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2014

Walls, J. L., & Triandis, H. C. (2014). Universal truths: can universally held cultural values inform the modern corporation?. Cross Cultural Management: An International Journal, 21(3), 345-356.

https://hdl.handle.net/10356/104526

https://doi.org/10.1108/CCM-12-2013-0186

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UNIVERSAL TRUTHS:

CAN UNIVERSALLY HELD CULTURAL VALUES

INFORM THE MODERN CORPORATION?

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Acknowledgments: The helpful comments of Andy Hoffman, Jim Walsh, associate editor Soon Ang, and two anonymous reviewers are gratefully acknowledged.

There are four universal truths in the world; four criteria that people globally believe to be valuable and important. These criteria – mental and physical health, subjective well-being, longevity, and preservation of the natural environment – are widely shared across cultures and can be used to evaluate the success of societies (Triandis, 2009). No culture is perfect; each is defective on one or several of these criteria. But cultures that predominantly violate these core values cannot be deemed successful because the result is a society that is unsustainable, filled with violence, unequal distribution of wealth, social disintegration, and environmental degradation. In short, indicators that could lead to a civilization's collapse (Diamond, 2011).

While nation states unquestionably remain important in shaping and preserving cultures, two important shifts have taken place in the last 80 years that need to be taken into when considering the role of culture in shaping society. The first is a general shift in *cultural patterns* from horizontal collectivism to vertical individualism. This shift emphasizes personal needs over common goals and status hierarchy over equality. The result is that societies are heading towards a delinquent state rife with problems, and a corresponding undesirable trend from welfare to flexible capitalism. The second is a shift in the dominant form of *social organizing* from that of the nation-state to the corporation, such that many corporations are now larger economic entities than countries. At such tremendous size, corporations are having a significant, and often but not always, detrimental impact on the world.

These trends raise important questions for the interaction between business and society, for the modern corporation *is* modern society. Should we, therefore, be evaluating companies' success in the same way as we evaluate the success of a society? If so, can cross cultural values inform how we evaluate corporations, above and beyond traditional financial criteria used to evaluate them? Finally, how do businesses live up to the four universal values, and does it matter?

This essay will argue that corporations should indeed be evaluated by the four cross-cultural criteria, for failing to do so would violate the very nature of human psychology with strong negative consequences for our global society. Fortunately, the notions of health, well-being, longevity and environmental preservation are not entirely alien to companies, and many have tried to address these universal truths in the form of corporate social responsibility (CSR). By explicitly linking cross cultural research to CSR, however, we take a fresh look at whether existing CSR initiatives suffice to address these universal truths. We conclude that in its current form, most corporations will be incapable of optimizing these cultural values. We present some examples companies that appear to integrate these values well, and suggest some alternative forms of corporate governing that could ensure a sustainable future for a corporation-dominated form of social organizing.

The four universal truths

Triandis (2009) searched for criteria that are acceptable across cultures, and commonly held. He identified four criteria that were commonly held cultural values. These included: (1) health (both physical and mental), (2) well-being (happiness), (3) longevity, and (4) preservation of the natural environment. These four ‘universal truths’, Triandis (2009) observed, could be used to evaluate the success of individual cultures due to their globally recognized importance and persistence. For instance, no culture was identified where it was desirable that its members were sick. Similarly, happiness is a core desire of cultures. Although happiness is defined somewhat differently across cultures, core observations such as non-suicidal ideation are widely accepted. In the same vein, no culture values life being cut short, and longevity is thus a universal value. Some cynics have argued that people should die at age 65, as soon as they stop working, so as not to burden the health system. And there is at least one culture where people who reach age 80 are killed and eaten, so that the members of the culture can acquire their wisdom. However, these perspectives are culture-specific and are not universally accepted. And finally, no culture wishes to see the destruction of the natural environment.

No culture is perfect. Each nation differs in its relative performance along these four criteria. According to the World Health Organization, France provides the best health care system in the world. The greatest amount of happiness is found in Scandinavia (Tov & Diener, 2007). Longevity is highest in Andorra, Macao, and Japan. Switzerland and Latvia have the best environmental preservation (EPI, 2012). Tied into these criteria are a plethora of socio-political issues. Poverty and hunger are associated with reduction in health and longevity. Political freedom, justice, trust in fellow citizens, brotherhood, security, social equity, peace, and the absence of environmental disasters and accidents all contribute to subjective well-being (Triandis, 2009). Generally speaking, cultures that hold to the universal value tend to thrive; those that do not are probably not sustainable in the long run and may perish.

If these universal truths are so important to the sustainability of national cultures, what do they imply for the sustainability of the corporation? And why are cultural criteria even important considerations for corporations in the first place?

A world in flux

The last 80 years have seen two important shifts in society, one in culture, the other in organization. These two shifts have had tremendous implications for our world, and how we live up to the four universal criteria. Both trends are generally heading in an undesirable direction that goes against the criteria of health, well-being, longevity, and environmental preservation that people value globally.

Culturally, the shift has been from horizontal collectivism to vertical individualism, not only in the U.S. but also in traditionally more collectivist nations such as Japan (Hamanura, 2012). In a collectivist culture, the self is viewed as part of a collective group. In such cultures, the needs of others are taken into account before one's own needs, and therefore collective goals, norms, and obligations regulate social behavior (Triandis, 1995, 1996). By contrast, individualist cultures define the self as independent and autonomous. Personal goals are given priority over collective ones, in favor of individual freedom and enjoyment (Triandis, 1995, 1996). Collectivist and individualist cultures can furthermore differ in whether individuals emphasize horizontal or vertical relationships. Horizontal societies place emphasis on equality. The self is assumed to be similar to every other self, whereas vertical societies stress hierarchical relationships and status variation (Triandis, 1995, 1996). Thus, there are four broad cultural patterns (Triandis & Gelfand, 1998, 2012) that describe societies. In horizontal collectivism, people favor common goals with others and interdependence, but also value equality and do not submit readily to authority (e.g. the kibbutz). In vertical collectivism, people stress in-group goals and sacrifice their personal agendas, but they will compete with out-groups and submit to authorities (e.g. China). In horizontal individualism, uniqueness and self-reliance are favored, but the people are not interested in achieving status, preferring equality (e.g. Norway). In vertical individualism, people favor self-distinction, and they readily compete with others for status and for becoming distinguished (e.g. France). Some subgroups offer especially clear examples of these patterns. In academia one is supposed to be 'the best,' 'unique,' 'a star.' That is clearly vertical individualism. But in Australia tall poppies are cut down (Feather, 1994). That is horizontal individualism.

In shifting away from horizontal collectivism towards vertical individualism, societies are placing more emphasis on the needs of the self over the needs of others, while at the same time becoming less egalitarian. As a result, competition has been a key driver of improving one's fate within society, and this has come with a heavy cost. For while subjective well-being tends to be higher in societies that emphasize individual uniqueness over societies in which people face strict conformity (Tov & Diener, 2007), individualist cultures also face many more social problems in the form of delinquency, divorce, drug abuse, suicides, and mental illness (Eckersley, 2004, 2007; Eckersley & Dear, 2002; Torrey & Miller, 2001). Torrey and Miller (2001) reported that the number of insane persons per 1,000 has increased steadily since the beginning of the industrial revolution in England, Ireland, Canada, and the U.S.

When we evaluate vertical individualist cultures against the four universal truths, we observe that the glorification of individualism is a form of self-deception in which people sample information from inside their own bodies – emotions, desires, ideologies, and prejudices – rather than from a careful observation of external cues from events in the surrounding environment (Triandis, 2009). Self-deception is problematic for societies because it fails to recognize the 'real' truths that are consistently valued across cultures globally, and doing so results in extremism (Triandis, 2009). To ensure a sustainable and successful society, it is necessary to take a cognitively complex approach that avoids extremes (Triandis, 2009).

The second major shift in our world is one of social organizing. In 1932, Berle and Means (1932) foretold that the corporation could supersede the nation-state as the dominant form of social organization (as the state superseded the church several centuries ago). Some 80 years on, we find that this has indeed happened. In 2012, 58% of the top economic entities of the world were corporations, not nations (Keys, Malnight, & Stoklund, 2013). The three biggest companies, Royal Dutch Shell, Exxon Mobil, and Wal-Mart ranked 26th, 29th, and 30th respectively, on par with economies such as Belgium, Argentina, and Taiwan (Keys et al., 2013). In fact, large corporations appear to have "vacuumed up a good part of what we have always thought of as society" (Perrow, 1991: 726). (Perrow, 1991) argues that many activities that were once performed by small groups or organizations have, over the last century, gradually been taken over by large corporations. As a result, large organizations are shaping our lives in subtle and unobtrusive, but nevertheless significant, ways and are influencing everything from politics, social class, economics, technology, religion, family, and even our social psychology (Perrow, 1991).

The growth of the corporation has intensified the spread of globalization and is rooted in a concomitant trend towards vertical individualism. The result is that most large corporations operate in a culture focused on achievement and competitiveness, with an emphasis on what is good for the corporation over what is good for society at large. This sort of vertical individualist cultural prevalence in corporations leads to a host of problems because historically the so-called 'negative externalities' that affect society and the environment as a result of corporate activity have not legally (in the U.S. at least) been the responsibility of the firm to manage (Banerjee, 2008). Rather, the primary responsibility of the firm, supporters of this outdated view argue, is to maximize the return to the shareholders (Friedman, 1970). Nevertheless, negative externalities are now so widespread that stakeholders, and even shareholders, are increasingly placing pressure on companies to be accountable for their actions.

As a result of the cultural and organization shifts, corporations have become tremendously powerful, dominating governments, international trade organizations, communities, and every major decision that affects life on earth (Banerjee, 2008). In short, we have entered an age of 'corporate imperialism' (Banerjee, 2008).

How do corporations measure up to the four universal truths?

The corporation has arisen in an era of vertical individualism, with the accompanying emphasis individual achievement, status, and competitiveness. As a result, the modern corporation thrives on flexible capitalism, instead of welfare capitalism. This is particularly true in the U.S., where in the 1920s at least 20 percent of companies applied some form of welfare capitalism but today only 0.5 percent do so (Koller, 2010). While there are some benefits of individualistic cultures, such as higher subjective well-being of the individual due to greater freedom of choice, this can be costly at a societal level (Diener, Diener, & Diener, 1995). We observe that emphasis of individualism in corporation can similarly have negative consequences for society. The flexible capitalism system has seen the collapse of major corporations that needed taxpayer bailouts (e.g. Lehman Brothers, AIG), corporate misconduct and fraud (e.g. Enron, Madoff), misuse of corporate funds for the private gain of managers and executives such as the private use of corporate jets to head to holiday resorts (Maremont & McGinty, 2011), disconcerting patterns of layoffs such 11 U.S. companies laying off 600,000 people over a two decade period (MacIntyre, 2011), and the increasing and unjustified pay inequalities mentioned earlier (Walsh, 2008).

This pattern is evident when we assess corporations along all four universal values. In the context of environmental preservation (destruction), industrial activity has already exceeded the world's carrying capacity (Wackernagel & Rees, 1996), has exploited natural resources between 10 thousand and a million times faster than they can be renewed (Dobson, 1996), has increased species extinction by a factor of 100 to 1000 (Lawton & May, 1995), uses about 30% of available water runoff, half of which is discharged back into the environment polluted (Postel, Daily, & Ehrlich, 1996), and has permanently altered the composition of the air in our atmosphere so that carbon-dioxide is 30% higher than in the past (Houghton, 1997). DuPont alone accounts for 25% of the global chlorofluorocarbon (CFC) output (Karliner, 1997).

Effects of corporate activity on subjective well-being are also pervasive. According to a report on Bloomberg, the average multiple of CEO pay to that of rank-and-file workers among Standard & Poor 500 companies is more than 200-1. This multiple has been steadily increasing over the years, from an estimated 20-1 in the 1950s, to 42-1 in the 1980, 107-1 in 1990, more than 500-1 in 2000, and 364-1 in 2006 (Walsh, 2008). And when faced with these figures, companies have responded by lobbying against legislation that would require them to mandatorily disclose such information. In addition, job satisfaction has been on the decline in the U.S. (Blanchflower & Oswald, 1999) and corporations increasingly expect employees to put in longer working hours, enabling them with technology that allows people to work any place and any time, with the subsequent negative impact on work-life balance (Schulman, 1997).

Working at a company can also affect longevity. In 2012, some 4,383 people in the U.S. died while working on the job (BLS, 2012). Thankfully, workplace fatalities have seen a steady decline in the U.S. over the years. But on a global scale, the picture looks dim: 2.2 million people die each year of work-related accidents or disease, and this is likely to be much higher due to vast underreporting (ILO, 2005).

A reason for these corporate delinquencies is that the vertical individualist culture is taken to its extreme, with an over-emphasis on competitiveness. This leads to economic inequalities that are associated with poor health, depression, violence, pollution, and shorter lives – i.e. inconsistent with all four of the universal values (Triandis, 2009). Corporations tell themselves that the emphasis on competitiveness is to benefit the shareholders, for the purpose of economic development and wealth-creation. But this point of view is highly myopic, and ignores the longer-term consequences of corporate conduct. In essence, corporations are engaging in a form of self-deception (Triandis, 2009) because they ignore the fact that taking a long-term strategic view results in superior performance (Rhyne, 1986) in favor of the more immediate satisfaction gained from pursuing short-term strategies.

Not surprisingly, many questions are being raised about the relationship business has with society, and the role of corporate responsibility and governance was predicted to become critical even back in 1932 (Berle & Means, 1932; Dodd, 1932), and remains so today (Lan & Heracleous, 2010; Walls, 2012).

What lessons can corporations learn from the four cultural truths?

Now that corporations are a dominant form of social organization, the notion of cultural values becomes critically important. After all, like societies, corporations consist of groups of human beings and culture is a central tenant of humanity. Therefore, if corporations violate the four cultural truths, they will not be sustainable in the long term.

The news may not be all that bad. Many corporations are aware of the negative consequences that an over-emphasis on wealth-creation and individualism can bring. While financial performance is certainly key to ensuring that a business goes forward, companies are increasingly cognizant that financial performance is not the *only* performance they should care about. Such companies are taking a more balanced view by attending to the 'triple bottom line' (Elkington, 1998), also known as the three E's or three P's of management. In the triple bottom line, companies attend to the people (equity), the planet (environment), and profit (economy). These issues of corporate social responsibility (CSR) have shown to be important in preserving a company's legitimacy, reputation, and survival (Bansal & Clelland, 2004; Wood, 1991). Moreover, should companies ignore nonfinancial issues, plenty of stakeholders will bring them to the forefront by way of boycotts, negative press, and shareholder proxy solicitation. Pressure, whether from governments, investors, or other interest groups are typically identified as key drivers for CSR (Henriques & Sadorsky, 1996; Matten & Moon, 2008). By paying attention to corporate social and environmental performance, companies receive many tangible and intangible benefits: ability to attract and retain talented employees, gain price premiums from consumers, non-government organization (NGO) support, and more (Lowitt, Hoffman, Walls, & Caffrey, 2009). Corporations, in short, cannot afford to ignore the nonfinancial aspects of their businesses, and many have begun to include CSR into their strategy.

An important question that remains, however, is what corporations are doing in terms of CSR and to what extent this has been a symbolic exercise versus a substantive change in underlying operations and management. We know that CSR has risen drastically, as observed in the massive rise in reporting on social and environmental, as well as financial issues (Kolk, 2010). Virtually all of the world's largest companies engage in some kind of voluntary disclosure of the triple bottom line (Marquis & Toffel, 2011). This trend has seen the nascent development of global standards of reporting in the form of the Global Reporting Initiative (GRI).

Unfortunately, corporate social responsibility has been an uphill battle. While reporting on the triple bottom line is on the rise, there is substantial leeway in what companies report, how much they report, and how they measure their social and environmental performance. Since GRI is a voluntary tool, and reports do not have to be authenticated by an independent auditing body, corporations can potentially decouple what they report from what they actually do, through selectively disclosing only positive information, and deliberately hiding what may be damaging (Abrahamson & Park, 1994; Okhmatovskiy & David, 2012). Added to this is the tenuous link with an economic benefit: academic studies have shown that including social and environmental goals into the corporate agenda has no clear association with financial performance, although attending to CSR also does not harm the company financially (Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003). When the (economic) going gets rough, companies may even opt to abandon environmental and social goals altogether (Karaibrahimoglu, 2010). In decoupling their underlying activities from stated CSR goals, companies are by and large engaging in nothing other than a window-dressing exercise. The reality is that environmental and social conditions continue to deteriorate across the globe, and much of this is linked to industrial activity (Renner, 2012).

There are other difficulties too. Even when companies are serious about CSR, they face difficult choices. How far should the accountability and responsibility of CSR go? Should Gap be responsible for the labor conditions in factories that supply clothes to the company? What about those that supply to their suppliers? Should the company be held accountable for shoddy construction, and subsequent collapse, of Rana Plaza (not owned by Gap but by Sohel Rana) in Bangladesh that was used to sew some of their garments? And on the other end of the supply chain, should Apple be held accountable for how and where consumers dispose of older generation iPhones, iPads, and iPods? Should the company be reprimanded for continually making incremental innovations to their products that lead to disposal of products that are still perfectly functional? From extraction to end-of-life, a typical product goes through many stages of production. Our current economic system does not consider such cradle-to-cradle questions, nor is it designed to optimize the entire life cycle of a product that takes into account the larger ecosystem (McDonough & Braungart, 2002). What is certain is that in the flexible capitalist system, the emphasis remains on profit. Shareholders want a return on their investment in the form of financial wealth, and many of them take a myopic view. Companies must bow to shareholder demands, and the quickest way to make that profit is to encourage precisely those values that violate the four culturally universal truths.

What then, can companies learn from the cross-cultural literature and the four universal truths? How does a company look when it tries to adhere to these values? We know from the cross-cultural literature that cultural extremes, whether horizontal or vertical, collectivist or individualistic, are not optimal. Extremes suffer from cognitive simplicity, a type of laziness in which individuals or groups try to get away with processing as little information as possible to analyze complex phenomena (Triandis, 2009). Extremes allow us to fool ourselves through self-deception by selecting positive information while avoiding negative information (Triandis, 2009). Impression management is one example of self-deception; this is precisely what we observe when corporations engage in decoupling behavior. Corporations, as well as academics, are taking an overly simplistic approach to the complex phenomena of CSR (Banerjee, 2008). Social and environmental issues cross several levels of analysis, disciplines, ecological and physical systems, and cultural interpretations and meanings (Carroll, 1979; Roome, 1992). As a result, they cannot be fixed by taking a simplistic, heuristic approach. Instead, solving these problems requires cognitive complexity. Nor can corporations, in isolation of a larger community and societal context, fix these problems on their own (Banerjee, 2008). Even a stakeholder-oriented approach is not enough, because when taken to its extreme in trying to address all stakeholder concerns, this also becomes meaningless (Banerjee, 2008). Nor is the focus on financial performance alone the correct path. A more cognitively complex approach is needed, one that seeks balance and harmony between multiple points of view (Triandis, 2009). In taking a more complex approach, corporations can gain a deeper understanding of reality through self-reflection and self-criticism.

The Culturally Valued Corporation

So how can a corporation be true to the four universal values of health, well-being, longevity, and environmental preservation? For one, such a corporation needs to take a more cognitively complex approach that integrates these values with other goals such as making a profit. The answer may lie in a corporation that balances opposing forces, such as integrating internal competition and cooperation, social welfare and individual interest, and tradition with entrepreneurship – in short, an organization that is ‘ambicultural’ (Chen, forthcoming). Such a strategy must go beyond simple stakeholder management, and take an “integrative, balanced, relational approach to management” that “benefits the greater community” (Chen, forthcoming: 24). In short, we need a new, critical, and more complex approach to organizational theory and practice, since the power dynamics are not balanced between the corporate versus societal/community interests (Banerjee, 2008).

Achieving a more complex organizational approach is by no means easy. But, some organizations have been actively in search of a better ideal. The rise of hybrid organizations, for instance, has shown that it is possible for corporations to have both social and financial missions, each complementing the other (Battilana, Lee, Walker, & Dorsey, 2012; Haigh & Hoffman, 2012). Supporting such organizations, however, has required changes in the legal structure of companies in the form of L3Cs (Low-Profit Limited Liability Companies), Benefit Corporations, and Flexible Purpose Corporations, a new breed of 'impact' investors, an integration of beneficiaries and customers, and a proactive socialization of organizational members towards this hybrid goal (Battilana et al., 2012). In addition, these companies may face mission drift, have trouble scaling up, need to compete with dominant players in the market, and resist being acquired which erodes their autonomy (Haigh & Hoffman, 2012).

Other, more traditional, corporations have managed to integrate the universal values into their core strategy and operations. Lincoln Electric is such a company and has been described as having enlightened managers that result in a company of the best form of capitalism or socialist enterprise (Chen, forthcoming). Even so, it also has limitations as a prototype for the ideal corporation (Koller, 2010). Koller (2010) describes how Lincoln Electric started out as a small company producing electric motors that shifted over the years to become the largest welding equipment producer in the world with gross sales of $2.5 billion. By 2008 it had nearly 10,000 employees in 19 countries, with sales partnerships in 160 countries. What is unique about Lincoln Electric is that that it did not lay off any of its employees during periods of depression (the 1930s) or recession (2007-2009). This can be attributed to the company's founding principle of 'welfare capitalism.' Employees were encouraged to talk to the top manager at any time. Workers were paid by piece rate determined by time studies, done by fellow workers who timed a wide range of workers doing the same job. The workers also received a merit-based bonus at the end of each year. The merit rating was done by supervisors who had a limited number of points to distribute within the work group and was based on productivity, quality, adaptability and flexibility, dependability, team work, environment, health and safety priorities. Professionals such as engineers were evaluated against goals, core competencies, decision-making ability, customer focus, and innovation. Quality control inspectors ensured that quality was not sacrificed for speed; mistakes were costly to the individual worker (up to $1,000). The average bonus was 77% of the base pay and nearly $30,000 in 2008; one worker with a perfect supervisory rating received $90,000. Some 32% of the profits went to employees. The rest was used to reduce the price of welding equipment sold (benefiting costumers), to buy new equipment (benefiting suppliers), pay taxes, reduce debt, and pay a dividend to shareholders who received a steady 6% on their investment. Moreover, workers had guaranteed and flexible employment. During lean times, they worked for 32 hours, during boom times 55 hours per week. The company cut product prices during the depression to guarantee employment. As a result, they did not mind giving up their vacations to complete orders. Finally, the company used a form of representative governance by using an Advisory Board consisting of elected representatives of each division, to make decisions for the company.

When evaluated against the four universal criteria, Lincoln Electric performs reasonably well (see Koller, 2010). Physical health was similar to that of other companies, but mental health was much higher. The company had high job satisfaction. It has been successful for more than 110 years, reaching longevity. Moreover, the lack of layoffs extends workers life by about two years while at the same time ensuring strong financial performance since there was no loss of experience and knowledge since workers stayed with the firm. In addition, the lack of layoffs ensured stability in the local community. Finally, the company also had strong environmental performance because workers were rated for environmental responsibility.

What Lincoln Electric has achieved may not be perfect, but it goes a long way towards the incorporation of the universal values into the company's activities. By explicitly linking values to value-creation, companies are able to achieve the goals of health, well-being, longevity, and environmental preservation. But some kind of universal charter may be required to hold companies accountable, rather than rely on voluntary commitment (Banerjee, 2008). For instance, numerous countries have introduced 'extended producer responsibility' laws (e.g. Germany, Scandinavian countries) that hold individual companies responsible for designing products with their entire life cycle in mind that ensures better sourcing conditions, improvement in how products are discarded, and de-pollution, dismantling, and recycling of materials. The financial responsibility for all this is born by the producer (van Rossem, Tojo, & Lindhqvist, 2006). Others have adopted a more welfare capitalist approach (e.g. Denmark, Japan) that emphasizes employee benefits that contribute to welfare and equality. These kinds of initiatives, driven by governments and not corporations, can inform how to build a culturally valued corporation and society.

Conclusion

That challenges remain in the relationship between business with society and the natural environmental is clear. Furthermore, it is now clear that the cross-cultural literature and the understanding that four key, universally held values can help inform the corporate world's direction of CSR may provide guides in the future. Companies that integrate the notions of health, well-being, longevity, and environmental preservation – and do so from an 'ambicultural' perspective – are more likely to be sustainable. Their employees will be happier and healthier. They will be more rested and do better work. The quality of products will be higher, not only for consumer use, but for the purpose of sourcing and recycling. The relationship with stakeholders will be stronger, and more integrated.

Perhaps with the rise of a generation of 'cultural creatives' (Ray & Andersson, 2000), some 50 million American adults and 80-90 million Europeans, who place value on the natural environment, social causes, a sense of spirituality without religion, desire for equality, and an emphasis on authenticity, will bring about a change in the corporate cultures that have prevailed for far too long. These individuals have begun to create social change. These individuals have brought about the hybrid organizational form. These individuals have started a movement towards a new form of corporation that uses the universal values that are consistent with the values of these individuals.

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