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Strategic Management between the Constraints and Incentives of Globalization – the Role and Contribution of Business Ethics and Corporate Social Responsibility

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1. Introduction

By this chapter we would like to emphasize on how some very complex and different concepts and processes influencing (directly and/or indirectly) firm management nowadays – *globalization – strategic management – business ethics and corporate social responsibility (CSR)* – enhance and reinforce each other (in good and/or in bad), asking for a new strategic business model, able to capture and valorize the incentives of the whole picture, on one hand, and to identify and avoid (or at least minimize) the constraints of it, on the other hand, through some well articulated and solid competitive strategies aiming global competitiveness and sustainability – through business ethics and corporate social responsibility, – and despite global crisis – such as that of values, for instance, and by returning to the old fashion values – attitude – behavior models.

Why such a perspective? Because we are living some very turbulent and crises-dominated times – at global scale, as well as in its depth; so, we think this is the perfect time for a lot of (non exclusively) academics – coming from a lot of different (research) fields (from economics – business – management, through sociology – anthropology – philosophy to theology – astrology – fortune telling) to argue that what we are experiencing nowadays is a value crisis and there is the time for a major change.

Why does ethics matter in business? Because “<<Doing the right thing>> matters. To companies and employees, acting legally and ethically means saving billions of dollars each year in lawsuits, settlements, and theft. (...) Costs to businesses also include deterioration of relationships; damage to reputation; declining employee productivity, creativity, and loyalty; ineffective information flow throughout the organization; and absenteeism.” (Weiss, 2006).

Why to do good? As Business for Social Responsibility emphasizes it, there are some *bottom-line benefits* that firms which have decided to *integrate CSR in their business operations and strategies* experience: increased sales and market share; strengthened brand positioning; enhanced corporate image and clout; increased ability to attract, motivate, and retain good employees; decreased operating costs; increased appeal to investors and financial analysts (Kotler and Lee, 2005).

2. Globalization between threats (global corruption) and opportunities (sustainable development) for businesses

Globalization reaches today (more or less, positively or negatively) all the aspects and domains of the humankind and life. Cumulative result of some very different qualitative, as well as quantitative processes and transformations which took place over time within the most different domains of the human existence, *globalization* has become the referential for almost each economical, political, military or environmentally related *discourse*, which *emphasizes* either on the *positive effects* globalization brings to the development of the society (as a whole and of the different entities within it), or on the unwanted *failures that it determines and/or accompanies*.

But one thing is for sure: we are living now some very turbulent times – some call them an age of discontinuous change – which are redefining the global (economic) architecture – or, at least, the way we were used to perceive it and to report to it until recently. It seems to be more like a *turning point* or a *transition* to another phase. In order to configure the main framework which defines the picture of the whole chapter we bring the following approaches – that are trying to capture the process of **globalization** together with its interconnections with the *strategic management* (which is aiming to reach global and sustainable competitiveness) and *business ethics and corporate social responsibility* (able to be, under these circumstances, the ultimate sources for sustainable competitive advantages):

- Into his book from 2003: *The World is Flat*, Thomas Friedman discusses about “the three great eras of globalization”: *Globalization 0.1* (1492-1800) – which was about *countries and muscles*, *Globalization 0.2* (1800-2000) – about *multinational companies and breakthroughs in hardware*, and *Globalization 3.0* (since 2000) – about *individuals and software*. He draws a warning to “all the businesses, institutions, and nation-states that are now facing these inevitable, even predictable, changes (such as the digitization, virtualization, and automation, as he emphasizes them) but lack the leadership, flexibility, and imagination to adapt – not because they are not smart or aware, but because the speed of change is simply overwhelming them. And that is why the great challenge for our time will be to absorb these changes in ways that do not overwhelm people but also do not leave them behind” (Friedman, 2003).
- Moving ahead, in 2008, into the *IMD World Competitiveness Yearbook*, Stephane Garelli has emphasized the idea of waves, able to shape new river bed for the world economy (in terms of the dynamics between globalization and competition / competitiveness): *the first wave of globalization* (1985-2000), *the second wave of globalization* (2000-2020), and *the third wave of globalization* (after 2020), defined as follows: “in an early stage, global companies entered emerging markets mainly to lower their costs of supplies. Today, their roles are shifting and they are key players in the development of the emerging nations, which are eager to build their infrastructure and develop their domestic consumption. But tomorrow, global companies will have to compete with the homegrown companies and brands that are being born and bred in today’s emerging nations. The partners of today will become the challengers of tomorrow” (Garelli, 2008).
- At the prestigious Boston Consulting Group, the concept of globalization itself is considered to be overcome and has been replaced with *globality* – which defines *the world beyond globalization*: “Globality presents both threats and opportunities to all players. Incumbents face tough new challenges, but these can be met and turned to advantage. Challengers stand at the brink of huge opportunities but still face barriers to seizing them (...) During globalization, incumbents competed primarily with other incumbents in markets around the world. In the new

era of globality, however, incumbents suddenly (or so it seems) find themselves competing with everyone from everywhere for everything" (Bhattacharya et al., 2008).

So, there is no unanimously opinion regarding the emergence and evolution of the globalization process, neither regarding its causes and effects, nor its nature. From one extreme – *disease with a killing effect* (varying from *global value crisis and corruption* till finally losing control over the humankind evolution on Earth) – to the other – *universal cure* for solving all the world's diseases/problems (from the firm level – through the *value-based management, triple bottom line practice, and issues and stakeholder management*, to the global level – through the theory and practice of *sustainable development*), without neglecting the *necessary evil* variant (objective evolutionary process defined by *bright sides and dark sides*, as well), globalization seems to be suitable to wear all the interpretation forms on its road to a complete and comprehensive understanding and conceptualization within a universally accepted paradigm.

- a. Talking about **corruption**, on the one hand, the concept is broadly defined as *lack of ethics*; it has accompanied human development since the beginning of it – and also the globalization process. One of the most complete and comprehensive definition of corruption we found to be the one that Antonio Argandona has developed; he defines corruption as *"the act or effect of giving or receiving a thing of value, in order that a person do or omit to do something, in violation of a formal or implicit rule about what that person ought to do or omit to do, to the benefit of the person who gives the thing of value or a third party"* (Argandona, 2005). As Neelankavil has argued, *"traditionally, corruption has been accepted as no more than a "cost of doing business" in many countries. Corruption takes place in industrialized countries, developing countries and less developed countries"* (Neelankavil, 2002). But, whatever its definition and form, corruption was identified by the World Bank *"as among the greatest obstacles to economic and social development. It undermines development by distorting the rule of law and weakening the institutional foundations on which economic growth depends"* (<http://web.worldbank.org>). So, by being both cause and effect of the globalization process, the globalization of corruption is a consequence of what Moises Naim named it more than 15 years ago (into his very cited article *The corruption eruption* – that appeared into the Brown Journal of World Affairs in 1995): *the corruption eruption*. Far from diminishing or calming since those times, the corruption phenomena has known, at its turn, multiple waves of evolution / development, many forms – of private (business) to private (business) corruptions as well as private to public corruption, and all the interconnected levels of the economic spheres. Back in 1997, Kimberly Elliott already has expressed the general fears that the globalization of corruption and its globally spread negative effects (even if different in its manifestation forms) will bring with them: *"as economic globalization grows, so does the potential impact of corruption on international flows of goods and capital. International financial institutions and bilateral assistance agencies are concerned that resources intended to assist development in poor countries be used as efficiently as possible. Developing countries are concerned that the perception of corruption will cause them to lag as private capital increasingly displaces official finance in many emerging markets. Government procurement, particularly related to large infrastructure projects in developing countries, has been a focus of several recent international anticorruption initiatives. Finally, US policymakers are concerned that US firms will become increasingly handicapped in international markets if their competitors continue to use bribery as a tool to win business"* (Elliott, 1997). The Global Report on Corruption (phenomena which was seen in interrelation with the private sector) was developed and released by Transparency International in 2009; it reveals that *"corruption is a central and growing*

challenge for business and society, from informal vendors in the least developed countries to multinational companies in industrialized ones, for citizens, communities and nations, all over the world. (...That is why) the overarching message, (...) is that both the private and public sectors have a role to play in ensuring that corruption is identified, investigated and confronted. Moreover, the implications of an increasing global economic interdependence make it imperative that countries and companies work together and cooperate across borders in order to be able to tackle corruption risks most effectively" (Zinnbauer et al., 2009). Talking about the firm level (and its strategic management approach), we have to agree that: "a lot is at stake for the private sector in regards to corruption. Continuing to participate in and/or turning a blind eye to corrupt activities can have significant negative consequences for the private sector in terms of competitiveness, the effectiveness of government policies, and the sustainability of development efforts. Ensuring effective risk management, aligning with customer expectations, complying with laws and regulations, meeting the demands of ethical investment funds, and safe-guarding reputation and brand are some of the factors that contribute to the business case to combat corruption" (El-Sharkawy et al., 2006).

- b. **Sustainable development**, on the other hand, could be presented as the opponent concept of the global corruption, the *bright side* of the globalization process and its future perspectives. The most well-known, accepted and cited definition of *sustainable development* is the one that was given by the Brundtland Report *Our Common Future*, in 1987: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs." (IISD, 2007). Starting from this above mentioned definition of sustainable development, in their article from 2005, Kates, Parris, and Leiserowitz go further and define sustainable development also in other terms, much more "measurable": "another way to define sustainable development is in what it specifically seeks to achieve. To illustrate, it is helpful to examine three sets of goals that use different time-horizons: the short-term (2015) goals of the Millennium Declaration of the United Nations; the two-generation goals (2050) of the Sustainability Transition of the Board on Sustainable Development; and the long-term (beyond 2050) goals of the Great Transition of the Global Scenario Group" (Kates et al., 2005). Referring to the mostly discussed Millennium Goals, Ban Ki-Moon, the Secretary-General of the United Nations has emphasized that "the Goals represent human needs and basic rights that every individual around the world should be able to enjoy – freedom from extreme poverty and hunger; quality education, productive and decent employment, good health and shelter; the right of women to give birth without risking their lives; and a world where environmental sustainability is a priority, and women and men live in equality. Leaders also pledged to forge a wide-ranging global partnership for development to achieve these universal objectives. (...) Meeting the goals is everyone's business. Falling short would multiply the dangers of our world – from instability to epidemic diseases to environmental degradation. But achieving the goals will put us on a fast track to a world that is more stable, more just, and more secure" (UN, 2010). Agreeing that businesses have to play a very important role into this never ending process, a so called "business definition" of the sustainable development has been proposed by the International Institute for Sustainable Development in conjunction with Deloitte & Touche and the World Business Council for Sustainable Development into their book from 1992, *Business Strategy for Sustainable Development: Leadership and Accountability for the 90s*: „for the business enterprise, sustainable development means adopting business strategies and activities

that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future. (...a very important characteristic figure of the process is that ...) sustainable development is a pervasive philosophy to which every participant in the global economy (including consumers and government) must subscribe, if we are to meet today's needs without compromising the ability of future generations to meet their own" (IISD, 1992).

3. Strategic management and its universal vocation to combine external trends and events with internal capabilities, competencies and resources

Within this volatile and ever changing framework occurs the *strategic management* – which is *searching globally for competitiveness and sustainability*, based on the *competitive strategy of the firm* – the one that have to define and maintain a firm's good position/place into the industry it operates. It makes that possible by evaluating and integrating into a successful model all the (endogenous and exogenous) factors that can influence the evolution of the firm. The main objective is to obtain and, more than that, to ensure the long term competitiveness of the firm into a global economic world.

That's why the strategic management of the firm must be permanently interconnected with the globalization process and its particular – diachronic and synchronic – features and facets, in order to be able to rapidly catch and valorize the (possible) positive effects of some actions – of its one or of someone else's – not only locally and immediately, but also globally and timely, in order to offer solid *premises* to the next actions and thus contributing to the *realizing of the consequences* and finally obtaining *synergy effects* on the global market.

Any firm aims to exist and to resist on the market as long as it possibly can. However, this is not enough. As the strategic management theory reveals: *"getting and keeping competitive advantage is essential for long-term success in an organization"* (David, 2005) – and the meaning of the *competitive advantage* here is *"anything that a firm does especially well compared to rival firms"* and it is perceived to be important by its clients. This must describe a process of permanent organizational change and (preferably) development, because of all the society-economy-firm-management transformations taking place globally. Therefore, the same theory argues, *"a firm must strive to achieve sustained competitive advantage by (1) continually adapting to changes in external trends and events and internal capabilities, competencies, and resources; and by (2) effectively formulating, implementing, and evaluating strategies that capitalize upon those factors"* (David, 2005)".

At a *first level*, as regarding the *external trends*, a firm has to take into consideration (through its strategic management approach) the biggest and the most significant one, which is able to redesign the whole business framework – in magnitude, meaning, networking and speed – and having a major impact of any firm – in terms of opportunities and threats, as well. This major trend is exactly *globalization*, as it *"describes the process by which events, decisions, and activities in one part of the world come to have significant consequences for individuals and communities in quite distant parts of the globe. Globalization has two distinct phenomena: scope (or stretching) and intensity (deepening)"* (McGrew and Lewis, 1992). Starting with its economic roots and developments, the process of globalization encompasses today all the human domains and levels.

Another type of approach – more related to the business point of view – emphasizes that, by being a result of the last few decades of politics and markets liberalization, faster movement of peoples, capital and information from one region to the other and all around the globe,

globalization has become one of the identifying concepts of the post-industrial economy, describing the *increasing integration of national and regional economics* and the *domination of the world economy by massive MNEs*. The term also describes the *convergence of individual tastes* at the expense of local cultures, worldwide *political domination* by a small number of industrialized states and the international non-governmental organizations (NGOs) that are seen as their tools, the *integration of capital markets*, the *increasing ubiquity of communication and information* around the world, and the *spread of technology* to the farthest reaches of the globe (Tallman, 2001).

Therefore, the efforts of continuous adapting of the managerial process to the natural need to survive and develop into a world where each agent (individual, organization/firm, national state) is permanently looking for global competitiveness could be summarized through some very suggestive metaphors: (1). the *assimilation of the Titanic effect* – according to which the amplitude of the disasters decreases as people think they can occur and project their prevention or, at least, the minimization of their effects; (2). the *butterfly theory* – which postulates that the smallest signals of a disequilibrium produced in one part of the globe could generate disastrous effects at the antipode; (3). the *hunter parabola* – it asks for a clear long run objective/goal and an adapting behavior after that in order to achieve it, according to and by integrating the changes that take place and force the change of direction; (4). the concept and practice of *creative chaos* – according to which disequilibrium is the source for a new order, so it offers for firms and their strategic management the creative environment for change that they need (Ogorean et al., 2009).

Then, at a *second level*, when we talk about *external events* we can refer to the *competitive environment* and the transformations that take place into an industry, changing the way of doing business and asking for new strategies from firm management. The well-known *five-force model* of M. Porter – that brings together: the threat of new entrants; the bargaining power of suppliers; the bargaining power of buyers; the threat of substitute products and services; and the intensity or rivalry among competitors in an industry – may be the starting point of discussion and action as well in these circumstances (Porter, 2001).

However, this is just a static model, based on evaluating the status quo of an industry at one moment in time and assuming managerial decisions as a result of it. Critics of this framework originated in the 1980s developed a dynamic perspective of the model, much more appropriate for nowadays. So, the analysis that professor McGahan made (McGahan apud Dess et al. 2007) is based on the identification of the *core activities* (those activities that historically have generated profits for the industry) and the *core assets* (the resources, knowledge, and brand capital possessed by firms in an industry) of an industry and the threats they face. As a result, it is suggested that an industry may follow one of four possible evolutionary trajectories based on two types of threats of obsolescence (faced by the core activities and by the core assets): *radical change* – it occurs when both core activities and core assets face the threat of obsolescence; *intermediating change* – which occurs when core assets are not threatened but core activities are under threat; *creative change* – take place when core assets are threatened, but core activities are not; *progressive change* – it occurs in industries where neither core assets nor core activities face imminent threat of obsolescence.

A firm may have correspondent *behaviors*, accordingly (Dees et al., 2007): “when faced with *radical* or *intermediating changes*, it is wise to aggressively pursue profits in the near term while avoiding investments that could reduce strategic flexibility in the future. Another response is alliances, often with rivals, to protect common interests and defend against new competition from outsiders. For firms facing *radical change*, one option is diversification. (...)”

In order to succeed, firms facing *intermediating change* must find unconventional ways to extract profits from their core assets. (...) Strategies for firms facing *creative change* include spreading the risk of new-project development over a portfolio of assets as well as outsourcing project management development tasks. Successful companies in *progressive change* industries carve out distinct positions based on geographic, technical, or marketing expertise. They also develop a system of interrelated activities that are defensible against competitors."

As we just saw earlier, in their global search for competitiveness, firms have to handle with two kinds of pressures – external and internal as well. But, while the external pressures – which occur at global and/or industry level – have more likely a crucial role in defining the context in which firms operate, that's the **internal pressures** – strengths and weaknesses in terms of *capabilities, competencies, and resources* – role to be effectively and efficiently manage at firm's level through adequate *strategies* that capitalize these factors. We could talk then about generating new internal or/and external changes and movements – depending on how important/major the impact of the emerging change (innovation especially) is for the entire industry, or only for the firm involved in the process (Ogrea et al., 2009).

There are at least two *major theories* that we think they are crucial within this discussion framework in order to be able to correctly determine the competitive strategy of the firm (some academics consider the two theories are competing to each other, while others consider the two theories are complementary):

- a. *The resource based theory* – it was originally a conceptual framework developed in order to explain the factors that create competitive advantages and emphasized more on internal resources of the firm than on the external factors in search for competitive advantage. According to this theory, *a firm performance has very much to do with a unique configuration of resources that can be valued by comparing it with others*. The resource-based view of the firm emphasizes on three kinds of resources that any firm possesses (Dess et al., 2007): *tangible resources* – assets that are relatively easy to identify (by being financial, physical, technological or organizational in their nature); *intangible resources* – much more difficult for competitors (and, for that matter, a firm's own managers) to account for or imitate, they are typically embedded in unique routines and practices that have evolved and accumulated over time (and they are referring to human, innovation and creativity, and reputation); and *organizational capabilities* – they are not specific tangible or intangible assets, but rather the competencies or skills that a firm employs to transform inputs into outputs, reflecting the capacity to combine tangible and intangible resources, using organizational processes to attain a desired end. Generally speaking (Collins and Montgomery, 1995), the RBV "combines the internal analysis of phenomena within companies with the external analysis of the industry and the competitive environment". At the end, "competitive advantage, whatever its source, ultimately can be attributed to the ownership of a valuable resource that enables the company to perform activities better or more cheaply than competitors. (...) Superior performance will therefore be based on developing a competitively distinct set of resources and deploying them in a well-conceived strategy." The resource-based view of the firm has evolved and developed in time, being enriched with many *new concepts or even theories*, such as: **(a). core competencies and competence-based view of the firm** – Prahalad and Hamel argued (Foss, 1997) that, as global competition gets wider and wider, managers will be increasingly judge upon their ability to identify, develop and exploit firm's distinctive competencies that lead to growth; **(b). knowledge-based theory of the firm** – it comes together with the theory of the knowledge-based society; when we

are talking about a firm, we can find knowledge (Nicolescu et al., 2003) at its work force (human capital), into its clients needs and preferences (clients capital), or into its products, processes, capabilities and systems (structural capital). As a result, the value of the knowledge assets could easily be much bigger than the value of the tangible assets.

- b. *The stakeholder theory* – it has to deal with *stakeholders*, which are “groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by corporate actions. The concept of stakeholders is a generalization of the notion of stockholders, who themselves have some special claim on the firm. Just as stockholders have a right to demand certain actions by management, so do other stakeholders have a right to make claims. The exact nature of these claims is a difficult question (...), but the logic is identical to that of the stockholder theory” (Snoeyenbos et al., 2001).

The role of stakeholder management in the strategic management process – which is looking for sustainable competitive advantages and competitiveness on a global marketplace – could be divided in accordance with two very different approaches, each one of them having its core driven factors and arguments (Dess et al., 2007):

- a. *Zero sum* – in this view, *the role of management* is to look upon the various stakeholders as competing for the attention and resources of the organization. In essence, the gain of one individual or group is the loss of another individual or group. That is, *employees* want higher wages (which drive down profits), *suppliers* want higher prices for their inputs and slower, more flexible delivery times (which drive up costs), *consumers* want fast deliveries and higher quality (which drive up costs), the *community* at large wants charitable contributions (which take money from company goals). As Timothy Devinney argues, “any position taken by a firm and its management, social, ethical, or otherwise, has trade-offs that cannot be avoided. Corporations can be made more “virtuous” on some dimensions (or by the definition of virtuousness by some individuals or groups), but this will invariably involve a price on other dimensions (or a cost borne by those with other definitions of virtuousness). As these trade-offs are rarely going to be Pareto optimal, they will invariably involve a trade-off of values and a “judgment” about what is “better” or “worse.” CSR, like most aspects of life, has very few, if any, win/win outcomes” (Devinney, 2009).
- b. *Stakeholder symbiosis* – although there will always be some conflicting demands placed on the organization by its various stakeholders, there is value in exploring how the organization can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well being. That is, managers acknowledge the interdependence among employees, suppliers, customers, shareholders, and the community at large. As Joseph Weiss argues, *the stockholder approach “focuses on financial and economic relationships. By contrast, (... the ...) stakeholder management approach takes into account non-market forces that affect organizations and individuals, such as moral, political, legal, and technological interests, as well as economic factors. (...) The stakeholder management approach, including frameworks for analyzing and evaluating a corporation’s relationships (present and potential) with external groups, aims ideally at reaching <<win-win>> collaborative outcomes”* (Weiss, 2006).

So, “stakeholder theory has evolved to address the problems of: **(i)**. understanding and managing a business in the world of the twenty-first century (the problem of value-creation and trade); **(ii)**. putting together thinking about questions of ethics, responsibility, and sustainability with the usual economic view of capitalism (the problem of the ethics of

capitalism); and (iii). Understanding what to teach managers and students about what it takes to be successful in the current business world (the problem of managerial mindset)" (Freeman et al., 2010).

Under all of these circumstances, **the competitive strategy** (able to valorize all the above mentioned factors and their challenges) is the one that have to define and maintain a firm's good position/place into the industry it operates. It makes that possible by continuous evaluation and integration into a successful model of all the (endogenous and exogenous) factors that could influence the evolution of the firm. The main objective is to obtain and, more than that, to ensure the long term competitiveness and sustainability of the firm into a global economic world.

So, in their search for sustainable competitiveness, firms have myriads of options, based on myriads of factors and variables which could be taken into consideration. Trying to analyze "international competitiveness at the firm level", Donatella Depperu and Daniele Cerrato argue that "fundamentally there are least two *main views of the origin of a firm's competitive advantage*: (1). *Industrial organization scholars* focus on the *influence of industry-related determinants of firm performance* – "classicist" claim that a firm can neither influence industry conditions nor its own performance, so the competitive advantage originates from external sources rather than internal (firm-specific) sources – while the new industrial organization scholars, particularly Porter, which is mentioned here with his "five competitive forces that shape strategy" model claim that competition within an industry is defined by five structural parameters; then, the paths of industry evolution depend (among other things) on firms' strategic choices. (2). *Strategic management scholars* underline the *importance of firm-specific resources in determining variance of performance among firms*. Research works in this field (...) shift the focus from the external to internal sources of competitive advantage, by pointing out that *a firm creates a competitive advantage through the accumulation, development, and reconfiguration of its unique resources, capabilities and knowledge*" (Depperu & Cerrato).

With the globalization process rapidly and intensively spreading, the firm approaches in search of (global) competitiveness within an industry become more and more challenging – the pressures and threats evolve continuously, urging firms to delicately and sophisticatedly respond, but also new kinds of opportunities may be seen (or invented) all over the globe; the weak and vague signals of the industry a firm has to answer in order to survive are, under these circumstances, weaker and vaguer. So, the ability to identify them and their possible impact will differentiate successful firms from those who will fail.

4. Business ethics and corporate social responsibility – answers to the challenges of global competitiveness and sustainability

Business ethics. There are many *definitions of business ethics*; they include such *terms* as moral principles, standards of conduct or practice, business guidelines and corporate values, and refer to such *standards* as "the greatest good for the greatest number," "respect for the rights of others," and "a fair distribution of costs and benefits," and such *virtues* as honesty, compassion, fairness, and accountability. A *recommended definition* of business ethics is: "the rules, standards, and principles that guide the decisions, procedures, and systems of a company to contribute to the welfare of its key stakeholders and respect the rights of all constituencies affected by its operations". The definition of ethics provided above is broad. Those who seek to define ethics only in terms of legal requirements are discovering that the

violation of certain norms beyond the current law can result in public disgrace and higher costs. Law is far from being a perfect reflection of the current standards held by the public or employees. An organization must be concerned with both the legality and the ethical quality of its decisions.

An interesting approach of the term *business ethics* is implied in the description of *corruption* as a „form of unethical behavior or wrongdoing” (Eiras, A.L., according to Nwabuzor, A., 2005). That is right, because if we look at different forms of business corruption, we will see that a common feature of each is the unethical behavior. Augustine Nwabuzor argues that if the dictionary gives the meaning of *ethics* as “the discipline dealing with what is good or bad” and, in general, we call *unethical* “those actions for which there is social consensus that they are a bad thing”, *business ethics* can be specifically defined as “a conversation about right and wrong conduct in the business world”; in this context, *corruption* may be seen as a form of anti-social behavior, which confers improper benefits to people in authority through a perversion of societal norms and morals” (Banfield, E., *The moral basis of a Backward society*, Chicago, Illinois, The Free Press, 1998, according to Nwabuzor, A., 2005).

Formally stated, *business ethics* comprise principles and standards that guide behavior in the business world (<http://businessreality.org>). The three **domains** that business people need to remember – because they help to define what is right or wrong within business are: **(1). individual** – it relates to the general ethics definition and moral values and rules of conduct (the term *ethics* has been defined as an “inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgments, standards and rules of conduct”. *Moral judgments* relate to “what is right and wrong and has been instilled into us by parents, church or synagogue leaders, relatives, and teachers”); **(2). company / corporate / firm** – the rules and standards that a firm has implicitly and explicitly taught their employees; **(3). societal** – the rules and laws that have been enacted by governments as it relates to individual and corporate codes of behavior. These three domains interact with one another in a dynamic way: always moving and changing (for example, what once was legal today could be illegal tomorrow and vice versa).

Organizational efforts in regard to ethics affect various *stakeholders*: customers, employees, suppliers, and investors: many stockholders want to invest in companies that have strong ethics programs, employees like working for a company they can trust, and consumers value integrity in business relationships. Stronger organizational ethical climate result in consumer and employee trust, employee commitment, and consumer satisfaction, which in turn leads to *profitability* (see <http://businessreality.org>).

Corporate social responsibility. The *corporate social responsibility* (CSR) construct describes the relationships between business and the larger society: “from the *point of view of the firm*, its CSR is the set of moral duties towards other social actors and towards society that the firm assumes as a result of its economic, social, political, and, of course, ethical reflection on its role in society and on its relationships with those other actors. And *with regard to external observers*, it is the set of moral duties that the other agents and society attribute to the firm as a consequence of the role it assumes and its relationships with those actors. *In practice*, then, CSR will be the result of a dialog between the firm and its stakeholders about the obligations of the first and the expectations of the second” (Argandona & von Weltzien Hoivik, 2009).

The *corporate social responsibility* could be defined in many ways; generally speaking, it implies: **(1).** to obtain *economic success* through an ethical manner, respectfully for people, communities and the environment – this means to respond to the legal, ethical, economic expectations that the society has from the companies, and to take decisions that can balance

the needs of all those that play a part in the company's life; **(2).** to adjust all the company's operations to the *social values* – this means to integrate the interests of all those affected by the behavior of one company into its policies and actions; the corporate social responsibility is concerned about *the triple bottom line* regarding the *social, ecological and financial results of the company, in order to have a positive impact over society together with business success*; **(3).** three *faces*: first of them is about *obeying the law* – to be ethical, objective and honorable; the second is about *diminishing or repairing any type of damages* caused by the company's operations, especially over the *environment*, and the third one is dealing with the *sustainable development*. Broadly speaking, and considering the contributions of CSR to the shaping and development of a distinctive and competitive strategy at firm's level, the *proponents of CSR* have used four *arguments* to make their case: *moral obligation, sustainability, license to operate and reputation* – all of these arguments having the same weakness: they *focus on the tension between business and society rather than on their interdependencies* (Porter and Kramer, 2006): (a). the *moral appeal* is arguing that companies have a duty to be good citizens and “to do the right thing” – meaning to achieve *commercial success in ways that honor ethical values and respect people, communities and the natural environment*; (b). *sustainability* emphasizes environmental and community stewardship – as Brundtland defined CSR: *meeting the needs of the present without compromising the ability of future generations to meet their own needs*; (c). the notion of *license to operate* drives from the fact that *every company needs tacit or explicit permission from governments, communities and numerous other stakeholders to do business*; (d). *reputation* is used by many companies to justify CSR initiatives on the grounds that they will *improve a company's image, strengthen its brand, enliven morale, and even raise the value of its stock*.

Why **business ethics and corporate social responsibility** could be an **answer** to the challenges of global competitiveness and sustainability? *Generally speaking*, we can answer to this question with some different kind of *arguments*: **(i).** the *emotional* one – this is an argument with a great and visible impact at first sight, but it has its limits too: if it isn't take into consideration into the long term organizational policy and corporate behavior, this argument could disappear because peoples in the decision chairs are replaced, or because there attention is distracted by some other „case“, or (no less important), people loss their interest in the subject; **(ii).** the *moral (ethical)* one – even if its domain of interest is bigger than that of the first argument, the problem arises from the differences between the value sets of those who plead and of those who listen to the plead; **(iii).** the *logical* one – is an mostly objective one; it has an important economic / financial nature, regarding the benefits that the company could get. Finally, those benefits can be grouped into two categories: *internal*, such as: personnel, team cohesion, improving communication between rather separate compartments of the company, the climate within the company and the employees attitude, getting out of the routine, employee training; *external*, such as: fiscal benefits, keeping up with the competitors, improving the company's image, growing the company's visibility or it's products visibility, consumer's preference for the products offered by the companies that are socially responsible.

Some managers believe and even vocally argue that ethics and social responsibility concern personal values only, and are not business issues. To these managers, financial profit and shareholder value are the only legitimate concerns of management. Others argue that ethics has everything to do with an organization, its business culture and its sustainable surviving. Unethical business practices and even individual incidents of unethical behavior reflect to some degree the values, attitudes, beliefs, and systems of the organization in which they occur. Because ethics is seen increasingly as an organizational issue, more judges are fining not only the individual who acted illegally but also the organization in which he or she works.

But more and more, organizations and the public worldwide recognize that **business ethics** and **corporate social responsibility** are important concerns for strategic management in order to achieve and maintain **global** and **sustainable competitiveness**. Nowadays business people connect ethics and business integrity more clearly to profitability and success in the marketplace. That's why an increasing number of companies are holding unit managers accountable for illegal and unethical behavior in their organizations, whether they knew about the incident or not.

Managers and executives are being judged as inadequate when they fail to provide ethical leadership to their organization or individual business unit and fail to institute systems that encourage and facilitate ethical behavior. Creating and sustaining an ethical culture has become a key role and expectation of every manager. In some environments legal and ethical lapses lead to numerous and expensive audits by regulatory agencies. Changing public mores (and impatience with slow-moving voluntary corporate action) are transforming mere expectations into regulatory and legal mandates. Even when regulation has not been enacted, the public clearly perceives transgressions against a behavioral norm as violations of proper standards.

Perhaps most critical for an organization is the impact that lapses in ethics and responsibility can have on both its reputation and its relationships with its employees, customers, suppliers, and the communities in which it operates. Difficulties in any of these relationships increase costs and reduce revenues over time. Employees, consumers, investors, suppliers, and business partners are "voting with their feet" – choosing not to do business with companies that are insensitive to ethical standards and that do not do their best to control the unethical impulses of their employees.

The ethical practices and culture of an organization are increasingly being seen as a competitive asset: employees like to work for a company they can trust; customers like to deal with an ethically reliable business; suppliers like to sell to firms with which they can have a real partnership; and communities are more likely to cooperate with organizations that deal honestly and fairly with them. So, we have to agree that "in the current context of: (a). increasing interconnectedness between economic actors and between countries (including transition countries), (b). consistent critical externalities for all types of enterprises confronted with an increasing competition in the local and/or international market, (c). tremendous impact of the new information and communication technology on each company, in terms of strategic development and of organizational behavior, strategic management relies increasingly on the intangible assets in achieving corporate or market goals. These refer, on the one hand, to company advantages given by real time access to accurate information, by the intellectual capital of the firm's human resources, by the good reputation and image in the direct contact with clients, shareholders, or suppliers, and on the other hand, to the moral capital of the company, the ethical conduct of the managerial team, the transparency of the financial accounts by voluntary reporting to the interested circles, the respect of the employees' rights, the use of environment-friendly technologies, and last but not least, the CSR promoted in contact with the members of the hosting community" (Korka, 2005).

5. The new strategic model integrating business ethics and CSR as the ultimate source of competitiveness in times of global crisis and turbulence

Under the pressures exercised on firms and their management by the global economic environment crisis, pressures that are amplified by the global economic and value crisis,

practitioners and theoreticians as well have to think about the ways companies could find viable solutions to way out of the specific/particular problems and ensure firm's sustainability in time. There are at least two very different approaches, which are complementary but reflecting different levels of appropriation and valorization of the internal environment of the firm – and especially in terms of organizational culture (Ogrea, 2010):

- *The first approach* emphasizes on the need to *change a firm's (CSR related) behaviors* – as behaviors represent the most visible layer of the organizational culture, reflecting any firm's particular features at a primary level of analysis; so, the process of changing behaviors is very visible (have a great and immediate impact) and much more easier than changing values (it does not mandatory mean internalization and/or appropriation of the internal fundamentals of the organizational culture – values and beliefs). This we can call *rapid adapting to crisis strategy*, and it is *essential in order to survive in a time of crisis*;
- *The second approach* emphasizes on the need to *change a firm's (business ethics related) values* – as values are the in the core of the organizational culture (and, at their turn, organizational values reflect national and universal values), they are the foundation, the roots supporting all the manifested forms of the organizational culture. They are developing in time, are determining and defining all the organizational behaviors and are the most difficult to change and to adjust to new and dynamic realities which characterize the internal and external environment of the firm. But the different opinions (of individuals, as well as of institutions) argue in favor of this kind of change – sustainable and substantial. This we can call *long term transforming strategy*, and it is *essential in order to became and remain competitive after the crisis*.

Now, we would like to bring some arguments in favor of the above mentioned approaches and strategies – and especially regarding the last one, which requires profound and long time transformations, and where we can also see multiple layers:

- a. On one hand, we have to mention what the World Economic Forum (WEF) has revealed into a recent global report it has developed the last year (before the traditionally meeting taking place annually in Davos); it (naturally) embraced a macro to global approach, result of some very interesting researches and analyzes which were made by WEF itself (a Facebook survey, taking into consideration the young people opinions regarding *values into a post crisis world*, for instance) or by different well known and appreciated ethical and religious global leaders. So, the report is cautioning from its very beginning: "The current economic crisis should warn us to fundamentally *rethink the development of the moral framework and the regulatory mechanisms that underpin our economy, politics and global interconnectedness*. It would be a wasted opportunity for all of us if we pretended that the crisis was simply a momentary hurdle. If we want to keep society together, then a sense of community and solidarity are more important now than ever before. *The most fundamental question today is whether we can adopt a more communitarian spirit or whether we will fall back into old habits and excesses, thereby further undermining social peace*" (WEF, 2010).

On the other hand, at firm's level, we can bring as argument the analysis and suggestions that a British financial consultant in Ukraine has made a few years ago, at the beginning of the global crisis: "In order to *survive an economic downturn*, I would argue that corporations will need to sustain their efforts to ensure social responsibility. These efforts must include a commitment to good governance and financial transparency, a commitment to protect and educate their work forces, a commitment to protect the environment, and a commitment to strengthen the communities in which they work. It goes without saying that an economic downturn will mean

tighter budgets and fewer resources for corporate social responsibility activities. However, non-monetary community engagement, such as volunteer programs, board participation and education partnerships can make a modest corporate social responsibility budget go even further. And by engaging staff, businesses can ensure that corporate social responsibility becomes a part of their corporate culture, rather than just a token gesture" (Wilson, 2008).

- b. When we are talking about changing a firms CSR-related behaviors, it is obvious that in the *last few decades* there have been designed and developed different – quantitative/practical as well as qualitative/theoretical – studies in order to identify if there is a connection (and what kind of connection is that) between corporate social responsibility and the financial-measurable performance of the firm. Although we can notice from the results of these studies the pre-eminence of the opinion arguing that the correlation is positive and strong (and there are a lot of more or less solid grounded arguments here), we cannot stop observing also the opposite opinion.

But, as the *global crisis* has emerged and developed, a *more responsible behavior* seemed to get through firms and their strategic management in their struggle for surviving and differentiating: the effect/result was the proliferation of "*cost-controlling*" measures aiming equally savings for the company and positive effects on different stakeholders. The *synergetic effects* that occur (and have to be valorized strategically) when *companies* which are acting more "*sustainable*" are saving money at the same time were emphasized into an article written by K. Wilhelm in December 2008, the first year of massive manifestation of the actual global crisis as follows:

- *Energy* – The Washington State Convention Center installed more than 6,000 energy efficient lights and saved \$120,000 annually with a payback of less than 1 year. Simple low cost ideas, such as ensuring that employees turn off their computers at night, can save \$21/computer a year and over 920 pounds of CO₂e, according to the Department of Energy;
- *Travel* – As air travel costs have sky rocketed over the past year, investments in videoconferencing software makes more sense than ever. A typical round trip flight from the Bay Area to NYC for instance can cost upwards of \$750 for a coach ticket, and emits over 1,450 pounds of CO₂e;
- *Waste* – Eliminating waste upfront and implementing recycling and composting alternatives helps lower waste costs and emissions. For example, the Hotel Monaco in Seattle composted its food waste and recycled its kitchen oil saving \$20,000 annually. Umanoff and Parsons of Brooklyn, NY sold its leftover corrugated cardboard packaging to an outside shipping vendor and saved \$2,500 annually in disposal costs;
- *Water* – SC Johnson's facility in Racine, WI landscaped with native and drought tolerant plants and saved roughly \$2,000 annually in reduced water and maintenance costs;
- *Paper* – By setting printer defaults to double sided and margins to "1" instead of the typical "1.25," my own company has cut paper usage, emissions, and costs by over 50% in one year with zero effect on company behavior or performance" (Wilhelm, 2008).

This strategy of *saving money* ultimately means also *saving the planet* and *saving the people* – something that the concept and practice of the *triple bottom line* valorize the most. So, it is true that "financial crisis are times that are likely to be characterized by uncertain business environment. Both organizations and each party in the society try to avoid the effect of crisis by remedial actions; such as cutting costs by laying off workers, postponing investments,

reducing budgets for the following year in a contraction manner, consuming less. (...) However, *for long term sustainability and stability, CSR is required for all companies. (...) The demand for social projects is higher in times of financial crisis; however, it seems that companies engage in such activities less rather than more in the present crisis*” emphasized Karaibrahimoglu, when he has studied the effect of financial crisis on CSR of Fortune 500 companies: CSR indexes 2008 comparative to 2007 (Karaibrahimoglu, 2010).

Vice-President of the European Commission responsible for Enterprise and Industry, Gunter Verheugen has emphasized at the CSR Forum in 2009 some *“reasons why the crisis we are currently experiencing demands an ever more serious and strategic commitment to corporate social responsibility:*

- The main one is *trust*. (...) Europe can only flourish and can only meet its objectives of sustainable development in all three pillars – competitiveness, environmental protection and social inclusion – if *enterprises are trusted and actually trustworthy and valued for their contribution to society*. (...) Enterprises do this through the wealth they generate, the jobs they provide, and the goods and services they offer, while taking care of the environment and local communities where they operate.
- But the issue goes a step further – it is a question of *ethical behavior, of ethical standards*. The financial turmoil has revealed to us an unexpected degree of selfishness and greed existing in our society. This must be changed. Not by legislation, as ethical behavior cannot be decreed by law. Instead, *we must put in place an environment where such behavior is not tolerated but punished*.
- I strongly believe that the *companies to lead us out of the recession will be those which consider CSR as part of their core business strategy*. They will be the companies that have developed *innovative forms of cooperation with stakeholders in order to bring new products to new markets*. ... They will be the companies that see commercial opportunity in helping to resolve societal problems – such as the car companies that can offer radically more efficient transport or IT companies that help reduce the need for travel altogether. (...)

Rebuilding trust, managing the human dimension, and seeing sustainability as an opportunity for new business are key to overcome the economic crisis. But beyond that – if we are really to build a more sustainable system in the medium term, then we will also need a shift in values, including amongst enterprises and those who lead them” (Verheugen, 2009).

Assuming a sustainable approach as well, the International Labour Organization admits that *“applying responsible and sustainable enterprise-level practices during a period of economic crisis is a challenge*. There can be *tensions* between the need to remain competitive and survive as an enterprise while at the same time considering and minimizing the social impact of cutting costs and restructuring the business. However, such tensions could be *minimized, if not eliminated*, if the enterprises are pursuing *long-term sustainable strategies, policies and practices*” (ILO, 2009).

6. Conclusion

“There is widespread recognition that the long-term viability of an enterprises means that its management should be based on the three pillars of sustainability: economic, social and environmental. At the enterprise level, sustainability means operating a business so as to grow and earn profit, and recognition of the economic and social aspirations of people inside and outside the organization on whom the enterprise depends, as well as the impact

on the natural environment. Sustainable enterprises need to innovate, adopt appropriate and environmentally friendly technologies, develop skills and human resources, and enhance productivity to remain competitive in national and international markets" (ILO, 2009).

Under these circumstances and considering these aggregate effects, we think that the most important approach for the strategic management of the firm in these turbulent times is to be able to *see and valorize opportunities which most of the competitors see as threats and avoid, on one hand, and to transform internal weaknesses into powerful strengths, on the other hand*. By doing this, it is possible for a firm to survive and even develop *a unique competitive strategy of differentiation* (from its competitors – through CSR related practices which, paradoxically, save money) *and focalization* (in terms of market segments and clients – by avoiding inutile costs that eventually would have reflect themselves into higher prices).

The recent bustling and global failure of the well known (and even blunt) "*doing well by doing good*" collocation (and what was happened after that until now) is summary explained into a very recent book by the fact "*that the adage was not true. Many companies did well by being bad. Creative accounting, unfair labor practices, corporate secrecy, monopolistic behaviors, externalizing costs, and shady environmental behaviors could help beef up the bottom line. (...) But today all this is changing. (...) It's become clear that business can't succeed in a world that is failing. We need to rethink and rebuild many of the organizations and institutions of the past around a new set of principles and behaviors. (...) Companies need to do good – act with integrity – not just to secure a healthy business environment, but for their own sustainability and competitive advantage. Firms that exhibit ethical values, openness, and candor have discovered that they can be more competitive and more profitable*" (Eccles and Krzus, 2010).

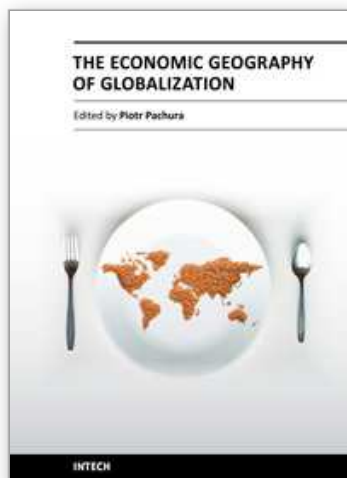
Agreeing, continuing and developing this idea, we think that *a new managerial approach has to emerge and a change of paradigm has to occur* in the field of strategic management in order to develop a comprehensive framework able to bring together, into a never ending process of self-development, a three steps approach, that will reunite: *value-based management* (business ethics, generally speaking, with everything this kind of approach supposes) --- *good corporate behavior* (corporate social responsibility in search for global sustainable competitiveness) --- *sustainable value-creation for* (all the firm's) *stakeholders* (as final and unquestionable measure of management performance and success). This is the *model of strategic management (based on business ethics and social corporate responsibility) in the context of globalization we propose by this chapter of the book*.

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The Economic Geography of Globalization

Edited by Prof. Piotr Pachura

ISBN 978-953-307-502-0

Hard cover, 264 pages

Publisher InTech

Published online 27, July, 2011

Published in print edition July, 2011

Very often the process of globalization is referred the word economy evolution. Often we measure and study globalization in the economic relevance. The economy is possibly the most recognized dimension of globalization. That is why we see many new phenomena and processes on economic macro levels and economic sectoral horizons as well as on specific “geography of globalization”. The book *The Economic Geography of Globalization* consists of 13 chapters divided into two sections: Globalization and Macro Process and Globalization and Sectoral Process. The Authors of respective chapters represent the great diversity of disciplines and methodological approaches as well as a variety of academic culture. This book is a valuable contribution and it will certainly be appreciated by a global community of scholars.

How to reference

In order to correctly reference this scholarly work, feel free to copy and paste the following:

Claudia Ogorean and Mihaela Herciu (2011). Strategic Management between the Constraints and Incentives of Globalization – the Role and Contribution of Business Ethics and CSR, *The Economic Geography of Globalization*, Prof. Piotr Pachura (Ed.), ISBN: 978-953-307-502-0, InTech, Available from: <http://www.intechopen.com/books/the-economic-geography-of-globalization/strategic-management-between-the-constraints-and-incentives-of-globalization-the-role-and-contributi>

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