

Global Companies, Global Society: There is a Better Way

Nancy J. Adler

McGill University
Faculty of Management
1001 rue Sherbrooke ouest
Montreal, Quebec, Canada H3A 1G5
Tel: 1-514-398-4031; Fax: 1-514-398-3876
Email: nancy.adler@mcgill.ca

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EDITORS' CHOICE

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There Is a Better Way

NANCY J. ADLER
McGill University

One of the clearest challenges of the 21st century is to create multinational organizations that support an economically vibrant and culturally diverse global society. This article addresses issues raised in September 2001 from the perspective of a Norwegian-based multinational company that is combining its global business strategy with unique, artistically based organizational strategies to create both fiscal and cross-cultural success.

You and I belong to the same family. All people on earth belong to the same family. The human family.
—Thor Heyerdahl, Norway¹

September 2001 was not a good month for the world. The month opened with the United Nations-sponsored World Conference Against Racism in Durban, South Africa.² As the world watched with high expectations, the conference drowned in a cacophony of intolerance, expressed by official delegates from more than 160 countries as well as by thousands of representatives of nongovernmental organizations. "The meeting, which was intended to celebrate tolerance and diversity, became an international symbol of divisiveness" (Swarns, 2001, p. A1). According to the world press, the results "reflect less a new international unity than a collective exhaustion" (Slackman, 2001, p. A1). As one delegate summarized,

Far too much of the time at this conference has been consumed by bitter, divisive exchanges on issues which have done nothing to advance the cause of combating racism. . . . [The final documents] contain

language which will do nothing to achieve greater peace. (Slackman, 2001, pp. A1, A12)

One week later, on September 11, terrorists destroyed the World Trade Center and parts of the Pentagon, killing more than 3,000 people. In the immediate aftermath, public rhetoric and behavior became increasingly susceptible to simplistic definitions of good and evil and to the call for large-scale military retaliation—rhetoric that inevitably increases the possibility of further loss of innocent lives. The escalation of ignorance-based hatred attempting to pit the Western world against Islamic communities and nations became palpable. Perhaps the danger, absurdity, and pain can best be symbolized by the fate of a woman living far from both Durban and the World Trade Center. As the woman, a Montreal doctor, made her usual hospital rounds the week after the terrorist attacks, she was strangled. Why? Strictly because she is Muslim. Her status as a physician and good citizen, working daily to save the lives of her fellow human beings, was obliterated in the eyes of her attacker solely because she practices a religion he failed to

understand. During the same week, miles away in the Middle East, Israeli children admitted to reporters that they no longer "imagine ever having a Palestinian friend" nor do their Palestinian counterparts imagine having an Israeli friend. None can foresee living in peace. As one 13-year-old murmured, while staring at his hands, "It'll end by war. Either we'll die or they'll die" (Hockstader, 2001, p. A1).

The New York-based director of the Center for the Advancement of Human Rights, after spending a week in Durban, concluded, "Sadly, hate . . . was all too evident at this global conference in the new South Africa in which so many placed their hopes."³ Hate and intolerance, optimism reduced to hopelessness, compassion eclipsed by anger, ignorance motivating senseless action: Is this the scenario that will define the 21st century and that will define our children's future? Possibly, but hopefully not.

Although from the perspective of September 2001 it may seem otherwise, the 21st century is not just a time of terrorism, intolerance, and fear. It also heralds an era of unprecedented global communication, global contact, and global commerce (Friedman, 2000). However, the ability of global companies to work successfully across cultures, although better than the track record of participants at U.N. racism conferences, remains humbling. Historically, three quarters of all international joint ventures fail.⁴ As everyone who watched the much-touted DaimlerChrysler debacle knows, in this case, unfortunately, the statistics don't lie. The seeds of failure become particularly evident when one overhears the chorus of DaimlerChrysler's American managers blaming the company's 50% drop in value on the "bull-headed, dominant, and just plain dishonest" German managers, whereas DaimlerChrysler's German managers, with equal vehemence, blame the company's problems on the Americans being "unworldly and too focused on the bottom line."⁵ One wonders, at times, why societies choose to continue to become more globally interconnected and companies choose to continue to expand beyond their borders, when the track record of global cross-cultural relations remains so dismal. Weaving the peoples of the world together into a global "human family" is clearly not easy. Our historical approaches beg for new perspectives.

Norske Skog, a Norwegian-based global company, may give us a glimpse at just such a new perspective, one with positive implications both for companies and for society.⁶ Until just 5 years ago, Norske Skog was a domestic paper company with operations

almost exclusively in Norway. By operating primarily as a culturally homogeneous company that was not geographically dispersed, Norske Skog enjoyed a relative lack of complexity only available to domestic companies. Through successive mergers and acquisitions over the past 5 years, the company expanded throughout Europe, thus evolving from a domestic to a multidomestic-regional company.⁷ With regionalization, the complexity of its organizational culture and operations escalated. They now had 13 European nations, cultures, languages, and patterns of doing business to integrate into the company's day-to-day operations. And, as Norske Skog and other companies have discovered, Norwegians do not conduct business in the same ways as the French, nor do the Germans and Italians approach business transactions in identical ways. Behavior that gains a company business in one culture will undermine the very same business in another culture.⁸

Last year, following the pattern taken by so many other companies, Norske Skog went global. Among its other acquisitions, it bought a New Zealand-based company with operations throughout Asia and the Americas. In a mere 5 years, Norske Skog more than doubled its size and went from operating as a local Norwegian company to the complexity of becoming the most global firm in its industry. In an extremely short period of time, the company went from the relative simplicity of a domestic firm to the complexity of operating on four continents, across 24 time zones, and multiple highly distinct business and national cultures. The immediate challenge facing Norske Skog was similar to that facing all newly global companies: how to create a global organizational culture in which people from throughout the world could work effectively together and productively with their now highly diversified client, supplier, and government-regulatory cultures? How could the company benefit from its newly acquired global scale, scope, and diversity? How could the company reap the benefits of employees' diversity—including, or perhaps primarily, their cultural diversity—rather than, as happens in so many cases, allowing such diversity to undermine the company's future success?

Norske Skog's initial response to creating an organizational culture that would be appropriately globally integrated, locally responsive, and skilled at worldwide learning in many ways replicated that of other global companies (Bartlett & Ghoshal, 1998). In one fundamental respect, however, the company's strategy did not at all follow traditional approaches.

Rather than relying solely on Norske Skog's and other companies' experience, or the plethora of global strategies offered by management consultants, Norske Skog went beyond traditional approaches and chose to include the perspectives of children in its thinking. Immediately following the New Zealand acquisition 1 year ago, Norske Skog invited the children of its employees on four continents to help them understand what global cooperation means, and could mean, for society, companies, and individuals. The children did not shy away from the task. In paintings, essays, and sculptural models, they told their parents and the company what it would mean to them to know and to work with people from around the world, people very different from themselves. They expressed their hopes and their fears.⁹ Trude Jorid Mosling, an 11-year-old from Norway, for example, told the company the following:

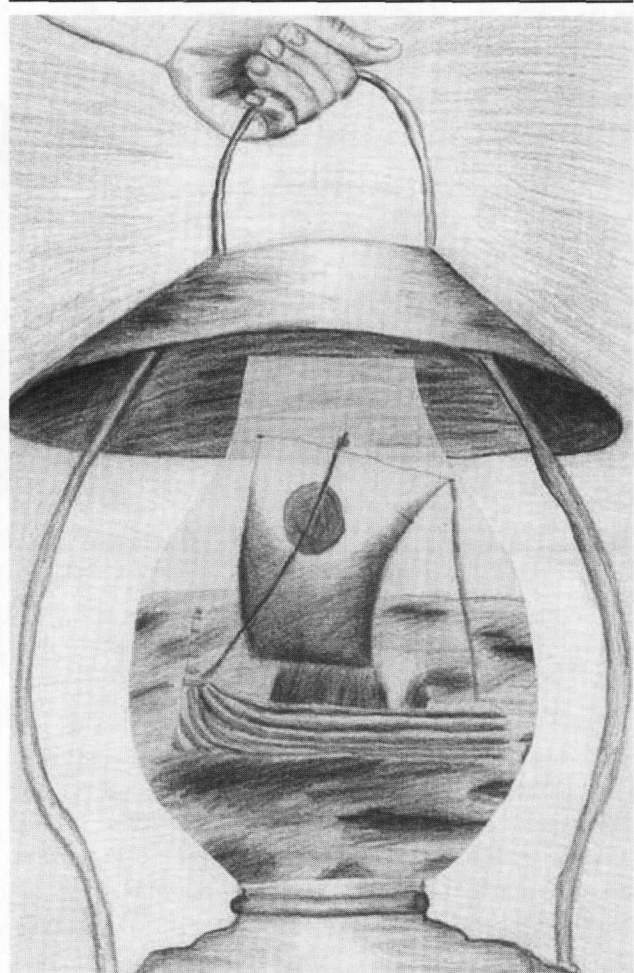
We have to be good to the world we live in. Even if we don't have the same culture, and even if some of us are white and some are brown, it doesn't make any difference. . . . Actually it's good that there are differences . . . because . . . we can teach each other things.

From halfway around the world, another 11-year-old, Julia McKean of Sydney, Australia, explained that by effectively communicating across cultures, differences among the peoples of the world can become a potential benefit—what managers, but not 11-year-olds, often refer to as cultural synergy.¹⁰ Julia wrote,

I think that people communicating together, freely and happily, is what people need to do to live together in peace. Without communication the world would become one big war. In our world there are many people who believe in different religions and gods, there are people with different coloured skin, people who speak different languages and people who look different. If all these people stayed in groups where everyone was the same, our world would not be as good a place to live. . . . Without communication the different groups of people would become enemies and fight against each other.

Catherine Goodfellow, a 13-year-old Australian with wisdom well beyond her years—wisdom that appears to have been scarce among the adults deliberating in Durban—added her perspective:

We will never have a human race that is the same. People will always have different eye, skin and hair colour, [different] race, religion and values. Instead of let-



The lamp represents the guiding light in the quest for world peace and cooperation.

The lamp is for everyone to hold.

Figure 1: Jesse's lamp

ting our vast differences draw us apart, we should let them bring us together.

The children, although inherently optimistic, did not shirk from the pain in the world, even when it affected children living very differently from them-



ABOUT THE AUTHORS

NANCY J. ADLER is a professor of international management at the Faculty of Management, McGill University, in Montreal, Canada. She received her B.A. in economics and M.B.A. and Ph.D. in management from the University of California at Los Angeles. She conducts research and consults on global leadership, cross-cultural management, and women as global managers and leaders. She has authored more than 100 articles, produced the film *A Portable Life*, and published the books *International Dimensions of Organizational Behavior* (4th edition, 2002), *Women in Management Worldwide*, and *Competitive Frontiers: Women Managers in a Global Economy*. Her newest book is *From Boston to Beijing: Managing With a Worldview*. She consults to private corporations and government organizations on projects in Asia, Europe, North and South America, and the Middle East. She has taught Chinese executives in the People's Republic of China, held the Citicorp Visiting Doctoral Professorship at the University of Hong Kong, and taught executive seminars at INSEAD in France, Oxford University in England, and Bocconi University in Italy. She received McGill University's first Distinguished Teaching Award in Management and was one of only a few professors to receive it a second time.

ACHILLES A. ARMENAKIS is the James T. Pursell Sr. eminent scholar in management ethics. Since beginning his career at Auburn University in 1973, he taught graduate and undergraduate courses, has conducted research, and has been involved in organizational consulting and training in the Department of Management. Through Auburn University's Ph.D. in organizational change, he works closely with doctoral students directing dissertations and teaching courses on managing organizational change. Since graduating from Mississippi State University in 1973, his research has focused primarily on the diagnosis, implementation, and evaluation of organizational change and has been published in both practitioner and scholarly

journals. He has been active in professional organizations, such as serving on the board of governors of the Academy of Management and as past president of the Southern Management Association. Currently, he is dean of the Southern Management Association Fellows.

MICHAEL L. BARNETT is a doctoral candidate in the management department of the Stern School of Business at New York University. Before entering academia, he gained extensive management experience as an executive officer in the U.S. Air Force. His research explores the strategies firms use to pursue their long-term, or "enlightened," self-interest. His articles and manuscripts have dealt with the long-term performance implications of investments in corporate social responsibility and with strategic flexibility through real options. His dissertation analyzes rivals' use of cooperation to influence competitive dynamics and examines conditions that foster voluntary adherence to costly and restrictive codes of conduct sponsored by industry associations.

CAROLINE A. BARTEL is an assistant professor of management and organizational behavior in the Stern School of Business, New York University. Her research primarily focuses on processes through which organizational identification develops and changes over time and strategies that organizations use to manage member identification. She is also interested in how interpersonal relationships and social influence affect individual and workgroup moods, attitudes, and performance. Her recent publications include "Social Comparisons in Boundary-Spanning Work: Effects of Community Outreach on Members' Organizational Identity and Identification" (*Administrative Science Quarterly*, 2001) and "The Collective Construction of Work Group Moods" with R. Saavedra (*Administrative Science Quarterly*, 2000). She holds a Ph.D. in organizational psychology from the University of Michigan.

selves. For example, 12-year-old Nicole Cordova, a Brazilian, reported, "I am sad when I see thin . . . children on TV, dying of hunger and diseases. . . . The mothers have no tears left to cry. It is sad and humiliating to see such scenes." Nor did the children ignore that different perspectives can lead to conflict. An Australian, Catherine Goodfellow, reflected, "It is inevitable that people will have ideas that come into conflict. . . . [Yet,] only through the cooperation of people with different cultural roots can greater equality and knowledge be achieved."

Perhaps 8-year-old Canadian Jesse Swanson, in his painting and words, found the essence of global cooperation that has eluded so many companies and countries.

The children spoke in words that everyone can understand. And the children's words and images brought the best of the adults—their parents—into the company's discussions. No longer limited to their professional roles—and thus to their "sophisticated" knowledge of what is *not* possible—the adults began discussing what their newly formed global company could, and should, accomplish from the broader, more optimistic, and more idealistic perspectives of professionals who are also (or perhaps, foremost) parents and human beings. As the company presented the children's stories, pictures, and sculptural models, they implicitly invited those fuller human beings, with their differences, into the room. Everyone immediately understood that in forming a global organizational culture, they were playing for much greater stakes than merely the success of the company. They were publicly and collectively taking responsibility for the type of world they would pass on to their children. The definition of winning suddenly far surpassed simply achieving a healthy bottom line. Winning became nothing less than the legacy they would be creating for their children and the world's children.

Not surprisingly, the children's contributions were not at the level of traditional business, financial, and marketing strategies or tactics but were rather at the highest level of corporate and individual identity, vision, and motivation. The children's words and images challenged the adults to consider such questions as, Who are we as a company? Why, as individuals, do we choose to work for this company? What do, and could, we contribute to the world, to the industry, to our clients, and to our colleagues? What difference does it make that this company exists? Who will benefit when we succeed? Will I be proud to tell my chil-

dren and my children's children that I worked for Norske Skog?

Are the employees and executives at Norske Skog willing to work with each other? Yes. Are they willing to cooperate on a global basis? Yes. Will the company beat the odds against succeeding as an international joint venture? Well, if the initial postmerger results are any indication, the answer will also be yes. Parallel to the impressive growth of Norske Skog in its earlier years, in just one year, 1999 to 2000, operating revenues increased by 48% and over 2 years by 79%.¹¹ Over the same period, operating profits increased by 98% over 1 year and 137% over 2 years.¹² From 1999 to 2001, turnover doubled from approximately U.S.\$2 billion to an expected U.S.\$4 billion this year. Over the same period, earnings more than doubled, with margins being among the highest in the industry.

The positive results, moreover, are not just financial. Norske Skog has grown from being a modest player to becoming the second-largest supplier of newsprint in the world. Production of publication paper is up 40% over 1 year and 87% over 2 years.¹³

Norske Skog's success story, moreover, is not limited to financial and productivity indicators of a very healthy bottom line. The company also leads its industry in environmentally sound practices, including having become the world's largest user of recycled fibers for publication paper and, in the southern hemisphere, the largest user of plantation (rather than virgin) forests. Similarly in the area of industrial relations, the company, drawing on its roots in the managerial cultures of Scandinavia, has been able to maintain an organizational culture that continues to strongly encourage employee involvement. Employees currently hold two positions out of nine on the board of directors, and Norske Skog continues to consult and inform union representatives prior to each big expansion and divestment, even during periods of rapid change.

Will Norske Skog do well in the future? No one knows for sure. It is too early to make definitive predictions. But most observers are not willing to bet against them, not when their children's future is at stake.

The same week as Norske Skog held its first-year, global executive meeting in Oslo, the U.N. Conference on Racism in Durban, South Africa, was collapsing into racist name-calling, with countries and delegates quitting the meeting in disgust. The contrast to the dynamics at Norske Skog's meeting was immense. Could it be that a for-profit, private sector company

found a way to commit itself to constructive, worldwide communication while many diplomats were failing at the same task?

One week after Norske Skog's global executive meeting, terrorists destroyed the World Trade Center in New York City. No one doubts that too many adults on this planet have failed to live together peacefully while respecting cultural, racial, and national differences. As we listen to the voices of children—recognizing that many of us have become too jaded and corroded by experience-based cynicism to actually hear the relevance of their perspectives—maybe we should try again not just to listen but to hear what they are saying. As Madeleine Albright, former U.S. Secretary of State reminds us, "it is our responsibility, not to be prisoners of history, but to create history."¹⁴ Hillel would add, "And if not now, when?"

*The moral universe rests upon the breath of school children.*¹⁵

NOTES

1. Thor Heyerdahl is most known for his many explorations on his raft, the Kon-Tiki, each with crews of different creeds and cultural backgrounds. His voyages show that people can live and work together in peace.

2. The official title of the U.N. conference was the United Nations' World Conference Against Racism, Racial Discrimination, Xenophobia and Related Intolerance.

3. Felice D. Gaer, director of the Jacob Blaustein Center for the Advancement of Human Rights, as reported in Swarns (2001, p. A1).

4. A. T. Kearney study reported in Haebeck, Kroger, and Trum (2000) and in Schuler and Jackson (2001). The same study, as cited by Schuler and Jackson, concludes that "only 15 percent of mergers and acquisitions in the U.S. achieve their objectives, as measured by share value, return on investment and post-combination profitability." For research on the instability of international joint ventures, see the summary by Yan and Zeng (1999). Although the definitions (complete termination versus significant change of ownership) and overall results vary, numerous studies have reported substantial international joint venture instability, including 55% termination reported by Harrigan (1988), 49% termination reported by Barkema and Vermeulen (1997), and 68% instability through termination or acquisition reported by Park and Russo (1996). Also see Hammel (1991).

5. Among many other reports on DaimlerChrysler, see Jamison (2000, 2001), Vlastic and Stertz (2000), Taylor (2001), and Gibney (1999).

6. Norske Skog is listed on the Oslo Stock Exchange, and its affiliated company, Norske Skog Canada Ltd., where

Norske Skog controls 36.2%, is listed on the Toronto Stock Exchange.

7. For a discussion of the evolution of companies from domestic, to multidomestic, to multinational, to global, see Bartlett and Ghoshal (1998) and Adler (2002b, chap. 1).

8. For a discussion of the impact of cross-cultural differences on business, see the research of Laurent (1983), Hofstede (1980, 1991), and Trompenaars and Hampden-Turner (1998).

9. All children's quotes are published in the Norske Skog (2001) company booklet.

10. For a discussion of cultural synergy, see Adler (2002a, 2002b).

11. Based on company statistics, operating revenues were 14,908 Norwegian kronar (NOR) in 1998, 18,054 in 1999, and 26,635 in 2000. For the first 6 months of 2001, operating revenues were 16,796 NOR.

12. Based on company statistics, operating profits for 2000 were 4,211 NOR, 2,129 NOR in 1999, and 1,780 NOR in 1998. Operating profits for the first 6 months of 2001 were 2,956 NOR.

13. Based on company statistics, production of publication paper in 1,000 tonnes was 4,080 in 2000, 2,918 in 1999 and 2,181 in 1998. For the first 6 months of 2001, production of publication paper was 2,593.

14. From Madeleine Albright's Commencement Address at Harvard University in Cambridge, Massachusetts, on June 5, 1997, as reported in *The New York Times*, June 6, 1997, p. A8.

15. Based on Psalm VIII, 3, and Deuteronomy XXXI, 12, as traditionally interpreted by the rabbis and cited in Hertz (1971, p. 888).

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