures into a *network of diversity*, which is governed by a tie of common and shared principles and values.

Transcultural management is a continual learning process for individuals and organizations which occurs in everyday business conduct. Management education, be it in management schools or in firm specific continuous learning programs, will play a crucial role in making the Manifesto a living document.

I have already pointed out that the effectiveness of values depends on an emotional reference to a social community. As for the transcultural values of the globalized world, that means that they can only be further developed if the dominant feeling about globalization is not fear and rejection. Globalization must be seen, felt and accepted as a positive way of life. We live in different worlds, but after all we do live in *one* world. Adding a positive connotation to this is a third idea that the Manifesto puts forward. On the level of business organizations this means integrating transculturality into the management of diversity.

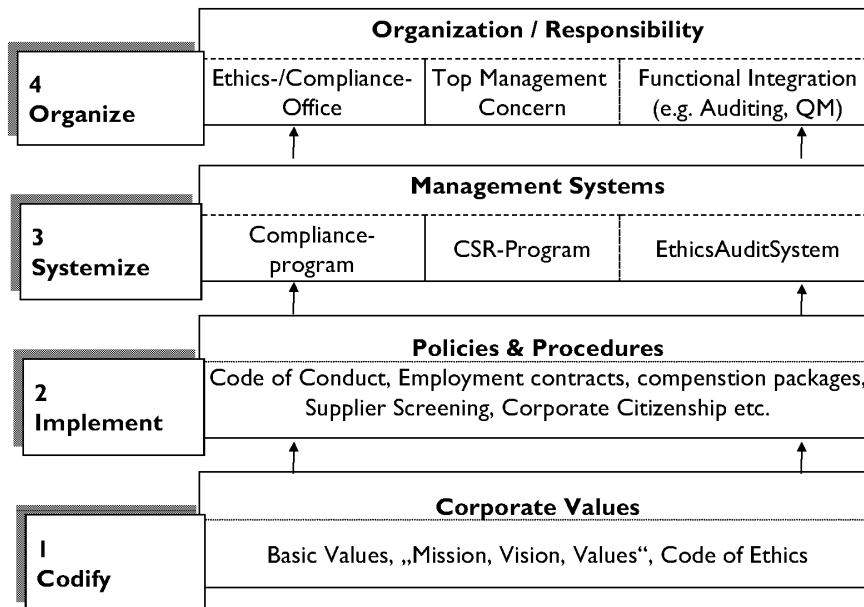
#### 4. Manage values on a transcultural level

Philosophy and business ethics distinguish between individual, organizational and institutional ethics. I have already emphasized that the Manifesto is oriented towards a transcultural virtue ethics because the creation of a global ethical order depends to some extent on individual commitments and the examples set by all involved stakeholders. But virtue ethics must be embedded in a governance structure and so in a Corporate Governance<sup>7</sup>, which provide *incentives* to follow the individual notions of virtue and which *support* individual actors in doing so. Such systems are Values Management

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<sup>7</sup> Cf. Wieland, Josef 2006.

Systems (VMS) which represent a four-stage procedure<sup>8</sup>; see the following illustration.

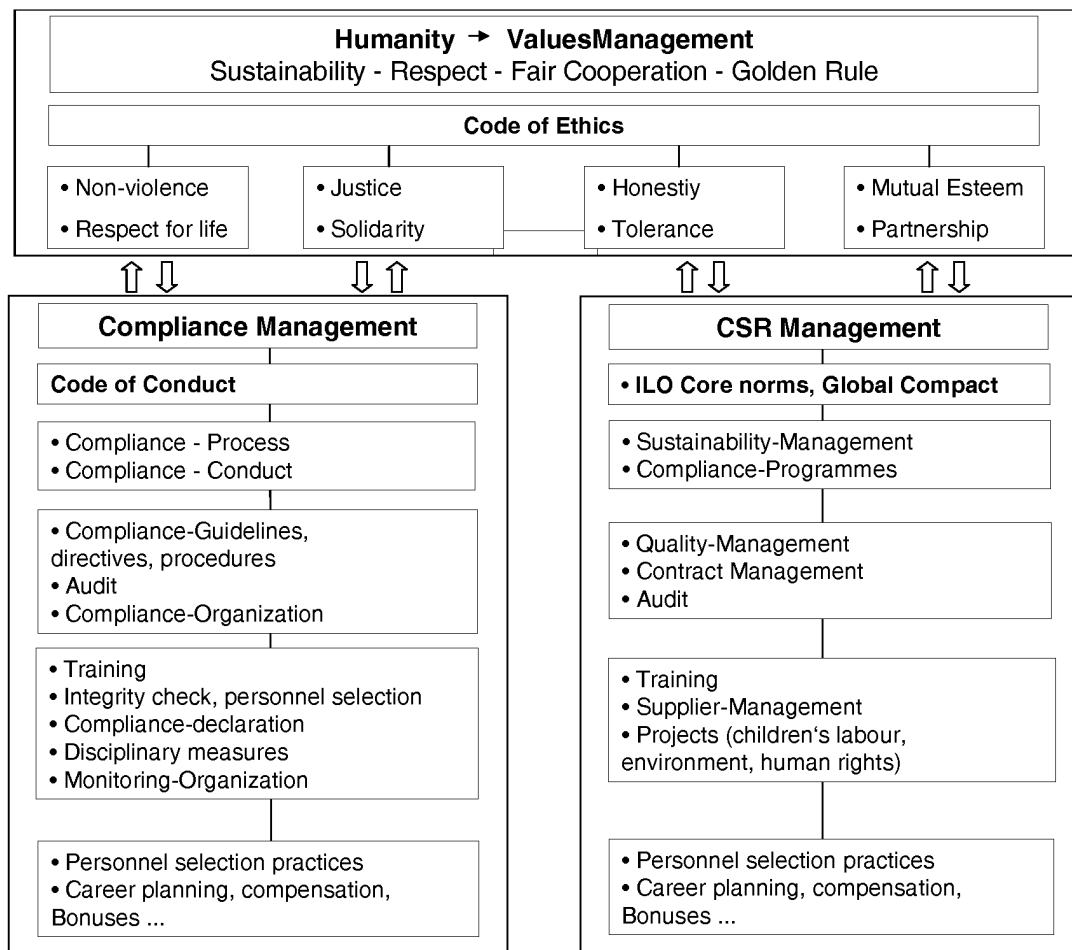


*Illustration 2: The four steps of the ValuesManagementSystem*

In the first step it is fundamental to define the ethical principles and values which are to guide behavior within and between firms and their stakeholders. Values are important because they give orientation for decision making, shape the moral perception and help to build up a moral identity of individuals and organizations. Therefore it makes a fundamental difference by which principles and values global economic transactions are guided. The Manifesto itself proposes the clear principle of *humanity* which bases management activities on sustainability, respect, fairness, and mutual cooperation. One important goal of these four values is to check opportunistic behaviour which is aimed at increasing one's own utility at the expense of others and confuses personal interest with egoism. Opportunism undermines and destroys cooperation. "Be ready and willing to cooperate with others" – this appears to me to be the fundamental ethical concern of

<sup>8</sup> Wieland/Grüniger 2003.

the Manifesto which must be implemented in a professional Values Management System.



*Illustration 3: Transcultural Values Management, Compliance Management and Corporate Social Responsibility (CSR) Management*

Illustration 3 demonstrates how transcultural values influence organizational behaviour. As a rule, a Values Management System (VMS) operates to the extent that the codification of the company values (Code of Ethics, step 1 of a VMS) determines the standard values for all detailed regulations to be implemented (Code of Conduct, Norms of social responsibility). They are then systematized by means of instruments, communication and reviews (Guidelines, Training etc., steps 3 and 4 of a VMS). Finally, an appropriate and responsible organizational structure enables the coordination of the processes (step 4 of the VMS). Management as role model is absolutely



decisive. The frequently evoked “tone at the top” or “tone from the top” is indeed important and a success factor which can not be overestimated; as Klaus Leisinger has emphasized, too:

“The members of top management set and communicate the right ‘tone’ and inspire others as a role model for good personal and corporate conduct. They send out signals both within and outside the company to show that ethical concerns are important and that they are concerned with things that go beyond the day-to-day routine and are of importance beyond the economic sphere. As a result, management elites have immense influence on the creation of a coherent ‘moral community’ – this, by the way is true in the widest variety of cultures.”<sup>9</sup>

## 5. Conclusion

To conclude I would like to once again briefly summarize four particular characteristics of the Manifesto.

*First:* The Manifesto aims for a multi-stakeholder network. All economic stakeholders bear responsibility and they share the moral dilemmas of a global economy.

*Second:* The Manifesto is aimed at the development of a *cooperative network between cultures*, which is governed by common principles and values that are shared in everyday business practice. This network of diversity accepts differences, but links them with a *bond of shared ethical standards*. Precisely this makes the Manifesto a *document of transcultural virtue ethics*.

*Third:* The Manifesto defines the principles and values of individual virtue ethics, which must be reflected in the character and attitude of leading economic stakeholders. However, since these principles and values are derived from shared practical economic and social experiences, they must

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<sup>9</sup> Leisinger in his speech at the symposium “Global Economic Ethic – Consequences for Global Businesses” on October 6<sup>th</sup>, see: <http://www.globaleconomicethic.org/>

also be reflected in the *management system*, which should provide incentives and support for the realization of moral demands in everyday business.

*Fourth:* Such management systems are Values Management Systems (VMS) and *Transcultural Management Systems* (TMS) which feed the principles and fundamental values of the Manifesto into everyday business life. They do so by structuring the leadership culture, the individual leadership style, the corporate and business culture, and the way and means of communication, the tone from and at the top. This in turn provides the basis for organizing all values-sensitive areas of a business with ethically oriented policies and procedures.

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