Global Capitalism and Sustainable Growth. From Global Products to Network Globalisation

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Abstract

From the beginning of 2010s and up to these years, a fourth phase of globalisation produced a structural change in networks competition. Over the last years, a neo-liberal spiral in the search for minimal production and marketing costs increasingly marked firms. As a result, companies are nowadays exposed to socio-environmental forces on a vast scale, facing the new drivers of global capitalism that specifically regard Health; Energy; Food; Communication. This calls for a modern code of corporate social responsibility that clearly demonstrates the company's global corporate responsibility in the overall framework of sustainable growth.

Keywords: Network Managerial Economics; Global Markets; Global Capitalism; Global Products; Corporate Responsibility; Sustainable Growth

1. Global Corporations and Market-Space Competition

Globalisation has been driven by multinationals' capital and technology (Brondoni 2009). Globalisation is essentially the geographic extension of competitive markets, a process dependent on the removal of state barriers, and the overcoming of distance through technology (Sigurdson 1990). As a result, traditional rules of oligopolies have totally changed, the links between firms have become strategic on a very large scale (Chen, Chen 2001; Delapierre, Mytelka 1998), and industrial rivalry tends to occur among global networks comprising a multiplicity of firms linked up with different knowledge bases, particularly focused on management of innovation and creative imitation (Brondoni 2013a).

Corporate globalisation refers to the increased technological, economic and cultural interconnectedness between global organisations. In a global corporate interconnection, there is an exchange of labour forces, R&D, knowledge, products and services. This trend has accelerated since the 1980s, as technological advances (the Internet and the telecommunication infrastructures) have facilitated travelling, communicating and doing business.

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□ *'Globalisation is related to scale economies. Firms are trying to tap market opportunities in huge markets such as China, India and Russia. In a more interconnected world, firms not only from developed countries but also from third world countries have joined international competition' (Culpan 2002).*

In the first phase of the globalisation, firms adapted their competitive policies to operate in open markets, with diminishing physical, administrative and political boundaries, in a global system, linked by spreading digital information & communication technologies. Open markets replaced the traditional closed markets that were typical of 20th century industrial systems, introducing new development models, relations between firms and institutions, and market relations (Brondoni 2010 a).

With the globalisation of markets numerous borders and barriers disappear, the intangible becomes more important than the tangible, time becomes a critical aspect of competition, and mobility (of capitals, people, goods, knowledge and ideas) emerges as a vital condition of the organisation's existence (Brondoni 2002; Brondoni, Lambin 2000). The extension of the competitive space generates complex relations that the global firm is obliged to build up and manage. It is no longer a question of managing relations with the market (in its commercial/commodity sense), but rather of legitimation (economic, competitive, financial, corporate, etc.) and of the control exercised by parties legitimated by precise, recognisable interests in the corporation (Gnecchi 2006).

Globalisation has radically modified the traditional basic principles of industrial output, constituted by: the static localisation of manufacturing facilities; the presence of workers on the manufacturing site; stocks of raw and semi-finished materials and finished goods stored close to the manufacturing facilities and consumer markets; 'long' organisational structures with a rigid, planned and often fragmented division of roles (Brondoni 2008). On global markets, businesses pursue growth objectives according to logics of 'market-space competition', i.e. with competitive boundaries in which space is not a *given*, a known, stable element of the decision-making process, but rather a *competitive factor*, whose profile is established and modified as an effect of the actions/reactions of global firms and governments.

Corporate policies based on an 'enlarged' competitive space (market-space management) postulate the end of the direct and proximity controls that imply the 'physicality' of activities, in favour of corporations characterised by the predominance of intangible assets, competitive adaptability and managerial flexibility.

Flexible forms of organisation presuppose corporate structures in which the crucial importance of intangible assets is expressed by the space of relationships, action/reaction times and relationships of competition and collaboration (Brondoni 2010b).

The globalisation of the world economy has made traditional multinational organisations (multi-domestic businesses) obsolete. They have been replaced by global organisations (network organisations) that are transnational and therefore in a position to tackle the economic interdependence of target markets (global

markets), because domestic markets are no longer separate spaces but must be managed as vast aggregate target markets.

> □ *The reference to 'global market' tends to cover the complex issue of modern conduct of corporate competition. In this respect, we should remember some positions that precisely mark the evolution over time of the competitive conduct of large companies in the vast international markets. Perlmutter, writing in the late '60s, maintains that the company philosophy determines the strategic line of action versus international markets (Perlmutter 1969). Later, Porter introduces an important difference, distinguishing between multi-domestic and global sectors. In the first, competitive relations are highly independent (country-by-country competition), while in global industries the competitive position of a company is significantly influenced by the overall competitive structure (commercial aircraft; defence aircraft; semiconductors; TV apparatus and equipment; cars; machinery for construction and earthmoving) (Porter 1986). Finally, with respect to local/global skills and local/global strategic guidance, Bartlett and Ghoshal present four different types of strategic leadership towards foreign markets: international (whereby results achieved outside the country contribute to domestic performance); multinational (products and processes for specific local markets, with country-by-country competitive behaviour); global (with primacy focused on production and economies of scale; and transnational (with the advantage of economies with a range of size and specificity) (Bartlett, Ghoshal 1992).*

In global network organisation, the importance of 'corporate network value' emerges, and intangible corporate assets (corporate identity, corporate culture, corporate information system) acquire huge importance. A policy of controlling the competition becomes a priority, with the focus on 'costs oriented to competition control' (Brondoni 2006).

The global firm is nowadays confronted by the threats and opportunities of multiple potential locations of the value chain activities across the globe. Identifying the best locations for the different activities, the best partners to conduct these operations – when they are not carried out internally through FDIs – and managing value systems, which are dispersed in different countries, have all become core strategic decisions and activities, on which the competitive positioning of the firm is built (Zucchella 2007).

The value proposition of the firm to its market is not merely the result of 'value extraction' across the world, by exploiting local resources and capabilities, but for a growing number of firms is a blend of value and values proposition, based on socially responsive behaviour (Gnecchi 2009).

In today's highly competitive global markets, firms compete in conditions of extreme economic, technological and socio-political instability. No firm can afford to rely purely on its own resources, knowledge and skills, as they did in the past. Firm development has therefore abandoned manufacturing performed in the large capitalist factories of the '50s and '60s, which guaranteed stability and security as

well as equal treatment for efficient and inefficient workers, based on the average output of each professional category. It was a simple mechanism that was consistent with a manufacturing model of "linear" growth, which had emerged from the typically European competitive context of maintaining firms' hierarchical positions (*leader-follower*) on the various markets (Brondoni 2010a).

Since the early '80s, the global economy has radically changed firms, manufacturing system and products.

In open markets, not protected by geographical and administrative boundaries, firms adopt very flexible management behaviour, drawing on intangible resources, designed to exploit global economies of scale in a networking logic. In open markets, the competitive approach to the market (market-driven management) assumes a basic importance, because the firm management is strongly profit-focused locally and globally, and not turned inward into the organisation (as it is the case in closed, uncompetitive markets) but exploiting the opportunities offered by open markets, i.e. variable demand and the instability generated by competition. Market-space competition also emphasises global economies of scale, whose value does not depend on the level of exploitation of elementary manufacturing factors but on the 'intensity of sharing' of specific resources in a networking system, i.e. on the sophistication of collaborative relationships between internal, external and co-makership structures (Brondoni 2010a).

In this sense, one of the most important changes in industrial organisation is the transition from multinational corporations (MNCs) to global networks. Multinational corporations were characterized by the focus on stand-alone overseas investment plans. Global networks, on the other side, are characterized by the focus on coordinating and integrating their geographically dispersed supply, knowledge and customer bases into global network business activities (Canegrati 2012; Ernst, Kim 2001).

The transformation from MNCs to global networks moves towards vertical specialization and highly diversified patterns of collaboration across inter-firm and intra-firm transactions coordinated by global corporations (Luethje 2001). Global networks significantly reduced the importance of 'context specific skills'. The worldwide platform of the Internet pushes the knowledge into a standardized format with minimal costs, and it can be readily transferred across country borders and firms, for which the business collaboration can take place between modules connected with each other with standardized interfaces (Brondoni 2013b).

Thanks largely to globalization, contemporary society is more capitalist than ever. Indeed, the world economy of the 2010s-2020s generally manifests the greater competition and volatility that one would expect from an intensification of capitalism (Lambin 2011).

2. 1980-2015. From Global Products to Network Globalisation

In the second half of the twentieth century, the largest worldwide corporations made an extraordinary socio-economic and technological development and an international growth took place with positive effects on standards of living never achieved before in human history.

The evaluation of these globalization processes could thus be only positive. However, this global development had not made without contextual limits and negative consequences. The abolishment of borders was accompanied by the reduction of barriers, which undoubtedly means more freedom but also less protection for consumers, citizens and people. Globalisation then appeared with all its benefits, but also its imbalances (Tassinari 2003).

Since the fall of the Berlin Wall and the end of the Cold War when the world was divided into political blocs needs have become more fragmented and attitudes have become more multi-faceted and complex. Moreover, there is no recognized world authority capable of projecting a specific world order with the necessary authority (Caselli 2002). Since Seattle, the horizontal and vertical contradictions that traverse international relations have been in the global limelight. It is evident that in addition to the traditional contradictions between north and south, there are deep fractures between northern countries (USA versus Europe, for instance), between southern countries, between governments and so on (Caselli 2003).

Globalisation is not something mechanical but it is the result of firms' plans and actions referred to tasks and threats of stakeholders (co-makers, partners, competitors, rivals, customers, governments, institutions, etc.). The big corporations pushed the globalization and raised the development of the real economy (more goods and services were available for a larger number of people than ever before).

In a popular meaning, globalisation is often used synonymously with 'liberalisation' and it refers to the large-scale opening of borders that Nation-States remove countless regulatory barriers to international trade, travel, financial transfers and communications. In this sense, the globalisation would be based on a causal relation from Nations to firms, focused on processes of surplus accumulation through the pursuit of (a) lower costs of labour, taxation, and regulation; (b) incentives to attract foreign firms' localisation; and (c) new opportunities for accumulation through intangibles and mass productions. In other words, Nation-States could aim to global economic tasks focusing on some specific national key-factors (as high-tech R&D; imitation capabilities, etc.). This macroeconomic view is sustained by some tangible manifestations of globalisation from the second half of the nineteenth century, for example in the form of transworld telegraphy or a few other 'global' products like Remington typewriters, and so forth. However, the scale of these 'transborder relations' (as opposed to global, 'cross-border activities') were absolutely small. The great intensification of global relations (in terms of the transcendence of cross-borders) has unfolded since the 1980s.

In a firm-centred meaning, instead, globalisation refers to the global vision and mission of large corporations. In this case, the globalisation defines a fundamental transformation of firms' structure and the causal relation moves from the firms to Nations. Therefore, in terms of causation, globalisation capitalizes on dynamics of surplus accumulation by virtue of: the management of innovation and imitation; the opportunities and the threats of market-space competition; the production and responsibility costs (Brondoni 2012).

From a corporate point of view, globalisation cannot be indeed examined as a bulk process, but it requests a deeper analysis, recognising the key-elements of each period linked to the evolution of global competition.

In this sense, it is possible to identify some important differences in the following periods:

1. Product globalisation (1980-1990);
2. Firm globalisation (1990-2000);
3. Financial globalisation (2000-2010);
4. Network globalisation (2010-2020).

2.1 Product Globalisation (1980-1990)

Since the '80s, at the beginning of globalisation processes, large corporations introduced a remarkable transformation of corporate governance, R&D activities, production operations, marketing policies. In this period American and European firms massively utilised merger and acquisitions deals, with the specific aims of creating large global firms that were capable of surviving competition from the largest rivals or using the enlarged corporation to expand international operations. The deals have been especially prevalent in sectors at the heart of product globalisation such as brand-name consumer articles, tourism, banking, insurance, informatics, telecommunications and electronic mass media, but even aircraft production. Indeed, many fusions have failed in terms of subsequent share price performance, earnings growth, turnover of top executives, new product development, etc. (Salvioni 2012).

In this first phase of global competition, the corporation's policies were focused on product globalisation, playing on over-supplied markets to obtain a worldwide primacy for their offers. To reach this objective, firms changed the organisation from multinational enterprises to global networks focused on specific financial tasks to satisfy a hard *shareholder view*.

> □ *'Shareholders demand for value creation is closely related to growth. Employees seek career advancement, financial rewards, job security, and job satisfaction. Then there is a heat from competitors, particularly in industries such as banking, pharmaceuticals, automotive, defence, airlines, and personal computer, which are undergoing consolidation. Here growth is essential if economies of scale in technology development, operations, capacity utilization, marketing, distribution and network externalities are to be captured. Those companies which fail to expand as fast as competitors will lose competitive advantage and enter a downward spiral' (Karnani 1999).*

Firms operating in the global context produce their products in step with networking, outsourcing and time-based competition logic. In such revolutionary context of a 'market-space competition' (basically related to R&D, operations and sales) unlike in the past, the capabilities, resources, competences and services readily outsourceable from global companies network become easily usable in space and in time in an extremely efficient and rapid manner (time value). The 'core activity' of R&D internal structures is generally focused on both: project consulting and first level research, subordinate to a complex transformation model. In other terms, global economies of scale are aimed at competitive advantages generation (in reference to product and to operations) fully supported by the R&D

activities (Kleindorfer 1985). The cost of high-technology development is such that only a global market can provide a scale of return to make such operations commercially viable. Therefore, global sales create network's economies of scale and associated possibilities for enhanced profitability.

2.2 Firm Globalisation (1990-2000)

In the '90s and 2000s the firms 'competitive landscape' changed in front of some specific phenomena characterizing a second globalisation phase, no longer referable only to markets but also to global firms network. Global firms learned to act and decide rapidly, as also became conscious about the consequences at the worldwide level (Nelson 2007; Grossman, Helpman 1991; Loveridge, Pitt 1990). Moreover, the top management decisions cannot disregard the competitive force of global system nor of the financial markets. In fact, in the second globalisation phase, characterized by a growing competition between global networks, which operated according to a market-driven management, the key to the corporation success lies on the firm's analytical skills at the global level as also in its rapid decision-making processes (Brondoni 2009).

Firms based on market-driven management were provided with 'superior competitive abilities', and their R&D centres were no longer centralized in the headquarters, but localized according to a network competitive advantage optimization with the following tasks: identification of revenue-generating projects related to the outsourcing network; R&D local competences; acquisition of data deriving from competitive intelligence; and diffusion of a project development knowledge.

The firm globalisation period was mainly focused on corporate profit. For this task management dedicated specific attention on one side to the corporate finance (with transfer-price, for example, firms manipulated their balance sheets so that profits were largely 'relocated' to organisations of the network with different balance sheet results or situated in countries of lower taxation). Moreover, on another side headquarters pointed out the global production opportunities through the so-called 'global sourcing' (i.e. firms draw the materials, components, equipment and services from anywhere in the world). Thus with global networks it became possible to reduce the production costs and to produce a product anywhere, using resources from anywhere, by a company located anywhere, to be sold anywhere (Naisbitt 1994).

> □ *Nike during a recent five-year period closed 20 factories and opened 35 others at new sites, many of them thousands of miles away (Abegglen 1994).*

> □ *Levi Strauss buys denim in North Carolina, ships it to France where it is sewn into jeans, launders these jeans in Belgium, and markets them in Germany using TV commercials developed in England (Hass 1993).*

The firm globalisation phase was also characterised by the increasing importance recognised to corporate governance, the shift from the dominance of the

shareholder view to the prevalence of the stakeholder view, and the necessity to recover approval on companies' actions have stressed the role of corporate communication. In particular, periodical, clear and complete disclosure about corporate governance structures and forms of actualisation became critical in the new situation (Salvioni, Bosetti 2006).

In these years, there was a growing demand of socially responsible firms and products (demand-pull motivations), and some leading corporations pursued this behaviour as an ethical conduct of business (organisation-push motivations) (Gereffi et al. 2005). In this international public opinion consciousness, also environmental forces had a relevant impact, such as the pressure of independent mass media, political movements, NGOs, regulations, etc. (Zucchella 2007).

The stakeholder view imposed a corporate governance communication 'timely' and 'transparent', emphasising the corporate ethics of the new values of citizenship of the global corporation, in a context of integration.

> □ *'Industry and a competitive environment are among the factors that, in general, are presumed to influence corporate governance…Governance systems may vary significantly between knowledge-intensive firms and capital-intensive firms. In stakeholders-sensitive industries, there may be particular emphasis on transparency and accountability. Boards in such industries will, more than boards in other industries, be related to various stakeholders concerns such as corporate social responsibility. This is the case, for example, in highly polluting industries, the energy sector, the health care sector, etc.' (Huse et al. 2005).*

In the economics of global corporations' market relations, the perspective of the stakeholders' 'public' interests tended thus to instil values in a corporate governance communication policy based on standards of equity in information, i.e. information disclosed symmetrically to the various internal, co-maker and external interlocutors (Brondoni 2006). What is more, the stakeholder view presupposes 'correct' corporate governance communications (i.e. designed to present a given corporate event with an uncritical sentiment, without 'forcing' its interpretation in line with precise, and often not immediately comprehensible, corporate interests) and 'comprehensive' (i.e. interpreting company events examined from various viewpoints, in order to prevent possible speculation and controversy) (Carrol 1993; Evans, Freeman 1993).

2.3 Financial Globalisation (2000-2010)

Since the early 2000s and up to 2010s, global networks were living a third globalisation period. US and some other Nation-States sustained a high development of the financial economy, the so called 'paper economy'. This unbalance between financial and real development caused many crises in the last 15 years that have had a global impact; the last one was the subprime mortgage crisis. The booming and the subsequent crisis of financial markets have a sudden and direct impact on growth, stagnation, recession of the real economy that means of real goods and services produced and consumed (Borgonovi 2007). These global

crises changed also the accumulation rules of financial richness, increasing the power of financial institutions on real economy choices. There are no longer national and regional capitals. To this extent Karl Marx, already in the 1850s, wrote: 'capital by its nature drives beyond every spatial barrier to conquer the whole earth for its market' (Marx 1850).

Capitalists globally oriented achieved hegemony over national and international capital investments in the 1980s and 1990s in most countries of the world.

Contemporary finance consists indeed of global activities. Many credits with shorter maturities (e.g. medium-term notes, commercial paper, repurchase agreements, etc.) have since the mid-1980s also taken a global form. Transactions on the major securities and derivatives markets now mainly occur via telephone, computer terminal and the major financial activities are conducted in the world as a single place, and none of all can be linked to one country.

The financial globalisation of markets, as well as a continuous dimensional growth of the corporations, has thoroughly complicated the managerial model. In fact, in front of such a change, it became necessary for the firms not only to face increasing competitive dynamics but also to manage the limits deriving from the global economies of scale, recessive markets (or in any case with modest growth rates) and the over-supply condition (that was no more a competitive advantage).

Profit and performance objectives, always more antagonistic in respect to the global financial market systems, pushed firms to direct their marketing costs and R&D expenses towards strategies of *open innovation*, able to detect, collect and interpret both, strong and weak signals of a global business development in order to anticipate the tendencies among the consumers as also the rivals' initiatives (Brondoni 2012).

The financial globalisation phase stressed also the corporate governance communication of global network organisations more and more oriented to limit the interfaces with employees, co-makers and partners, and to pursue the opacity of corporate policies.

The contrasting motivations of transparency and opacity that underpin the corporate governance communication of global network corporations, blends perfectly in the opposing visions of the so-called stakeholder view (the multiform and very differentiated perspective expressed by the various stakeholders) and the 'closed' corporate view (i.e. the corporation's corporate and unitary perspective). The stakeholder perspective strives for corporate governance communication based on standards of equity, fairness, comprehensiveness, timeliness and transparency of the flows disseminated to the various interlocutors, whether internal, co-makers or external. The corporate perspective, on the other hand, presupposes information flows based on asymmetrical information, which envisages the openness of the company system graduated to reflect the different publics in the various markets. This openness is directly linked to the interests highlighted by individual groups of interlocutors; the specific nature of information, i.e. interpreted to pursue definite and contingent corporate interests and disseminated through the most appropriate channels; the partiality of information, in other words a deliberately limited 'view' of facts and events, to highlight their positive peculiarity for the organisation (Salvioni 2010).

The corporate perspective tends to reward a top managerial function that presupposes asymmetrical information, envisaging the openness of the corporate

system graduated to the different publics on the various markets. The corporate view tends therefore to disclose 'specific' information (with an 'interpretation' designed to pursue definite and contingent corporate interests and disseminated by the most suitable channels) and 'partial (with a deliberately limited 'view' of facts and events, to emphasise the positive aspects for the organisation) (Brondoni 2006). Therefore, corporate governance communication often tends to be distinguished by 'news timing control' (i.e. disclosure of information to the various publics and stakeholders that is partial, strongly controlled in its contents, timing and method of dissemination) and 'information opacity' (i.e. a generalised tendency to 'remain one step behind' compared to the information expectations expressed by stakeholders). In the so called financial globalisation period, in front of the economic scandals (Enron 2001; Freddie Mac 2002; Parmalat 2003; Royal Bank of Scotland 2008; JP Morgan 2008; HBOS 2008; Lehman Brothers 2008; Goldman Sachs 2008; Barclays Bank 2012), the values of corporate finance transparency identified an essential requirement for the continuous adjustment of the convergence between the management and the corporate financial information. In the financial globalisation years, thus the culture of transparency represented for the largest corporations an ethical principle of orientation for all those who are required to legitimise the content of economic communication (e.g. governance organisms, key-clients, suppliers, partners, co-makers, auditors, etc.) (Salvioni 2002).

2.4 Network Globalisation (2010-2020)

From the beginning of 2010s and up to these years, a fourth phase of globalisation produced a structural change in network competition. The primacy of knowledge management, the worldwide localization of production and the new policies of innovation and imitation have been modified in opportunities for merger and acquisitions, global competitive alliances and joint ventures (Brondoni 2012a). As a result of strategic alliances, mergers and acquisitions, globalising capitalism has brought increased concentration of ownership and power to many areas of production. For example, in several industries fusions have involved a 'mega-merger' of corporate giants that has radically transformed the competitive balance in these sectors.

In brief, the main factors affecting corporate competitiveness in global networks can be attributable to:

- corporate tasks of profit and growth. Over-supplied markets led many large corporations to develop expansion plans, in line with the vision of a global company;
- development of hybrid sectors by the convergence of technologies;
- reorganisation of distinctive competitive competence in the search for broader boundaries of scale economies (market-space management);
- continuous changes to the competitive base. A competitive edge does not remain for long if the firm does not develop innovation and imitation plans with continued product progress and the relentless search for 'unfilled' demand (Brondoni 2003).

3. Global Network Managerial Economics and Global Capitalism

The global network managerial economics typically exploits the following characteristics:

a. *Business network organisation.* The global corporate policy of sharing resources normally takes place among the various organizations that compose a business network. In this structure, the global managerial economics develops complex relations and extends its activity into intangible areas (corporate culture, corporate information system and corporate identity) (Corniani 2010).

b. *Global collaborative networks.* The sharing of resources by global businesses may involve other organizations via agreements and joint ventures in addition to the various parties belonging to the same network. The global context of competition has brought about profound innovations in the role of strategic alliances between companies and the development of collaborative networks between business groups. In order to compete on a global scale, large corporations promote various means of cooperative competition, especially with selected competitors for fighting common rivals. This may be via equity alliances or non-equity alliances. (Brondoni 2003).

c. *Network relations and the role of the states.* The global managerial economics reveals new problems to manage specific national forces and resources. As open markets take hold, national governments tend to lose some of their prerogatives, to the extent that their transnational authority weakens. A market economy demands a strong state that sets and enforces the rules of the competitive game, but globalisation also undermines the role of national governments. As a result, global capitalism favours the development of *supranational institutions* (as World Trade Organisation, World Bank, International Monetary Fund, etc.), which can issue consistent directives that orient the decisional sphere of national governments, particularly with regard to environmental, food, healthcare and communication (i.e. the today's basic drivers of global capitalism) (Brondoni 2006).

Global capitalism thus determines profound changes in economic and social bonds, and the progressive transformation of these bonds from territorial to functional. Indeed, in the most evolved realities, social and economic relationships are related to an array of functions (knowledge, information, cultural climate, ability to adapt to diversity, action and reaction times, mobility) that go beyond the bounds of fixed physical space (geographical area, nation, ethnic settlement, administrative precinct, etc.) based on the preservation of well defined, exclusive local rights and duties .

The global capitalism, in effect, radically modifies the traditional basic principles of industrial production: the coordinated interaction of workers, technology and materials, with a high level of standardization in the time-space sequence, where the direct control and proximity limits characterize physical aspects of the business (immutability of the goods produced, a finite number of suppliers, fixed manufacturing plant locations, etc.) (Brondoni 2002).

The global capitalism introduced indeed a new dimension of worldwide competition based on collaborative networks through strategic alliances in the form of equity alliances or non-equity alliances. In fact, in situations of over-supplied and high competitive markets, the setting up of lines of cooperation represents

typical strategic behavior by companies with a long-term view and global market vision (Lambin 2014).

Corporate development based on 'enlarged' competitive space (market-space management) tends to generate mega-organizations with very strong 'top tier management power'. Thus, nowadays, firms operate under conditions of high competitive tension in a context subject to political, social and technological instability. No company can, therefore, rely, as in the past, solely on its own resources, knowledge and skills, since corporate development is created with the help of different 'carriers' (shareholders, managers, employees, customers and competitors).

In effect, by the end of the last century, global capitalism entered in a deep crisis that began in Mexico in 1995 and then intensified with the Asian financial crisis of 1997-98 and the world recession of 2001 (Robinson 2005).

The economic and financial crisis has motivated many opinion-leaders announcing the end of the capitalistic system. In fact, the capitalist system was retained responsible for the financial and socio-economic chaos, for the society's materialism and consumerism as well as for the environments destruction. In a global economy system, it is indeed impossible to abandon the capitalistic system as if it was a political party or simply a sport club. Indeed, the market economy is retained essential for a natural capitalism development (Lambin 2009a).

In fact, such considerations regarding the capitalistic system abandonment are highly nebulous. The abandonment of the capitalism would entail in fact the suppression of the ownership of means of production and the collectivization of profits. The Governments, however, really count a lot on the innovation and on the enterprises to revitalize the economy. In other words, it is an "auto-destructive" way of thinking, surely doomed to failure in a global economy context, especially in Europe – expressly contrary to a similar solution (Lambin 2009a).

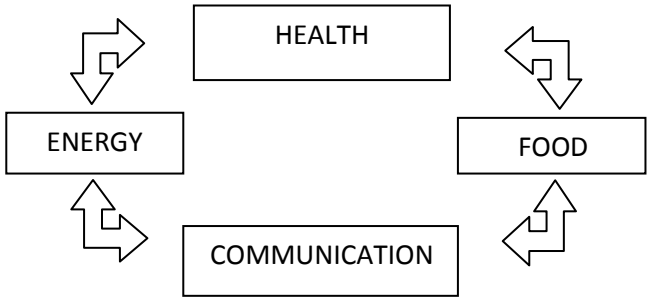
Nowadays, all the markets are global, even those that seem mostly rooted in their national traditions; nevertheless, in global markets does not exist any right that would regulate the economy. Consequently, without global rules, the global capitalism produces positive and negative consequences as social disparities and economic differences (Scholte 1997).

In recent years, the Greek economic crisis of 2009 showed the new basic drivers of global capitalism (Figure 1).

The new drivers of capitalism are made up of business areas of defensible innovations that concentrate the long-term investments of worldwide corporations (Corniani 2012). In synthesis, the current basic drivers of global capitalism define an interconnected system of corporate business with very high-expected profits and that specifically regard:

- Health;
- Energy (renewable and conventional);
- Food;
- Communication (digital and analog).

Figure 1: *Global Capitalism. Basic Drivers*



The contemporary global capitalism is also facing other challenges, particularly the need of promoting the sustainable growth, dramatically stressed by the economic and financial crisis. In the meanwhile, for the future growth of global corporations the challenge is to conciliate the profitability imperative with a business model compatible with the objective of a sustainable development (Lambin 2009a).

4. Global Capitalism, Corporate Responsibility and Sustainable Growth

In the 'golden age' after 1945 domestic markets were saturated, the profits were realised through expanding working-class consumption and the export of capital itself was transformed over the twentieth century in the context of the international integration of production through multinational corporations and the extensive development of international financial markets.

In the passage from Britain's empire to informal American sovereignty, something much more distinctive emerged. The United States, in the process of supporting the export of capital and the expansion of multinational corporations, increasingly took responsibility for creating the political and juridical conditions for the general extension and reproduction of capitalism internationally.

This was not just a matter of promoting the international expansion of American multinational firms. The US corporations established in their own hemisphere at the beginning of the twentieth century a proper understanding of the global vision that can identify not only the domestic but also the international role of the American state in setting the conditions for capital accumulation. It is incorrect to try to explain US profit practices merely in terms of capitalists imposing them on the American State. This interpretation exaggerates the extent to which capitalists' consciousness of their interests was always so fixed and clear. It also often leads to drawing far too rigid distinctions between internationally oriented and domestically oriented elements of the US capitalist class (Gindin, Panitch 2012).

In today's scenario of global 'hypercompetition', US corporations face to many other MNCs (more and more based in China, South Korea, Taiwan and Europe). In this new competitive landscape, capitalism breaks the static, monolithic rules of the company that plans, produces and sells by the rules of absolute proximity (local market) or relative proximity (international market). Global networks by converse assert more complex and articulated structures that disregard traditional rules of

corporate responsibility (for example, in terms of quotas of national workers to hire) and 'local' conduct based on social responsibility. Instead they refer to often impalpable standards of '*network corporate responsibility*' (which envisages the fragmentation of corporate responsibility centres and various hierarchical levels of social responsibility, dispersed in space and changing in time, and often not easy to identify).

In a global market-space, the *corporate responsibility* is thus considered as a sense of the corporation's consciousness towards hypothetical consequences of its planned actions in view on organisation's long-term vitality.

For some time, large corporations have operated in network structures to achieve vital economies (procurement, manufacturing, distribution, communication, marketing), targeting the enormous economic-financial advantages achievable by growing economies (supply-driven management) on corporate policies to satisfy demand that focus as a priority on competitive confrontation (market-driven management).

In fact, for over twenty years, global markets have imposed a market-driven management strategy on companies (Brondoni 2008). This demands a network culture and local organisations motivated by results, market policies that monitor the instability of the competition and the variability of demand; the reorganisation of the company to 'global business' rather than to markets and products, and the preparation of new metrics to evaluate intangible and tangible factors and to stimulate corporate performance (Corniani 2011). In other words, global managerial economics is based on new paradigms of corporate accountability that supports the '*corporate responsibility*' of the network (Brondoni 2010b).

In a global capitalism, a sustainable growth can be pursued as long as:

- global corporations introduce a vital relation system;
- countries or geo-economics area introduce social, political and economic rules will be re-established.

Neither solution is easy. The weakness of multilateral organization, the free trade area agreements and the signature of agreements for fair competition and code of conduct among the most important global companies in the different sectors (i.e. food or drugs industries) demonstrated many times to be simple declarations rather than feasible actions.

The challenge is to elaborate theories and policies to play the 'free global competition', without coming back to 'State economy' or to protectionism (Borgonovi 2007).

For the corporations the challenge is considerable: the capitalist system could evolve towards a sustainable economic growth (Lambin 2009a). The challenge is formidable. New business models can contribute to amend the capitalist system and to support the objective of sustainable development by decoupling economic growth and environmental destruction (Lambin 2009b).

Economic system evolution has witnessed the progressive separation of theoretical views of corporate responsibility and behavioural practices. Corporate choices have often favoured shareholder expectations, frequently driven by profit and at times even tending to exhibit unequal treatment amongst risk capital provider subgroups (for example, between majority and minority shareholders). The proliferation of cases involving manifest fraud or misconduct (e.g. Enron, WorldCom, Merck, Vivendi, Cirio, Parmalat, etc.) pushed indeed the major firms

toward a new concept of the global corporation's role in society, reassessing the shareholder interest to the respect for the national laws and the economic-social-environmental resources. This led to a re-thinking of governance orientation, the interaction between governance and management organs, and a profound review of the performance critical variables (Salvioni 2003).

In fact, the debate over profit policies and responsibility in a context of sustainable development has taken new importance in recent times.

Indeed, the growth and sustainability of free market economies highlights the need to define rules more suited to the current conditions of market globalisation and global capitalism. The new conditions of globalisation create two different behaviours: the public opinion and the major stakeholders are interested to more transparent and accountable *corporate responsibility* behaviour, whilst at the same time global corporations are pushed to adopt conducts of corporate responsibility less transparent.

Corporate responsibility (and more specifically, *corporate social responsibility*, namely the relationship between the economic, environment and social setting) has already been the subject of much debate in the past, whenever the economic systems have registered profound changes to production, distribution or consumption processes (Brondoni 2003).

Thus, in the mid-'50s, when the so-called 'economy of scarcity' ended and the international expansion of mass products began, the largest firms stressed the importance of not only economic performance in corporate decision-making, but also of the related social effects. This contest stimulated a company's social responsibility and its duty to pursue those policies that are deemed desirable when placed alongside the objectives and values recognized by Society.

The 'welfare state' spread a new phase of political and economic transformation: a clear division of roles between the State and the market, a renewed firm governance, based on management's key-role and an innovative legislation and organization of public controls focused on the balanced functioning of the market and financial system.

Therefore, in the 'welfare state', the firm becomes a component in social equilibrium, where the central role is played by a renewed State-market relationship that goes well beyond a company's extensive independence in the classic liberal economic order. *Corporate responsibility* also had a profound transformation. A company and its activities were focused on the international aspect of markets and required new management skills. Markets and businesses, therefore, became increasingly international and extensive, although the headquarters actually remain located in the countries of origin. Consequently, a new concept of *corporate social responsibility* developed, with a strong national identity in terms of legislation, principles of public government and consolidated social values, but one that balanced business performance against certain social values of corporate interest, such as the development of the rights and satisfaction of consumer expectations or even greater attention to worker protection. In brief, a firm at the centre of a social system with a predominance of wide-ranging national rules (Brondoni 2003).

With the beginning of the third millennium, over-supplied markets forced firms to deal with the global dimension of business. In this vision, the firm organisation was structured as a network (geographically dispersed and with multiple propulsive business centres); performance results were assessed through multiple indicators

(intangible corporate assets, intangible product assets and tangible elements); the unity of governance was harmonized with the variety and specificity of ethnicity and culture of local management. In this new contest, *corporate responsibility* experienced a complex evolution, which comprised the results of the organization at a local and global level within an overall context of compatible development.

Corporate responsibility in global markets therefore systematised the attaining of financial results and the achievement of sustainable growth with a specific attention to the economic results of local (national) organisations; in other words, generating value for management and shareholders, while improving and enhancing, over time, the natural environment, the social context and the local human resources. In line with this global vision of compatible development, *corporate social responsibility* became externalised and closely related to stakeholders, thereby acknowledging the centrality of the global and local media in the competitive governance of the company consensus, namely the company's relations with its stakeholder system (Brondoni 2003).

Over the last years, the markets of more socially developed countries were increasingly marked by over-supply. This pushed firms into a neo-liberal spiral in the tireless infuriated search for sales opportunities offering minimal production and marketing costs. Over-supply leads to the intense, accelerated, often irrational, and socially unviable exploitation of basic production elements (capital, human labour and natural resources). In global markets, this exploitation causes inevitable competitive rifts between organizations at various levels when specific conflicting interests are involved. In this over-supplied market some organisations are involved: a) corporations at transnational level; b) local governments; c) and, finally, at an international level, with self-governing and independent authority, those bodies regulating competition, such as antitrust authorities and central banks. As a result, companies are nowadays exposed to socio-environmental forces on a vast scale. This calls for a modern code of corporate social responsibility that clearly demonstrates the company's global corporate responsibility in the overall framework of sustainable growth.

Business globalisation has led to a growing awareness of social and environmental issues, and has exploited the problem of the sustainable growth. Even mass communication has become globalised and, above all, far less *one-way* or linear (the role of receiver versus source is therefore no longer purely passive, but an active player in the communication process). Finally, the priority 'social global dimensions' (for example, economic sustainability, eco-responsibility, status for workers, etc.) demand the strengthening of the worldwide organisms responsible for monitoring firms, and the formulation of new rules and standards that are in tune with the global contexts of network competition (Brondoni 2010b).

The global managerial economics highlights corporate policies that tend to break up large firms concentrated in a single location and replace them with multiple entities caught up in the complex logistics and localization (proximity to supply markets, preferential trade and intermediate demand relations, installation costs, the quality and cost of infrastructure, and the nature of public incentives). Furthermore, over-supplied markets force global corporations to strengthen external relations, externalising corporate processes and sharing results and responsibility with firms at the beginning or at the end of the supply chain (vertical cooperation) or with competitors (horizontal cooperation).

The complex organisation of global business (based on networks and collaborative equity and non-equity alliances) also leads to a profound change in *corporate responsibility*, whereby a company must be open to a dialogue and comparison with the numerous (and often unstable) internal, external and co-makership bodies.

In global managerial economics, however, *corporate responsibility* extends beyond the organisation and willingly interacts with a (complex, multilevel and international) system of stakeholders, with whom it expresses a *corporate social responsibility* focused on social and environmental issues in accordance with a business vision of sustainable growth.

The *corporate responsibility* of global businesses carries clear connotations that are very different from the business responsibilities that might be developed in either domestic markets or markets dominated by export-import policies.

Neighbouring markets are marked by a basic business model with a restricted locally defined reference environment. In this context, corporate responsibility stems from the low cost of production, and social responsibility is identified as providing local jobs and the production of goods required by the community of which the company is a part. In the international firms, ties between the company and the local community are weaker and control/collaboration relations between entrepreneur and employees are lost. Corporate responsibility becomes depersonalised, loses any sense of enlightened paternalism and represents social and environmental issues (with specific reference to stakeholders in the markets in which the company operates) together with internal financial objectives (whether of the company or local bodies, and involving the interests of shareholders, managers and employees). The concept of corporate responsibility thus positions firm profitability aside respect for social and environmental issues. Thus corporate social responsibility involves specific conditions in well-defined markets (domestic and export markets).

Finally, in global managerial economics, competitive space cannot be defined as stable or relating to geographic or administrative factors. In this context, also generally characterised by over-supply, large corporations operate in networks and must therefore continuously interact on a global scale with a varying and constantly changing group of stakeholders, and agree to expose the organisation to two-way flows of information from any market, including those in which the company is not present (Salvioni 2002).

In global managerial economics, *corporate responsibility* therefore amounts to the unstable and dynamic equilibrium, on a global scale, between the concerns of corporate governance bodies, stockholders, shareholders, management, employees and, finally, stakeholders.

In global markets, powerfully divergent interests may manifest among the various players, and the *corporate responsibility* must mediate – at both a corporate level and at the level of individual operating entities – between firm profitability, firm long-term growth and social and environmental issues.

Mediating between profit targets and social and environmental interaction thus tends to define the complex social responsibility of the company. The *corporate social responsibility* of a global firm, in fact, imposes the need for the various entities comprising the business network to be open to dialogue – with varying levels of interest and openness – with the stakeholders (given that all stakeholders

can profoundly influence short-term results and long-term tasks at a local and corporate level, sometimes with devastating consequences), setting up specific corporate and local communication tools (such as ethical codes, social balance sheets, environmental balance sheets, lobbying through associations, etc.).

At the same time, as a global company expands its global interconnections, its corporate social responsibility also tends to develop a *policy of 'opacity' in its conduct* (typically with specific corporate communication tools, such as social environmental and cultural sponsorships and institutional publicity through social foundations). Such conduct *generalises* the social and environmental issues relating to specific stakeholder areas of interest in order to minimize the operating-objective transparency of the potentially complex resulting benefits and their usefulness. (Brondoni 2003).

Adoption of a view focused on shareowners (long-term vision and growth), shareholders (short-term profitability) or on stakeholders (short-term development) implies different policies in firm performance assessment: one must adopt a multifaceted point of view, based on the equitable balance between competitive, financial and socio-environmental variables. The ability to respond properly to shareowners expectations can be important, but must be linked appropriately to satisfying expectations from the other parties in a company's domain to respect for the environment. A company's viability is ensured and risk is minimized by operating in this manner (Salvioni 2003).

□ *GLOBAL CAPITALISM – FOOD –* ***The Shareowners View – The Coca-Cola Company.*** *'A business focused on sustainability demands integrity in every respect. The Board of Directors of The Coca-Cola Co. is elected by shareowners to oversee their interest in the long-term health and the overall success of the Company's business and its financial strength. The Board serve as the ultimate decision-making body of the company, except for those matters reserved to, or shared with, the shareowners. The Board currently has 17 members, 16 of whom are not employees of The Coca-Cola Company. The Coca-Cola is committed to good corporate governance, which promotes the long-term interests of shareowners, strengthens Board and management accountability and helps build public trust in the Company' (The Coca-Cola Company GRI Report 2012-1013, pp.76-78).*

□ *GLOBAL CAPITALISM – COMMUNICATION –* ***The Stakeholders View – IBM****. CSR can be viewed as compliance with the laws and regulations set by the public sector. As companies have gone global the costs of compliance have risen rapidly. Today a surprising number of companies already regard corporate social responsibility as a platform for growth and differentiation. Companies are more visible, more exposed, than ever before, especially as they expand their sphere of operations and their markets. Visibility extends beyond products to business practices as well. In today open environment, companies are finding it necessary to take the wraps off information they once considered private or proprietary. So, visibility is best met with a continuous exchange of information –or transparency. Increasingly, the*

degree to which IBM is able to open itself to stakeholder scrutiny will be a make or break factor in achieving CSR objectives' (Pohle, Hittner 2008).

□ *GLOBAL CAPITALISM – HEALTH* ***– The Shareholders View – Monsanto****. 'Dear Shareholders, at Monsanto, we are helping to develop solutions to one of the greatest challenges facing humankind – providing healthy and nutritious food for a population that is expected to grow from 7 billion today to nearly 10 billion by 2050. Meeting that challenge will require important innovations and many diverse stakeholders working together in new ways. Monsanto is committed to being part of this critical work. This year our business took several steps forward. We delivered continued earnings growth, supported the delivery of innovations to help farmers, invested in breakthrough fields to improve agriculture and participated in conversations about food with new and important stakeholders. We closed out the year near the high end of our guidance and with nearly $2 billion in free cash flow. These results propelled us to our third consecutive year of greater than 20 percent earnings growth. The results also reflect the strength of our global portfolio even as we faced variability in our seeds and traits business. We also delivered innovations to farmers and invested in new opportunities. On behalf of everyone at Monsanto, I want to thank you for your continued support and investment. We know that by working together, we can continue to deliver innovations that improve lives around the world' (Hugh Grant, Chairman of the Board and Chief Executive Officer of Monsanto, Letter to Shareholders, December 8, 2009).*

The global capitalism thus demands the application of proper governance principles for a clear focus of global corporations on sustainable growth as the basis for risk minimization in order to ensure long-term firm success. In other words, a firm's effectiveness implies the assumption of a global responsibility concept based on strict compliance with the law, the creation of constructive relationships with all of society and respect for the environment. Of course, this does not mean losing sight of the importance of creating value and adequately compensating risk capital providers. Instead, it means emphasizing the interdependence of corporate image, operating transparency, short-term performances and long-term results (Salvioni 2003).

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