SYMPOSIUM COMMENTARY

Multinationals: The Cultural Dimension

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In her paper Mira Wilkins invites us convincingly to include multinational enterprise in the heart of business history. Yet there are several possible approaches, many of which may ignore the cultural dimension of these companies. They focus on the strategies, the diversification of competencies and capabilities, and performance. I would like to argue that the business historian too often implicitly considers the multinational to be a tower of Babel or a chameleon. It may be more rewarding to ask whether a multinational has a corporate culture of its own – however vague and dubious this concept sometimes is – and which elements mold this culture: its products, its national origins, the recruitment and management of its personnel, the relationship between the center of the company and its periphery, and the image of the company in public opinion.

How Nationality Matters

We know from economists and politicians since the 19th century that businesses are not national. Multinationals have therefore adopted the American dictum: "Think globally, act locally." However, nationality matters not simply when adjusting to local environments. It colors the public's perception of the multinational, the expectations of the shareholders, and the relationship between domestic and foreign activities.

Even multinationals are associated by public opinion with a national origin. This is particularly true of environmental issues. French fishermen of the 1970s connected the oil spilled by the Amoco Cadiz with America. So did Indian citizens when they linked the tragedy of Bhopal with Union Carbide. On the other hand, quite often multinationals have benefited from the support of their national governments for the spread of their products or services, such as the U.S. government's efforts to open the Japanese telecommunications market.

We cannot dismiss this cultural perception as entirely unwarranted. In 1992 and 1994 the CEO of the oldest French multinational, Saint-Gobain, emphasized that the strategy of a multinational is deeply influenced by the nationality of its main shareholders. For him, in their relationship to their customers and to their workforce, multinationals can learn from national differences but also can try to transcend them, and the trend is towards more convergence. However, he pointed out that the structure by nationality of ownership develops expectations which vary by country. If the strategies of Siemens and General Electric differ, it is partly because their main shareholders are national: German and American shareholders hold different views. Some of the most significantly global multinationals, the Swiss and the Dutch, have governance structures which reserve the appointment of top managers and of the board to a handful of national shareholders. Thus it is in the companies that are the least nationally focused that the executive officers are least accountable to multinational shareholders [Beffa, 1992, 1995].

Beyond the nationality of the main shareholders of a multinational, the other decisive element is language. The CEO of Saint-Gobain commented: "As our company is of French origin, the managers of French nationality are the most numerous. We need to explain that. We tell our employees that French is the official working language of the group, we acknowledge a second language, English, but we have decided that no other one will be allowed" [Beffa, 1995]. These remarks suggest that the languages used in the multinational need to be analyzed by the business historian to assess their impact. For the performance of the firm as well as for the employees themselves are they a convenient vehicle or a barrer? Do they unite or do they divide? How do English-speaking multinationals adjust to those nations, in Europe or in Canada, that claim a "cultural exception" at the end of this century? This leads the business historian to the issue, explored by business administration and sociology specialists, of intercultural management. Recent literature shows ways in which companies have been able to take advantage of the potential represented by a different culture while minimizing the linguistic barrier. A fine example of this promising path is given by the changes achieved in the early 1990s by Renault's automobile plant in Slovenia, whose workers dramatically increased both productivity and quality [Globokar, 1995]. But there is another topic under the heading of language. Can a multinational be said to have a language? Or is it simply the language of numbers which is even more than elsewhere the main vehicle of information and of decision-making? The answer should be weighed in view of those corporations that deliberately tried to build a genuine language and culture (e.g., IBM) and of those that take cultural diversity into account (e.g. the Swiss-Swedish multinational, ABB).

Discussions of nationality lead us to corporate culture. But corporate culture is not a construction built for eternity. It evolves constantly, and some of its agents are the employees of the multinational themselves.

The Consequences of Global Management of Human Resources

The basic management challenges faced by a multinational are to integrate the efforts of a vast number of far-flung personnel, and to maintain ethical standards despite the temptations of corruption overseas.

In managing a global workforce, one consideration is career mobility in a multinational [Gunz, 1989]. Are citizens of the host country able to reach at some stage the corporate headquarters [Grinberg and Mioche, 1996], or are their careers limited to the levels of responsibility available in the subsidiaries of their country or their continent? Are the expatriates from the headquarters nation gaining experience from their unconventional fieldwork and therefor eligible for promotion back home to make innovations based upon their learning? Or are they marginalized, both in careers and in decision making, with the solace of higher wages and bonuses than their counterparts who remain in the homeland? A large number of multinationals have attempted in the last thirty years to build a system of management of international careers for their managers. Its main parameters are equity, efficiency, transfer of skills and values, and the other dynamics of mobility. However, most scholars who have studied such systems find that they achieved limited results. Expatriates still have career problems, and the management (or even control) of the expatriates remains a problem for the organization. Therefore some companies now have shifted to another pattern: sending managers abroad for shorter periods and multiplying the connections between them and their colleagues at the home firm [Gleyze, 1993]. Some authors have recently explained both the limits of the older system and the shift to the newer system by arguing that multinationals follow the "garbage can" model invented and made famous by James March, since the management of expatriates cannot rely on a coherent set of finalized procedures [Romalaer and Huault, 1996]. Others suggest that expatriates face three types of processes: turnaround changes, evolutionary developments, or constructional accumulations [Gunz, 1989, pp. 55-62] and that careers can only be managed according to this diversity, a different approach which comes to a parallel conclusion.

Because of these forces, multinationals have been among the earliest companies to assess regularly the trust of their employees and top managers. Often with the help of consultancy firms, from the 1960s onward they instituted annual surveys of the morale of their wage-earners. Such surveys, if critically analyzed, are an interesting source for business history. In some cases, the regular decline of the morale of the employees heralded a major crisis in the strategy and performance of the multinational. Historians should not only analyze the surveys themselves, but should also try to discover whether these surveys have been used and by whom, and to what extent they contributed to organizational effectiveness.

The morale of the employees of a multinational is obviously connected with its business ethics. In a number of fields including utilities, cement, oil, and armaments, corruption has been a problem. Historians should assess the extent of corrupt practices, how companies and governments fight them, and what impact they have on employees of the corporation, customers, and public

opinion. They should also assess how corruption affects the ability of firms to influence politics, which, as Louis Galambos has shown, is an important aspect of the competence of business organizations.

A Culture for Change?

Mira Wilkins's paper leads me to address another question: is the corporate culture that each multinational has developed since the 19th or the 20th century still optimal for the changes currently at work in the international economy?

Multinationals classically exploited economies of scale and scope and sought cooperation with other firms (both in industry and in services). They answered a number of challenges with structural changes within the firm or improved control systems. These are the main features underlying their organizational learning, and especially their corporate culture.

It can be argued that international firms are now facing challenges which are substantially different. They include an increased sophistication in the range of services required by the various types of customers through the life cycle of the product or service, the recomposition of activities (as some of the traditional demarcation lines between departments and specialties become obsolete), and a much greater reliance on types of knowledge which exist only at the operating level of the firm. These three "zones of tensions" are interrelated. Their emergence calls for rebuilding many of the organizational capabilities of international firms. It even calls into question the necessary skills of top managers, who had become more and more political leaders who created organizational charts, negotiated major contracts or strategic alliances, talked to the ministers of host countries, and checked the accounts of the firm. In order to face the three "zones of tensions" they may have to become more involved in the management of internal processes through which innovations appear and in the rationalization of the multiple learning processes at work within their firm. Some authors have therefore hypothesized that the importance, multiplicity, and instability of knowledge will be one of the key determinants of organizational structures and strategies, and will contribute to the emergence of new types of top managers as well as to changes in the labor force and how it is managed [Hatchuel, 1995, pp. 64-67].

The magnitude of all these changes is such that the corporate cultures of the multinationals in their currently evolved state may not be adequate to deal with them. Owners, top managers, and employees of international firms in this perspective have to prepare themselves for a major remaking of their corporate culture in its various dimensions. Their task is to reinvent their efficiencies while remaining attentive to the needs of their constituents.

All of us should take up Mira Wilkins's invitation to think internationally. In doing so we should carefully examine how the nationality of the headquarters of international firms interacts with the constraints and the opportunities of globalization. We should bear in mind that multinationals are not mere linkages of capital and labor, nor are they totally rational. They crucially depend on the creation and exchange of different skills, values, and vision. This multiplicity is the core of the cultural life of multinationals. We should acknowledge and embrace such a dimension in our research.