GLOBAL INDUSTRY NETWORKING AND THE ISSUE OF ETHICS

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Abstract: Increasingly, enterprises world-wide are being drawn into co-operation across national and cultural borders.. It includes specifically production enterprises which are increasingly interdependent in both their production processes and their business management. Such co-operation, however, and its accompanying communications are continuously challenged by the differences of values underlying all communication. Behind this challenge looms up the fundamental question of ethics which no longer has any claim to universal validity. This fundamental question is discussed in the paper based on the concept of *Discourse Ethics*. This concept is applied to enterprise networks illustrated by a case study in Germany. *Copyright © 2002 IFAC*

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1. INTRODUCTION

We are living in a time of continuous economic and social change which is triggered and shaped by new information and communication technology world-wide. Economies are becoming more and more dependent from each other due to the complexity of international trade and financial relations. This interdependence is made possible through the new networked information technology. The technological progress constantly increases the speed of this development. Economy utilises this technology in two ways: as a tool to create the *networking*, and as a product to create *economic wealth*. One component of this development is the networking of production plants and control process through information technology world-wide. As the global networking of industry *increases*, the ability of politics to control and act *decreases* with the growing distance between scene of action and citizens (Olbertz, 2001).

Thus, strong interest concentrates on the development of *regions*, their enterprises and regional social-political structures. Here, the consequences of globalisation and the overall structural changes may be experienced most lively. Hence, *regionalisation* marks the opposite trend to the on-going *globalisation*. Both globalisation as well as regionalisation are tendencies of one single process, the opening-up of national boundaries (Dassen-Housen, 2000).

2. GLOBAL NETWORKING OF TECHNOLOGY AND ENTERPRISES

During the last decade, considerable research activities have concentrated on the survival and competitiveness of regions facing such structural changes (Piore and Sabel, 1985; Storper and Scott,

1992). Such economic systems can only survive through structures that support continuous structural changes. Thus the region and its enterprises can only sustain competitiveness on the basis of continuous *innovation processes*, i.e. through *continuous learning.*

Nation-wide economic systems have only recently started to co-operate with each others through international networks. Such co-operation by *global* networking, however, is not sufficient for long-term economic survival of the nations because the quality of geographic *neighbourhood* relations is additionally needed for economic survival. Nations can only survive if the economic partners *within* the national system are also able to survive. As a matter of principle, these different systems and their sub-entities are to be understood in their mutual relations as of *equal weight* for the survival of the systems. This perspective is based on the understanding of any co-operation network as being structured by close *reciprocity* of the relations between the partners which need each others mutually for their own survival. It follows that such partners need to recognise each others as *fundamentally equal entities*.

The following quotation by Linda Garcia may show how important such relations and alliances are today.

"One major challenge that businesses will face in an electronically networked environment is how – in the absence of continued face-to-face relationships and organisational sanctions – to establish trust. [...] Trust can only be established over time, and through a process or repeated successful transactions. Hence, an increasingly prevalent way of reinforcing trust in an electronic environment is to establish closer social ties and alliances much like the merchant networks of earlier times, or the Japanese 'Keiretsu' or the Italian 'Impannatore' of today. In contrast to the market, which is characterised by atomistic relationships and intense competition; and vertically integrated firms, which are highly structured and authoritative in nature; networks comprise indefinite, loosely coupled relationships, which exhibit strong patterns of reciprocity." (Garcia, 2000, p.50)

Recent management theories - e.g. as suggested by Drucker - regard such trust-based enterprise co-operation between such partners as central to survival of whole nations:

"[...] the Keiretsu, that is, the integration into one management system of enterprises that are linked economically rather than controlled legally, has [...] given dominance in the industry and in the marketplace. [...] Increasingly, however, the economic chain brings together genuine *partners,* that is, institutions in which there is equality of power and genuine independence." (Drucker, 1999, p. 33)

Within these co-operations, positive results for all participants can be created continuously leading to mutual gains for all partners. Such situations may be called *Win-Win Situations*. Therefore national politics are challenged to create political and organisational frameworks which support co-operation between the different economic actors yielding *win-win situations* for all these actors.

Thus, a nation's ability to survive can be seen in that the nation continually develops innovation within its networks of partners where the partners are to be considered *fundamentally equal*. This concept explains why those regions world-wide are successful in economic terms which possess such co-operation networks of enterprises. This is also true for *enterprises as subsystems* of regions if they realise networks as an efficient form of organisation. This *co-operation integrating competition* enables the enterprises to survive and strive in a world that is continuously growing more competitive

The main characteristic feature of such networking is *mutual trust* as mentioned by Garcia above. The question is to be answered here how such mutual trust can develop in a competitive economic environment, even across national borders. In closer scrutiny, this question turns out to be the question of *universal ethics*: How can societies and social entities be drawn into agreeing on a set of ethical rules in dealing with each others? This question has been discussed extensively in Germany and internationally during the last decades. The aim has been to define some basic agreement between different partners of communication and co-operation, on how to perform economic actions within such communication and co-operation. In the following paragraph, some fundamental aspects of Ethics are described in brief.

3. SOME ISSUES OF *UNIVERSAL ETHICS*

The constitution of a democratic community is meant to include a catalogue of fundamental rights and rules which are to be followed in order for all members of the community to respect each other and to live together peacefully. But the content of these rules differs from community to community. These differences tend to produce disagreement about essential aspects in intercultural co-operation. The German philosophical concept of *Discourse Ethics* is mainly represented by K.-O. Apel (1976), and J. Habermas (1999). It intends to work out a basis of ethics which is acceptable to everyone, no matter which cultural or sociological background he or she has. It is obvious that such a concept cannot offer a collection of rules such as the biblical 'Ten

Commandments'. These rules can only be derived if they are founded on the cultural or religious background of one specific community. Thus they may contradict those of another community. Hence, when discussing a *universal* ethical concept, it seems to be necessary to give reasons why any set of such rules (which are almost certain to contradict the constitution of some other country) may be *better* than any others?

Responding to this situation, Apel tries to find out whether fundamental elements of *communication* exist which might be used as a generally acceptable basis of global ethics. He claims it should be possible to find such a basis. It would need to be accepted by all partners of communication if this communication should work at all. Through analysing the act of speaking he finds out that any discourse mainly consists of situations in which the speaker uses language to convince others of what he thinks is *true*. Communication thus includes the agreement on *logical rules of language* as well as the aspect of inter-subjective consensus. Apel further finds out that succeeding or failing with such a discourse does not only depend upon whether the *present* partners in conversation agree or disagree, but that in addition any consensus must consider the aspect of *universality*. The discourse should not only aim to convince one special person but should as well be acceptable in terms of what Apel calls the 'ideal' community in conversation- beyond the present communication partners. In his view only this stance allows to judge the *ultimate truth* of a validity claim worked out in such a discourse.

Apel and Habermas use these considerations as a starting point for their *Discourse Ethics*. It is first of all, to be understood as a meta-concept. *Discourse Ethics* itself has been developed by means of such discourse. The discussion on Discourse Ethics in detail has been going on for more than twenty years – within Germany as well as with international partners. It tries to offer assistance in working out the contents of ethics *co-operatively*. The final aim is to create communication in which it is possible to find consensus about genuinely relevant aspects of universal values. Only when, in a second step, every single partner in this conversation agrees to the result of the discourse the concept can be considered valid for intercultural co-operation.

There are certain basic rules of communication resulting from such fundamental principles of communication and co-operation. Some of them are listed here in brief.

All partners in conversation
- need to have the same level of information on the subject of discussion
- have to be equally integrated into the whole process of finding a decision
- can freely offer and explain their opinion
- have to know and to accept the others' opinions on equal terms with their own opinion

- have to be prepared to re-think their own position taking into account new information or aspects of opinions.

On this background it seems to be possible to construct rules of *economic co-operation* across borders of social systems, e.g. enterprises with different cultural patterns, also nations and civilizations, etc.. These rules may be considered the basic fabric for global and regional networking with the aim of establishing trust for mutual gain and Win-Win-Situations in economic actions. One example is given here of such networking in which these rules have been implemented across one nation and across widely different economic entities: the Germany-wide network SENEKA.

4. THE SERVICE NETWORK FOR TRAINING AND CONTINUING EDUCATION SENEKA

The goal of SENEKA is the improvement of innovation competence of small and medium-sized enterprises through co-operation and networking across Germany. With this project, the experiment has been started across Germany to improve regional economic stability by strategies of networking which focus on exchanging knowledge and experiences among enterprises and research institutions.

In SENEKA, more than 30 enterprises and research institutions are implementing innovative processes and designing marketable products in the fields of *knowledge management, networking and competence development*. Some of these project results are briefly presented here. They integrate the social, organisational and technical aspects of knowledge management and represent a cross section of the SENEKA output which currently covers 30 of such processes and products.

4.1 Regional networking support

With the regional networking of enterprises, the joint utilisation of resources and skills is becoming important. The mutual learning processes and exchange of experiences between the different enterprises need to be independent from space and time. Thus an electronic platform has been introduced into the SENEKA framework. The platform is centred in one specific German region. It supports the emerging business networks across this region. It is the prototype of technology support for *regional* enterprise networking which may soon become also essential for whole nations.

4.2 Best-Practice Quality Function Deployment

Quality Function Deployment (QFD) is a quality management method which is increasingly becoming a prerequisite for successful product development.

Within SENEKA, the University of Technology Aachen (WZL) has developed new tools which define Best Practice QFD. They describe a systematic co-operative approach of Preventive Quality Management to be applied in the early phases of product life cycle. It may prove to be an essential contribution towards improving quality of industrial production and service in view of global competition.

4.3 Customer and Strategy Workshops

Customer orientation of business strategies is one very important issue of improving industrial performance. Thus SENEKA aims at integrating customer orientation into strategic planning of enterprises. For this aim SENEKA has developed and tested the concept of specific *Strategic Customer Workshops* to be offered to enterprises as a joint activity. These workshops enable the analysis of deficits and problems in the company addressed by and oriented towards, the customer. Thus this integrated approach triggers new strategies of enterprise change and improvement

4.4 Inter-company co-operation workshops

Managers of different enterprises tend to be detached in their attitude towards each other. Usually there is little scope for co-operation and exchange of experiences on a personal level. Hence SENEKA has developed and tested the concept of a special workshop for leading managers to promote exchange of personal know-how between companies of different branches. It aims at including the experiences gained through such knowledge transfer, into the work processes of the enterprises. Thus the concept supports the networking of independent companies through integrating the leading managers. The joint commitment of these managers is to instigate and promote changes within their own companies

4.5 Network analysis in customer-supplier chains

One large production company within SENEKA is the hub of a wide-spread network of customer and supplier enterprises which are also partly networked among each others. As one contribution to the SENKA aims, the company is presently setting up a consultancy network of their co-operating SMEs. The emphasis is on gaining and exchanging data about operations and processes within and across this network. Data analysis within the network leads to recommendations for the structure and organisation of such networks as well as for the organisation and optimisation of co-operative processes in customer-supplier chains. In this way, SENEKA is contributing to the development of new approaches for future network management.

These five examples may illustrate how across the whole of Germany, industry has been drawn into networking and co-operation in order to jointly and innovately improve economic performance. Thus the strategies of aiming at *mutual trust* and establishing *basic rules of communication* in economics have proved their viability on a larger scale across one single nation.

5. CONCLUSIONS

In this paper co-operating entities within society are described as they understand themselves as *fundamentally equal* across all economic actors coming from all hierarchical levels of decision-making, and from all kinds of institutions, e.g. nationally and internationally based enterprises, political powers, also unions and NGOs etc., and universities. Many long-term changes of economic actions can only be developed by integrating the different interests and opinions of these actors into one discourse. Such processes need to take into account the importance of *mutual trust* between all actors across borders of enterprises, political views and cultural traditions. It means to search for consensus as suggested by Discourse Ethics.

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