

Act Locally, Change Globally

Corporate Management as a Global Citizen

Hitoshi Shirai

President, Hitachi Research Institute
(as of the time of writing)



Joined Hitachi, Ltd. in 1979. Following roles that included working for the Production Management Department at Sawa Works (Automotive Components Division) and as a Senior Researcher at Hitachi Research Institute, he was appointed to manage the Electronic Government Project Development Center at Hitachi's Government & Public Corporation Information Systems Division in 1999, Department Manager of Business Development Department at the Urban Planning and Development Systems Group in 2003, Deputy General Manager of Hitachi Research Institute in 2005, Deputy Managing Director of Hitachi Asia Ltd. in 2009, a director of Hitachi Global Storage Technologies, Inc. (concurrent position) in 2010, Director and General Manager of Hitachi Research Institute in 2011, and to the position of president in 2013.

He is the author of "*Denshi Seifu*" (Digital Government: How IT will Reform Government), Toyo Keizai Inc.

History of Globalization

The management theorist, Peter Drucker, used to speak of the importance of "Think globally, Act locally" when considering global management. As economic activity spreads worldwide, the question of how to establish globally integrated competitive management practices while adapting them to the various markets and business conditions present in different countries remains an ongoing challenge for companies that seek to operate internationally. I believe it is appropriate to revisit these words in this time when the global society is facing a wide range of serious issues, covering the economy, security, and the environment.

Following the Second World War, the world found itself in a nearly all-encompassing process of globalization. In particular, there was an acceleration of cross-border investment

with freer movement of technology and people after the Cold War ended in 1991, bringing significant benefits for economic development especially in emerging countries. Recent years, however, have seen a clear plateauing of globalization, with the rise of China leading to strained relations between that country and the USA. Historically, China is far from the only instance where a nation acquiring a greater presence through rapid economic growth has received a critical reception from those who already occupied that space. The rising presence of one nation can lead to differences in its governance and practices (factors that received little attention back when nations had little to do with each other) being seen as barriers that are alien and in some cases unfair.

Looking further back into history, the rapidly increasing economic presence of US companies in Europe during the 1950s as a result of increased investment into that region was opposed in a variety of ways, including rising protectionist sentiments and greater nationalism among the European public. Japan faced similar opposition in the late 1980s. This period saw a worsening of trade frictions between Japan and the USA due to rising exports of vehicles, semiconductors, computers, and other Japanese products. Things like the barriers to entry into Japan's internal market and the practice of *keiretsu* companies dealing with each other were raised as examples of unfair commercial practices and regulatory systems that differed from those in the USA. The criticism spread from the federal government to Congress and the US public, with claims that rising exports by Japanese companies, achieved on the back of these practices, were putting US businesses at a disadvantage, culminating in staff layoffs and factory closures.

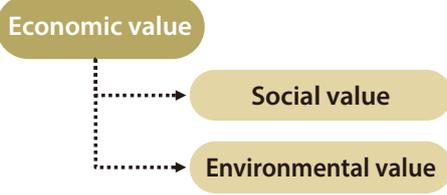
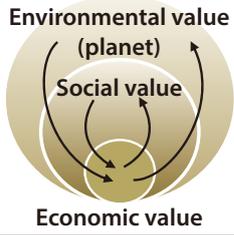
Era of Corporate Social Responsibility

This criticism also prompted a response, with Japanese companies rapidly increasing local production in the USA during this period. By pursuing a policy of "made in market" in this crucial US market, the aim was to become part of US society by boosting employment and doing more business with US companies. Japanese companies learned a lot from this experience of manufacturing in the USA.

Corporate social responsibility is one such example. Operating in societies that were different from that of Japan, companies were obliged to take on responsibilities that went beyond what they would have anticipated based on how

Social responsibility of companies

Contribution to global sustainability

Background	Interaction with local communities resulting from overseas production	Deepening severity of global concerns
Period	From late 1980s	From late 2000s
Assumptions	<ul style="list-style-type: none"> While the role of companies is to pursue economic value, they also have a duty to maintain the health of society and the environment. 	<ul style="list-style-type: none"> The creation of economic value by companies is co-dependent with the health of society and the environment (planet). 
Philosophy	Pursuit of global economic value + Corporate citizenship at national and local level + Corporate citizenship from global perspective	

Source: Hitachi Research Institute, "Corporate Culture Through Globalization" (National Institute for Research Advancement, January 1994), etc.

Viewpoints expected of global corporations

things were done back home. As the nations of Europe and the USA have a long tradition of companies organizing volunteer activities in the local community, making charitable donations, and supporting the arts and culture, there is a routine expectation that they will behave as "good corporate citizens." Japanese companies of the time learned by experience to passively accept this in a spirit of, "When in Rome, do as the Romans do."

Hitachi Research Institute engaged in two projects during this period of rapidly expanding US production by Japanese companies from the late 1980s to the beginning of the 1990s that were undertaken with the support of the National Institute for Research Advancement (NIRA). They were entitled, "The Social Responsibility of Corporations in an Era of Overseas Manufacturing" and "Corporate Culture Through Globalization." The work included questionnaires and interviews as well as analyzing the annual reports of major European and US companies that were already operating globally. It was found that companies with global business operations pursued common values. These were economic value, social value, and ethical value.

In an environment of liberal economics, improving efficiency and pursuing innovation in products and services comes naturally to companies as they strive to win out over

their competitors, leading to further development of the economy. However, remaining in harmony with the public interest is a prerequisite for companies' pursuit of greater profit. If an environment of competition also brings external diseconomies such as environmental problems or anti-competitive behavior such as cartels, the cost to society is too high. Accordingly, it is essential that companies, along with pursuing sales, profit, and other forms of economic value, also conform to ethical values by following the formal and informal rules that apply in the nations or communities where they are locating their operations. It is also expected that companies will adapt to the customs and practices of the local community and will actively pursue community development as a form of social value.

Even if these activities do not make a direct or immediate contribution to revenue, they represent a form of "enlightened self-interest" that makes sense in the medium-term.

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On the other hand, in the current situation of rapid economic globalization in which global society is faced with complex issues that transcend borders, as exemplified by

the Sustainable Development Goals (SDGs), global companies need to remind themselves of their role not only as good corporate citizens within their community in the different countries where they operate, but also as responsible global citizens who see beyond the narrow interests of specific nations or regions. The concept of investment based on environmental, social, and governance considerations (ESG investment) has grown in prominence since the Principles for Responsible Investment (PRI) put forward by then United Nations Secretary-General, Kofi Annan, in 2006. ESG investment calls for investors and funding agencies to exercise their influence over companies directly through the mechanism of the market by making their investment decisions based not only on companies' finances, but also on how well they are living up to their environmental and social responsibilities. The United Nations went on to publish the SDGs in 2015, with 17 goals and 169 targets covering areas such as climate change, poverty, and human rights issues, urging companies to become more proactively involved in addressing these challenges rather than just contributing to society in a passive manner.

In the context of the late 1980s to the 1990s when the Japanese companies of the time were expanding their overseas production, "Think globally, Act locally" called for these companies to passively adapt themselves to the particular characteristics of individual countries and regions while still maintaining a global management perspective. However, the challenges facing modern society, which include the emergence of tensions within national societies brought about by globalization and the worsening of global environmental problems, are also undermining the foundations on which companies remain in existence. While national and regional societies clearly persist as distinct entities, we are living at a time when the entire globe exists as a single system composed of economies, societies, and environments that increasingly impact one another, making it essential for companies to adopt a global perspective and take responsibility for their actions.

Improving people's quality of life and enhancing social value are essential for economic progress, and achieving these objectives remains an important role for companies. New possibilities are emerging as a result of innovation in digital and other technologies. However, this needs to happen in a way that does not exceed the limits ("planetary boundaries") within which nature remains stable and able to recover. Modern companies are expected, by markets as well as by other parts of

society, to be more proactive about enhancing social value and to boost environmental value by contributing to global environmental improvement.

Unfortunately, in the face of worsening global challenges, efforts to establish a consensus among governments based on rational and soundly based policies and international cooperation have been overwhelmed in recent years by nationalism against a backdrop of tension between nations and public anger. Rather than being stunned into inaction in the face of this reality, companies have a duty to adopt the values we should all share as responsible global citizens and manage themselves in a way that confronts the challenges that arise in partnership with the other interested parties who make up communities and wider society. The cumulative effect of actions and other measures taken by companies on their own and at their own initiative will transform societies and markets, and ultimately the world. We have now entered the era of "Act locally, Change globally."

New Era of "Act Locally, Change Globally"

The managers at global companies, who during the time of "Think globally, Act locally" drew up strategies with one eye on a map of the world, are in this new era of "Act locally, Change globally" being called on to address management challenges from a broader geographic perspective that encompasses the entire globe. At the same time, they need to remember not only the short-term considerations of satisfying investor expectations in terms of corporate profitability, but also to adopt a longer timeline, accepting the responsibility of creating a world in which rays of hope will still be shining from the horizon for the people who live generations hence.

References

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