

DESIGNING A GLOBALIZATION SIMULATION TO TEACH CORPORATE SOCIAL RESPONSIBILITY

N. Sadat Shami
Michigan Business School
nsshami@umich.edu

Nathan Bos
Michigan Business School
serp@umich.edu

Timothy Fort
Michigan Business School
timfort@umich.edu

Michael Gordon
Michigan Business School
mdgordon@umich.edu

ABSTRACT

There is an increasing need for business students to be taught the ability to wade through ethical dilemmas faced by corporations conducting business on a global scale. This paper describes a multiplayer online simulation game that exposes students to ethical dilemmas in international business. Through role playing and perspective taking, we wanted students to actively work through ethical dilemmas. Qualitative analysis of simulation data demonstrated that students were successful in perspective taking, they were able to understand tradeoffs between profitability and social responsibility, and they were able to come up with creative solutions to difficult tradeoffs.

KEYWORDS: E-learning, simulation, distance education, role-playing, gaming, corporate social responsibility, globalization.

INTRODUCTION

The forces of globalization have brought about sweeping changes to the socio-economic and political landscape. Multinational companies are among the primary drivers of these changes. The decisions that multinational companies make have profound implications on the regions in which they operate. As such, companies are faced with concerns that go beyond merely maximizing profits and increasing shareholder wealth. When deciding to conduct business on a global scale, they have to weigh a myriad of factors from social justice and environmental protection to cultural issues. Since companies are often held accountable for the decisions they make in the regions in which

they operate, utmost care and consideration must be given when making these decisions. Business students, as future managers of multinational corporations, must therefore be cognizant of these issues. Often these issues involve tradeoffs between profitability and social responsibility. Students need to learn to strike a balance between these often opposing interests. Courses on Business Ethics face the challenge of presenting content in such a way that it does not push students towards the idealistic 'right answer'. In real world international business settings, there often is no right answer. Students need to learn the ability to wade through these dilemmas rather than have a certain viewpoint be imposed on them.

With this view in mind, a globalization simulation game was developed to expose students to ethical dilemmas in international business (<http://www.bus.umich.edu/islands>). The University of Michigan Business School offers a variety of courses on Business Ethics at the undergraduate and graduate level. The simulation was used as a teaching aid for these different courses. The content of the simulation was based on the work done by Tim Fort, Associate Professor of Business Law at the University of Michigan Business School, on the role of corporations in promoting peace. The simulation has been used in BBA, MBA and Executive MBA classes in different incarnations and has received positive feedback from students.

Cross cultural scholars have found that national cultural differences cause managers to have perceptual differences when rating behaviors as ethical or unethical (Hofstede, 1993; Adler, 1986). Gopalan and Thomson contend that national cultural dimensions impact the attribution process causing managers in culturally distinct nations to reach differing conclusions regarding the perceived ethicality of an individual's behavior or

Developments in Business Simulation and Experiential Learning, Volume 31, 2004

action (Gopalan & Thomson, 2003). Business schools typically value diversity and as a result their student bodies are very diverse. A simulation that uses students from different races, national origins and backgrounds allows for richer discussion of issues and exposes students to attitudinal differences of ethics across national boundaries.

THE ISLAND TELECOM SIMULATION

The simulation is played with classes of 30-60 students at a time. Students are assigned to 3-person teams and play the roles of companies, governments, and the media. The instructor plays the role of the Peace NGO, raising social responsibility concerns and bringing issues of importance to the attention of students. The simulation is set in the five fictional islands of Zoran. Zoran does not have many natural resources or agricultural products. Since the islands are small and isolated, this does not allow for much heavy industry either. However, the people of Zoran are well educated. So development must come from knowledge intensive industries. Zoran is thus opening up its telecommunications market for foreign investment. On each of the five islands two student controlled companies are competing

for government contracts to provide telecommunication services such as phone, internet and cable, while navigating a minefield of embedded social and ethical issues. Companies submit individual bids to the government on their island and the government on individual islands decides which bid to accept. Each bid requires teams to weigh difficult tradeoffs between profitability, development, environmental protection, business ethics, gender equity, social justice, and cultural sensitivity. For example, in the course of submitting one bid, companies choose between three candidates to replace a CEO who resigned in a corruption scandal. Each of the candidates has a different plan for ridding the company of corrupt practices, different levels of experience, and different levels of complicity in previous corruption. Hiring some candidates would disrupt the flow of business and incur a known cost that would prevent the company from undertaking other initiatives. How much is hiring the most 'clean' candidate worth, as compared to other priorities such as local education and environmental cleanup? Figure 2 illustrates a bid form for a company aiming to win the contract of providing internet services to an island.



Figure 1: Two views of the islands of Zoran

Companies communicate with the government on their island to discuss which issues the government feels should be prioritized. These discussions are complex negotiations, where various issues are discussed individually, and then weighed against each other. A government might, for example, state their strong preference for the companies to build a \$10M call center on their island rather than contracting offshore. The company

might then counter, and ask whether this was a more or less important priority than a \$10M environmental cleanup project, or the \$10M cost of replacing a potentially corrupt CEO. Students in roles of media wander freely among the islands of Zoran, chatting with company and government representatives and filing 'stories' as they arise. Figure 3 shows the complete Island Telecom game interface with an open news story.

Issue	Options	Cost	Description
Infrastructure investment	Fixed infrastructure cost	\$ 150	
Universal access	<input type="radio"/> Access only where profitable (\$0)	\$	Offer internet access immediately throughout Zoran, or start only where it is profitable. For more information see the Internet briefing and candidate interviews at the Library: open.LLibrary
	<input type="radio"/> Universal access (\$20)		
Please explain the reason for your selection:			
Web development grants	<input type="radio"/> No grant (\$0)	\$	Give grant to train local Web designers and subsidized Websites for local businesses, churches, and nonprofits. For more information see the Internet briefing and candidate interviews at the Library: open.LLibrary
	<input type="radio"/> Give web development grant (\$10)		
Please explain the reason for your selection:			
Manager choice	<input type="radio"/> Albert (current VP) (\$0)	\$	Choice to replace CEO who resigned in a corruption scandal. For more information see the Internet briefing and candidate interviews at the Library: open.LLibrary
	<input type="radio"/> Ms. Grand (labor liaison) (\$10)		
	<input type="radio"/> Mr. Paneloux (Foreman) (\$10)		
Please explain the reason for your selection:			

Figure 2: A bid form showing different tradeoffs companies have to choose between.

News Headline

Headline: Censorship boards cut loose on all islands
 By: Times reporter
 Date: 8/29/2003 1:09:34 PM
 Text:
 Companies expressed strong anti-censorship sentiments in the recent round of Internet bids. Ten of 12 companies vowed no Internet censorship for their Zoran customers. Two companies who would have censored, MB1 through a US filtering service and QW5 through a locally-run board, but neither was the winning bidder on their island.
 Local religious leaders have already begun organizing boycotts of new Internet services, but it is unknown whether these will affect subscription rates.
 This article has been viewed 19 times.

Teams affected by this article

QW5 MB1

Figure 3: Island Telecom game interface with an open news story

Developments in Business Simulation and Experiential Learning, Volume 31, 2004

PEDAGOGICAL GOAL

The design of our globalization simulation was motivated by findings from the role playing and perspective taking literature. Our main pedagogical goal was to help students achieve a better understanding of the ethical dilemmas involved in conducting business on an international scale. Instead of having them as passive listeners in a course on Business Ethics, we wanted them to actively work through ethical dilemmas by having them role play. We felt that such role playing would enable them to form a well rounded view of ethics and social responsibility since they would be looking at these dilemmas from the perspective of a role (company, government, media) and interacting with students playing other roles. We performed qualitative analysis on whether students were successful in perspective taking, whether they understood tradeoffs and whether they came up with creative solutions to difficult tradeoffs.

ROLE PLAYING AND PERSPECTIVE TAKING

True learning cannot take place when students are passive observers of the teaching process (Duveen & Solomon, 1994). Johnson, Johnson and Murayama examined the effect of cooperative learning on cross ethnic relationships. They analyzed 31 studies and concluded that cooperative learning experiences promoted greater understanding among heterogeneous peers than do competitive or individualistic learning experiences (Johnson, Johnson & Murayama, 1983). Research has shown that integrating experiential learning activities in the classroom such as role playing increases interest in the subject matter and understanding of course content (Clements, 1995). Neysmith-Roy and Kleisinger report about a biography writing project in which students role play a person with a psychological disorder. They state that through this exercise, students learned more about their subject, felt more comfortable with those they wrote about, had a greater capacity to put themselves into their subject's place, and gained greater appreciation of other cultures and perspectives (Neysmith-Roy & Kleisinger, 1997). Similarly in the context of a globalization simulation, it will help students as future managers if they can take the perspective of different stakeholders such as governments, companies, the media and NGO's. Such role playing enables students to recognize the other point of view. For example, in the bid to provide phone services on an island, companies were faced with the issue of whether to bring in US based technology experts from the parent company. Bringing in these experts will decrease total expenses by \$10 million but the experts have demanded a \$5 million 'hardship' bonus for having to work in Zoran. Financially, the bonuses seem like a good idea; however, this bonus will cause the experts salaries to be higher than all other employees of the company including the CEO, which could foster resentment within the company. Additionally, the hardship pay issue has made it to the media and the local population are angered that living in Zoran is considered a 'hardship'. Students have to put themselves in the shoes of the government and contemplate the impact of the public's perception of them if they decide to accept the bid of a

company that considers living in Zoran a hardship. Similarly, students in the role of companies have to consider whether the \$5 million savings resulting from bringing in technology experts is worth upsetting the local population and whether it will reduce their chances of getting their bid accepted by the government. By tackling issues like these, students are forced to ponder over what it would be like to be a government or a company in a globalized world.

Role playing may help business students understand cultural perspectives on ethical issues that are not clear cut. A simple action such as gift giving in an organizational context might be construed as unethical in one culture, while it may be the norm in another (Gopalan & Thomson, 2003). Often misperceptions of a culture are formed out of ignorance. When operating a business on a global scale, ignorance of cross cultural issues can lead to poor executive decision making and can have serious repercussions on the reputation of a company. It has been found that role playing appears to dispel misperceptions about specific groups or cultures (O'Sullivan, 1993; Pulos, 1993). In Chapman's study of the effect of simulation games on attitudes towards Blacks and women, he found that a better understanding occurred about how discrimination and prejudice function to limit minority-group rights (Chapman, 1974). Our simulation aims to develop a greater knowledge of cross cultural issues in students by embedding issues that require students to contemplate what it would be like to do business in a foreign culture. For example, one of the issues in the bid for providing phone services on the island involves investigating the black market. Certain residents are buying phone access from the black market at a low cost. The local police will not investigate this but they will prosecute if the company does the investigation. However, the cost of the investigation will only allow the company to financially break even. On the other hand one of the local mayors feels that an investigation would create resentment because many residents perceive black market access as a victimless crime. He further contends that more telecommunications access, even black market access, is good for economic development, and many of the black market customers could not afford to be paying subscribers. This issue provides students with an apparent justification of why black market access is condoned in a particular culture. Such insights regarding national cultures facilitate better decision making by having students understand the views and values of particular cultures.

McGregor describes the effectiveness of simulation games in role playing. Simulation games provide more structure to the role playing situation by giving students a pre-defined framework to act out the characters in a simulation (McGregor, 1993). In our simulation, students are divided up into the roles of companies, governments, and the media. The company's objectives are to get their bids accepted, increase their stock prices and receive favorable public opinion ratings. Regardless of whether a bid has been accepted by a government, a company's stock price goes up half a point for every return on investment (ROI) point over 10% in the proposed bid, while it goes down for every ROI point below 10%. Getting a bid accepted increases their stock price by half of the ROI proposed in the bid. Public opinion ratings of companies also affect their stock prices. Public opinion ratings higher than 4 on a scale of 7

Developments in Business Simulation and Experiential Learning, Volume 31, 2004

make stocks go up while a rating below 4 make them go down. How much stock prices go up or down based on public opinion is a function of how high/low the rating is above/below 4 over the total number of public opinions submitted. We intentionally made a system that is cumulative rather than based on averages. The more the community actively reinforces socially responsible behavior by filling out many public opinions, the more a company's stock can be affected. Many companies lose stock value when they submit low-ROI bids, but gain back their losses when they are rewarded with high public opinion ratings. Governments and the media however do not have to worry about stock prices. Public opinion ratings are their 'score' in the game and their objective is to achieve high public opinion ratings.

While there is a pre-defined framework in which companies, governments and the media operate, with the exception of stock price calculation, the game engine does not determine the outcome of the game. We shifted this burden away from the game engine onto the students. The prime example of this is the public opinion system. This system is community-controlled, and is the means by which socially responsible corporate behavior affects company success. Students who are first introduced to Island Telecom often expect to find that the game has certain 'lessons' about social responsibility built into it, but this is not the case. Nothing embedded in the game will reward companies for exemplary behavior or punish them for negligence. If anything, the game promotes greedy behavior through the automatic stock market rewarding high-ROI bids instead of more expensive but more socially responsible decisions. Inducement to socially responsible behavior must come from the teams themselves, or from the community of all players through the public opinion system.

RESULTS

We performed a qualitative analysis of simulation data from the most recent run of the simulation. The students of this class were from the Executive MBA program and were the most experienced among all the students we ran the simulation with. We looked at the data in terms of whether students were successful in perspective taking, whether they understood tradeoffs and whether they were able to come up with creative solutions to difficult tradeoffs.

Successful perspective taking: The bid for providing internet services to Zoran included an issue on censorship. The web censorship issue was a complicated one, in that there were several perspectives to take into account. Companies were faced with three choices: providing no content censorship, providing content censorship from a local board, and providing content censorship from a US based service. The local board will censor adult content as well content from politically controversial groups, religious radicals, and culturally objectionable groups. The US-based service keeps track of only explicitly sexual content and blocks only those sites. There is no cost difference between the three options. The role that some of the students were assigned was that of a company seeking to avoid controversy; but we hoped to see them go beyond this role, and take into account the perspectives of Zoran residents, the government, and political dissidents. And we were able to see

evidence of each of these in different bid justifications and public-opinion comments. One public-opinion writer integrated the perspective of a group that was never represented in the bid briefings:

"Universal access without censorship may hurt the most vulnerable citizens of Zoran, i.e., the children of families where both parents work and cannot always monitor their children's web browsing activities."

Several also took issue with the choice of a U.S.-based filtering service, which from the Zoran perspective amounted to censorship by foreigners:

"The islanders are deprived of their secondary right to self determination by having US censorship"

"Debatable whether U.S. censorship model is in best interest of Islanders"

"Censorship by foreign entity imposes problems".

The game format seems to have been successful in prompting one of our main pedagogical goals, which was encouraging perspective-taking on complex ethical issues.

Understanding tradeoffs: The bid for providing internet services to Zoran included an issue on appointing a new CEO. The previous CEO had to resign because of allegations of corruption. Companies are faced with three candidates – Mr. Albert, Mrs. Grand and Mr. Paneloux. All three candidates have differing levels of prior business experience and complicity in the previous corruption scandal. Mr. Albert is the most experienced among the candidates and choosing him will allow a smooth transition with no loss of revenue. However, it is likely (although not proven) that he was complicit in illegal kickbacks. Appointing Mr. Albert will give the company a 12% ROI. Mrs. Grand is slightly less experienced than Mr. Albert but is well liked. Unfortunately she is also tainted by corruption allegations because she is the wife a previous senior director who was almost certainly involved in corruption. Appointing her will give the company a 6% ROI. Finally, Mr. Paneloux is inexperienced in many aspects of the CEO job, but he is by far the most cleanest. Choosing Mr. Paneloux will give the company a 6% ROI.

A danger of making ethical decisions in a game context is that the decisions are trivialized. A real company, faced with such a decision, would be keenly aware of the tradeoffs involved. A disruption in leadership might affect other company initiatives. We hoped to see students thinking through all the implications of decisions made. We were pleased to see evidence of such deliberation in some student bid justifications, such as this one:

"Mr Albert has the most experience and talent to move the company forward. No solid evidence of corruption exists against Mr Albert or his management team. Selecting any other candidate would delay the successful implementation of complete island coverage of internet access."

This company made the controversial decision to appoint the tainted Mr. Albert. Their justification considered how a change in leadership would affect other parts of the company, such as the Universal Access initiative, which they were funding with the current bid. Whether or not this was the 'right' decision, we were glad to see that the game had put students in a position to think through difficult tradeoffs the way a real company would.

Developments in Business Simulation and Experiential Learning, Volume 31, 2004

Creative solutions to difficult tradeoffs: It seemed that when faced with difficult tradeoffs students were able to come up with innovative solutions to these complex problems. When tackling the issue of appointing a new CEO mentioned previously, some teams came up with solutions that were indicative of creative thinking to manage difficult tradeoffs. For example, one of the companies justified their choice of Mr. Albert in the following way that managed profitability and ethical concerns:

“The seamless transition of leadership is crucial for the company at this stage. However we would wish to establish our position as a company that demands the highest ethical standards from its officers, we therefore propose the following: Mr Albert’s term will be for 24 months during which a successor will be groomed to replace him. Mr Paneloux and Mrs Grand (as there were no allegations leveled against her) will be carefully considered for the position. Irrespective of the outcome of the selection process Mr Paneloux will be given senior leadership position to reflect the company’s commitment to promote form within officers who demonstrate the qualities we stand for.”

Among the tradeoffs included in the same bid for providing internet services was one between providing universal internet access to the residents of Zoran and providing a web development grant to fund computer labs, software, and teachers for local colleges and high schools. Universal access would cost \$20 million while providing a grant would cost \$10 million. One of the companies thought of tax relief as a means of offsetting some of the costs of providing universal access, as described in the following question directed at the government of the island in which it was operating:

“Is the company taxed? If so, what type of tax relief is available so we can connect the entire community?”

We were happy that students were thinking about creative means of exhibiting socially responsible behavior that were not mentioned in their background readings.

CONCLUSION AND FUTURE DIRECTIONS

We have collected student feedback at the end of every usage of this game. The vast majority of students report that the game is engaging and thought-provoking. The features they liked the most were the automated stock market, structured decision-making and public opinion features of the game. We hope in the near future to do more analysis of the effects of the public opinion system, looking at questions such as what types of company decisions tend to be particularly popular or unpopular, what written justifications lead to the highest peer ratings, and how players think about giving and receiving these ratings.

The simulation has evolved from being played face to face within the classroom to a combination of being played face to face within the classroom and online outside the classroom. We aim to eventually have students play the game completely online outside the classroom. This will also open up the possibility of recruiting students from other countries to play the simulation. It is this use of the simulation that we anticipate will give students the greatest learning rewards. Since the simulation does not use any proprietary technology or plug-ins, all that a student would

need is access to a standard web browser to play the game. This will allow us to take complete advantage of the game’s anywhere, anytime potential. In future runs of Island Telecom, we will recruit international participants. Students from the United States could be paired up with students from Europe, from developing countries, or elsewhere. Experienced businesspeople could be paired up with undergraduates or people from other professions. The simulation could be used by other universities, NGO’s, or companies as an “anywhere, anytime” E-Learning activity for corporate values clarification. We are in the midst of negotiations with the William Davidson Institute at the University of Michigan Business School about having students from South Africa participate in the simulation. A more diverse set of players should provide diverging and interesting perspectives on globalization issues.

ACKNOWLEDGEMENTS

This research was supported by the Dean’s office of the University of Michigan Business School, and by the Brauer-Jackman fund for curriculum innovations.

REFERENCES

- Adler, N. (1986) *International Dimensions of Organizational Behavior*. Kent, Boston, MA.
- Chapman, T.H. (1974) *Simulation game effects on attitudes regarding racism and sexism*. Maryland: University of Maryland.
- Clements, A.D. (1995) “Experiential-learning activities in undergraduate developmental psychology.” *Teaching of Psychology*, 22, 115-118.
- Duveen, J., Solomon, J. (1994) “The great evolution trial: Use of role-play in the classroom.” *Journal of Research in Science Teaching*, 31, 575-582.
- Gopalan, S., Thomson, N. (2003) “National Cultures, Information Search Behaviors and the Attribution Process of Cross-National Managers: A Conceptual Framework”. *Teaching Business Ethics* 7 (3): 313-328
- Hofstede, G. (1993) “Cultural Constraints in Management Theories.” *Academy of Management Executive* 7, 81-94.
- Johnson, D.W., Johnson, R.T., Maruyama, G. (1983) “Interdependence and interpersonal attraction among heterogeneous and homogenous individuals: A theoretical formulation and a meta-analysis of the research.” *Review of Educational Research*, 53(1), 5-54.
- McGregor, J. (1993) “Effectiveness of role playing and antiracist teaching in reducing student prejudice.” *Journal of Educational Research*, 86, 215-226.
- Neysmith-Roy, J.M., Kleisinger, C.L. (1997) “Using biographies of adults over 65 years of age to understand life-span development psychology.” *Teaching of Psychology*, 24, 116-118.
- O’Sullivan, M.J. (1993) “Teaching undergraduate community psychology: Integrating the classroom and the surrounding community.” *Teaching of Psychology*, 20, 116-118.
- Pulos, S. (1993) “Illustrating life-span development in physical competence.” *Teaching of Psychology*, 20, 244-245.