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Navigating Corporate Cultures from Within: Making Sense of Corporate Values Seen from an Employee Perspective

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The Role of Values in a Responsive Global Organization

This book gives a unique perspective to the management of headquarter–subsidiary relationships with important insights about how to align corporate values and facilitate joint efforts among many diverse individuals across a far-reaching global enterprise.

The underlying study provides a path-breaking contribution to better understand the challenge of managing people in complex multinational settings operating across many diverse national market contexts in a dynamic global setting where things are in constant flux. National and international policy developments will influence prevailing (and prospective) business activities while changes in customer demands, technological innovations, and disruptive competitive initiatives constantly require adaptive responses to stay relevant and on top of the game. This is a concern of the highest executive echelons in an enterprise based on the premise that corporate leadership is about how to engage (all) individuals throughout the organization in effective enactment of an intended strategic direction under uncertain conditions.

It is established wisdom in international business to structure enterprise activities so they can accommodate the local market contexts the complexity of which makes centralization less effective while important dispersed resources must be engaged through formal procedures (e.g., Ghoshal & Nohria, 1989). However, it is also noted that multinational activities can be aligned through a common set of values and goals to reduce divergent interests among organizational actors and create a sense of mutual interdependence (Nohria & Ghoshal, 1994, 1997). Hence, it is generally acknowledged that a strong mission mirrored in corresponding values and belief systems in a supportive organizational culture are essential to generate sustainable corporate outcomes (e.g., Andersen, 2013). Yet, it is far from obvious how to establish consistent and compatible core values across a complex multinational enterprise. That is the essential theme the book is addressing as it develops new important insights to enlighten this fundamental leadership issue.
The Importance of People

Companies are social systems (often) consisting of (many different) people that work to execute the daily tasks accomplishing the official roles and strategic aims of the organization that employs them guided by executives and managers assigned with various roles of higher responsibility. It should be obvious that the way these (many) individuals together carry out the multitude of activities influence eventual outcomes and the effective attainment of common aims from their engagements. While this is often acknowledged, top management typically allocates the establishment of supportive organizational value systems to the effort of a Human Resource (HR) Department. This is often reflected in (well-meaning) attempts to make the basic corporate values visible, e.g., expressed in formal Codes of Conduct assuming that explicit broadly disseminated value statements will ensure a general buy-in among organizational members.

This may (inadvertently) hint that the human element constitutes an economic input factor in line with other (basic) resources like raw materials, land, and capital. In other words, it may result in an (unintended) diminishment of the role (each of) the individuals play in their joint efforts to accomplish important corporate outcomes. This is a key point of the study carried out by Michael Jakobsen and Verner Worm, namely that the individual employees acting throughout the organization fulfill essential roles that determine the effectiveness with which the organization as a whole performs and adapts to a rapidly changing environment. It implies that the individual actors abide by a set of compatible values with consistent efforts to effectively achieve the collective organizational aims. But, their study shows that this is more difficult to achieve than we realize, and explains why that is, while pointing toward possible remedies.

Core Values and Organizational Culture

It is argued that core values constitute the foundation of an organizational culture and provide guidance to the individual actors (Deal & Kennedy, 2000). It can be explained as a required alternative to written contracts that outline formal duties and tasks of the job as it is impossible to specify correct procedures for all potential contingencies many of which are unknown in advance. Hence, the cultural norms reflected in the core values can be seen as unwritten contracts that specify optimal behavior in the face of unforeseen situations and circumstances (Camerer & Vepsalainen, 1988). These culturally embedded values can guide decision-makers as they deal with uncertain conditions and typically derive from the personal moral acts carried out by leaders in the organization (Bass, 1985; Trevino, 1986). It can inspire people in the organization as admirable behaviors that create respect for certain leadership traits (Bass & Avolio, 1994; Bass & Steidlmeyer, 1999). Schein (2004) argues that organizational culture derives from the beliefs of corporate founders and joint experiences of (many) individuals within the organization. So, when the founder influence (gradually) disappears,
the values will be modified by new leaders enforced by concrete actions to (eventually) become established as acceptable corporate behavior.

The core values of an organization consist of shared beliefs that influence how actions are taken (Wieland, 2005). The belief systems that convey the core values of the corporate culture can guide and inspire the search for responsive solutions and new business opportunities (Simons, 1995). So, the commonly accepted core values can shape the collaborative behaviors among key stakeholders within and around the organization to support the achievement of common ends. However, the values embedded in an organizational culture are challenged when the operations extend across a wide transnational presence and span diverse business activities, e.g., obtained through acquisitions. This can create distinct subcultures in specialized entities, geographical locations, and corporate divisions (Schein, 2004). This divergence in core values can create pockets of incompatible behaviors across parts of the corporation and can be further influenced by internal power structures and differences in national cultures (Campbell, Eden, & Miller, 2012; Schaubroeck et al., 2012). Hence, the direct effect of behavior-driven leadership values is challenged in organizations that engage in a diversified corporate business portfolio and operate across a diversity of national cultures.

A. P. Moller – Maersk – The Case Company

A. P. Moller – Maersk is indisputably one of the most recognized Danish multinational corporations. The company has had a significant influence on corporate business development in Denmark over the past decades and is known for its values-based management principles linked to its founding and formative leadership (e.g., Andersen, 2017). The noted challenges to retain strong core values in a multinational enterprise pursuing international acquisitive growth where employees are scattered around the world away from the corporate headquarters can be readily observed in the more recent developments of the company. These challenges were accentuated by the retirement of the founder leaving the reins to new leaders in the organization. This makes A. P. Moller – Maersk an ideal case company for in-depth studies of the role and effects of strong core values as the foundation for an accepted organizational culture.

The corporate roots can be traced to 1904 when Arnold Peter Møller at age 27 incorporated Dampskibsselskabet Svendborg and established the sister company Dampskibsselskabet af 1912 eight years later. A. P. Møller’s son, Mærsk Mc-Kinney Møller, was born in 1913 and became coowner of the shipping company in 1940 with a mandate to manage the entire fleet from New York until the Second World War was over. It is said that the concern for “Constant Care” dates to this time as A. P. Moller sent a letter to Mærsk Mc-Kinney Møller noting: “that no loss should strike us that can be avoided through constant care” (e.g., Benson, Lambek, & Ørskov, 2004; Cortzen, 2003; Lindholm & Stokholm, 2011; Lunde, 2008). A. P. Møller’s leadership style reflected strong core values paying respect to hard work and dedication with rewards assigned to demonstrated competence and wholehearted effort.
These values continued to permeate the organization as Mærsk Mc-Kinney Møller became CEO in 1965 upon the death of his father. The core values were never written down but were reflected in the executive decisions made by Mærsk Mc-Kinney Møller and the implicit principles that guided them. For example, he decided to build double hull tankers and replace the entire company fleet after the Exxon Valdez oil spill in Prince William Sound, Alaska, on March 24, 1989, which was fully accomplished by 1993 (Andersen, 2017). It was the only major shipping company to do this. It did not earn immediate returns but was considered the proper thing to do. When the international maritime conventions eventually phased the single hull tankers out after a catastrophic oil spill off the French Atlantic coast in 2000, the company was already ahead of the pack. This chain of events earned the company a certain reputational standing.

Mærsk Mc-Kinney Møller resigned as CEO in 1993 and Jess Søderberg took over. A. P. Moller – Maersk acquired Safmarine and Sea-Land in 1999 and P&O Nedlloyd in 2005 to forge a leading market position. Mærsk Mc-Kinney Møller was replaced by Michael Prahm Rasmussen as Chairman in 2003 and Nils Smedegaard Andersen took over as CEO in 2007 to lead a consolidation process. The maritime industry was hit by the global economic crisis with decreased trade volumes and fragile freight rates enforcing a focus on cost consciousness and resourceful trimming of corporate businesses. Top management introduced corporate guidelines and policies in their attempts to retain the “Mærsk Values” and established a Corporate Social Responsibility (CSR) Department in 2009 signing on to the principles of the UN Global Compact.

A count of public media appearances on A.P. Moller – Maersk issues makes it clear that the number of incidents around the world increased after the corporate acquisitions in 1999 with a slight downward trend from 2009 as more attention was given to the UN Global Compact. Nonetheless, it seems evident that increasing geographic dispersion and business diversification through acquisitions distorted the ability to enforce the core values and ethical principles derived from the corporate origins and gave rise to some dysfunctional practices in parts of the global organization. This is a commonly observed phenomenon reported among multinational companies (e.g., Tengblad & Ohlsson, 2009). It often gives rise to more formal approaches to impose the core values through written Codes of Conduct, internal training, and management development programs (e.g., Balmer, Fukukawa, & Gray, 2007; Van Lee, Fabish, & McGaw, 2005).

**International Business and Strategy Views**

The importance of “lower level” employees as they engage in organizational activities has been manifested in various ways in the international business and strategic management fields (Andersen & Andersson, 2017). The generic multinational strategy-making model emphasizes central coordination from headquarters to provide direction and gain economic efficiencies but also recognizes the significance of decentralized functions and subsidiary operations in the local overseas markets. In an effective multinational enterprise, activities pursue a general direction provided by the corporate headquarters but also allow...
autonomy for local subsidiaries to consider domestic practices and cater to specific customer requirements with adaptive responses coordinated through informal communication and information exchanges.

Turbulent global markets represent the ultimate strategic challenge of dealing with highly uncertain and unpredictable business conditions where a high degree of structural flexibility and strategic response capabilities are important sources of competitive advantage. The ability to respond effectively to the changing conditions hinges on an ability to make rational analytical considerations at the corporate center based on updated information from current experiences and insights in the overseas subsidiaries that front the corporate operations locally. So, a multinational adaptive system arguably derives from the dynamic interplay between central coordination with general directions from headquarters and current information updating from the decentralized business entities that experience the emergent changes first hand from the local market activities. Hence, the multinational enterprise must remain true to its overarching purpose while the dispersed corporate activities adapt to local demands and reconfigure corporate resources so they retain a good fit with prevailing market requirements as competitive conditions change around the world.

In international business studies, this is typically expressed in the dual, and seemingly opposing, tensions between the need for international efficiency and an ability to satisfy local market needs exemplified by a transnational strategy of global integration and local responsiveness (e.g., Barlett & Ghoshal, 1989). In the strategic management field, this approach is often expressed in the ability to combine the complementary roles of central strategic planning and different decentralized strategy-making modes (e.g., Andersen, 2013).

Conventional international business theory sees cross-border investments as driven by ownership of firm-specific advantages that allows a corporation to engage in profitable international business expansion (e.g., Dunning, 1979; Vernon, 1971). From this view, the local subsidiaries are vehicles the corporate headquarters establish to transmit the unique and superior capabilities into overseas locations reigning in incremental profits without making significant modifications in the local market offerings. It is somewhat later the dual pressures for global efficiency and local adaptation take the fore as an integration-responsiveness tension that needs to be resolved (Prahalad & Doz, 1987). Hence, the emphasis on transnational strategy configurations was an attempt to find a better balance between the global integration and local responsiveness pressures (Barlett & Ghoshal, 1989). This meant that (more) complex multinational structures could be formed to (better) satisfy local market requirements through differentiated local activities while the geographically dispersed activities as far as possible should be integrated to gain efficiencies from scale and scope economies (Doz & Prahalad, 1991; Prahalad & Doz, 1987).

Ideally this should form a loosely coupled structure where global integration is achieved from centralized coordination at headquarters and with local responsiveness enabled from delegation of (some) decision power to local subsidiaries with regional market responsibilities (Bartlett & Ghoshal, 1989, 1999; Harzing, 2000). Subsequent research efforts have indeed uncovered the potential
importance of subsidiary autonomy as sources of new business initiatives (e.g., Ambos, Anderson, & Birkinshaw, 2010; Andersson, Forsgren, & Holm, 2002, 2007) and value creating interorganizational network activities (e.g., Dörrnbacher & Gammelgaard, 2006, 2010; Gammelgaard, 2009).

This corresponds to the conventional view of strategy formation anchored with the executive office at corporate headquarters outlining the (proper) strategy to be enacted by forming a supportive organization structure and engaging people in the execution of planned initiatives (e.g., Chandler, 1990). It is reflected in the common distinction between strategy formulation, where top management develops the strategic plan, and strategy implementation, where (all the) people in the organization subsequently execute the planned strategic actions (e.g., Andrews, 1980; Ansoff, 1988; Anthony, 1965). The strategy formulation process can engage various decision-makers throughout the organization in the ongoing discussions but this is increasingly difficult in diversified and geographically dispersed corporate structures. However, there is a general recognition that strategy execution embraces an amalgam of planned (intended) and (emerging) responses as the business environment is uncertain and may uncover new threats and opportunities after the planning process is completed (e.g., Mintzberg, 1978; Mintzberg & Waters, 1985). Hence, a variety of seminal studies show how autonomous decentralized initiatives can develop into (very) important strategic business activities (e.g., Burgelman, 1983; Burgelman & Grove, 2007).

So, a more complete description of strategy-making is comprised both by formal planning activities and various more or less autonomous business responses carried out in different parts of the organization. An evolutionary perspective of strategy-making sees lower-level managers as the instigators of the new business initiatives whereas the role of top management is more to structure the organization in ways that enable and facilitate these dispersed initiatives (e.g., Burgelman, 1996). This approach is also variously referred to as guided evolution where the organizational responses to competitive changes are formed by dispersed emergent initiatives (Lovas & Ghoshal, 2000). This calls for structural flexibility that allows autonomous initiatives and updated action plans to deal with uncertain and changing conditions combining rational analytical planning with decentralized strategy-making modes (e.g., Andersen, 2004; Baum & Wally, 2003). This also implies that a multinational enterprise should integrate through central planning at headquarters and at the same time facilitate responsive decentralized decision-making at local business units and subsidiaries to enable superior adaptive capabilities.

The insights, drawn from brief analyses of strategic management and international business studies, point to the importance of dynamic and ongoing interactions between managers at the corporate center and the dispersed business units to create an effective adaptive organization. However, while these confounding perspectives imply open communication lines and information exchanges between many individuals in different parts of the organization, they do not consider the organizational climate that can enable and facilitate these human interactions. That is, the way working conditions and operating practices are perceived by individual employees and various groups within the organization
seems to play an important but often overlooked role. This brings us back to the relevance of core values and the ability of leadership to instill common belief systems across many individuals in a diverse organization that allow them to interact and collaborate on organizational activities and adapt to environmental changes.

The Role of Headquarters and Local Subsidiaries

In dynamic and complex global market contexts, organizational information-processing capabilities become essential to monitor environmental changes and gather updated information that can coordinate activities across many interdependent but functionally and geographically dispersed entities. The intra-organizational information and communication systems comprise vertical flows between hierarchical levels in formal management control systems as well as horizontal flows between subunits for informal and unstructured discussions. That is, applications of contemporary communication and information technologies can enable formal controls for central coordination functions while also support the informal exchanges needed for mutual adjustment in responsive actions to generate opportunistic responses as the environmental changes happen. Since resource-committing decisions are made in different parts of the organization (e.g., Blair & Hunt, 1986, 2005; Mintzberg, 1994), effective allocation of resources toward changing conditions is induced by the decision structure and the information processing systems adopted by the enterprise. Yet, the way the systems, structures, and practices are applied across organizational entities is influenced by individual behaviors guided by their core values. Hence, to gain consistent effective outcomes, the ability to pursue common core values among all employees engaged in the organizational activities becomes a prerequisite for effective adaptive outcomes. The current study by Michael Jakobsen and Verner Worm provides essential information about how to achieve this in a complex multinational organization. The study is presented in its full length in this book as an essential contribution to the management of multinational enterprise.

I hope you will enjoy the book and find good use from its many profound insights.

Torben Juul Andersen

References


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