

Handbook of Research on Global Corporate Citizenship

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17 Global business as an agent of world benefit: new international business perspectives leading positive change

Nancy J. Adler

Let us choose to unite the power of markets with the strength of universal ideals.
(United Nations Secretary-General Kofi Annan, 1997–2007¹)

Introduction

The relationship between global business and society – including business’s search for mutually beneficial advances that address the world’s most pressing needs – has become one of the defining issues of the 21st century. Throughout the world, immense entrepreneurial energy is finding expression, energy whose converging force is in direct proportion to the turbulence, crises and the call of our times. One-by-one positive disruptions are erasing the false dichotomy embedded in ‘the great trade-off illusion’ – the belief that firms must sacrifice outstanding financial performance if they choose to strategically address societal challenges. Could it be that – with a global perspective and the right mix of innovative leadership and scholarship – the creation of a sustainable society and planet could become *the* international business opportunity of the 21st century?²

The 21st-century challenge

The success of global society is increasingly influenced, if not defined, by the behavior of multinational corporations (MNCs). More than half of the world’s hundred largest economic entities today are corporations; only 47 are countries (UNCTAD 2005). ExxonMobil, for example, with 2005 revenues of over \$341 billion and profits of \$36 billion, is larger than two-thirds (125) of the 184 countries whose economies are ranked by the World Bank (*ibid.*). Similarly, Wal-Mart is the nineteenth largest economy in the world, with sales exceeding \$250 billion (Mau et al. 2004, p. 128); its single-day revenue is larger than the annual GDP of 36 independent countries.³ If it were a country, Wal-Mart would be China’s eighth largest trading partner (Friedman 2005, 2006). With over 1.8 million employees worldwide, Wal-Mart has more people in uniform than the entire United States Army (www.walmartfacts.com; Mau et al. 2004, p. 128). What global companies such as ExxonMobil and Wal-Mart do, individually and collectively,

matters, not only to their own customers, employees and suppliers, but also to the larger global economy and society.

The crucial question for the 21st century is not a traditional academic question – ‘How can we best describe what most global companies do and why they do it?’. Similarly, it is not an equally traditional, yet more narrowly focused, economic question – ‘How do global companies achieve the best financial performance through the most efficient and effective use of resources’ (Molz 2006, p.1)? Rather, both from society’s and companies’ perspectives, the crucial questions are: ‘How can companies and society simultaneously benefit from the ways in which multinational firms operate?’ and ‘How might companies operate in the future so as to increasingly contribute to society’s well-being while simultaneously enhancing their own financial performance?’.

Questioning the potential for private sector-created positive outcomes is particularly important, given that the behavior of companies such as ExxonMobil and Wal-Mart toward their own employees, other stakeholder groups and the broader social and physical environment has frequently (and often accurately) been severely criticized in the courts, the popular press and academic publications (see, for example, Cascio 2006; Fishman 2006; Freeman 2006; Ghemawat 2006). Scherer and Palazzo (2008) point out that prior discussions of the relationship of firms to the social and physical environment presupposed that responsible firms operated within a system of primarily government-defined rules and regulations. With globalization, however, this assumption is no longer valid: ‘The global framework of rules is fragile and incomplete. Therefore business firms [today] have an additional political responsibility to contribute to the development and proper working of global governance’ (ibid., p. 3) – to the proper working of the world (also see Palazzo and Scherer 2006; Scherer et al. 2006).

Whereas we have learned a substantial amount about the social, economic and political influences of MNCs, what we know is disproportionately negative and narrowly focused on economic outcomes. From the perspective of anticipatory scholarship (Botkin et al. 1979), perhaps the most important question facing business scholars today is: ‘What can we learn about the positive, and potentially positive, impacts of multinational business? What can we learn about global corporations’ ability to simultaneously do good and do well?’.⁴

Business repositioning itself clearly and convincingly as a part of society

Speaking in Davos, Switzerland at the opening of the 21st century, Klaus Schwab (2003, p. 10), President of the World Economic Forum, challenged the world’s most senior business leaders to examine and take responsibility for their companies’ impacts:

In today's trust-starved climate, our market-driven system is under attack . . . large parts of the population feel that business has become detached from society, that business interests are no longer aligned with societal interests . . . The only way to respond to this new wave of anti-business sentiment is for business to take the lead and to reposition itself clearly and convincingly as part of society.

During the 21st century, many business leaders believed that their companies should be detached from society. Reflecting their sentiment, leading economist Milton Friedman (1970, p. 122) expressed his strongly held opinion that the only 'social responsibility of business is to increase its profits'. Today, going beyond 20th-century logic, prominent CEOs from all continents are expressing their belief that the relationship between business and society – including business's search for mutually beneficial advances that address the world's most pressing global needs – has become a defining issue for the 21st century.

What does it mean for global business to take the lead in repositioning itself as a part of society? What might such a repositioning imply for scholars of international business? Kofi Annan, while he Secretary-General of the United Nations, addressed the World Economic Forum in Davos, Switzerland, inviting the business community to rise to the challenge:

Let us choose to unite the power of markets with the strength of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations.⁵

In response to the Secretary-General's seminal invitation, the world's largest global corporate citizenship network, the United Nations Global Compact, was formed in 2000, and now includes more than 3000 member corporations headquartered in 87 countries. With CEO-level commitment from such major multinationals as Alcan, BP, Daimler Chrysler, Escom SA, Novartis, Pfizer, Punjab National Bank, Telecom Italia and Unilever, the members of the UN Global Compact have committed themselves to two objectives: (i) mainstreaming principles for global citizenship into the activities of businesses around the world, and (ii) acting as a catalyst for business actions in support of the UN Millennium Development Goals. The Millennium Development Goals include: eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development – all by the year 2015 (United Nations 2006). American economist Jeffrey Sachs, arguably the most influential, and perhaps the most controversial, voice in international development today, unequivocally

asserts that ‘to the extent that there are any international goals, they are the Millennium Development Goals’ (Eviatar 2004; also see Sachs 2005).

At the Global Compact’s Leaders’ Summit held at the United Nations in 2004 just four years after the Compact’s founding, one overarching theme emerged from the corporate leaders’ deliberations (Cooperrider 2004). It was a call for more and better knowledge, learning and management tools for advancing innovation at the intersection of business and society.

As members of the global business community rise to Klaus Schwab’s and Kofi Annan’s challenge, how will scholars of international business address the same challenge? What are the implications for international business scholarship in a century in which:

1. global integration has become definitional rather than a choice;
2. change is as often discontinuous as it previously was reliably predictable;
3. transparency is more likely to be defined by a single photo – shown first on You Tube or another blogosphere (Gena 6, Burma, and other similar sites), and then on the evening news – exposing previously hidden corporate malfeasance than by any country’s legal structure or by the World Trade Organization’s (WTO’s) entire set of regulations. Most probably, the unexpected and unwelcome photo will have been taken on a cell phone by the sole member of a tiny non-governmental organization that the company’s senior executives had never previously heard of, let alone planned for;
4. resource scarcity exacerbates previously tranquil economic relationships;
5. global environmental crises, human rights abuses, societal violence and income inequality are more likely to be blamed on the private sector than on government; and
6. public opinion is more likely to condemn corporate corruption than praise companies’ societal contributions (Adler 2006a).

Within this context, how must international business scholarship change for it to respond to business’s call for more and better knowledge, guidance and management approaches for advancing positive innovations at the intersection of business and society? What would it mean for international business scholarship to expand:

1. from scholarship that is descriptive of the mean to scholarship that is skilled at identifying the exception (and therefore, the exceptional),
2. from scholarship that is focused on deficit-based problem solving to scholarship seeking to explain strength-based corporate contributions,

3. from scholarship based on assumptions of contextual determinacy to scholarship that explicitly assumes free will, and
4. from prediction based on historical trends to anticipatory scholarship?

This chapter explores some of the most important transformations taking place in other disciplines and their implications for allowing international business to more directly address the key economic and societal challenges of our time. The chapter raises questions and suggests possibilities aimed at expanding the domain and relevance of international business scholarship, both for academics and for business managers and leaders. Box 17.1 offers a brief overview of international business scholarship to date and its relationship to the most compelling issues of our time.

BOX 17.1 INTERNATIONAL BUSINESS SCHOLARSHIP

Addressing compelling questions

As a scholarly discipline, international business has focused mainly on the emergence, conditions for success, and growth of multinational enterprise (MNEs).⁶ At the opening of the 21st century, Buckley (2002, p. 371) challenged international business (IB) scholars by stating that the field was running out of steam because it had failed to identify a question for the 21st century that was as big and compelling as the central questions the field had addressed in the 20th century; questions such as: 'Can we explain the sequence of entry of nations as major players in the world economy . . .?', 'Why are different forms of company organization characteristic of [specific] individual and cultural backgrounds? Or is this an artifact?', and '[Using] what empirical measures can we identify trends toward (and away from) globalization?'. By 2004, Buckley and Ghauri recommended that the guiding question for the field in the 21st century should be 'understanding globalization'.

Other scholars have similarly challenged IB scholars to identify a 'big question' worthy of the field (Butler 2006). Peng (2004), for example, suggested that the question that would best leverage IB's strengths in the 21st century would be: 'What determines the international success and failure of firms?' – a question that many argue has always been the central question in IB. Furthering the dialogue, Buckley and Lessard (2005) recommended that internationalization continue to be central, while Shenkar (2004) suggested

focusing on finding integrative and synergetic ways to combine local and global knowledge.

Whereas each of these questions is important, none, I would suggest, is big enough. I would therefore recommend that one of the guiding questions for IB research in this century should be: 'What allows firms to succeed internationally, including performing at an exceptional level (with success defined as the ability to strategically and sustainably enhance societal well-being and the firm's own bottom line)?'.

International business theory: using the tools of the field

Like any sophisticated scholarly discipline, IB has developed a set of theoretical approaches that compete with each other in attempting to best explain the behavior of organizations that transcend national borders. In IB, the dominant theoretical approaches have included agency theory, institutional theory, internalization theory, resource-based theories and transaction cost analysis, among others. Whereas each theoretical approach has contributed to the overall understanding of the behavior of business worldwide, to date, none has focused primarily on the question of why and how MNEs succeed in simultaneously doing good and doing well. Similarly, few IB scholars have attempted to use the field's dominant theories to explain exceptional behavior, especially when exceptional is defined more broadly than simply maximizing the firm's financial bottom line. This chapter therefore offers an invitation to scholars to use the interdisciplinary perspectives and powerful theoretical tools that have defined IB scholarship to address the broadest and most encompassing questions about the ability of multinational and transnational enterprises to strategically and sustainably do good and do well. Examples of some of the most prominent theoretical perspectives follow.

Internalization and transaction cost analysis

Buckley and Casson's (1976) landmark study provided a rigorous economic explanation for the existence and functioning of MNEs, and thus provided a basis for transaction cost-based theories of MNEs.⁷ As summarized by Rugman and Verbeke (2003, p.126), Buckley and Casson (1976) emphasized:

'very general forms of imperfect competition stemming from the costs of organizing markets' ([Buckley and Casson 1976] p. 33), with a special focus on imperfections in intermediate product

markets, including various types of knowledge and expertise, embodied in patents, human capital, etc. Internalization of such imperfect external markets, when this occurs across national boundaries, leads to the creation of MNEs. In explaining the rapid, post World War II growth of MNE activity, Buckley and Casson (1976) focused especially on the existence of market imperfections, which generates benefits of internalization.⁸ . . .

As internalization theories and transaction cost analysis developed, four sets of parameters relevant to the internalization decision were recognized, namely: (1) industry specific factors (related to the nature of the product and the structure of the external market), (2) region-specific factors, (3) nation-specific factors, including government policies and (4) firm-specific factors, with a focus on the 'ability of the management to organize an internal market' (Buckley & Casson, 1976: 34).

Given the theoretical structure of transaction cost perspectives, there is huge potential for scholars to explore potentially positive relationships between firms and the environment (see King 2007).

Country-specific advantages

Unlike most mainstream strategy theories, IB theory viewed the world neither as one perfectly integrated market nor as completely independent and isolated domestic markets. Ghemawat (2003) labeled the lack of perfectly integrated markets as 'semi-globalization' and, using a transaction-cost analysis framework, explained that country-specific advantages are still highly relevant. Building on Ghemawat's work, the field of IB could leverage its theoretical strengths and address 'bigger questions' by helping scholars across disciplines to understand the ways in which both society and the economy are semi-globalized, and thus how conditions in one part of the world influence those in all parts of the world while remaining unique to their particular location. Such understanding could underpin investigations of global companies that are attempting to strategically and sustainably excel at doing good while doing well.

Resource-based perspectives

In addition to transaction cost analysis and country-specific advantages, Peng (2001) summarized the importance and influence of resource-based views, another key theoretical perspective to strategy and IB. As Peng (2001, pp. 809–10) described:

A key insight of IB research is that MNCs face a 'substantial liability of foreignness,' which leads to nontrivial costs. To overcome such a liability [transaction cost] (Buckley & Casson, 1976; Caves, 1996) and 'eclectic' (Dunning, 1993) perspectives stress that MNCs need to equip their overseas subsidiaries with certain firm-specific advantages. The . . . [resource-based view] extends these perspectives by specifying the nature of these resources and capabilities, such as administrative heritage (Bartlett & Ghoshal 1989; Collis, 1991), organizational practices (Tallman, 1991, 1992; Zaheer, 1995; Zaheer & Mosakowski, 1997), and bargaining power (Moon & Lado, 2000).

Resource-based theories have been used, for example, to investigate the resources underlying different types of diversification. To address big questions, resource-based theorists might study the types of resources and capabilities, including, but not limited to administrative heritage, organizational practices and bargaining power, that most consistently lead to exceptional performance by multinational firms in simultaneously doing good and doing well. John Dunning, a leading IB scholar, has most recently contributed to this discussion with his edited volume, *Making Globalization Good* (Dunning 2003).

Institutional theory

According to IB scholar and sociologist Eleanor Westney (2005a, p. 47):

Institutional Theory begins with the premise that organizations are social as well as technical phenomena, and that their structures and processes are not shaped purely by technical rationality. But whereas earlier critics of technically deterministic approaches to organization tried to explain departures from technical rationality by looking inside the organization (to factors such as informal social structures or power relationships within the organization), institutional theory looks first to the social context and focuses on 'isomorphism within the institutional environment' (Zucker 1987: 443), whereby organizations adopt patterns that are externally defined as appropriate to their environments, and that are reinforced in their interactions with organizations. . . . One basic premise of institutional theory is that the environment is itself socially organized: that is, it is populated by organizations that have 'relationships', not simply transactions, and it is the

source of pressures and constraints on their considerations of alternative ways of organizing, thereby influencing organizations toward 'isomorphism': the adoption of structures and processes prevailing in other organizations within the relevant environment (Zucker 1987). . . . DiMaggio and Powell (1983:150–54) have proposed three categories of institutional isomorphism: coercive isomorphism, where organizational patterns are imposed on organizations by a more powerful authority . . . normative isomorphism, where 'appropriate' organizational patterns are championed by professional groups and organizations; and mimetic isomorphism, where organizations respond to uncertainty by adopting the patterns of other organizations defined as 'successful' in that kind of environment.

From even this brief description, it is clear that institutional theory has huge potential to help both business and scholars to understand better the relationship between firms and their environment (see Westney 2005a, 2005b; Campbell 2007; Marquis et al. 2007). More importantly, institutional theorists could explore ways to extend their theories to help explain not just the various forms of fitting in (isomorphism), but also the range of ways of standing out (exceptionalism); in particular, the relationship between firms that stand out in terms of their economic performance and societal contribution and their relationship to the broader environment. It is not that institutional theory cannot be helpful; it is rather that the right questions have not been systematically asked and therefore neither scholarship nor practice have been able to benefit from the full robustness of the theory.

Agency theory

Another prevalent theoretical approach to IB research is agency theory. Agency theories assume that different players in a system have different goals, act in a self-interested manner, and are willing to assume various degrees of risk (Johnson and Droege 2004). As described by Nilakant and Rao (1994, p. 650), agency theory:

suggests that problems of organization arise because principals entrust tasks to agents since they neither have the time nor the ability to do the tasks themselves. As a result, agents have opportunities to misrepresent information and divert resources to their personal use. Therefore, principals have a need to monitor agents or, alternatively, induce them to cooperate by

designing incentive schemes. Agents also may be motivated to bond themselves to the principals if they want to avert monitoring. The task of organization design is to efficiently structure the agency relationship so that monitoring, bonding and related costs are minimized (Jensen & Meckling 1976).

There are two main branches of agency theory. One, called positivist agency theory, focuses on the broad problem of separation of ownership from control and emphasizes how managers are disciplined by incentive schemes, external labour markets and capital markets (Fama 1980; Fama & Jensen 1983; Jensen 1983). The second branch, called principal-agent research, takes the ownership and allocation of firms as a given and concentrates on the design of *ex-ante* employment contracts and information systems (Baiman 1982, 1990).

Although currently outside the scope of most agency-theory-based studies, the theory could also be used to explore both naturally occurring and organizationally designed incentive schemes that encourage MNEs to act in ways that mutually benefit the firm itself while simultaneously contributing to the broader physical and social environment.

Academic transformation: shifting to positive scholarship

How do fields of scholarship change? What precedents from other disciplines can IB draw on to maintain its relevance both within academia as well as for business and the broader society? Perhaps one of the most important transformations taking place in scholarship in recent years is the shift to positive scholarship initiated by the field of psychology and now increasingly embraced by organizational studies.

Over the past 15 years, Martin Seligman and his positive psychology colleagues (see, among others, Seligman 1994, 1998, 2002, 2003; Seligman et al. 1996; Gillham 2000; Seligman and Csikszentmihalyi 2000; Snyder and Lopez 2002; Fredrickson 2003; Keyes and Haidt 2003; Peterson and Seligman 2004) have radically altered the field of psychology. How? Initially by recognizing that 98 per cent of all research published in reputable psychology journals has focused on deficits (Myers 2003). Psychologists, led by Seligman, recognized that their field had learned how to recognize and describe dysfunction (what is not working), but, from both a conceptual and a methodological perspective, the field appeared incapable of understanding that which was working. Historically, psychological research has offered

relatively few insights into normal behavior, let alone outstanding behavior. In the Forward to the *Handbook of Positive Psychology* (Snyder and Lopez 2002, p. vii), Sir John Templeton questioned the value in that history and highlighted the omissions, by asking: ‘Why is it we know so little about the human spirit?’. Why is it that until the recent work of the positive psychologists, we have known next to nothing about what supports joy, happiness, wisdom, courage, hope, generosity or love?

In the last five years, positive organizational scholarship has begun to initiate a similar transformation in management research; a shift away from problem-focused deficit paradigms and toward strength-based approaches (among others, see Luthans 2002, 2007; Bernstein 2003; Cameron et al. 2003; Peterson and Seligman 2003; Wright 2003; Cameron and Caza 2004; Luthans and Youssef 2004; Dutton and Ragins 2007; and Luthans et al. 2007). Positive organizational scholars have begun to understand organizational phenomena that dramatically and surprisingly outperform the norm. Using strength-based perspectives, scholars are beginning to investigate why certain systems succeed in contributing to the public good while others do not.⁹ In particular, business and corporate social responsibility scholars are beginning to investigate why certain companies outperform their cohort in simultaneously benefiting the world and increasing their own financial performance.¹⁰

Similar to other disciplines, the IB field is also being challenged to reposition itself *vis-à-vis* this century’s unique challenges (see Box 17.1). The central question that previously defined IB – which theories best explain the behavior of MNCs? – is no longer sufficient to address the challenges articulated by societal leaders such as Klaus Schwab and Kofi Annan. The challenges of the 21st century demand that international business, like its sister disciplines of psychology and organizational studies, create and increasingly embrace strength-based, positive scholarship. The challenges that business and society face demand that international business scholars investigate how best to understand the most effective and admirable behavior – literally, the outstanding behavior – of specific, frequently unique companies. Drawing on the work of colleagues in positive psychology and positive organizational studies, perhaps more international business scholars can investigate the possibilities inherent in global businesses acting as agents of world benefit.

Positive deviance: exceptional, beneficial and rare

Traditional scholarship has venerated the mean. Methodologists have developed endless analytical techniques for discovering what is central and/or most frequent in a given population. We have therefore become experts at identifying that which is common – that which is average and/or that which

is central. At times, however, we confuse our labels and present the mean ('the average') as normal, instead of just as central or common. In the book, *What Does It Mean To Be Human?*, Chittister (1998, p. 193) cautions against misunderstanding, and therefore mislabeling, that which is common:

The problem with trying to define what it means to be human is that we now take so much of the inhuman for granted. We confuse the meaning of the words 'natural' and 'human,' and make synonyms of them. We act as if one is the other. We allow one to be the other. We rip to shreds the ideas each of them masks, forgetting one and surrendering to the other. We call the 'natural' human and in one flash of the pen presume we have made it so. We wander in a philosophical maze and never even realize that we are lost.

War is 'natural,' they tell us. Violence is 'natural,' they argue. Self-aggrandizement is 'natural,' they maintain. What they do not say is that just because something is 'natural' does not make it human.

As our methodological ability to identify central tendencies and replicating patterns ('the natural') has increased, our ability to recognize outliers – and especially positive outliers – appears to have either remained nascent or atrophied. As a field we are at risk of becoming blind to that which is unique, that which is deviant, that which is unusual, and therefore, that which is exceptional.

Positive deviance: the theory

The positive organizational scholars, however, have studied deviance, and become especially interested in positive deviance. Traditionally, scholars have defined deviance as intentional behavior that not only significantly violates organizational norms but in doing so threatens the well-being of an organization and/or its members; thus implying that deviance is bad (Robinson and Bennett 1995, p. 556). Historically, most academic discussions of deviance have focused on negative or deficit behavior (Warren 2003). Positive deviance has always existed, yet only recently have scholars begun to recognize it. Today, positive deviance, as defined by the positive organizational studies scholars, is understood to be 'intentional behaviors that depart from the norms of a referent group in honorable ways' (Spreitzer and Sonenshein 2003, p. 209). Given the newness of the field, however, it must be recognized that the terms 'positive' and 'honorable' are not yet rigidly defined and are frequently used interchangeably. Positive, or honorable, behavior of organizations most commonly refers to organizational behavior that benefits a broader constituency than simply the firm's bottom line (traditional stockholders), encompassing a wider range of stakeholders by focusing on the sustainability and well-being of the physical and social environments of employees, customers and community members, as well as the planet.

In contrast to more commonly employed research methodologies, positive-deviance approaches explicitly search for examples of systems, often operating on the margins, which far exceed both the expectations and the behavior of most other systems (Spreitzer and Sonenshein 2003). Using traditional research methodologies and scholarly perspectives, such systems often remain invisible, or, when visible, are attributed to random error. Institutional perspectives, for example, have difficulty explaining exceptional behavior because, by definition, such positive exceptions are neither contextually determined nor do they fit in with current or prior patterns – they literally exist only as outliers. By using positive deviance both as a perspective and as a methodological approach, the superior performance of exceptional systems not only becomes visible, it becomes a candidate both for research and for amplification into broader systems-enhancing strategies.

Positive deviance: the example of Vietnam

A classic example of positive deviance in international development attracted the attention of researchers interested in global change. It comes from Jerry and Monique Sternin who were working with Save the Children on malnutrition programs in Vietnam (Dorsey 2000). Instead of bemoaning the fact that most international poverty programs in developing countries ultimately have no effect, or worse, leave recipients poorer than they were prior to the program (and therefore either give up in ‘grounded hopelessness’ or continue to replicate previously used unsuccessful strategies), the Sternins chose to identify naturally occurring success and attempt to amplify it. They identified the healthiest children in four of Vietnam’s poorest communities: poor children who had somehow grown taller and weighed more than similarly poor neighbor children. They then interviewed the mothers of the healthiest children to find out what they were doing that was different from their neighbors who were raising less healthy children. The Sternins then amplified the positive deviance by inviting the mothers of the healthiest children to teach the other mothers in the village their approach to feeding. Unlike most other nutrition programs, the Sternins’ approach worked, both immediately and over the longer term. Their radically different and successful approach to child nutrition, after first being implemented with starving children in Vietnam, later served as a model for rehabilitating tens of thousands of undernourished children in over twenty countries worldwide (ibid.). As is clear in the Sternin’s approach, positive deviance starts with the assumption that that which is desired is possible; it starts with ‘agency’. It rejects the notion that that which is either common or contextual is definitive or deterministic. The question we must raise as scholars is: why have most such cases of positive

deviance remained invisible when we have conducted our most rigorous research?

Positive deviance: South Africa

On the other side of the world from Vietnam, South Africa's CIDA University also uses a strategy that is similarly based on identifying and amplifying positive deviance. Lauded by South Africa's President Mbeki as one of the country's pioneers of change, actuary and consultant Taddy Blecher launched CIDA University as a business school in Johannesburg in 2002.¹¹ Blecher's vision was to develop 'motivated students from the country's poorest and most marginalized communities into a new generation of business leaders and high-powered entrepreneurs who will spread knowledge and prosperity across the continent'. While operating at a fraction of the cost of other universities, CIDA, which is now accredited, received over 19 000 applications for its 1600 places.¹² Living its motto, 'it takes a child to raise a village', students partner with their home communities to pass on their learning. In just one month, for example, CIDA's business 'students taught 300 000 young people about AIDS and money management in communities throughout South Africa' ('"Ubuntu" University Lifts off' 2002).¹³

CIDA University developed its innovative education model, and continues to recruit students today, based on identifying and amplifying positive deviance. CIDA looks for 'learners who, despite severe disadvantages, have [excelled] academically and who [also] found time to . . . contribute to their communities' (Davie 2001). In other words, they look for positive deviants, students who have succeeded in environments in which most other young people could not. Before opening the university, Blecher and his colleagues studied these surprisingly successful students to understand what allowed them to deviate in such positive ways from the more common patterns of failure experienced by most of their contemporaries. They then built CIDA's selection criteria and curriculum based on the distinguishing characteristics that supported these outstanding young people in achieving so much more than their similarly disadvantaged peers.

In the space of just a few years, CIDA's graduates have begun winning top performance awards and attracting Africa's most forward-looking employers.¹⁴ The corporate partnerships, however, are not motivated simply by altruism. As one African mining executive explained, 'CIDA University is the next Silicon Valley. Any African company that doesn't recognize that will not succeed in the 21st century'.¹⁵ An executive with the First National Bank of South Africa agrees, explaining: 'We see it as sort of an incubator for the talented leaders of the future' (Lindow 2004). CIDA identifies and brilliantly educates the best of the best. No company can

succeed in the 21st century by hiring the second or third tier. No society can succeed without broadly educating its population, including the best of the best. Blecher, the founder and CEO of CIDA University, fits in neither with expectations nor with current ‘institutional fields’; his aspirational set and skills defy current reality. Would our traditional research methodologies recognize CIDA’s organizational strategy, or would its unique position far outside the norm relegate it to invisibility? In an era of severe global challenges, does regression toward the mean reduce scholarship to irrelevance?

Transcending 20th-century research assumptions

As we consider the challenges facing the world today – including war and peace, environmental sustainability, equitable income distribution, human rights and similarly complex issues – it is easy to strip ourselves of scholarly and practical relevance by relying unquestioningly on the conventional, often implicit, assumptions underlying our research; that is, by assuming that:

1. that which is common is true (welcome to our statistical veneration of the ‘mean’);
2. the environment determines the set of possible behaviors of actors (welcome to one of the implicit assumptions underlying institutional theory);
3. progress comes from fixing problems rather than from amplifying strengths (welcome to our analytical, problem-solving orientation); and
4. that which has been, will be (welcome to our history-based predictive and deterministic relationship to the future).

None of these pervasive assumptions supports international business in recognizing, let alone understanding, outstanding admirable and effective behavior. Unquestioned, the assumptions certainly do not help the field to understand why certain MNCs simultaneously succeed financially and successfully act as agents of world benefit, whereas the majority remain oblivious to world betterment or continue, in the name of externalities, to inflict deleterious effects on the world. To address MNCs’ relationship to the array of global societal issues, we need to go beyond the research methodologies that have guided our scholarship in the past. We need to consider more appreciative and anticipatory approaches.

Positive scholarship

First, we need to borrow from what already exists: we need positive deviance and other strength-based approaches. We need very good skills at

(i) detecting the most positive systems and situations, (ii) ascertaining what allowed those particular systems to outperform other systems and situations, and (iii) investigating how such outstanding success could be replicated on a broader scale. One methodology for such investigations is David Cooperrider's appreciative inquiry (Cooperrider et al. 2003). From the perspective of implementation, appreciative inquiry forces an important shift: from taking an analytical problem-solving approach focused on documenting what *is* (primarily by identifying problems in average and below-average systems and then attempting to solve the problems), to taking a design approach (Boland and Collopy 2004) that focuses on identifying the strengths in the best-performing systems (the outliers) in order to magnify them. At present, all such approaches (appreciative inquiry included) are confounded by the fact that there is, as yet, no widely agreed-upon method or criteria for determining performance to be outstanding, and therefore no way to state definitively that a particular system or organization has outperformed its cohort.¹⁶

Anticipatory scholarship

Given the gap today between our aspirations for the world and its current state, we need approaches that do more than simply amplify positive deviance. We need to legitimize and to develop skills at creating and supporting systems that are better than anything that currently exists. How do we study that which could be? How do we create 'that which we wish to be'? How do we create peace? How do we replace poverty with prosperity? How do we restore our environment to vibrant, sustainable health? How do we research that which cannot be predicted but is desired?

Anticipatory scholarship, by definition, violates one of the mainstays of traditional research; it violates the assumption of objectivity – it is biased toward finding exceptionally positive outcomes. Rather than objectivity, anticipatory scholarship relies primarily on the wisdom, courage and hope that scholars bring to their investigations. Wisdom is 'knowledge of what is true and right coupled with just judgment as to action' (Stein 1969, p. 1639). Courage transforms wisdom – knowledge of what is true and right – into meaningful action. Hope inspires people to aspire toward dreams (even when others judge those very dreams to be unattainable) – dreams that others are no longer capable of dreaming. Founder and CEO emeritus of VISA International, Dee Hock, regularly reminds businesspeople and scholars alike that, 'it is no failure to fall short of realizing all that we might dream – the failure is to fall short of dreaming all that we might realize' (Hock 1997).

While still evidence based, anticipatory scholars question what traditional science considers as evidence and what it rejects as 'not evidence'.

Rather than relying primarily on analytical skills, anticipatory scholarship depends on researchers' ability to envisage (exceptionally positive) future outcomes that have heretofore never occurred. Such public envisioning takes wisdom, courage and hope; human qualities about which surprisingly little is known, but which the positive psychologists are currently studying.

BHP Billiton: an exceptional case

Let me offer an example of the type of situation that needs to be recognized and studied if international business is to live up to Kofi Annan's challenge. It is an example of an MNC whose corporate decision making led to financial and societal success. So far, to the best of my knowledge, the story has been reported in the popular press but has yet to be studied from a scholarly perspective.

The story takes place in Africa. Malaria in Africa is estimated to reduce the continent's economic growth by 1.3 per cent annually, at a cost of almost \$12 billion a year. Every 30 seconds an African child dies of malaria. Whereas malaria has been almost eradicated in most of the world, in Africa it is still out of control, claiming more lives every year.

In the 1990s, BHP Billiton, an Australia-based international mining company and one of the world's largest aluminum producers, came to Mozambique, thus becoming one of the first multinational companies to make a substantial investment, US\$1.3 billion, in the country following Mozambique's 20-year civil war (LaFraniere 2006).¹⁷ Known as 'Mozal', which is short for Mozambique Aluminum, BHP Billiton's entire Mozambique operation was at risk if it failed to eradicate malaria. In just the first two years of operation, one-third of Mozal's 6600 employees fell ill from malaria and 13 died. At any given time, 20 per cent of Mozal's employees were absent due to malaria. From a strictly financial perspective, BHP Billiton could not afford the cost of malaria.

For years, international and national public health campaigns to eradicate malaria have been conducted, and have been failing, in Africa. BHP Billiton quickly realized that it could not protect its Mozambique investment by relying on others or by focusing only on its own employees. So in 1999, the same year that Kofi Annan challenged those in the private sector to become co-creators of society's success, BHP Billiton chose to partner with the governments of Mozambique, Swaziland and South Africa to create a regional anti-malaria campaign covering 4 million residents.

For the first time, a company led a large-scale malaria eradication effort in Africa, and for the first time, a large-scale effort was successful. In just six years, the partnership between Mozal and the three national governments succeeded at a previously unimaginable level. In the entire region, new cases of malaria plummeted from 66 to fewer than five cases per 1000

inhabitants. The percentage of infected children fell from more than 90 per cent to less than 20 per cent in the region of BHP Billiton's smelter. Absenteeism at Mozal went down from more than 20 per cent to less than 1 per cent. At the same time, BHP Billiton's Mozambique operations became a financial success. In just three years, BHP Billiton expanded and more than doubled its production in Mozambique. BHP Billiton not only rose to Kofi Annan's challenge; they far exceeded anything the company or the community had ever previously thought possible. Foreign investment is up, profits are up, employment is up, the number of children able to attend school is up, and the number of people in hospitals and dying is down.

Rising to the challenge

The question for scholars of international business is: Do we believe that rising to Kofi Annan's challenge is possible? Not just for BHP Billiton in Mozambique *vis-à-vis* malaria eradication, but for business in general? Moreover, do we believe, as scholars and as educators, that we have a critical role to play in shaping society's future? In shaping the 21st century's success or demise? As we face the array of world crises, do we believe that what we do matters?

I do; I believe we matter. Think, for a moment, about our role as management educators. Management is chosen as a college major by more students than any other area of study ('We're number 1!'). The more than one million management students we teach each year will be making the billions of decisions that will, in fact, shape the future.

Yet do we believe we make a difference? Stanford management professor Jeffrey Pfeffer revealed that students entering management and economics faculties are the only students who do not become more compassionate toward others, including people from the rest of the world, during their time at university.¹⁸ In fact, on average they become narrower and more self-centered. Yes, we make a difference, but up until now we have either denied our impact or made the wrong kind of difference. As we accept our impact and the huge responsibility that comes with it, we must ask ourselves several questions.

First, do we believe that what we do matters?

Second, do we believe that the quality of the world's leadership depends on the quality of the learning environments we create? In Croatia, an executive I spoke with echoed what everyone else seemed to know, but no one was saying out loud: 'We won't survive another generation of leaders like those we have had in the past'. What would each of us research and teach if we knew that the future of our country and the world depended on it?

Third, do we have the courage to see reality as it is? Can we see the world with our own eyes, or will we allow ourselves to continue to repeat what the

mainstream, including the mainstream of our field, is telling us to see? For example, as we watched the Enron story unfold, did we ask ourselves why everyone went along with what was occurring within the company (see, among others, McLean and Elkind 2003)? We know from research on the Second World War that the majority of people in Europe simply did not 'see' their neighbors disappearing; they did not see the trains leaving filled with people, the smokestacks, and the trains returning empty.

Do we have the courage to see changes in the environment? And international business's relationship to those changes? Do we have the courage to see the increasing gap between rich and poor, and international business's relationship to it? Do we have the courage to see the senseless death in the world, and international business's relationship to it? Do we have the courage to see reality as it is? Do we have the skills to help our million management students not collude with popular and pervasive illusions?

Fourth, do we have the courage to see possibility? Do we have at least the rudimentary skills to conduct anticipatory research? Years ago, Thomas Kuhn (1962) demonstrated that most people, including scholars, are incapable of seeing new possibilities until the evidence is overwhelmingly in its favor *and* there is a new paradigm that makes the evidence understandable. Do we believe that the story of BHP Billiton's experience in Mozambique is true? Do we believe it is an anomaly? Do we believe it is an example of positive deviance – for the company, the country and the world? Do we have a paradigm that allows us to see BHP Billiton's impact on Africa, and other situations like it, as part of a pattern of what is and must be?

Our inability to see positive outliers was brought home to me this past year in my own teaching. I showed the managers attending my Global Leadership seminar, who came from around the world, including the Middle East, a short documentary on Tefen, the first of Stef Wertheimer's ten planned Middle Eastern industrial communities. Israeli Industrialist Wertheimer is the founder, former CEO, and Chairman of the Board of Iscar Ltd, a \$1 billion-a-year metal-tool-cutting business. Wertheimer's name was familiar to the managers attending the seminar because Warren Buffet had recently bought Iscar, the first non-American company that Buffet had ever purchased, and had described it as 'an amazing company run by amazing people' (Sandler 2006).

Wertheimer, along with many others, believes that diplomatic efforts to foster peace in the Middle East have failed. As shown in the documentary, Wertheimer offers an alternative, what he calls the Tefen Model, a unique business-based, cross-culturally integrated industrial-park approach that:

[s]tresses creativity through an unusual combination of aims: providing high quality products to a global market, advancing entrepreneurial education and

industrial training, fostering new indigenous industries, and showcasing art and culture. To these ends, the [industrial] parks in Israel, Jordan, and Turkey all have incubator spaces, educational and training facilities, museums, and sculpture gardens. (Wertheimer 2002)¹⁹

Using the Tefen Model within Israel, Wertheimer has already built a series of industrial parks that bring together Arab, Druze and Jewish Israelis and are financially successful ('Fast 50 – 2003 Winners: Meet the Winners' 2003). By 2002 the four Israeli industrial parks had already launched 150 new firms and had created 5000 new jobs (Wertheimer 2002). By 2004 the same four industrial parks accounted for more than \$2 billion in annual revenue, representing 10 per cent of Israel's total industrial exports ('Fast 50 – 2003 Winners: Meet the Winners' 2003).

Will Wertheimer's network of industrial parks ultimately become a major factor in bringing peace to the Middle East? It is too early to tell, but there are already ten industrial parks either built or planned throughout the eastern Mediterranean, including sites in Israel, Jordan, Lebanon, Turkey and Gaza. Many people are optimistic about their current and future success. Wertheimer believes that 'industry is the engine of economic stability'; and that without economic stability, there can be no peace (Wertheimer 2002).

In the documentary, Wertheimer compellingly explains to the United States Congress, 'The Middle East has a way of besmirching the entire world with its conflicts. It is of global interest to quiet this area' (ibid.). An industrial development plan for this region, based on the Tefen Model, would produce a variety of benefits, perhaps the most important of which would be:

a reduction of terrorism worldwide. The majority of the world's terrorists hail from [the Middle East]. . . . Terrorism thrives in areas of poverty. Narrowing the gap between the financial status of neighboring countries and enhancing a population's standard of living automatically changes attitudes. Job opportunities and a higher standard of living for people in this area will reduce the power that terrorist groups offer to the deprived masses. (Ibid.)

After viewing the Tefen documentary, the first reaction from a seminar participant was: 'But it could never happen! It would never work!'. Luckily, I was so surprised by his response, I remained silent. After a minute or so, a second participant spoke up, 'But Tefen already exists and it is already working'. The first five times I showed the Tefen documentary, the participants' first reaction was the same: 'It's nice, but not possible'. Even with the data in front of them, the managers could not see a positive reality, especially between Arabs and Israelis in the Middle East, even when given the facts of the situation.

Our academic tradition has tried to make seeing possibility illegitimate. We are excellent at identifying the mean and therefore at recognizing what most companies are doing. We are equally good at predicting the future based on the past and/or the present. When we identify spectacular outliers, however, or focus on creating (rather than predicting) the future, we are labeled as unprofessional and rendered unpublishable. BHP Billiton and Tefen are pejoratively labeled as stories, not as data, if they are recognized at all.

Fifth, do we have the courage to create the future, rather than continuing to merely analyze the past? There is a not-so-subtle shift going on at leading management schools; they are shifting from an analytical decision-making approach to a design approach: from giving the managers attending management programs increasingly better techniques for analyzing and choosing between yesterday's options, to designing options worthy of choosing (Boland and Collopy 2004; Adler 2006b). The shift delineates the difference between this decade heralding our profession's increasing irrelevance and our profession becoming crucial to the very survival of the planet. IB scholars are particularly important actors in this shift, having for years brought 'foreign' outliers (in the form of ideas and data) to the attention of the more narrowly defined, 'domestic' field of management.

Redefining success: a landscape of ideas

There is no question that scholars of international business can become a primary source for understanding business's role in contributing not only to global companies' financial well-being, but also to the success of the broader society. All that is required is that the field demonstrates the same professionalism that characterized it during the 20th century, including continuing to requestion the fundamental perspectives and assumptions inherent in our conceptualizations and methodologies. Rather than accepting the future as predetermined by historic patterns, the community of international business scholars can, and I predict they will, offer grounded evidence for informed hope.

We do not inherit the earth from our ancestors; we borrow it from our children.
(Kenyan proverb)

Notes

1. Speech given by UN Secretary-General Kofi Annan on 1 February 1999 at the World Economic Forum in Davos, Switzerland.
2. An earlier version of this chapter was presented at the Academy of International Business (AIB) Meetings in June 2007. A summary is published as 'International business scholarship: contributing to a broader definition of success' (Adler 2008) in the AIB Fellows' book produced to celebrate AIB's 50th anniversary (Boddeyn 2008). The construct of 'business as an agent of world benefit' is based on the exemplary work of

Professor David Cooperrider, and is the name of his center at Case Western Reserve University. The ideas for the chapter were developed originally as a part of the Global Forum on Business as An Agent of World Benefit: Management Knowledge Leading Positive Change, co-sponsored by the Academy of Management and the United Nations Global Compact, and co-chaired by Nancy J. Adler, David Cooperrider and Manuel Escobar.

3. Wal-Mart's 2002 revenue on the day after US Thanksgiving was almost \$1.5 billion (Mau et al. 2004, p. 128).
4. Scherer and Palazzo (2007) cogently review alternative dominant discourses on corporate social responsibility including a positivist perspective (which is reliant on scientifically observable cause-and-effect relationships, but they contend is overly instrumental and normatively vacuous), post-positivist perspective (which is based on philosophy but, they contend, is overly relative, normative and utopian), and Habermasian (which focuses on the political role of companies in globalizing society, and the authors recommend). For an understanding of the rich scholarly conversation taking place about business's impact and potential impact on the broader society, see, among others, Hawken et al. (1999); Lovins et al. (2000); Laszlo (2003); Paine (2003); Young (2003); Fort and Schipani (2004); Hart (2005); Prahalad (2005); Savitz and Weber (2006); Aguilera et al. (2007); Barnett (2007); Bies et al. (2007); Brickson (2007); Den Hond and De Bakker (2007); King (2007); Mackey and Barney (2007); Marquis et al. (2007); Perrini (2007); and Terlaak (2007). Perhaps one of the most important, but, to date, least discussed aspects of MNC relationships to the broader society is their potentially positive impact on peace-making. For an discussion of the topic, see, among others, Adler (2006a) and the special issue of the *Journal of Corporate Citizenship* (Issue 26, 2007) edited by Malcolm MacIntosh, Sandra Waddock and Georg Kell, including the article by Fort (2007).
5. Speech given by UN Secretary-General Kofi Annan on 1 February 1999 at the World Economic Forum in Davos, Switzerland.
6. For other, broad definitions, see Buckley (2005), Ghoshal and Westney (2005) and Westney (2005b), among others.
7. For additional classic studies, see Teece (1977), Rugman (1981, 1996), Williamson (1975, 1981) and Hennart (1982, 2001).
8. Buckley and Casson (1976), as cited by Rugman and Verbeke (2003) recognized the contribution of several scholarly studies, both conceptual and empirical, to the development of their particular view on the MNE, including, Coase (1937), Penrose (1959), Vernon (1966, 1971), Hirsch (1967), Johnson (1970), Wells (1971), Dunning (1973) and Dunning and Pearce (1975), among others.
9. According to the University of Michigan's Center for Positive Organization Scholarship (<http://www.bus.umich.edu/Positive/PDF/POS%20Essence.pdf>, accessed 14 November 2007), positive organizational scholarship "focuses on the dynamics in organizations that lead to developing human strengths, producing resilience and restoration, fostering vitality, and cultivating extraordinary individuals. Positive Organization Scholarship is based on the premise that understanding how to enable human excellence in organizations will unlock potential, reveal possibilities, and facilitate a more positive course of human and organizational welfare. POS . . . draws from a full spectrum of organizational theories to understand, explain, and predict the occurrence, cases, and consequences of positivism. . . . At its core, POS investigates "positive deviance", or the ways in which individuals and organizations flourish and prosper in extra ordinary ways".
10. See the work of David Cooperrider at his center at Case Western Reserve University on Business as an Agent of World Benefit, along with the work of scholars attempting to measure the impacts of doing good and doing well on various stakeholders (for example, Barnett 2007, Mackey and Barney 2007 and Terlaak 2007). Also see the work of corporate social responsibility researchers, including Matten and Crane (2005) and Scherer and Palazzo, (2007), among others.
11. CIDA stands for Community and Individual Development Association. For further information, see CIDA University City Campus website at: <http://www.cida.co.za/>,

- accessed 14 November 2007. For background on Blecher, see Aarup and Raufflet (2003), among others.
12. See CIDA University City Campus website: <http://www.cida.co.za/>, accessed 14 November 2007.
 13. The month referred to is October 2001.
 14. Private conversation with Taddy Blecher in Gaborone, Botswana on October 7, 2004.
 15. Private conversation with South African executive in New York City, October 21, 2004.
 16. For a discussion of various issues relative to the assessment of corporations' socially responsible behavior as well as the relationship of that behavior to financial performance, see Friedman (1970), Margolis and Walsh (2003), Paine (2003), Walsh (2005), Barnett (2007), Mackey and Barney (2007), and Terlaak (2007).
 17. Facts about BHP Billiton's Mozambique operations are based on LaFraniere (2006).
 18. Based on a presentation by Stanford Professor Jeffrey Pfeffer on 5 August 2003 at the Annual Meeting of the Academy of Management in Seattle (also see Ferraro et al. 2005). Pfeffer's presentation was based on the research of Marwell and Ames (1981), among others.
 19. Wertheimer presented on 13 July 2004 at the Academy of International Business Meetings in Stockholm, Sweden. For a further discussion of Wertheimer's Tefen Model and its implications for peace, see 'Dialogue of Cultures in the Age of Globalization' at the Sinclair House Debates, Herbert-Quandt Stiftung Foundation at http://www.herbert-quandt-stiftung.de/root/index.php?lang=en&page_id=333 (accessed 14 November 2007), and Ari Goldberg's 'Israeli tycoon urges help for Palestinians', BBC News on-line at <http://news.bbc.co.uk/1/hi/business/1944846.stm>, accessed 14 November 2007.

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