The Future International Manager

A Vision of the Roles and Duties of
Management

Edited by

Laszlo Zsolnai
Corvinus University of Budapest

and

Antonio Tencati
Università Bocconi, Milan

palgrave
macmillan

8 Cooperating with Social and Political Actors

Zsolt Boda, Eleanor O'Higgins, and Kuno Schedler

8.1 Existing challenges and deficiencies

Today, businesses are operating under growing complexity. As part of the complexity, companies must cope with the cultural diversity imposed by globalization, new and sophisticated technologies with unpredictable effects on life and health, and deepening environmental problems alongside issues of sustainability.

As part of these challenges, managers must deal with the disparate expectations of increasing numbers of stakeholders. Foremost among these are civil society organizations (CSOs) and government actors. Responsible management requires cooperation with, and inclusion of, these different actors in decision-making. Among the CSOs business enterprises must consider today are environmental groups, trade unions, consumer protection organizations, and representatives of local communities. Working with CSOs is not necessarily an easy task, since they may represent different cultures and particular approaches to business-related social issues that can conflict with typical business objectives.

In a globalizing world, companies seeking to internationalize their businesses are confronted with differing governments and jurisdictions. It is not enough to understand the technical aspects of production and the market dynamics in different countries. Perhaps more importantly, the global manager will have to understand the role and working procedures of government institutions in a given country. For example, if a company is trying to initiate production in a country such as China, it will be necessary for the manager

to understand that politics and politicians generally play a much greater role there than in Western countries. An essential aspect of cross-cultural understanding always includes the cultural differences in the government sector.

The governance problems of the global economy also underline the necessity for businesses, governments, international organizations, and non-governmental organizations (NGOs) to work together in setting and enforcing norms at the global level. Companies and managers should develop new skills and new sensibilities for working successfully, and in an ethical manner, in those multistakeholder governance systems.

8.1.1 Businesses and civil society organizations

CSOs have gained importance in public life. They increasingly influence politics, business regulations, and social services provisions. This experience is confirmed by research. At the beginning of the 1990s, developed country CSOs, especially those of the United States, increased their resources through substantial donations (Princen & Finger, 1994). CSOs trade at least USD1.1 trillion worldwide, provide more aid than the World Bank, and employ more than 19 million people (Bendell, 2000, p. 16). Sociological research has demonstrated that while trust in politics and business has been slowly but steadily eroding, confidence in CSOs jumped significantly in the 1990s (Inglehart, 1997). Analysts say that from the mid-1990s the phenomenon of "global civil society" has emerged (Anheier et al., 2001).

A possible explanation for this development is offered by Ulrich Beck in his seminal book about "risk society" (Beck, 1992). Beck argues that growing technological and institutional complexity triggers a perception among people that quality of life is under threat by the risks of the complicated systems that organize our society. He predicted that issues of "sub-politics" (policies related to food, energy, environment, etc.), which had been previously considered highly technical matters, would gain political importance. He also predicted the growing importance of CSOs in "problematizing," or dealing with, those sub-political issues. We see that his predictions have certainly materialized in the early part of the twenty-first century.

Two aspects of the flourishing of civil society deserve attention here: first, the values-driven nature of CSOs, and second, the fact

that they are increasingly turning toward business with their criticism, expectations, and demands or offers.

First, theorists argue that in the postmodern era the civil movements are more and more motivated by inherently ethical values. According to the well-known postmaterialization thesis of Ronald Inglehart (1997), values in developed societies have moved from the so-called materialistic values (economic welfare, physical security) toward postmaterialistic ones (quality of life, valuable human relations, self-expression, self-realization, responsibility toward the world, etc.). Inglehart also argues that CSOs are paradigmatically representing those postmaterialistic orientations. This has an effect on CSOs as well: while the NGOs of the "modern society" might have represented the interests of a given social group, the CSOs of today's "postmodern society" are typically organized around ethical values. For instance, Eder (1996) argues that the green movement is more and more values-driven and fuels a discourse about the "good society." Another relevant example of the transition to values-driven CSOs is the consumer protection movement, which has traditionally represented the interests of the consumers. It has moved toward ethical consumerism, embracing fair trade, ethical supply chain management, environmentally sustainable products, and so forth. This shift is apparent even in the case of classical consumer protection organizations such as Consumers International (Boda & Gulyás, 2006).

Second, CSOs are increasingly turning toward business. This approach is largely explained by the power shift that occurred from governments to companies, as CSOs have discovered that it might be easier and more fruitful to approach businesses with their criticisms and demands (Newell, 2000). For instance, the traditional way for an advocacy group to change business practices is to lobby the government for a new regulation. However, it may turn out that approaching companies themselves could be a much simpler and more successful strategy (Harrison et al., 2005). The ethical consumerism movement is a powerful representation of this approach; boycotts, media campaigns, and similar tactics are perceived as a real threat by companies. At the same time, other CSOs aim at developing cooperative relations with companies, partly because they need businesses' resources (money, knowledge) in order to operate effectively.

Values-driven, company-focused CSOs are also very active in the field of global business regulation. The well-known problem is that

"the usually reliable backdrop of national law, the local legal order which tends to ensure a minimum level of compliance for domestic corporations in domestic markets, is missing in the international scene" (Donaldson 1989, p. 31). The lack of world government implies that social actors should regulate themselves. This would be "global governance," a concept popularized by the Brandt Commission on Global Governance. The Commission's often-quoted definition of governance goes as follows:

Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.

(Commission on Global Governance, 1995, p. 38).

Indeed, a growing literature about "private authorities" (Hall & Biersteker, 2002; Haufler 2001), "governance structures and international regimes" (Petschow et al., 2005), "partnerships" (Bendell, 2000), and "global business regulation" (Braithwaite & Drahos, 2000) suggests that globalization is not void of multifaceted regulatory efforts, which come from different sectors. Besides international organizations, businesses and CSOs are also active in setting and promoting norms.

In sum, the altered perception of risks, value shifts in postmodern societies, and legitimacy crises of the traditional sources of authority (science, business, politics) explains the growing significance of CSOs. Meanwhile, the growing power of business, the perceived weakness of governments, and the lack of global regulatory institutions make them turn increasingly toward companies. Businesses must acknowledge CSOs as part of a new social reality.

Obviously, this reality offers both opportunities and threats to the different social actors. The opportunities include learning and benefiting from each other, developing win-win situations for themselves and society at large, and promoting values and norms. CSOs may learn practical and management skills from their business partners,

while companies may strengthen their organizational cultures and values thanks to CSOs. Businesses may build social and reputational capital from this kind of cooperation and they may reduce risks posed to their operations. Companies may provide substantial resources to CSOs, but CSOs have their own resources as well: specific knowledge and sensibilities. Ideally, CSO-business cooperation should yield benefits in terms of win-win situations, those situations in which larger social and environmental aspects are harmonized with profit interest. Finally, CSOs and companies, possibly in combination with other social partners, including international organizations (for example, international financial and trade institutions [IFTIs] like the World Bank), may develop governance schemes and best practices which can influence and regulate other businesses as well. CSOs can promote the transparency and accountability of the firms.

Corporate-civil partnership and stewardship initiatives in specific sectors also flourish. Promising examples like the Marine or Forest Stewardship Councils (see also Chapter 3), and the growing number of multistakeholder management standards and codes, raise the hope that governance without government could be achieved, and that social and ecological sustainability could be achieved through agreement among the different social actors. For instance, in his study about the presence of basic ILO (International Labor Organization) standards in codes, Jenkins (2002, p. 18) argues that "multi-stakeholder codes (...) are likely to be more demanding than either business association or individual company codes since they are the result of negotiations with other stakeholders such as trade unions or NGOs, which (...) are likely to make more stringent demands in terms of what they expect from codes." Indeed, 65–95 percent of the multistakeholder codes include the basic ILO standards.

Box 8.1 The Forest Stewardship Council (FSC)

FSC is an independent, non-governmental, not-for-profit organization established to promote the responsible management of the world's forests. It was initiated by the World Wide Fund For Nature (WWF) and has been developed through a "bottom up" approach using inclusion: the most important stakeholders,

companies, and NGOs have been invited to join the FSC and its activity has been based on the deliberation and cooperation of the parties. It was established in 1992 by a group of timber users, traders, and representatives of environmental and human-rights organizations.

This varied group of people all agreed on the need for a system that could credibly identify well-managed forests as a source of responsibly produced forest products. Since its inception many different stakeholders around the world have worked with the FSC in its equitable participatory processes in support of responsible forest management. However, also since its early days, FSC has often been criticized by conservative industries that do not believe in sharing decision-making with social and environmental stakeholders. Much like conservative industries, some environmental stakeholders believe that confrontational campaigns are a more appropriate conservation tool than equitable, participatory, solutions-oriented approaches. FSC believes that it is part of the solution for the conservation of natural forests and that a full set of different complementary conservation strategies are necessary to protect and maintain the world's forests.

FSC now provides standard setting, trademark insurance, and accreditation services for companies and organizations interested in responsible forestry. Products carrying the FSC label are independently certified to assure consumers that they come from forests that are managed to meet the social, economic, and ecological needs of present and future generations. FSC has offices in more than 45 countries. Currently, about 60 percent of FSC (International) funds comes from charitable foundations, government donors, and business contributions. The other 40 percent is collected from fees (membership, accreditation, and others) and services rendered.

Source: <http://www.fsc.org>

Many instances of CSO-corporate partnerships exist and they provide many benefits to all parties and the wider community and society. However, we should not forget about the possible risks and threats inherent in such collaborations. Some of them relate directly

to the CSO-corporate nexus; however, some others are more general concerns about the legitimacy and feasibility of such cooperative relationships.

- *Organizational interests:* The ultimate aim of businesses is to create value for their shareholders, and this limits their ability and willingness to build effective partnerships with CSOs for a more general social or environmental objective. Thus, CSOs may suspect that businesses are engaging merely in opportunistic behavior, led by PR benefits rather than true commitment. In parallel form, CSOs are concerned with their own public image and may worry that working with companies will generate conflicts with their membership or fundraising base (Elkington & Fenell, 2000, p. 152).
- *Cultural conflicts:* Businesses may experience difficulties in addressing the broadening sustainability agenda of CSOs, and they may find it hard to accept or tolerate the language and attitudes of CSOs. Crane (2000, p. 170) suggests that in a corporate-CSO cultural conflict, companies are not very willing to make an effort to get closer to the CSO's standpoint. The attitude appears to be that if cultural differences exist, then it is the pressure group that must adapt, not the business.
- *Particular interests:* Obviously, civil society and its organizations are not necessarily the ultimate guardians of ethical truth. Not only companies, but CSOs too represent their own organizational interests and agendas. Moreover, they are obviously driven by the worldviews, commitments, and visions of their members and leaders, which are by definition partial worldviews and commitments, even if they aspire to represent higher, or even universal, values. The two cases described by Ali (2000) illustrate the point: in both cases a conflict emerged between environmental CSOs that opposed uranium mining projects and indigenous people who did not necessarily reject the projects as such and were interested in job creation. It is difficult to declare that the environmental values propagated by the greens automatically have higher ethical legitimacy than the social problems of local people. More generally speaking, why should we accept, and recognize as legitimate, agreements made by private companies and non-elected social activists? Do they

represent the common good or just a contingent harmonization of particular interests?

- *Lack of democratic procedures:* Critics such as Guy Hermet argue that the concept of governance, which implies the cooperation and partnership of different types of social actors, is a very problematic one (Hermet et al., 2005). It builds upon the inclusion of stakeholders, but how are they selected and their representatives elected? New stakeholder groups can always be presented, or even created, and negotiations can be prolonged indefinitely because new groups may present themselves as stakeholders. This is an arbitrary process of stakeholder selection, where those with greater resources also have a greater chance to influence the policy outcome. In other cases, stakeholders are somehow co-opted by the actors, but does this not lead to some kind of corporatist model? Basically, the whole partnership model may result in the questionable privatization of the common good, since particular social actors are shaping the agenda, among them private organizations (corporations).
- *The decision-maker:* The partnership concept is based on negotiation, but who is the final decision-maker? Negotiations can last for years if nobody is in a position to make decisions. This might be an especially hard challenge to face in situations where piecemeal improvements are not viable, and basic cultural value conflict prevents the parties from reaching an agreement. Schwarz and Thompson (1990) argue that different social actors may represent or carry different policy cultures between which reaching a compromise may not be possible.

8.1.2 Businesses and governments

The government sector should not be seen only as a bureaucracy that burdens business in a globalizing world. Rather, the government sector and the delivery of public services can also be considered a business opportunity for private companies. Companies such as France-based *Suez* or Germany-based *RWE* demonstrate impressively how the delivery of public goods can be used to earn money. In 2007, *Suez* alone sold water and waste services worldwide for an equivalent of EUR 12 billion, and energy for EUR 35 billion. Basic requirements of cities and communities are met by these and other

private companies with a for-profit interest, which creates a dilemma for these companies: on the one side, their core interest is to earn money with their services, and on the other, their services are at the core of the needs of society. If the price for water, for example, rises due to necessary investments by the company, social problems may result. The great moral challenge for global managers working for such companies is not to abuse the factual monopoly situation for maximizing profits, but rather to tame their economic desires for the sake of a sustainable development of the regions in question.

As has been shown for Europe by Guay and Callum (2002), an increasing tendency toward cooperation and/or mergers in the defense industry leads to a factual Europeanization of defense systems. What the European Council in combination with national defense ministers did not achieve has been made possible by industry manager. This relative success in policy matters places the global manager—expectedly or not—in the driver's seat in European politics. Thus, a new ability for the manager has emerged: being a leader in a politicized area of industry.

Globalization leads to larger structures of internationally operating companies, and indeed, some of the very largest multinational and transnational corporations (MNCs; TNCs) constitute larger "economies" than some of the smaller national economies. Wal-Mart is bigger than Norway, Royal Dutch/Shell Group is bigger than South Africa, and Ford Motor Company is over twice as big as Nigeria. Of the largest 100 economic actors in the world today, 51 are corporations and 49 are countries. It has been estimated that the world's 500 largest companies control at least 70 percent of world trade, 80 percent of foreign investment, and 30 percent of global GDP.

The position of businesses vis-à-vis governments has changed considerably in the past two decades. It is already common knowledge that economic globalization has created new opportunities for multinational companies, which have grown in number and size and control an increasing share of global resources (capital, knowledge) or the flow of resources (trade of goods and capital flow). Economic globalization alone has shifted the power balance between the mobile companies and the immovable social actors, including governments. It has also decreased the power of governments to regulate business or the negative externalities associated with its operation, and has rendered raising tax revenues to finance public

goods and services more difficult. On the other hand, critics say, governments have difficulties in coping with the challenges of our times: technological complexity, accelerated decision-making, global trade, and increased competition.

One of the most prominent innovations in business-government relations is the creation of so-called *public-private partnerships* (PPPs). Ideally, such partnerships combine the strengths of both partners for the sake of a more efficient and effective production of public goods:

- Public partners (governments) have the competence for regulation, such as the collection of user charges. Additionally, they are usually in a legitimized position, with political support of their activities. Frequently, they have developed a political astuteness over time, which helps to implement even complex and socially relevant projects. Lastly, governments can use public (tax) money to collectively fund certain projects that would otherwise not have found a funder.
- Private partners (companies) most often have better know-how in managing the business in question. Their decision processes are more efficient and clearly focused on economic thinking, so the partnership can benefit from their business experience. Funding by privates is not a political or democratic decision; it follows the rules of returns on investment. Therefore, it may be easier for politicians to use the private money for their projects as they don't need formal political support for the investments involved.

A similar category of innovative solutions is the creation of (policy) networks for problem solving. Policy networks are—in contrast to corporate networks or network industries—most often characterized by an informal arrangement. Partners from different areas and with complementary expertise form a network, as they realize that their joint problems can be solved more efficiently and/or effectively when their competencies are linked with each other. Most studies show that policy networks, such as those for regional/urban development, are more innovative than isolated government organizations. Most often, successful networks rely on the support of strong leading partners from the private sector—for example, representatives from companies in the region that have a vital interest in the formation of an industrial

cluster—and/or government officials. The latter bring into the network their expertise in political processes and—not rarely—public resources.

As much as these new models of cooperation between the private and public sectors can bring success, they also bear potential problems that should not be underestimated:

- Networks are fragile, as they rely on win-win situations with voluntary membership. If conflicts arise, there is a latent danger that important members could leave the network. Thus, policy networks often attempt to avoid conflicts, for example by excluding difficult topics from the agenda.
- Networks are often innovative in the first phase but tend to sclerosis in the long term. When networks are funded with public money, the cash flow may depend on the existence of the network rather than on its effective problem solving. To defend the flow of money, so-called rope teams (long-term insiders) can develop, which tend to exclude new potential members. As innovation is risky, sclerotic networks increasingly avoid real innovations.
- PPPs have higher transaction costs than self-producing governments. Although it may be economically interesting for a private company to partner with the public sector, the intensity of public control will be higher than private partners are used to. The accountability that comes with public (tax) money is incomparably higher than any similar reporting requirement in the private sector. A suspicious public will ask for more intense control in PPPs than in government, once some infamous examples of PPP failure are known.
- PPPs lead to a clash of cultures between private and public administrations. Not only are private for-profit while public administrations are not-for-profit, they also have different incentives, success factors, and working procedures. Over time, these differences can become very irksome and exaggerated, especially when challenges arise. While for private, time is money (time-to-market is a success factor), for public administration, more time may be needed to ensure legality and democratic legitimacy. Quite often, the private partners will find the decision time of their public counterparts much too long, given that PPPs are created to deliver services better, faster, and more cost-effectively. In return, public partners will tend to consider fast decisions as ill-thought out.

- In addition to what has been said, it is argued that networks and PPPs undermine political control of public service delivery. Although public administrations partnering with private are accountable to the city authority, the private partners may not feel so inclined. And even if the local authority is paying money into a policy network to support it with necessary resources, the private sector members may not feel obliged to be controlled by the authority despite the public funding. While the cultures of different countries may vary, political/government relations is an important issue with which the global manager has to be able to deal effectively.
- The supply of public services by private providers may be open to corruption in the securing and implementation of contracts. Such corruption can occur at all levels of government. The most notorious sectors for bribery are public works/construction, arms/defense, oil/gas, real estate/property, telecoms, mining, and transportation, according to Transparency International. Siemens, the German electronics company, has been embroiled in a bribery scandal whereby it operated a fund of EUR 200 million to bribe officials in various countries, including Austria, Switzerland, and Greece, in order to gain contracts. The defense industry has a longstanding negative reputation when it comes to corruption. For example, in the 1970s, Lockheed Corporation, the American aircraft manufacturer, was involved in a series of scandals in various countries wherein the company paid kickbacks and political donations to gain lucrative state contracts. In one of these, the Japanese prime minister was forced to resign when it was discovered that bribes had been paid to members of his party by Lockheed in return for aid in selling planes to All-Nippon Airlines. In The Netherlands, Prince Bernhard, husband of then-Queen Juliana, accepted one million dollars in exchange for providing contracts and helping the firm win a government order for Starfighter 104 planes. The scandal overshadowed the prince's proud reputation as a wartime resistance leader; he was stripped of his rank in the armed forces and forced to resign from all business commitments. The prince had also accepted bribes from UK defense company BAE, which has more recently come into the limelight for bribes allegedly paid to firms to help win orders from Saudi Arabia, and other countries, for Tornado fighters and other aircraft, weapons, and support

services, including bases in the country. The company operated a GBP 60 million slush fund, used to bribe Saudi officials with exotic holidays, expensive cars, and lavish entertainment.

8.2 New approaches and good practices

The world faces problems that are of such scale that they cannot be resolved without collaboration among many actors. Many of these problems cut across the agendas of government, civil society, and private enterprise, and cannot be solved by any one of these parties acting alone. Some examples are climate change; environmental sustainability; global financial crises; poverty; healthcare deficits; human rights violations; natural catastrophes such as typhoons, earthquakes, and flooding; energy insecurity; and food and water insecurity. Moreover, these problems are interrelated, thus intensifying the need for collaboration to help solve them.

The chapter has already outlined the development of partnerships between business and CSOs and business and government, as well as the obstacles inherent in such relationships. However, the obstacles do not negate the validity of these collaborative arrangements. It is a matter of overcoming the obstacles, to which we now turn.

A further extension of the trends in partnerships outlined earlier is the development of supranational partnerships and conventions, which may include multiple governments or government departments (for example the UN, OECD, EU), CSOs, corporations, and labor organizations. An example is the UN Global Compact, a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption. The Global Compact is a purely voluntary initiative with two objectives:

Box 8.2 The Ethical Trading Initiative

The UK-based Ethical Trading Initiative (ETI) is another supranational endeavor. It is an alliance of companies, non-governmental organizations, and trade union organizations established to promote and improve the implementation of corporate codes of practice that cover supply-chain working conditions. Since its inception in 1998,

it has disseminated a raft of best-practice tools and guidance on ethical trade, galvanized industry-wide alliances that have brought about considerable change for workers, and strived to bring material benefits to the workers in their supply chains through its members' activities. Its 52 corporate members include many of the UK's leading retailers (Tesco, Sainsbury's, and Marks & Spencer to name a few). In 2007, it instigated 54,000 separate actions to improve worker conditions among a supplier base of 38,000, collectively touching the lives of more than six million workers.

ETI's aims for the future include

- making sure that the prices paid by companies to their suppliers allows the latter to pay their workers wages on which they can afford to live;
- helping workers help themselves—making sure workers are actively engaged in ethical trade, which includes helping them learn about their rights and creating the space for them to organize themselves and bargain with management through trade unions and other structures; and
- tackling the issues of particularly vulnerable workers—continuing to develop concerted approaches to tackling the needs of vulnerable workers, including homeworkers, smallholders and their workers, and migrant and contract workers.

Source: <http://www.ethicaltrade.org>

mainstream the ten principles in business activities around the world; and catalyze actions in support of broader UN goals, such as the Millennium Development Goals (MDGs), among which is the eradication of poverty. The Global Compact involves all the relevant social actors: governments, who defined the principles on which the

Box 8.3 The "Publish What You Pay" campaign

An example of a global initiative that depends on both external and values-based enforcement measures is the "Publish What You Pay" (PWYP) campaign designed to combat corruption in extractive industries. PWYP encompasses wide-ranging global

collaboration. It was launched in June 2003, with the aim of helping citizens of resource-rich developing countries hold their governments accountable for how revenues from the oil, gas, and mining industries are managed and distributed. The campaign, backed by a worldwide coalition of over 170 non-governmental and civil society organizations, was founded by Global Witness, George Soros' Open Society Institute, Oxfam, and Transparency International. It calls for international regulation requiring the disclosure of net taxes, fees, royalties, and other payments made by companies to governments in all developing countries where they operate. The PWYP campaign has integrated detection with enforcement by proposing that payment disclosure should be made a condition of listing on major securities exchanges. In the absence of a regulatory mechanism, the campaign proposes that the World Bank could act as a clearing house to collect and synthesize information. The World Bank could also use its leverage to ensure that revenues flowing from extractive projects are placed in escrow accounts, transparently and accountably managed.

Source: <http://www.publishwhatyoupay.org>

initiative is based; companies, whose actions it seeks to influence; labor, in whose hands the concrete process of global production takes place; civil society organizations, representing the wider community of stakeholders; and the United Nations, the world's only truly global political forum, as an authoritative convener and facilitator.

Of course, many international initiatives, such as the UN Global Compact, are voluntary; adherence to principles is based on social pressure, enlightened self-interest, and/or values-based principles of conduct. All of these may be invoked to enforce goodwill in the partnering process.

Examples of active company involvement in collaborative large-scale efforts also abound. Sometimes they are driven by external pressures and practicalities, especially when a company is seeking a "license to operate." For example, when Exxon, the oil company much criticized for its social and environmental record, contracted to build a pipeline carrying oil from Chad, a central African country, the company was placed under certain obligations to make provisions for health and education resources for the affected local population.

These conditions, and others regarding environmental preservation and essential facilities for the inhabitants, came about after pressure from up to 250 NGOs and the World Bank (Useem, 2002). Another example of corporate involvement is PepsiCo, which has joined up

Box 8.4 Civil Society Dialogues and the European Transparency Initiative

The European Union has had a long tradition of social dialogues, which means consultations with trade unions and business organizations. However, civil society organizations were not involved in or invited to these proceedings early on. The first Civil Society Dialogue was launched by the DG Employment and Social Affairs (DG 5 at that time) in 1996—nowadays this kind of forum is extensively used by the different DGs, and CSOs are encouraged, and even empowered (travel costs are covered by the European Commission, for instance), to attend the meetings. The Amsterdam Treaty, in 1998, was the first official European document to mention the role of CSOs. Since the 2001 White Paper on European Governance identified a legitimacy crisis of the EU, principles and measures that foster increased participation of its citizens and their organization into European policies have been formulated.

The European Transparency Initiative (or ETI) is one of the ways the Commission seeks to further strengthen public trust in EU institutions, through increased openness and accessibility. Launched in 2005, the ETI has four main components:

1. Increasing the transparency of interest representatives seeking to influence EU decision-making and upholding minimum standards of consultation;
2. Increasing transparency regarding the use of EU funds;
3. Creating ethical rules and standards for public officials; and
4. Enabling public access to documents.

A Green Paper was published in 2005 and since then several concrete policy measures have been introduced to promote the objectives.

Sources: <http://www.civilsocietydialogue.net>;
<http://ec.europa.eu/transparency/eti>

with the Earth Institute at Columbia University to bring clean water to communities in Africa, China, India, and Brazil. This is a more voluntary, community-oriented effort than the Exxon one.

European governance shows some interesting new initiatives in terms of institutionalizing cooperation among business, CSOs, and the EU. Social partnership, civil society dialogues, and the European Transparency Initiative may point to the direction of a new governance model. Different European countries also have all kinds of Corporate Social Responsibility (CSR) policies aimed at involving companies to work for the common good.

As organizations that deliver public services and use public money, networks and PPPs have to be treated similarly to government institutions in the legal sense. Otherwise, they could threaten the principle of equality before the law, as they might exclude actors from participating in public decision-making. The principles of equal treatment, legality, and political accountability are valid for PPPs, too. In the continental European tradition, at least, PPPs will have to prove that they are able to uphold these general principles of the public interest.

For the global manager aiming at collaboration with government institutions, as well as IFTIs and supranational governmental organizations such as the UN, OECD, EU, and so forth, it is crucial to know the general features of traditional as well as modern forms of cooperation. Be it as a partner in a PPP or as a member in a network, the global manager needs to know the politico-administrative system in which these governance modes are based. He or she will have to be able to assess the consequences of an engagement with public institutions—but also the benefits that can arise from such partnerships.

8.3 The required roles and duties of managers

Cooperating with social and political actors requires a great deal of cross-cultural competencies from managers. Cultural differences characterize not only different countries, but also different sectors. The bureaucratic culture of governments (process-oriented functioning) may clash with an outcome-driven, success-oriented business culture, and this may pose very important practical barriers to the partnership. However, apart from the practical difficulties, cultural differences also have an ethical significance, as they hide fundamental differences in values and identities.

The government's ultimate role is to promote the public interest and guard the rule of law. Of course, governments may be corrupted, and their functioning in practice does not necessarily live up to the ideal that should govern them. Still, governments represent the political community and its ultimate interests and values, and companies must respect and protect this role. Transparency of all interactions and operations should be the rule. Businesses must acknowledge that working with governments implies that concepts like democratic control, public interest, and rule of law should be understood and taken seriously. The pursuit of self-interest must be attenuated and reinterpreted in light of basic political values and principles. For instance, unethical lobbying is not just unfair with respect to competition, it corrupts the public values of fairness and rule of law. Ethical responsibility is elevated to a higher degree.

Trade unions and classical social movements generally represent the interests of the group, although quite often they have formulated their proposals in more general terms, referring to the social interests. However, CSOs of the new social movements (human rights activists, environmentalists, globalization critics, etc.) refer explicitly to universal values and shared responsibilities. In theory, it may be easier to accept the legitimacy of the claims of the latter group, because as presented they are based on general rather than particular interests. In fact, the moral arguments they use may be disturbing and provocative. CSOs may pose as the ultimate guardians of universal values and sustainability. While this may not necessarily be authentic, businesses must acknowledge that CSOs play an ever-increasing role in promoting human rights, social justice, and environmental sustainability. Businesses must make an effort to apprehend and accept the values and approaches of CSOs and work with them on developing new governance schemes or partnership projects. This requires self-reflective attitudes concerning their own values, an openness toward the other, and practical skills in managing cultural differences.

Cooperation with trade unions, CSOs, or international organizations is necessary because there is no other way to build the much-needed institutional fabric of global governance. The cooperation of countries is a slow and politically bounded process, which cannot cope with the urgency to regulate global business for sustainable development. Multinational companies have huge resources

and power, and they must contribute to the maintenance of the commons that underpin their existence. This may take several forms, but a very important task is to contribute to the development of global regulation and governance schemes. Business cannot do it alone, but only in cooperation with the other social and political actors.

However, the institutional basis of these new kinds of cooperation is in the formative stage. The idea of social partnership with trade unions is an old and well-institutionalized one in Western democracies, and businesses have also learned that trade unions are important stakeholders. However, cooperation with government actors, who have traditionally been seen as antagonistic, and with CSOs is a relatively new development and its institutional frame (like the EU's Civil Society Dialogues), practices, and principles are being developed. In the first instance, relating to social and political actors by business managers requires an understanding of the rationalities of these actors. For political actors, goodwill is the social capital for networks and PPPs, whereby positive feedback creates energy to overcome difficulties. When positive feedback is missing, or when actors change, goodwill may wear off. Also, political actors have to defend their solutions against critics. This pressure is a tacit problem, but it may shift from being "tacit" to "explicit" when goodwill in networks or PPPs disappears, and the private partner may be used as a scapegoat for perceived failures. The private partner will have to overcome the tendency for impatience when time is needed to process implementation of projects in a way that meets the demands of myriad stakeholders and optimizes public welfare.

A shared normative, values-based foundation will help to overcome potential discord among partners. So, what are the normative foundations of those governance structures and partnerships? What are the conditions that make them worthy of recognition by society? Why should we accept and recognize as legitimate the agreement made by private companies and non-elected social activists? Are they representing the common good or just a contingent harmonization of particular interests? How are relevant stakeholders to be selected in order to promote their participation in governance systems? These problems of the governance model are difficult to solve, but Habermasian communicative ethics and its implications could serve as normative underpinnings to the legitimacy of governance.

According to Karl-Otto Apel (1990), communicative ethics implies that only those norms that meet (or could be reasonably presumed to meet) with the approval of all concerned in a real, rational debate can claim to be valid. The debate should be as close as possible to the "ideal communication situation," which is free of domination and argumentative inequality, and in which participants do not act in a strategic way but perform a real communicative action. Whereas in strategic action one actor seeks to *influence* the behavior of another by means of threatening sanctions or offering carrots, in communicative action one actor seeks to *motivate* another *rationally* by relying on the persuasive power of the arguments (Habermas, 1990, p. 63).

Ideally, the validity of speech lies in its *intelligibility* (valid meaning), *truthfulness* (subjective authenticity), *factual truth*, and *correctness* (normative justifiability).

The principles of discourse ethics imply that the actors should enter into fair negotiations with each other and involve all the parties concerned, or if this is not physically possible, they should make a cognitive effort to consider other interests as well. Inclusion in practice could mean that companies will bear some costs of organizing the necessary stakeholder dialogues. This is not an unrealistic requirement. For instance, the Aarhus Convention on public participation in environmental decision-making also prescribes the duty of "the empowerment of the stakeholders." Crediting the formal right to participate might not be enough, because resource-poor stakeholders might not be able to participate.

Openness is a basic value that makes external accountability possible. That is, any partnership should be based on a fair negotiation among the participants, plus an open communication with the external world: a small and a large circle. The larger circle, public opinion, should serve as a final check for the agreement made by the parties, so that the "what" they define represents an acceptable interpretation of the common good. The lack of political legitimacy of the CSOs and the companies will be replaced by an ethical legitimacy through such fair and open communication methods. Their actions will become legitimate through the process of moral, valid discourse.

Businesses should develop forums that are as close as possible to the "ideal communication situation," free of domination and argumen-

tative inequality, and in which participants do not act in a strategic way but perform a real communicative action. The communicative forums might be an effective means of putting into practice the will of working for the common good. A company alone cannot pose as an ultimate guardian of the common good. However, working with different social actors, like CSOs or governments, on a fair basis may indeed lead to an approximation of something that might be called the common good.

The required roles and duties of managers with regard to cooperating with government and civil society might be summed up as follows:

- Managers should develop self-reflective attitudes concerning their own values and an organizational culture that is ready to engage in cross-cultural dialogues.
- Managers should respect and protect the government's role of promoting the public interest and guarding the rule of law.
- Managers should respect the legitimate concerns, values, and approaches of CSOs, even when they are inconsistent with business logic.
- Managers and companies have a responsibility to contribute to the development of global regulatory institutions together with other social actors.
- In order to render the cooperation legitimate and based on a fair foundation, managers have the responsibility to develop forums that are as close as possible to the "ideal communication situation," free of domination and argumentative inequality, in which different stakeholders can express their views.
- Transparency is a key principle in both government and CSO relations. Transparency can secure the needed external control and feedback, thereby constraining self-promoting behavior that may prove to be mutually destructive in the long term.

Developing the competences to carry out the necessary roles and duties that facilitate the kinds of partnerships required in today's global business environment starts with management training. These competences have to be developed on the job as well as in formal management courses, whether they are university based or part of extracurricular executive education.

The roles and duties outlined in terms of the formation of honest, constructive, values-based relationships and work practices are emphasized in partnerships among businesses, civil society organizations, and political actors, but they should be basic and inherent management attributes in any and all situations.

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