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Value Creation, Management Competencies, and Global Corporate Citizenship: An Ordonomic Approach to Business Ethics in the Age of Globalization

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ABSTRACT. This article develops an "ordonomic" approach to business ethics in the age of globalization. Through the use of a three-tiered conceptual framework that distinguishes between the basic game of antagonistic social cooperation, the meta game of rule-setting, and the meta-meta game of rule-finding discourse, we address three questions, the answers to which we believe are crucial to fostering effective business leadership and corporate social responsibility. First, the purpose of business in society is *value creation*. Companies have a social mandate to organize mutually advantageous cooperation. Second, business ethics should teach the *management competencies* necessary to fulfill business's societal mandate. These competencies are optimization competence in the basic game of value creation, governance competence in the meta game of (political) rule setting, and the three discourse-related skills of orientation competence, reception competence, and communication competence necessary for engaging in the meta-meta game. Third, companies can help solve global problems through *global corporate citizenship* if they participate as political and moral actors in rule-setting processes and rule-finding discourse aimed at laying the foundation for value creation on a global scale.

KEY WORDS: business ethics, management education, corporate citizenship, corporate social responsibility, new governance, ordonomics, social dilemmas, stakeholder theory, social entrepreneurship

Introduction

(1) In early 2007, the then newly founded academic network of the U.N. Global Compact (GC) created an international taskforce to design guidelines for integrating GC principles into business ethics courses that are a part of university management education. At the GC Leaders' Summit in Geneva in July 2007, U.N. Secretary-General Ban Ki-moon encouraged business schools around the world to endorse the GC's "Principles for Responsible Management Education" (PRME) and direct their research and teaching so that corporate social responsibility (CSR) achieves global status.

The PRME are a reflection of the growing demand for ethical leadership on the part of the business community. They are a concrete manifestation of the widespread public expectation that companies should contribute more to solving (global) social problems. For companies to fulfill these expectations, their managers will need to be educated in new skills and competencies, which, in turn, means that universities will need to change their curricula. This is already beginning to occur: As of May 2009, more than 220 business schools and faculties of economics worldwide had joined the PRME initiative. Yet, while there is a growing consensus in *society* that business ethics and responsible leadership should play a bigger role in management education, there is still a great deal of debate in the academic *literature* as to *how* this can actually be accomplished and as to *whether* it would actually be desirable in the first place.

In the literature, there are, in effect, widely different approaches as to how business ethics can and should be integrated into management education. On the one hand, there are diverse schools of thought that apply a philosophical line of argument to the sphere of business, thus aiming at sensitizing future managers to the moral dimension of business activities. For example, Solomon (1992, 2004), Duska (1993), Mintz (1996) as well as Bragues (2006) discuss how an Aristotelian ethics can be applied to business ethics. A Kantian perspective on business ethics characterizes the contributions by Bowie (1999, 2000), L'Etang (1992, 1995) as well as Scott and Bowie (2002). Dunfee and Donaldson (1995), Donaldson and Dunfee (1999) as well as de Graaf (2006) have put forward the contractarian approach to business ethics. Also, various strands of discourse ethics have been applied to business and management. Here, Steinmann and Löhr (1996) developed the concept of "Republican Ethics." More recently, Palazzo and Scherer (2006) as well as Scherer and Palazzo (2007) have applied a Habermasian perspective to the field of business ethics while Ulrich (2008) draws on Apel's discourse ethics.

Contrary to the above views, there is a widespread skepticism on the side of some business schools, management scholars, and above all economists who question the need of business ethics education or of concepts such as CSR. A key concern in this context already raised by Friedman (1970) is that ethical attempts to "civilize" the profit motive may unintentionally erode the capitalist system. In the German debate, Albach (2005, 2007) argues that teaching business ethics would weaken business administration. By the same token, Henderson (2001, 2005) sharply criticizes the notion of CSR as "misguided virtue" and strongly opposes the idea to include CSR into the curriculum of management education. More importantly, there are also critical voices within the very core of the business ethics community. With regard to the current debate on corporate citizenship and the new governance, Boatright (forthcoming), for example, fears that certain philosophical approaches systematically run the danger of undermining the market system and of weakening the role of business firms as economic actors.

(2) Against this background, this article sketches an ordonomic approach to business ethics and management education that is fully in line with business administration and the working properties of competitive markets. Specifically, we argue that there are three questions that must be asked and answered with regard to effective, responsible leadership, and CSR: (1) What is business's social purpose? (2) What should business ethics courses teach future managers? and (3) How can corporations play a constructive role in solving urgent global problems?

In the following, we address these three questions from the perspective of "ordonomics." Ordonomics brings together the analysis of both social structure and semantics. More specifically, the ordonomic approach to business ethics provides a three-tiered conceptual framework for analyzing society and social interaction. This framework distinguishes between the basic games of antagonistic social cooperation, the meta-games of social rule-setting, and the meta-meta games of rule-finding discourse.

We argue that this ordonomic perspective is a valuable way to address the three questions set out above. Furthermore, we believe that a comprehensive approach to business ethics in the age of globalization must take these questions seriously and that doing so necessitates tackling three different levels of analysis in an integrated way: first, the company level; second, the personal level; and third, the global level. This is not the typical bottom-up or top-down order but, instead, a different and, we believe, extremely useful perspective (see Figure 1). After first providing a more detailed explanation of ordonomics, our actual analysis begins with a reflection of the purpose of business (company level), then addresses the competencies of individual managers (personal level), and finally ends with a discussion of the role of corporate citizens in global governance (global level). We strongly believe that business ethics needs to start from a sound understanding of the systematic raison d'être of business organizations in society. Only once this very basic concept is understood, is it possible to discern what competencies are needed at the personal level so that individual managers can contribute effectively to CSR. Then, after these competencies are discovered, we proceed to the global level. Our claim is that what companies can and should contribute to global problem solving is ultimately not an exception to, but a logical extension of, the general role and purpose of business in society.

(3) We develop our argument in five steps.

The first step introduces the ordonomic approach to business ethics and establishes the three-tiered conceptual framework that will guide our analysis throughout the remainder of this article. In the second, third, and fourth steps, we apply this ordonomic framework to the three questions raised

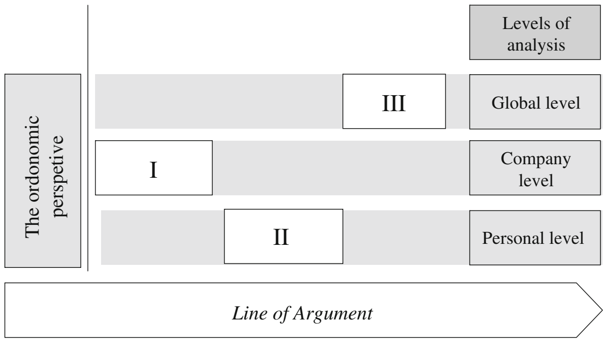

Figure 1. The article's line of argument.

above, thus relating our analysis to the company, the personal, and the global levels.

The second step (argument I) takes up the question of what the social purpose of business is. We hold that the purpose of business is value creation. Companies have a societal mandate to realize and organize social cooperation. We show that in order to fulfill their societal raison d'être, companies must constructively play society's basic games, meta-games, and meta-meta games. Companies can and – based on prudent self-interest – "should" work toward win–win solutions not only in their routine everyday activities, but also by participating in rule-setting processes and rule-finding discourse.

The third step (argument II) involves the personal level and addresses the appropriate focus of business ethics and management education. We claim that in order to foster ethical leadership and CSR, future managers need to develop problem-solving competencies. The primary purpose of business ethics is, therefore, not to turn students into better people but into better managers. Drawing on the three-tiered ordonomic framework, we maintain that students can and – based on prudent self-interest – "should" develop competence in five crucial areas: optimization, governance, orientation, reception, and communication. What some of these entail is obvious from their names alone, others may seem more unusual. All are explained in detail as the article proceeds.

The fourth step (argument III) focuses on the global level and deals with how companies can contribute to solving urgent social problems. Applying the ordonomic three-tiered conceptual framework, we demonstrate how companies can and – again, based on prudent self-interest – "should" play a constructive role in this arena by participating constructively at all three levels. If companies learn to act as corporate citizens in global processes of rule-setting as well as in global rule-finding discourse, then they will contribute to strengthening global governance.

The fifth and last step summarizes our argument and concludes with important implications for teaching business ethics.

The ordonomic approach to business ethics: a rational-choice-based analysis of interdependencies between social structure and semantics

In order to answer the questions raised in this article we draw on the perspective of "ordonomics" as recently put forward by Pies et al. (2009). We believe that the ordonomic perspective is a valuable framework for discussing the meaning and role of ethics in effective leadership and CSR in the age of globalization. This section provides a brief explanation of ordonomics.

The basic concern of ordonomics is the systematic exploration of the interdependencies between social structure and semantics. To this end, ordonomics makes use of elementary game theory and a rational-choice-based analysis of institutional arrangements. According to the ordonomic perspective, "social structure" encompasses the institutional framework of society, including its incentive properties; "semantics" has to do with the terminology of public discourse and the underlying thought categories that determine how people perceive, describe, and evaluate social interactions and, in particular, social conflicts. Semantics is driven by conscious or unconscious theories, alternatively called "searchlights" (Popper, 1972), "heuristics" (Lakatos, 1978), "paradigms" (Kuhn, 1962), or "mental models" (Denzau and North, 1994).

Ordonomics is much inspired by Gary Becker's economic imperialism (hence, the suffix ordo-*nomic*) but weds his neoclassical theory to the new institutional economics of Ronald Coase, Mancur Olson, Douglass North, Oliver Williamson, and, especially, Thomas Schelling and of James Buchanan's normative constitutionalism. Following Buchanan, the ordonomic approach focuses on the analysis and the importance of the societal *order* (hence, the prefix *ordo*). The ordonomic approach can thus be understood as a substantial extension of Buchanan's normative constitutional economics. Similar to Buchanan's, the ordonomic perspective makes use of a rational-choice analysis of institutional arrangements, but it extends Buchanan's constitutional economics to distinguish between *two* "constitutional" levels: the order of institutional rules and the "order of thought" or, in our terminology, "semantics."

Ordonomics provides a three-tiered framework that is highly useful in our search to answer the questions raised at the beginning of this article. Figure 2 is a graphic illustration of this three-tiered framework. In an extension of constitutional economics, the ordonomic approach conceptualizes society as an arena of interdependent social games and distinguishes three levels of social interaction.

The first level describes the *basic game* of social interaction. It is by means of this basic game that society conducts its everyday interactions in what John Rawls (1971, p. 4) has called "a cooperative venture for mutual advantage." Rawls (1993, p. 14) views society "as a fair system of cooperation over time"; however, as must be obvious to everyone who has drawn breath, cooperation is not readily given. By and large, cooperation is only made possible by the existence of institutions, i.e., rules.

This is where the second level of social interaction, the *meta-game*, comes in. In the social meta-game, the players establish the rules that enable cooperation in the basic game, that is, the meta-game comprises those rule-setting processes that are geared toward creating a mutually advantageous social structure.

However, the players will never agree on institutional reforms unless they first agree that these new rules are necessary and desirable. Creating such an awareness of common interest is what the third level of social interaction is about. This *meta-meta game* serves as a rule-finding discourse. Its discursive practices aim at critically discussing semantics and with the goal of developing shared perceptions as to the social interdependence of the players.

The three-tiered framework emphasizes the two most fundamental aspects of the ordonomic approach. First, institutions matter (meta-game) and so do ideas (meta-meta game). Second, and even more important, the interplay between institutions and ideas, that is, the interdependence between social structure and semantics, matters as well. As Figure 2 illustrates, since semantics shapes perceptions, semantics is highly influential in (re-)forming institutional arrangements of social structure. Ordonomics does not deny that the conventional perspective which institutional economics takes toward social structure is important – it is; however, it is not the only perspective. Semantics and, in particular, the normative categories in public discourse, are important as well. In other words, the ordonomic approach provides a powerful argument why rational-choice analyses of social problems always need to take ethics into consideration as well.

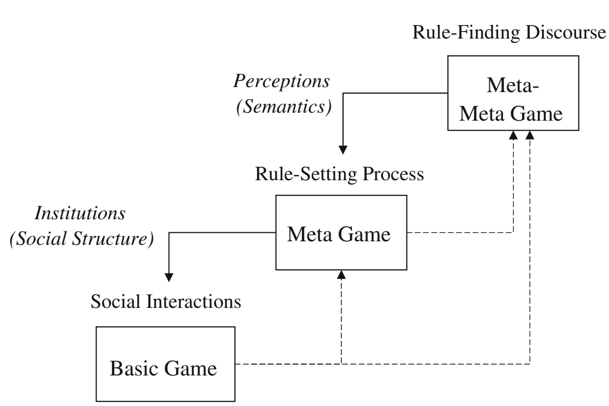

Figure 2. The three-tiered conceptual framework of the ordonomic perspective.

The purpose of business in society: value creation

What is – from a societal point of view – the purpose of business? Our answer is straightforward: value creation. This is not a new idea; as early as 1949, von Mises (1996, p. 217) argued that "the owners of the material factors of production and the entrepreneurs are virtually mandataries or trustees of the consumers, revocably appointed by an election daily repeated." The ordonomic idea is that companies are agents with a mandate to create value for consumers and, as an important extension to von Mises's standpoint, for other stakeholders as well.

Figure 3 elaborates this perspective by differentiating three levels at which a company can contribute directly and indirectly to creating social value.

(1) The *basic game* of business is played out in an arena where the company creates value *directly*. This "game" comprises the day-to-day operational business, including the production of goods and services, research and development, innovation, and the efficiency-oriented management of scarce resources. In this basic game, contrary to widespread misperceptions, cooperation is not the exception, but the norm. Customers, suppliers, shareholders, debtors, and employees are all free to enter into exchange with the company or not. The freely made decision to cooperate is a strong indication that each party expects to benefit from the exchange. At this level, "win–win" scenarios are not a romantic ideal, but a prerequisite for staying in business.

In this context, profit is an important indication of successful value creation. As Jensen (2002, p. 239) argues, social "value is created when a firm produces an output or set of outputs that are valued by its customers at more than the value of the inputs it consumes (as valued by their suppliers) in such production." Profit signals that the interactions in the basic game have created a surplus of value. Viewed this way, it becomes evident why techniques of optimization and efficient resource management are important in the basic game: the more efficiently scarce resources are allocated, the easier it becomes to interact cooperatively.

How are profits related to the societal purpose of business? Friedman (1970) famously argued that the "social responsibility of business is to increase its profits." The ordonomic approach has a somehow different take. We hold that the social responsibility of business is to create *value* for society. From a societal point of view, profits do not have any intrinsic value, but only an (important!) instrumental value. Profitability is a powerful motive for companies to fulfill their social mandate of value creation. Perhaps the point is made best by imagining a company that does *not* make a positive or zero profit. Financial loss is a company's punishment for having failed to organize cooperation in a way that creates value. In effect, losses signal that a company has violated its societal mandate and has actually *destroyed* social value. Losses mean that a company has consumed more valuable resources than it has produced. Therefore, one could say that it is the social responsibility of business not to incur losses. If a company is consistently losing money, it is just as consistently destroying social value, leaving society worse off, and therefore in violation of its societal mandate. Such behavior does not go without punishment in a market economy. Ultimately, the company will lose its license to operate – a phenomenon more commonly know as bankruptcy.[1]

(2) The *meta-game* of business involves rule-setting and establishing functional institutional arrangements that are of crucial importance, albeit indirectly, to value creation.

A company creates social value when it makes possible productive cooperation with and between its stakeholders. Cooperation, however, does not just happen. Nor, as Schelling (1960) has shown, is there such a thing as "pure" cooperation or "pure" conflict. Rather, the default position of social interdependence is a "mixed-motive game" (Schelling, 1960, p. 89) characterized by the simultaneity of conflicting and converging interests. In order to paraphrase Rawls (1971, p. 4), we all have a converging interest in mutually advantageous cooperation, and at the same time we have a conflicting interest in how the benefits of this cooperation will be distributed.

As a consequence, there are many instances in which a substantial potential for cooperation fails to be realized. In these "social dilemma" situations, rational actors fail to realize their common interests due to their conflicting individual interests. A social dilemma is, in other words, a situation of collective self-damage, and encompasses many well-known phenomena such as the "tragedy of the commons" (Hardin, 1968), collective action problems and the corresponding "free-riding" issues (Olson, 1965), principal–agent problems (Arrow, 1985) as well as specific investments (Williamson, 1985) and the resulting problem of appropriable rents (Klein et al., 1978). These problems of coordination highlight that cooperation is not self-evident but often must be *organized*. In other words, cooperation is the product of social arrangements, leading us to the meta-game of business, which is all about establishing such arrangements. This meta-game may be played with "hard" factors – such as corporate governance rules, the corporate charter, private contracts, whistle-blowing mechanisms – or "soft"

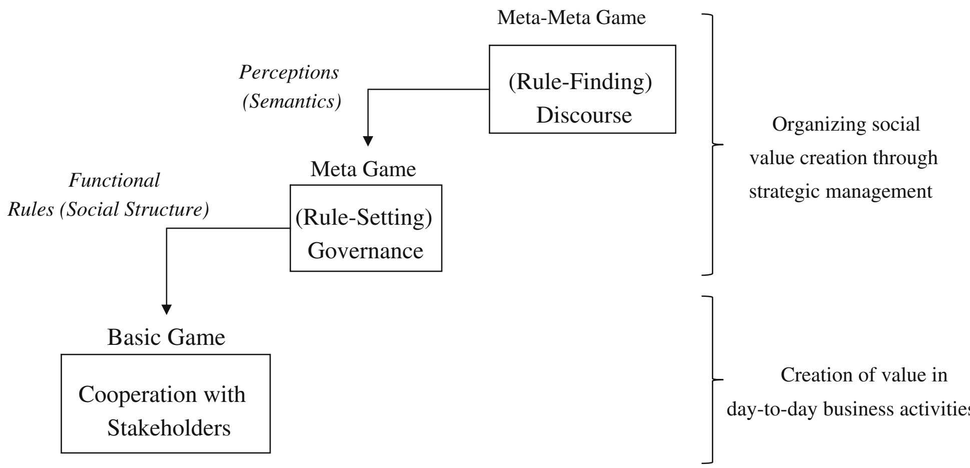

Figure 3. Value creation by business.

factors – such as voluntary codes of conduct or the unwritten rules of corporate culture (Kreps, 1990). In many instances, a company can use strategies of individual self-commitment (e.g., when issuing a guarantee). In other cases, which we discuss in more detail in the "Competencies to be taught in business ethics education: teaching managers how to create value" section, a company needs to devise a collective self-commitment that also binds its competitors (e.g., integrity pacts preventing corruption in public contracting).

Rules established in the meta-game determine whether sustainable cooperation is possible in the basic game of business. As a result, a company must constructively engage in meta-games to fulfill its societal purpose of creating social value.

(3) In the *meta-meta game* of business, companies cultivate and participate in a common rule-finding discourse that is indispensable, albeit indirectly, for creating social value for three reasons.

First, discourse is important to a company's clarification and communication of its own interests. In order to be considered a trustworthy cooperation partner, a company must have a "face" that identifies it as such. Stakeholders, including the company's employees, need to know what the company stands for. Every company needs a vision and mission that gives it a "purpose" and thus fills the abstract profit objective with life. Such a vision is necessary to strategically position the firm in its relevant market. Without it, neither management nor stakeholders would have a sense of direction when it comes to searching for avenues for cooperation and value creation.

Second, a company can engage in win–win interactions, and thus create value, only if it knows who its relevant stakeholders are and if it understands their interests, which, in a rapidly changing world, is a constant challenge. In order to be successful, the company needs to listen and then learn from what it hears – discourse is essential to this process.

Third, looking good on paper is not good enough. In order to actually cooperate, instead of just looking like they are, partners need to really understand that institutional arrangements made in the meta-game truly are in their own best interest. In effect, cooperation depends to a large extent on how the players perceive the situation, each other, and their relationship. Discourse is key to developing a shared understanding of common interests.

(4) In summary, the social purpose of business is to create value. The ordonomic three-tiered framework shows how companies can fulfill this societal mandate. Companies can and – based on prudent self-interest – "should" create value when playing the basic game of business. For this to happen, however, constructively engaging in meta-games and meta-meta games is necessary. Companies must take responsibility in the meta-game for devising adequate rules and institutional arrangements. They are also well advised to cultivate and participate in functional rule-finding discourse aimed at identifying common interests.

In reality, this is exactly how business is conducted. Even without being aware that they are doing so, successful companies often do act on all three levels of social interaction. They do trade and exchange. They do create institutional arrangements, either individually or collectively. They do communicate with their stakeholders. If they did not, they would not stay in business for long. The ordonomic three-tiered framework simply makes this virtually unconscious process visible and explicit. This exercise is not only valuable for theorizing about business ethics, but has important practical aspects as well. In the next section, we show how the ordonomic approach can be used in business ethics courses to foster effective leadership skills and encourage CSR.

Competencies to be taught in business ethics education: teaching managers how to create value

What should business ethics teach? Our answer is straightforward: it should teach would-be managers how to create value. In other words, business ethics courses should not be aimed at making students better people, but at making them better managers.

Individual ethical integrity is, of course, an important part of business ethics and we do not mean to dismiss it out of hand. We just do not think that such should be the exclusive focus of these courses as, in our experience, students enter business school already in possession of moral values and, even more important, with the desire to keep faith with them as business leaders and managers. The problems that the world faces now are not rooted in immoral, ''bad'' managers, at least not exclusively so. The problem is that after leaving school, these young people will come face to face with situations that cannot be adequately coped with based on individual personal integrity alone. These future managers will want to act ethically, but they very often will not have the skill to find a way of doing so.

This is a more serious problem than it might at first appear. Repeatedly failing to live up to one's own ethical standards for reasons that are not entirely one's own fault will gradually erode the willingness to even try being ethical (Homann, 2002). We are thus convinced that the most effective way to keep ethics alive is to give it some success and to this end, teaching students to become better problem solvers is key. Becoming an effective problem solver entails developing relevant tools, or competencies. We argue that there are five core competencies that management education should endeavor to teach: optimization, governance, orientation, reception, and communication. Figure 4 illustrates how we derive these five competencies from the ordonomic three-tiered conceptual framework.

(1) *Optimization competence* is what managers need to play the *basic game* of business efficiently, and is already well covered in conventional management education. Traditional instruction in finance, accounting, marketing, and other core subjects of business administration prepare managers to be effective and efficient in the basic game of value creation. We thus leave this type of competence in capable hands and focus on other skills we believe to be crucial to value creation that are not (yet) as well handled, if they are at all, by business education in its present form.

(2) *Governance competence* is what managers need to constructively play the *meta-games* of business, that is, those aimed at establishing functional rules. Governance competence enables managers to overcome problem situations by appropriately (re-)formulating incentives – whether the company does this alone (individual commitment) or in partnership with other actors (collective commitment). The goal of governance competence is the institutional establishment of productive value-creation games. Management theory as now taught covers this to some degree, for example, with regard to corporate governance, pay schemes, and employment contracts. However, we believe that managers need to learn more about less conventional governance instruments, both those for individual self-commitment (e.g., corporate codes of conduct) and those for collective self-commitment (e.g., collective industry standards, stewardship councils, integrity pacts). A basic, but important, way of promoting governance competence would be to sensitize managers to the dynamics of social dilemmas as well as to the institutional approaches available to manage them productively.

(3) *Orientation competence* is the first of three important competencies that managers need in the *meta-meta game* of business to enable them to play a

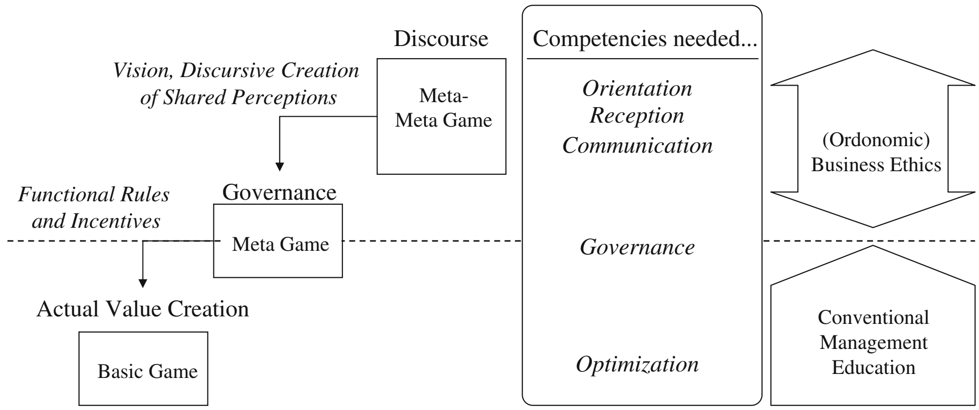

Figure 4. Management competencies needed for value creation.

constructive role in discourse. Orientation competence is essential for setting the course for value creation and thus for positioning a company strategically in the market. In theory, every company follows the profit principle, but this formal goal is too abstract to provide any orientation (let alone motivation) for managers and employees. Having orientation competence means being able to translate the abstract profit principle into a concrete awareness of *how* a business wishes to create value. It involves asking and answering questions such as: What is the purpose of our business? What does our company stand for? How do we create value? For whom? And with whom? What is our mission? What are we willing to do to achieve this mission – and what are we *not* willing to do to achieve our mission? By asking and answering these questions, managers can develop the company's self-image – its identity – as an organization. The company needs an inner compass, so to speak, with which it can navigate through the market. This compass must be oriented toward value creation, for which knowledge of social structures is essential. If management learns to identify problem situations as social dilemmas, it can then work with its stakeholders to develop a common interest in finding creative, mutually advantageous solutions.

(4) *Reception competence* is a second important skill that managers need to constructively play meta-meta games (discourse). A company's profit depends on its ability to create value by organizing social cooperation. Accordingly, managers need to develop the ability to enter into an exchange of ideas with all the actors relevant to the value creation process – investors, employees, customers, suppliers, and also critical (civil) society actors – so that the organization is sensitive to different (and sometimes even incommensurable) views and concerns. In such a dialog, the different stakeholders often speak quite different "languages." Reception competence is thus not only about being receptive to this diverse input, but also involves being able to accurately translate it into the company's "language." Success in doing so will allow the company to establish an early warning system (risk management), build up trust (reputation capital), and acquire a "license to sit at the table," which is extremely valuable for future problem-solving.

(5) *Communication competence* is the mirror image of reception competence and just as essential to effectively engaging in meta-meta games. Reception competence is about listening to and understanding the interests of others; communication competence is about making others listen to and understand one's own interests. In societal discourse, managers must learn to convincingly represent the interests of the company. Whereas reception competence involves translating other's language into "company-speak," communication competence is the skill of back-translation, that is, making sure that the stakeholders understand the company's point of view in their own language. Only if all parties can talk to and understand each other will win–win solutions be possible. Communication competence also means that executives can present the company in a way that aligns with the public's moral self-image. This includes informing

the public, in a way that it can agree with, about (a) the moral dimension of competitive market economies, (b) the company's social function as a cooperative organization and its corporate responsibility for solving problems by way of innovative value creation, and (c) the functional and simultaneously moral justification for profits due to their incentive affects on market competition and the resulting advantages for the whole society.

(6) Building upon the three-tiered conceptual framework of the ordonomic perspective, we believe that business ethics can and – based on students' prudent self-interest – "should" play a much more prominent role in the education of would-be managers. We contend that managers need five crucial competencies to fulfill a company's social purpose of value creation. At present, however, typical management education only focuses on optimization competence and, to a more limited extent, governance competence. In other words, traditional management education does a good job of preparing students to play the basic game and it gives them a few resources for participating in the meta-games of rule-setting. However, it is rather deficient at teaching students the skills needed for playing a constructive role in the meta-meta game of discourse. Under the ordonomic approach to management education, it is essential to teach competence at all three levels if the future managers of the world are going to truly "manage" the world in a socially beneficial manner (see Figure 4).

In this age of globalization, this type of business ethics instruction is ever more important. As Rawls (1993, p. 144) put it, the modern democratic society is marked by "the fact of reasonable pluralism." This challenge of pluralism is even greater at the global level. In the global economy, companies engage with ever more diverse stakeholders, making productive rule-setting processes and constructive discourse ever more important. In this situation, business ethics could make a difference. We are not claiming that an expanded business ethics course will solve all the world's problems, of course. Ours is a complicated world; there are no panaceas. However, what we are advocating is the supreme importance of teaching the managers of the future how to listen and how to communicate so that an increasingly diverse group of stakeholders can hear and respond, thus expanding the potential for the right questions to be asked and the best answers to be found.

Global leadership by corporate citizenship: how companies can contribute to solving global social problems

How can companies act as global leaders and play a constructive role in solving urgent social problems? Once again, our answer is straightforward (even if its implementation is less so): companies can create social value. And they can actively contribute to laying the foundation for value creation in the global economic basic game. However, this will only be possible if the companies provide business leadership in political meta-games and discursive meta-meta games. Figure 5 employs the three-tiered conceptual framework of ordonomics to graphically illustrate this idea. Here, the basic game comprises the economy as the principal arena for value creation through cooperative interactions. The meta-game takes place in the global political arena. Finally, the meta-meta game is conducted via global public discourse. Below, we describe how companies can play a constructive role on all three levels.

(1) *The economy as a global basic game*: From an ordonomic perspective, a key arena for value creation is the economy. The economy is where the basic game of social cooperation takes place on a global scale. Companies already do play an important part in organizing the cooperation of billions of people around the world. However, many urgent problems persist such as climate change, the HIV/AIDS pandemic, the spread of other infectious diseases, and the persistence of hunger and extreme poverty.

Companies can help significantly in addressing these challenges. Take extreme poverty, for example. Contrary to popular wisdom, the poorest of the poor are not needy because they are exploited by global markets but because they are *excluded* from the benefits of global and sometimes even local market cooperation. Companies could contribute to eradicating poverty via new "base of the pyramid" business models that integrate the poor into the market (Hart and London, 2005). Instead of giving charity to the needy, business can provide workers with jobs, small micro-businesses with demand, and the poor with more affordable products specifically tailored to their needs. As Prahalad (2004) has forcefully argued, companies can eradicate poverty by making a profit.

In summary, it is in the basic game of value creation that companies can and – judged by their own

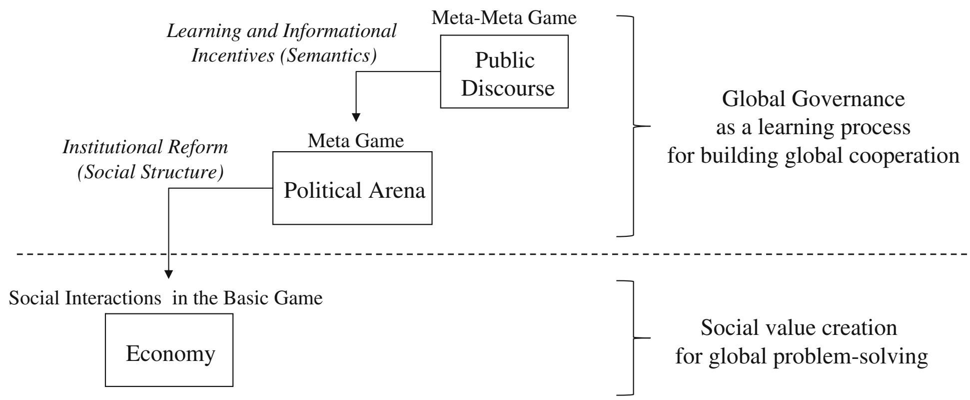

Figure 5. Global corporate citizenship in global governance.

self-interest – "should" investigate how they can contribute to solving pressing global problems. For, as Hart (2005) argues, there are "unlimited business opportunities in solving the world's most difficult problems."

(2) *Political rule-setting as a global meta-game*: Even though companies have in principle a remarkable capacity of solving global problems at the basic game level, the global economy is rife with examples in which they do not and sometimes even create new ones. Some reform in the rules of the basic game is evidently needed, that is, at the level of the political meta-game, and companies can be active participants in this arena, too.

According to the traditional Western nation-state paradigm, it is government that has the exclusive responsibility for setting the rules of the economic game, and this view is still dominant in mainstream neoclassical economics (see, e.g., Friedman, 1962; Jensen, 2002; Sundaram and Inkpen, 2004). Nowadays, however, there are definitely global problems, but there is no global government. Nevertheless, multinational corporations often engage in transnational operations that transcend national rule frameworks. In other instances, they operate in regions of poor statehood where rules exist on paper but are not enforced.

At first glance, this absence of strong rules would seem advantageous to multinational corporations. Given the ubiquity of social dilemmas and coordination problems, however, business has a vested interest in functional institutions. Only with adequate rules can companies organize social cooperation and generate profits through value creation. Thus, corporate actors are well advised to react to social conflicts (and resulting inefficiencies) in the economic basic game by participating actively in political rule-setting processes in the meta-game. Companies have a strong interest in effective "global governance"; and they can actually contribute to global governance. There are many instances of companies acting as global leaders in the political arena. For example, in the absence of enforced government regulation, corporate codes of conduct play a crucial role in "upholding labor standards in third world countries" (Frenkel and Scott, 2002, p. 30). Similarly, there is an increasing frequency of cross-sectoral cooperation aimed at settling disputes and creating commonly accepted rules beyond nation-state legislation. One example is the Forest Stewardship Council (FSC) (see Hollenhorst and Johnson, 2005). The FSC was developed in a participatory process that included corporations as well as civil society organizations and representatives of indigenous people. It has established a set of rules and standards, monitoring and labeling procedures, and sanctions for noncompliance. Other prominent examples for cross-sector processes for common rule-setting include the Oslo-based Extractive Industries Transparency Initiative EITI (see Eigen, 2006) and the Global Reporting Initiative GRI (see, e.g., Willis, 2003).

In summary, it is the meta-game of political rule-setting in which companies can and – judged by their own self-interest – "should" take responsibility for (re)forming the rules of the basic game so as to make advantageous value creation possible. It is also in this capacity as political actors that companies can use their influence to address urgent global problems.

(3) *Public discourse as a global meta-meta game*: For rules to be changed in the (political) meta-game, it is often not enough that an individual company or any other actor understands that there is a situation of collective self-damage in the economic basic game. Most institutional reforms necessitate collective action and require the active support of civil society organizations, other businesses, competitors, and, especially, of the government or the legislature. Therefore, if companies cannot create functional rules individually by themselves, they need to enter the meta-meta game of public discourse to create shared awareness of the need for action and the desirability of institutional reform.

Participation in public discourse can take various forms. It can focus on mutual learning, it can engage in social lobbying, or it can take the form of a specific collective self-binding commitment. Companies can provide business leadership in all three areas. A well-known example of companies engaging in mutual learning is the GC of the United Nations. The GC is not intended to be a regulatory regime but, instead, a learning network in which companies can share best-practice knowledge as to how to be good corporate citizens (see Kell and Levin, 2003; Ruggie, 2001; Williams, 2004). In the case of political lobbying, companies can use their influence to increase public pressure on government. Corporate lobbying has a somewhat muddied reputation, and not without cause. Often, business lobbying is just a form of rent-seeking (Buchanan et al., 1980; Tullock, 1989). Yet, companies can engage in moral leadership by using their influence to put important social problems on the public agenda. For instance, in 2001, a group of multinational corporations, including Deutsche Telekom, Credit Suisse, and Canon, allied with civil society organizations in the ''e-mission55'' initiative. In the run-up to the Bonn World Climate Conference, this alliance urged governments of the world to ratify the Kyoto Protocol (see Cottmann, 2007).

Finally, dialog and discourse are prerequisites to concrete rule reform. For example, in the early 2000s, the Foreign Trade Association of the German Retail Trade (AVE) held a series of multi-stakeholder dialogs on the issue of labor standards in the global supply chain (Hiss, 2004). This discourse led to the establishment of a monitoring system (meta-game) that helps the participants to honor their corporate responsibility in their supply chains (basic game) (Brinkmann, 2004).

In summary, it is in the meta-meta game of public discourse and dialog that companies can and – judged by their own self-interest – ''should'' engage in business leadership by raising awareness about barriers to social cooperation and value creation. In their capacity as discourse participants, companies can contribute to laying the groundwork for value creation.

(4) Within the ordonomic perspective, companies are viewed not only as economic actors, but also as political and civil society actors – as corporate citizens. In the age of globalization, the meta-game of political rule-setting and the meta-meta game of public discourse are two central pillars of global governance (see Figure 5). As corporate citizens, companies can engage in global business leadership by playing a constructive role in both arenas. By means of participation in global rule-setting processes (meta-games) and in global rule-finding discourse (meta-meta games), they can improve the conditions for business so as to make it a mutually advantageous basic game.

Conclusion

This article develops an ''ordonomic'' approach to business ethics in the age of globalization. We employ the three-tiered conceptual framework of ordonomics that distinguishes between three paradigmatic arenas of social interaction: the basic game of antagonistic social cooperation, the meta-game of rule-setting, and the meta-meta game of rule-finding discourse. Based on this conceptual framework, we address three questions, the answers to which we believe are crucial to effectively fostering effective business leadership and CSR.

These questions are: (1) What is the purpose of business in society? (2) What should business ethics teach? (3) How can corporations aid in solving urgent global problems?

We show that looking at these three questions in an integrated framework is an enlightening method of answering them. In short, our answers to the questions are summarized by the title of the article. First, the purpose of business in society is *value creation*. Companies have a social mandate to organize mutually advantageous cooperation. Second, business ethics should teach the *management competencies* necessary to fulfill business's societal mandate. These competencies are optimization competence in the basic game of value creation, governance competence in the meta-game of (political) rule-setting, and the three discourse-related skills of orientation competence, reception competence, and communication competence necessary for engaging in the meta-meta game. Third, companies can help solve global problems through *global corporate citizenship* if they participate as political and moral actors in rule-setting processes and rule-finding discourse aimed at laying the foundation for value creation on a global scale.

A key result of our analysis is that business ethics education aimed at promoting value creation, management competencies, and global corporate citizenship can contribute significantly to global leadership and, thus, albeit indirectly, to global problem-solving. Following this argument, we see important implications for the teaching of business ethics.

First, business ethics can promote competencies that are valuable (and increasingly necessary!) to would-be managers. Courses designed to teach these skills should thus be *integrated* into already existing bachelor and master programs, perhaps even as *major* within classic management education.

Second, teaching new skills will mean using new teaching methods. For example, discursive skills cannot be evaluated with a multiple-choice exam. Business ethics instructional formats will need to be interactive and interdisciplinary. Co-teaching and group work, including role playing, strategy simulations, and practical projects, can be effectively used to help students understand how conflicts are structured and how consensual conflict solutions can be devised and implemented.

Third, the competencies discussed in this article would obviously be of value to more than just future corporate executives. Even the most cursory understanding of globalization makes evident that in many instances global problem-solving requires the collaboration not only of corporations but also of civil society organizations and government agencies. Accordingly, business ethics has much of value to offer not only to future managers but also to many other "social entrepreneurs." This suggests that courses in business and economic ethics should also be open to students in other disciplines, such as law, political science, and sociology. No harm will be done, and perhaps a great deal of good may ensue, if the future leaders of our world, whatever their sphere of influence, have a basic understanding of why (and how) the creation of value requires rules for and discourse about mutually beneficial cooperation.

Note

[1] Von Mises (2008, p. 13) commented this mechanism as follows: "The consumers by their buying and abstention from buying elect entrepreneurs in a daily repeated plebiscite as it were. They determine who should own and who not and how much each owner should own."

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