The New Governance and Globalization

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Abstract. *The changes in economy and the society require a new theory of value based on knowledge. A piece of information which is well documented and as well assimilated may be a substitute for substance, energy and another piece of information. After receiving the piece of information, our thinking needs to change dramatically, in order to consider the factors that make from it such a special value. In order to be able to face the uncertainty and complexity of modern world, a new type of governance appeared, which considers not only the need for informing stakeholders and satisfying them but also the ability of an entity to answer the new restrictions stated by the market through external bodies, the personnel of the said entity and its representatives, public opinion, etc. An entity shall not be assessed only based on some economic or profitability criteria, but also based on its ability to adapt and react, the ability to meet the expectations of the persons it uses, through a model attitude towards topics of general interest (ecology, ethics, inspecting people, rejection of any discrimination, etc.), in short, through its ability to become a citizen of the world.*

Globalization and multiple governance forms

Computers abolished the distinction between "pure" or "fundamental" sciences, on the one hand, and "applied" on the other, pushing farther and farther the barriers that so far have strictly delimited information processing. Waves of innovations do not cease to come one after another.

As always, scientific and technical progress is neutral from a moral point of view: it may serve for good or for evil, for construction or for destruction. Like in the past, progress amplifies – at least in a first phase – the inequalities between countries and regions. We understand now better that the efficient use of knowledge by some society involves meeting a set of conditions: certainly, the freedom of initiative – and therefore to a large extent, private property, saving and using the relevant resources for productive investments and especially for increasing the quality of human capital.

The rapid expansion of computer networks and the conjunction of information technology and telecommunications represent the common denominator of most active entities around the world. We call an active entity any organized group equipped with resources in the widest meaning of the term, able to set for itself objectives and strategies to meet them (de Montbrial, 2003). In general terms, we call "globalization" the phenomenon by which active entities develop their objectives and strategies within the coordinates of some operation fronts, more and more expanded from a geographic point of view.

Besides fashion phenomena, the mega fusions or alliances at the beginning of the millennium correspond to an actual global competitiveness. However, "global enterprises" are not monolithic, but rather extremely supple networks of local enterprises, at the same time autonomous and strictly coordinated, undergoing some constantly reconfiguration processes.

The idea of globalization is closely connected with the idea of market economy, therefore with economic liberalism, hence its strong ideological resonance. In this regard, the economic science has widely contributed to tearing the ignorance veil over the last decades, especially by grasping the concept of transaction cost much better. This means to acknowledge efficiency, which is not necessarily incompatible with fairness or justice in coordinating the economic activities that may be carried out within "the civil society".

Non-governmental organizations have approached matters that were considered before as being the exclusive responsibility of governments, such as human rights, sustainable development, problems generated by the environment and natural resource management.

The appearance of a "transnational civil society" and therefore of the embryo of global public opinion that states have to take into account more and

more is expressed by numerous examples related to issues as different as forbidding nuclear experiences, limiting human intervention in nature or even human rights and promoting democracy.

It is clear that globalization obliges one to dramatically reconsider the role played by states. From a long-term perspective, the forms of political organization of human societies are – like everything else alive – subject to the imperative of adaptation

The progressive substitution of the word "governance" for the classic word "governing" translates from a lexical point of view the contemporary uncertainty as regards the notion of state power. The idea of a government as an organization that is exclusively in charge with the management of public affairs within a state appears to be more and more maladjusted. The intensification and complexity of interdependence reduce to nothing the ordinary meaning of the word "leadership" because of the increasing closeness between the public good and civil society, a phenomenon that is slowly spreading worldwide.

We took from Asia the Confucian notion of "good governance" according to which a state reaches happiness when it is led by a team of competent and integer personalities. The idea of "good governance" is at the same present in the political literature of the Medieval Christianity. In really democratic regimes, the modes of selecting leaders do not guarantee either their competence or their integrity.

The concept of governance such as governing complex networks of any kind refers to all the operating mechanisms (enterprises and other organizations, states, state groups…), which are not revolving around a central decision-making entity, but which determine the intervention of ad-hoc coordination arrangements with a variable geometry both in time and space.

The concept of governance is these days inseparable from the one of "good governance", which is ethical in character. The content of the phrase "good governance" involves two inseparable parts – responsibility and transparency. We should mention here that any authority holds power only by delegation and it should therefore be responsible before another authority (in the case of which the same principles apply) in relation to which it has to be transparent. The word "responsibility" translates here the English word "accountability" and the permanent obligation of precisely and controllably "answering for" the actions taken. "The direct accountability towards the people" is pure fiction. This stays true in any other cases, both as regards governing an enterprise accountable to its shareholders, national or international non-governmental organizations, the press or even the government of some country. In all cases, in order to be effective, accountability should be exercised through precise procedures and institutions.

Most people still live anchored in local spatial and temporal reference systems, even if in their daily life – individually or collectively – they are actually subject to a larger and larger extent to some global influences.

Globalization and the multifarious modes of governance involve a spatial interpenetration of powers and a gradual disappearance of borders as radical separation lines between states.

The most important and the oldest functions of the state are three: to defend the inhabitants against each other; to defend them against aggressions and original desires from outside; to assist the ones that are poor and needy.

In order to assume the three functions, states should cooperate with each other, that is, approach the most diverse issues as regards collective security, in the widest meaning of the term. Understanding this, they have to learn how to associate with the important players of the civil society, considering them as partners.

Internal affairs are always internal affairs, but criminal networks, especially terrorist ones or the damage to the environment, for example, are related to globalization, which makes any purely individual strategy inefficient.

The quasi-perfect mobility of movements of capitals, a consequence of deregulation and innovation of financial techniques, requires good governance – respectively new forms of regulation.

In order to reduce the probability of some shocks whose effects could be even more dramatic and extended, one should invent new forms of cooperation, of course, with the contribution of the main private players in international finances.

We may consider, with Raymond Aaron, that the center of international relations consists of interstate relations, these relations making contacts between the entities as such. But it is no longer possible to approve him when he says that each of these entities "claims the right to bring its own justice and to be the only one able to make the decision to fight or not to fight" (Aron, 1962, p. 20).

Perturbations generated by the current changes to the structure of production and services

The globalization of the operation of entities, the development of new information and communication technologies created a new environment that is the origin of an economy and proved its fragility exactly through the most active tool whereby information circulates. The amazing development of communication means contributed to a multiplication of changes, based on production capacities involving lower labor costs. This increase led to delocalization, especially in Western Europe, endangering traditional industrial, commercial and service models, with all the consequences arising from a political, social and human point of view.

Given the instability of markets and the increase in competitiveness, the validity of models, the lack of loyalty of customers, the vulnerability of organizations, the uncertainty regarding tomorrow, etc. oblige managers to cope with situations of an unknown complexity and some difficulties generated by a constantly mobile world.

The adaptation of entities to the new rhythm of change

Contemporary economic activities are dominated by the globalization of markets. This has as a direct effect a fierce competition, obliging the enterprises to permanently innovate and to restructure themselves. The rhythm of change and the adaptation to this change became essential for the performance and survival of these entities.

The goal is an increase in the capacity to respond and react of the entities to essential characteristics such as time, quality, quantity and costs.

This involves:

- the mobilization of forces (participative management, consensus, quality circles, progress groups), which ask for the personnel's creativity, innovation and motivation;
- a reorganization of the production structures and methods through JIT, flows, reducing and eliminating stocks;
- the use of new technologies, especially in the information sector (integrated information system, communication system).

In order to deal with these challenges, the entity of the 21st century has proceeded to a fundamental mutation. It built information systems required for correlating functions with each other and for collecting the data required, acting for a considerable technological rivalry. This entity uses outstanding technical possibilities for:

- the mobilization of expertise, skill, experience of people;
- forming groups that operate via affinities;
- a partial vision on problems and solutions via forums;
- favoring innovation.

In these conditions, major sectors in which transformations of the entity occur are:

- information systems;
- strategy;
- financing resources;
- human resources;
- workflows.

In order for such transformation projects to be implemented, it is indispensable that the relevant entity is equipped with appropriate governance mechanisms in order to become successful concerning several projects at the same time, especially in the field of information systems playing a very important role in change management.

Governance – another mode of leading

The goal of any governance is to ensure the balance of power between the different participants and the operation of their control instruments, both as regards shareholders contributing to intangible capital and as regards the other contributors to this capital.

In order to be able to cope with the uncertainty and complexity of modern world, a new type of governance appears, which considers not only the need for informing shareholders and their satisfaction, but also the ability of the entity to meet the new restrictions imposed by the market through external bodies, the entity's personnel and its representatives, public opinion, etc. An entity shall be assessed based not only on some economic or profitability criteria, but also depending on its ability to adapt and react, its ability to meet the expectations of the persons it uses, by a model attitude to the topics of general interest (ecology, ethics, inspection of persons, rejection of any discrimination etc.), in short depending on its ability to become a citizen of the world.

Such governance appeared within Western societies with a proven democratic culture, which know prosperity, wealth, which, by their dynamism and will to impose themselves, created the conditions for globalization. This governance has as its objective making profit, favoring creativity, facing the challenges of globalization, focusing rather on creation, innovation, research, marketing and production (delocalized in countries with a low demand for labor). The technological explosion and globalization of exchanges led to the development of a knowledge-based economy within which, through flexibility, innovation, ability to mobilize, societies distinguish from each other.

The human being is in the centre of the new governance. But the human being is a world citizen by the assessment of the conduct towards enterprises. This type of governance may not be applied at present to emerging countries, because they are preoccupied rather to meet the basic needs of the population by respecting human rights, gender equality, protection of the environment or sustainable development. We speak about a way of operating some manner of management of multinational societies, considering and respecting the diversity of nations through which they operate, the people, organizations and cultural resources.

Governance has as its purpose the conciliation of coherence, unity and diversity. It involves communication, transparency, participation, equal opportunity, respecting the others.

This new governance allows one to resolve the increasingly complex contemporary problems, through team work, each team member making a contribution.

The huge financial scandals determined the European Union to develop a corporatist governance code, according to which investors become more demanding as regards the quality of information and standards required from companies and markets they intend to invest in (Roman, Moşteanu, 2011, p. 515).

Building the new governance

A multinational entity is characterized by a great cultural, linguistic, traditional diversity, arising from the countries it operates in. This aspect represents obviously wealth that may be exploited but also poses difficulties to the organization, because the coherence of actions becomes necessary.

A group of entities is not a localized physical ensemble, but a distributed ensemble. Distance and size increase enormously the complexity of the problems that have to be solved. Collective conscience and the feeling of belonging to an organization do not appear naturally in such cases, but have to be cultivated. The work within an ensemble is not as simple as it seems. Active participation in organizations involves defining a system of generating values people identify with, adhere to. These values differ from one group to another. Among the values of a group of entities, we should mention the following:

- innovation by comparison with previous products;
- quality "best product, best price";
- acting upon facts, acknowledging the sanction imposed by the market, field study;
- respecting customers; the true employer is the customer;
- respecting people, knowing one's collaborators, learning the language of the country one works in;
- discretion and confidentiality;
- autonomy, respectively the ability to decide and assume one's decisions;
- honesty: error is allowed, but not lying, spying is prohibited, the illicit copying of programs is forbidden;
- seriousness when it comes to working;
- availability;
- flexibility (debate skills, adaptation to circumstances, acceptance of the international milieu and corollary or mobility, accepting job changing).

All these involve respecting the environment and sustainable development.

These values imposed by the entity management, once understood and accepted, represent the so-called entity culture. This is the basis ensuring the unity of an organization. It represents the social current when facing uncertainty. By the adhesion it determines, this culture creates a team spirit and a certain discipline that allows the real fast mobilization of the said entity. Hence it involves a significant ability to accept and lead through changes, flexibility becoming a permanent value.

A solid entity culture has also its disadvantages. The main danger of a prevailing culture is that it may lead to the exclusion of any person that is foreign to the social body, making thus difficult to employ collaborators during one's career. It may lead thus to self-satisfaction, etiquette and autarchy, which may lead in their turn to the syndrome "not invented here". One may even end in mediocrity. Through the competitiveness it imposes, the modern world requires reducing duration and costs.

A consensus of decisions is to be preferred, namely a consensus based on reviewing several options rather than their annihilation.

The team spirit may rapidly turn into defending the advantages acquired. We consider an enterprise culture acquired following the evolution and adaptation to the contemporary world, in short, the conciliation of tradition and modernity. For such a price and based on a solid enterprise culture with well-understood values, an entity may become a real force.

Promoting values for being able to manage the complex relation space-time-culture

The main problem is in this case the coherence of stable values and action within some teams that do not speak the same language, do not have the same culture and often operate without knowing each other, being at significant distance from each other.

The importance of language is often underestimated. Thus, the expatriate has to learn the language of the country where they work, a form of respect for the country they work in and also a potent integration factor.

Quite often such a policy is applied systematically; people speak fluently several languages, a fact representing an indispensable advantage for working abroad. Certainly, it is necessary to define a reference language, English being indispensable, being considered worldwide as the second working language. One often finds that it is not sufficient to translate a message into the language of a given country, but communication has to be adapted to the local culture and thinking. The manner of understanding problems, the implementation of

solutions is different in Europe, USA or Asia. While the French appreciate especially intellectual construction and method, the Americans adopt first a heuristic approach, and the Japanese a non-deduction approach, making a hierarchy of problems, while their approach is still straight and comprehensive.

Forming an international team requires a lot of time. Time for knowing each other, involving frequent travels, time to respect each other, which involves long and painful fights, time to appreciate each other, which involves working together.

In conclusion, we notice the following aspects:

- it is difficult to want to lead a team, by giving orders from thousand kilometers away;
- an international team involves turnover of people;
- it is necessary to use specialists recruited from the local region, with a high training level, not simple executors;
- people tend to preserve their nationality and to defend local solutions; to this effect, they need the support of line managers;
- the golden rule to have a decision approved and implemented is to consult the people in charge with its implementation, even if such a thing requires time.

Innovation

The importance of innovation needs to be treated specifically, especially in the conditions in which it is allowed. This is the best means to secure growth and cope with uncertainty. Therefore, it gives an answer to uncertainty.

Innovation puts the organization under discussion and consists of coming with some novelties. The characteristic of innovation is to lead to change. It involves the entity accepting within it diversity, freedom of thought, autonomy and competition, considered the basis of innovation. These should be sufficiently strong to lead to the appearance of new ideas, only in such conditions one being able to speak about progress.

The integration by the entity of the evolution of culture technologies

In order to be able to approach changes, whether they are expected or not, determined by economic limitations, the entity should be able to innovate permanently and in all fields. Innovation cannot be dissociated from new technologies, especially the information and communication technologies, elements that form the nervous system of a relevant entity.

The email became an essential tool for communication; computers and networks are now part of the standard equipment of offices. The integration of

the evolution of these technologies in the entity culture became an efficacious tool for fighting the resistance to change and make an entity active and competitive.

The governance process

Building governance means to establish some basic principles that:

- govern the relations between various participants;
- clearly define responsibilities;
- guarantee the correct operation of decision-making processes.

The appropriate operation of these processes is based upon the maturity of a given entity, because they require the existence of some decision-making networks that are accepted in due time and involve a considerable effort for being maintained.

Communication and coordination processes

The communication and coordination processes are the most important elements of governance. They should be developed and operated by the management, which should represent an example in these matters and make sure that the people in charge within the entity are involved, that they play an active role and are in the best place for making decisions.

Governance favors dialogue and requires transparency. It allows this way the mobilization of forces, making decisions, their acceptance and involves in the multicultural world it endorses, cooperation, an indispensable condition of the success of complex projects. It represents actually the consensus of the community whose members accept to cooperate and work together.

Decision-making and regulation bodies

As in any other form of human society, the organizations should have a decision-making leader and some control bodies. Committees (boards) may serve as decision-making and regulation bodies, considering the fact that in a worldwide company organized per business divisions, group decisions should be made per profit centers or geographic entities. In such conditions, the role of audit is essential because transparency is a goal involving fairness, consistency and comparability. These regulation and decision-making bodies are provided with information by various committees, through indicators and dashboards.

Indicators, measurement tools and dashboards

In order to measure the efficiency and performance of a given entity, traditional dashboards are no longer sufficient. The implementation of a project of developing decision-making information is the tool allowing the clarification

of decisions. It involves reviewing essential competences, based on some indicators representing in fact the stylized reflection of some complex reality.

The prospective dashboard or balanced scorecard created by Kaplan and Norton (1998) allows the measurement of the four domains of entity performance (Innes, 2004, pp. 47-71):

- financial perspective;
- customer perspective;
- process perspective;
- working experience perspective.

As regards information systems, we would like to add a fifth indicator measuring the contribution to business.

The indicators mentioned above cover major domains of change of the entity. They may be understood better and extended for the purpose of approaching domains still uncovered, and of appreciating and measuring the intangible assets of an organization: multiculturalism, cooperation between teams, exchange of experience, knowledge management, ability to respond, the place of women within the organization, the operational suppleness of the entity, flexibility, adaptability, robustness of information systems (respect for the environment, sustainable development, risk management, etc.)

Defining functions

The great difficulty of such an approach consists of:

- defining exactly the role and responsibilities of various entities: central units, business units, geographic units, etc., all very difficult to define considering past realities, present forces and future implications. One has to define quite clearly the duties and objectives of a management committee, of a supervision committee, of a project manager, of a user project manager, of an ethnic project manager, etc.;
- the relation of trust between units and a collegial work attitude, the possibility to make joint decisions, notwithstanding the difficulty of such a thing, especially when participants' interests are divergent. Valid relations are those based on respecting the functions of the others, even if for this purpose fights are required in the name of centralization or decentralization. These notions have less meaning now, when using modern communication means.

Governance of the information system

An information system consists of all the elements required for defining, generating, maintaining and making available the information needed by the personnel of an entity in order to ensure the appropriate operation of entities.

Such a system cannot be separated from information and communication technologies with computerized functions.

Such a system may not operate without some personnel specially trained for using it.

The objectives of reducing operating costs have been for a long time a priority when implementing information systems. These objectives have been transformed gradually so that to be able to approach new domains, such as rapidity of reaction, service quality, competitive advantage, being difficult to justify the profitability of such systems.

One of the consequences of the decentralization of the control of new information and communication technologies and the creation of independent profit centers worldwide was these systems losing their power. This loss of power underlined the need for new rules of the game in order to ensure the coordination of complementary multiple projects, which are interdependent and initiated in several units. The development of an information system within an entity or the management of such a system is a complex project involving centrifugal forces and power games, requiring the cooperation of all the participants in order to have the chance to act in due time.

Governance has as its purpose the development of a technological culture, by encouraging good practices, and avoiding deviations. Its purpose is not to control all the decisions, but to ensure project management.

The adaptation of the information system to change management

If the people in charge within the entity are involved and are in the right place for making decisions regarding them, concerning information systems, a strategic adaptation of such a system to the entity needs takes place naturally.

The running of such a system deeply changes the management of the entity, in terms of the personnel's working methods and routines. What is needed is a change program clarifying and planning the required evolution of all the competences, creating an environment within which collaborators would be able to implement the changes required for generating a new source of value for information systems, meant to facilitate the development activity.

An adequate change involves a large number of people adhering to change. All the levers available should be used for ensuring the contribution of every officer. A successful change considers at the same time the implementation of change conduct techniques and takes into account economic elements. Lacking economic results endangers the change program based exclusively on cultural and behavioral factors. But some change that operates considering solely economic factors may provide unsustainable benefits because of the resistance of the people involved.

In order to ensure a successful and sustainable change, several factors should be considered:

- *the institutional one,* that is defining and controlling the manner in which officers work (Charta, internal rules, definition of functions, supervision committees, etc.);
- *the political one,* that is key resources, internal/external balance, opinion leaders, balance of powers;
- *the economic one,* that is defining assets, activities, processes, technologies and skills adding value to some entity and its customers (operational process, machinery, serving centers etc.);
- *the social one* – behavioral values, culture, history.

Practical rules for change management:

- setting some clear, accessible objectives;
- mobilizing teams per one entity project;
- creating trust, which leads to cooperation – indispensable for complex project management.

This means team spirit:

- introducing the innovation spirit;
- learning how to communicate, both internally and externally;
- forming teams instead of renewal players;

The recent appearance of the concept of governance of information systems shows that such activities are beginning to be considered within leaders' strategic reflections.

Consequences of implementation of corporatist governance procedures (Roman, Mocanu, 2011)

At a microeconomic level:

- managers are able to grasp better the real aspects of businesses, having a positive impact on organizations as regards forming alliances, partnerships and on transparency in providing information;
- investors become more preoccupied to search for information about the increase in the entity's capability to finance development rapidly and cheaply;
- to the extent the responsibility of management boards is increasing, it is necessary to have first class managers;
- the level of economic performance is increasing.

At a macroeconomic level:

- an increase in the national economic efficiency through a more rational allocation of resources;

- an increase in transparency, a decrease in the level of corruption and tax evasion;
- the development of capital markets and the increase in the attractiveness for investors with large financial resources;
- the mobilization of population's savings by creating investment alternatives – the capital market;
- positive influences emerge also as regards the life standards of the population.

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