

Social Responsibility of Business Enterprises in Globalization Age

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1. Globalization and Business Enterprises

While globalization has been going on after the end of cold war, Asian countries has been showing remarkable economic growth in recent years. With globalization the number of countries joining international economic competition is increasing and economic competition among them is getting keener.

Under such economic environment it is said that business enterprises (Hence, business enterprises are called BE for short) have to respond to environmental changes and they can find business opportunities in them as well.

To begin with we must make clear what globalization is and what meaning globalization has. Globalization means that economic borders between countries disappear as domestic protections of industries are taken out and economic rules are standardized in the world. World market is integrated into one big market where

people, commodities, money and information, flow in and out completely freely. In such situation, domestic economic policy often becomes meaningless.

For example, when government increases public investment to stimulate economy in time of recession, government expenditure might flow into foreign corporations. Besides when central bank tries to take tight money policy to suppress inflation, foreign companies invest money seeking high interest rate and their behavior will nullify original tight money policy.

Under above mentioned borderless economy, it is said that we can realize maximization of utilization of economic resources only if we can exclude monopolistic condition in the market, because business enterprises (BE) can procure economic resources and sell their products respectively at the most appropriate places in the world. This is the best situation from the standpoint of comparative costs theory.¹⁾

Thus borderless economy or globalization will bring the best economic welfare to us, and it is possible that everyone in the world might be able to enjoy American standard of living in the future. Therefore, it is said that BE have to manage their business efficiently based on global standard in borderless economic world, and that it is an only way for BE to contribute to our society.

1) R. B. Reich, *The Work of Nations*, Alfred A. Knoph. Inc., 1991

2. Shadow Side of Globalization (Free Economy)

However, it seems that above mentioned idea about globalization is too optimistic. Globalization has its own shadow side which is shown as below. BE must take following problems into consideration in order to take social responsibility.

- (a) If globalization proceeds and most countries are industrialized, we might have a serious problem of natural environment destruction and pollution, and natural resources depletion. For instance, what will happen if all Chinese people (1.3 billion people) drive their own cars? There is a constraint of natural environment and resources. We can not forget about that fact.
- (b) If all developing countries become industrialized countries with globalization, we might have a grave problem of overproduction. Because all countries supply manufactured products. Therefore, not all countries can be engaged in manufacturing industry.

T. Sawa calls problem (a) a new Malthusian problem and problem (b) a new Keynesian problem.²⁾

2) T. Sawa, *Difficult Problems in Japan*, Nihon Keizai Sinbunsha, 1997

- (c) While (b) is an economical problem, there is also a political problem. There is a possibility that some countries or areas might be subordinated to developed countries when they are entangled in global economy and megacompetition. Because of strong power of developed countries, there might appear a world economic order (international specialization of industries) which is more advantageous to developed countries.³⁾

Originally each area should have its own way of economy and economic balance. Each area has not only freedom to join global competitive economy but also freedom not to join it.

- (d) Moreover, there is a cultural problem. If globalization goes on and on and world economy becomes one big market, our culture might be unified and we might lose cultural variety. What can be got from others than market is important as well. We must not fall into cultural unification. Any progress can not be made with cultural uniformity.
- (e) It seems that globalization makes headway with free competition. As world economy is globalized, economic competition becomes keener. But, this is not always true. We can see monopolistic situation in many areas (computer OS, telecommunication, automobile, agricultural products etc.). Frank

3) M. Kawakita, *England, Before and After Prosperity*, Daiyamondosha, 1995

and Cook indicate that winners take all.⁴⁾ D. Korten suggests that multi-national companies (MNC) become monopolistic while there is intensified competition among small businesses depending on strong big businesses and there is also keen competition among countries or districts which are eager to invite strong big businesses for employment.⁵⁾

- (f) Money game and speculation are getting vigorous (Let me call this monetarization). For example, money flowing in foreign exchange market is about \$800 billion – \$1 trillion per day while trade balance of goods and services is \$20 billion – \$25 billion per day.⁶⁾ Although monetarization has a certain function, too much money game makes economy unstable and makes people feel that it is nonsense to work steadily and honestly.

3. How can BE be Socially Responsible?

The objective of BE is to supply efficiently goods and services needed by people. In order to attain that objective, globalization is desirable in a sense that BE can procure the best inputs at the most adequate place and send out its output at the most adequate market

4) R. H. Frank and P. J. Cook, *The-Winner-Take-All-Society*, Penguin Books, 1995

5) D. C. Korten, *When Corporations Rule the World*, Kumarian press and Berrett-Koehler Publishers, 1995

6) *ibid.* Chap. 14, 15

where there is no economic border and regulation.

However, there are several things which BE must take into consideration. Those are as follow.

- (a) BE should not use lucrative conditions improperly. For example, it is profitable to operate company in countries where governmental regulation is loose (environmental protection, laborer and consumer protection, bribery punishment etc.). But, BE should not depend on these kinds of advantageous conditions too much.
- (b) BE should take into account fair distribution of income and status between home country employees and employees on the spot. Labor cost in developing countries is 20-50 times lower than in developed countries. Although it is natural to utilize low labor cost, BE should not expect it too much.
- (c) BE should not expect developing countries only as convenient market both for procurement and sales. Concerning procurement of low labor and loose standard of environment protection, I already mentioned in (a) and (b). Here I will consider mainly aspect of sales. Developing countries or areas are not simply a vent for products of developed countries or MNC.

There should be more appropriate way of economic development for developing countries. We must consider that economy in each country or area has been balanced in accord

with its geographical, historical and social conditions. So we must be careful not to change economic condition impetuously. This reminds me of the episode of F. Lesseps and Panamanian native. When Lesseps said to Panamanian native "If you work for Panama canal construction, you will make a better living", Panamanian native replied "I already live happily."

When new way of economy is introduced, there often occurs economic friction. Many people must change their jobs (from agriculture to manufacturing) and move from rural district to urban district. Some areas might be put in subordinating position. Each country or area has its own way of living regarding food, clothing and housing. Those match with geographical and meteorological conditions. As for clothing or housing, most suitable materials to each area are selected. As for food, food in season in each area is most delicious. It is inefficient to carry unified manufactured products from remote places.

- (d) Regarding natural environment and natural resources problem, we must not spread one way economy (non-recycling economy) which is common in developed countries. In developing countries, such ideas as zero-emission or inverse technology should be taken into account from the very outset.⁷⁾ Public transportation or bicycle (bicology) is more

7) P. Hawken, *The Ecology of Commerce*, Harper Business, 1993

desirable than automobile. Way of distribution of products by super-markets in which much wrapping materials are used and thrown away is greatly problematic. Intermediate technology might be more suitable to developing countries.⁸⁾

In brief, BE should introduce different way of supplying products when we consider natural environment and resources problem.

- (e) BE should respect cultural diversification and decentralization. Each district has different way of life and it is each district that knows best what is necessary to them. No one should obtrude one's culture on other districts. Everyone should respect culture and language of host countries. For example, cocacolonization or hamburgerization is not desirable.

Also, BE should avoid radical monopoly.⁹⁾ We should consider products which are difficult to be supplied in market, since people do not have enough freedom of obtaining products which are not supplied in market. This includes not only public goods but private goods.

- (f) BE should supply products which are truly needed. We should avoid swollen economy where unnecessary or unessential products are forced on consumers.

8) E. F. Schmacher, *Small is Beautiful*, Blond and Briggs, 1973

9) I. Illich, *Tool for Conviviality*, Harper and Row, 1973

4. Some Organizational Problems

When we consider organization problem in relation to globalization, we have to investigate 3 problems; (a) centralization of economic power, (b) networking of organizations, (c) mastery by organization (uncontrollableness of organization).

A. Centralization of economic power

It is said that we have so-called mega-competition with globalization, that is, the arena of competition is enlarged and the number of participants to competition is increasing. But, at the same time, as a result of keen competition monopolization occurs. Also, we can see dominance of market by networking (such as strategic alliance). Besides, the number of MNC is increasing and its size is getting bigger (I mean by size span of influence rather than number of employees or scale of capital).

Generally speaking, BE should take responsibility in proportion to its influence and power. It is often necessary to diffuse influence or power and decentralize authority. Decentralization is required because (1) it is necessary for self-organization (changing organization in order to adapt to environmental change), (2) it is necessary for motivation of employees, and (3) power is apt to corrupt.

B. Networking of organizations

Nowadays networking is getting popular, because (1) BE can adapt more flexibly by networking to economic environment, since entry and exit is easy in networking. (2) BE can optimize

economic efficiency, since BE can tie up with the best partners (In case of KEIRETU, partners are not necessarily the best in economic sense).

(3) BE can enjoy merit of network externality (ex. strategic alliance).

Networking is bolstered by advancement of information and communication technology.¹⁰⁾

On the other hand, networking has following problems. (1) In networking in wide area, or in virtual corporation on internet, we can not have face-to-face communication. When we sell our products to persons in remote places whom we don't know, we might be less responsible to them. (2) Since in networking it is easy to meet and part, we might lose feeling of belongingness and cohesiveness. (3) Although networking brings better economic efficiency, it might break balance between *Gesellschaft* and *Gemeinschaft* (for example, strategic alliance, dispatched employees, parttime workers).

C. Mastery by organizations (Uncontrolable state of organization)

Organization is originally an instrument made by men. But, it sometimes becomes a master of men. When we forget what organization is for and we contribute to organization itself (organization centered attitude), mastery by organization occurs.

We should not forget objective of organization and we should not lose control of it.

10) N. Nohria and R.C. Eccles eds., *Networks and Organizations*, HBS Press, 1992

5. Hyper Development of Capitalism

In parallel with globalization, following 3 changes are taking place. (1) Market economy is permeating in the world and economic competition is getting keener, while planned economy is thrown away since the end of cold war. (2) IT (Information technology) is making a great progress. By using IT, economic and management system are changing very much (internet business, one to one marketing, perfect information, network externality, increasing revenue, flexible organization, strategic alliance etc.). (3) Transfer from industrial capitalism to financial capitalism is going on. In Japan, direct finance is getting bigger share than before, compared with indirect finance. This change coincides with prevalence of money game and speculation. Also, stockholders among various stakeholders are thought much of than before.¹¹⁾

Changes mentioned above means hyper development of capitalism; that is, capitalism society is approaching much purer stage of capitalism with permeating market economy, globalization, developing IT and financial capitalism. Because in capitalism society, everyone is engaged in profit-seeking and tries to survive economic competition. Without winning economic competition by selling more commodities than rivals, no one can make his living. Profit-seeking is done by selling as many commodities as possible, creating demand, enlarging economic exchange circle and putting

11) The Group of Lisbon, Limits to Competition, The MIT Press, 1995

into market anything as commodity.

Globalization means enlarging economic circle. Keen economic competition is what everyone is forced to be involved in (in capitalism society). IT on the hand, is one of commodities which have been newly put into market. In capitalism and market economy, new commodity is put into market one after another. On the other hand, IT is strong supporting technology that makes economic and management system efficient. Transfer to financial capitalism means thinking much of multiplication of capital, which is just objective of capitalism.

Therefore, changes I mentioned above means that our society is approaching much purer capitalism society. In the days of this change, business enterprises must take more care and responsibility to avoid evils of capitalism.¹²⁾

6. Business Philosophy

I would like to propose following two points as business philosophy in globalization age.

- (a) The first point is to know how much is enough for our true satisfaction. It seems that we are still pursuing material satisfaction in spite that our society in developed countries is

12) R. W. McChesney, E. M. Wood and J. B. Foster ed., Capitalism and the Information Age, Monthly Review Press, 1998

already affluent. We should know that there is a limit to pursuit of material satisfaction. This limit comes from constraint of natural resources and law of decreasing marginal utility. We would be happier if we could be satisfied with what we have. In other words, greed makes us unhappy.¹³⁾

- (b) The second point is to put more emphasis on support and cooperation than on competition and emulation. With globalization, competition is getting keener. It is a certain fact that competition brings higher economic efficiency to our society. But, that is a case of good competition. We must avoid such a bad competition that brings natural environment destruction or mental desolation. Also, we must make our efforts to live well together with other living creatures on this earth.

These two points are important merits that we, Japanese people have nurtured traditionally.¹⁴⁾ It is my great pleasure that people all over the world think much of these points in order to build happier world.

13) A. Durning, *How Much is Enough?* W. W. Norton & Co., 1992

14) T. Nishioka, *Market-Organization and Business Ethics*, Bunshindo, 1996