ISN'T IT TIME TO GIVE OD A CHANCE TO IMPROVE THE MARRIAGE BETWEEN LESS INDUSTRIALIZED COUNTRIES AND MULTINATIONAL CORPORATIONS?

OD AND MULTINATIONAL CORPORATIONS

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The past few decades, since the end of World War II, have been a period of swift economic growth in most of the world. Even more rapid in this period — and a major factor in propelling this growth — has been the expansion of multinational corporations (MNC), which have grown in size, in the scope of their operations and in economic power. They have grown briskly in all countries, but their importance and impact has been particularly great in the less industrialized countries (LIC), where the scale of operations of one or two companies makes the rest of the country's economy seem small in comparison. Examples are a Firestone in Liberia, and a Bougainville Copper in Papua, New Guinea.

These MNCs frequently dominate all or part of the mineral extraction industry, the manufacturing industry and the service industries — as can be seen in the case of the Hilton and Sheraton hotel chains. They constitute a very important source of employment for the host country. Their power and influence, even in political affairs, is great. They are a source of wealth and the foundation of economic development, notably in the case of the oil producing countries. Also they are "globalizing" the world, making it into one homogeneous shopping center, and affecting cultures and the lives of people profoundly.

Are these MNCs benefitting or harming the countries in which their presence looms so large and their influence is so pervading, that is, the LICs? This is a hotly debated issue. The extensive writing on the subject is characterized by a great deal of bias and polemic. Some authors claim the impact is definitely harmful, that the MNC has exacerbated urban unemployment and widened the gap between "haves" and "have-nots." Others say its introduction of technology and skilled management to the LICs is a significant benefit. Still others point out that the influence of the MNCs is both good and bad, or sometimes good and sometimes bad, depending on the company, the industry and the kind of impact on the host country under consideration.

What is agreed by just about everyone is the prevalence of bad feelings and conflict, both latent and open, in the relationships between MNCs and LIC host countries.

Interdependence

The ever more pervasive presence of MNCs in LICs throws into relief the decision already made by most LICs to depend on the technology, marketing expertise and financial organization that MNCs bring to them. It also reflects the MNCs' intense interest in continuing to do business in LICs. Tension and conflict between them will continue, and likely be accentuated. But the "marriage" between them that ultimately benefits both will not be dissolved.

With the shrinkage of international space and the increasing interdependence between nations due to the growing complexity of modern life, it has become impossible for any single country to be a modern nation except through extensive dependence on or interdependence with other nations. The world today is more than a global shopping center. It is also a global production complex.[1] In the networking of all the countries of the world into a single economic system the prime agent has been and will continue to be the MNC, with its mastery and control of technological knowhow and the access to financing and markets indispensable to the modernization objectives paramount in LIC priorities.

LICs will continue to be unhappy about many of the consequences of hosting MNCs. But the high priority virtually all of them give to economic development and growth will make them resist the temptation to totally reject the MNCs that serve them as powerful motors of growth. For LICs MNCs are not just problems. They represent opportunities. For this reason even Russia and China, in spite of the severe ideological pain it must cause them, have made the decision to welcome MNCs.

Fundamentally the position of LICs vis-a-vis the MNCs is no different from that of more industrialized countries. Governments of Canada, Britain, and France have expressed strong frustration over the power of U.S.-based MNCs. Still they have reluctantly but pragmatically accepted their presence. Small industrialized nations like Switzerland and Belgium long ago acquiesced to the hard fact that a high standard of living is contingent on allowing foreign MNCs more freedom within their borders than considerations of caution and nationalistic feelings would prefer. Just as these countries recognized the limits of their independence, so must LICs. Distressed though they may be by the handsome profits earned by MNCs, they are perceiving that these profits are possible only because of a vacuum that domestic enterprise has failed to fill.

It has been claimed, and rightly so, that the history of Japan, Russia, North Korea, and China all prove that an LIC can speedily achieve rapid growth without depending on MNCs. While true that these countries have reached a certain level of growth and development without the MNC — and conceivably the better because of the absence of the MNC — their recent actions show they want MNCs to be part of their future. The socialist countries have learned that socialism too has its shortcomings and have opted to dilute ideological purity to get a piece of the capitalist pie. The paradox and dilemma facing LICs is strikingly evidenced in the case of multinational computer systems. Initially LICs fear and distrust these; later they learn how powerful a tool they can be in the development of their economy.[2]

So much for the stance of the LICs. How about the MNCs? How will they react to the increasing constraints placed on them? Will they decide it is not worth the trouble to do business in them? Interviews I conducted with MNC executives indicate that there are some who feel this way.[3] But they are a minority, and are not representative of the mainstream of MNC psychology and operational strategy.

Exactly what it is that drives a large corporation to expand, become multinational, and extend its operations to other countries is still being debated.[4] Whatever the fundamental reason or reasons underlying this thirst to expand, whether a desire for profits, the need to avoid losses, concern about survival or simply a "follow the leader" syndrome, all genuine MNCs demonstrate by their actions an operational policy to be present in as many countries as possible, to have access to as many markets and labor pools as possible, and to be able to tap as many sources of capital and raw materials as possible.

The typical, technologically based and oriented MNC wants a foothold in many countries in order to possess maximum options in locating individual segments of its globalized extraction, manufacturing, marketing and research activities. It feels driven to be ever more global, ever less dependent on the changing circumstances of any one country or group of countries.

In interviews of MNC executives I have been struck by the extent to which not all, but almost all, saw it desirable to be multinational and to become *more* multinational. And they gave evidence of this at the same time they were showing grave concern over the vexing and perplexing problems encountered in doing business in LICs. These they were determined to solve, not walk away from. Yes, MNCs see the LICs as an integral part of their future.

Survival Through Change

In the future the MNC operating in the LICs will be a different kind of MNC. It will survive and thrive by changing its way of doing business. In many instances it will be willing to forego direct investment and the ownership of production facilities. This metamorphosis is already in process and is well illustrated in the new roles multinational oil companies have assumed in OPEC countries. In these they have lost their oil fields and production facilities. Yet they are still very much in the business of transporting, refining, and marketing oil. OPEC's spokespeople insist they need the oil MNCs, their technology and skill.[5] And the oil MNCs have been quick to shift into the business of selling technology and services to the OPEC nations as an alternative source of profits to augment those from the oil that is no longer theirs, and a means of continued access to oil.

The shape of things to come is not yet clear, but certain general trends have emerged. Their central feature is "unbundling." Most MNCs no longer insist on maintaining ownership, control and management of the entire bundle of extraction, manufacturing, marketing, and finance. These days they are willing to enter into ventures containing only a few elements, or even one part of the whole bundle. Management contracts, technical assistance agreements, co-production arrangements, buyback arrangements, and joint ventures have become common. Just a few years ago they were either unheard of or categorically rejected by MNC managers.[6]

The aboutface seen in oil may not occur so dramatically in other industries. But inexorably, industrialized countries and MNCs will become dependent on LICs. The MNC, detaching itself more and more from ties to its country of origin, will take on the role of a "broker," mediating the interests of producer LICs and consumer industrialized countries. What has already happened in oil will become a generalized pattern. And the MNC may even serve as a bridge reducing the structural dualism and gap between the have and the have-not nations.

A new kind of third world multinationalism has already emerged in Hong Kong, Singapore, and South Korea. The force behind their lightning-like industrialization and their emergence as significant exporters is MNCs. MNCs are serving their nations as a springboard in their effort to catch up with the highly industrialized nations.[7]

Since the MNC has such ability, once it has to, to alter the modality of its operations, it could conceivably become the principal tool that will be used by LICs in what is bound to become a more pressing priority for them, the elimination of poverty, unemployment, and underdevelopment. It is quite possible that MNCs will begin to develop products and processes that are much more specifically tailored to the needs of LICs. They have not done so in the past because it has been easier and more profitable for them to apply already developed technology and products to LICs. But MNCs have shown that when pressured to develop more appropriate technology and goods, they are quite capable of doing so.[8]

While some MNC managers are still reluctant to adapt their ways of doing business, the direction of the future is already charted and many MNCs have reoriented themselves. They will survive in the

LICs, by learning from the past, by reading the signs of the times, and by making the requisite adjustments. The LICs need and are willing to pay a price for the technology and knowhow only the MNCs seem capable of providing.[9] The MNCs, for a price, will supply the part of the bundle the LIC wants.

No End to Conflict

Will the intensified interdependence between less industrialized countries and more industrialized countries, the increased integration of the LICs into a global economy with the multinational companies acting as a primary agent in this process, and the adjustment and new arrangements in MNC/LIC relationships result in a sharp decline in tension and conflict between the two? Not at all! Most authors writing on the future of MNCs and LICs see conflict and tension increasing.[10] They speak of relations being characterized by a "tug of war," "constant bargaining," a "widening breach," and a "collision course."

How is this paradox explained? With the escalation in MNC operations in LICs there are ever more "opportunities" for conflict, and in recent years many LICs have come of age and acquired a fresh awareness and perception of the presence and position of the MNCs in their midst. They have gained more sophistication and understanding about the way MNCs conduct their business and their impact on the host country's economy and social life. In consequence LICs have begun to re-evaluate questions of ownership, capital, price structure, and technology.

Tension between MNC and LIC has arisen because the MNC is alien, powerful and rich, because at times it has not given respect to LICs, and because the differing perceptions and values of MNC and LIC have bred misunderstandings and suspicions regarding what are called "exorbitant profits" and "questionable financial practices." But fundamentally the tension between the two derives from a conflict of interests that necessarily produces a structure of opposition.

As a profit-making enterprise, the MNC has little interest, at least commercially, in utilizing its management skills and production technology to benefit the masses of the poor. But its nature is its dedication to the private interest of a particular group, its owners or stockholders, for whom it is obligated to earn profits. Moreover, its profit motives lead it to cater to the wants of the affluent few. These purposes run counter to those of the LIC government, which feels itself responsible for the welfare of all its citizens and for equalizing opportunity and access to basic goods and services for all.[11]

The self-interest and the profit motive of the MNC can and does serve the social interest, but invariably the contribution of the MNC is highly specific and very uneven. It is limited to the training of a small number of native employees, leaving hardly touched a vast population of low income and heavy unemployment. The MNC's contribution to the economic and social development of an LIC is further inhibited because its investments and operations are confined to science-based, natural resource, technology intensive and product differentiation industries. These normally produce uneven development.

A further aspect to note in the opposition of interests and objectives between MNC and LIC is the dynamic, constant flux in attitudes, behavior, and relative power of LICs vis-a-vis MNCs.[12] For example, once a large capital investment has been made within its borders, an LIC government often finds it appropriate to seek a larger share of the enterprise, especially if government expenditures are running far above tax revenues. And it may seek this larger share not only once, but repeatedly, as seen in the case of oil in the OPEC countries and of copper in Chile. The recurring, insistent demand on the LIC's part to get a bigger piece of the pie is seen by many MNC executives as a violation of sanctity of contract.

The structure of conflict just described is accentuated by the MNC representing to the popular mind an alien power and control from outside the LIC border. Efforts on the part of many MNCs to promote host country nationals to positions of responsibility have not yet succeeded in wiping away the image of foreignness.[13] In recent years it has even intensified due to the trend toward integration and control of MNC production in a single worldwide system.

Wealth and knowledge breed envy and resentment, even hatred, in those deprived of them. When the possessors of this wealth and knowledge possess them in far greater measure than others, and this is often the case of the MNCs in LICs, more fuel is added to the fires of tension.[14]

The memory of actions like those of ITT in Chile in the 1970s and United Fruit in the 1950s makes it easy for denunciations of MNCs to be believed. So it becomes both convenient and easy for LIC politicians, whenever they need to shift the blame or attention from themselves, to exploit the foreign image of MNCs and use them as scapegoats. And growing social unrest, steep increase in urban unemployment, and mounting class friction — in part attributable to MNC activities — is making LIC governments more unstable and more in need of convenient scapegoats.[15]

Another aggravating factor is the startling success of OPEC vis-a-vis the oil MNCs and the highly industrialized nations. It has made other LICs eager to emulate OPEC's feat.

The conflict situation is not helped by the tendency of MNCs to be reactive rather than proactive in their relations with LICs. MNCs spend much time planning how to react when nationalized, but very little in developing strategies aimed at bridging the gap between themselves and LICs and thus forestalling nationalization — except in the area of marketing. Ernest Dichter, the author of Exxon's highly successful "Put a Tiger in Your Tank" campaign, has seen in cultural anthropology an important tool of the marketer, who must, Dichter says, be aware of the similarities and differences in the hopes, fears and desires of people in different parts of the world. Why should this sensitivity to the validity of distinctive psychological, social, political and economic conditions have to be limited to the sphere of marketing?

All the factors mentioned reinforce one another and cause the perceptions, attitudes, and actions of the representatives of MNCs and LICs to be invariably distinct and frequently in opposition.

Ignorance of the other's motives and actions breeds suspicion and distrust, foments an inability to recognize the legitimacy of divergent viewpoints and interests, and a reluctance to achieve a mutually satisfactory resolution.

The gap in perceptions and values between MNCs and LICs and the consequent lack of an adequate common ground of understanding and communication were clearly identifiable in interviews of MNC executives. Noteworthy is the fact that many of these executives perceived the MNC/LIC problem in vague or general terms.

Yet either they had no idea how they could begin to solve it, or they felt that working on a solution was not part of their job.

MNC managers rarely are conscious of the structure of conflict built into their relationships with LIC officials. It is therefore to be expected that they will frequently be unable to manage situations created by this structure of conflict. True, some are capable negotiators and know how to conduct negotiations to a conclusion mutually acceptable to opposing interests. A few managers even have the ability to forestall conflict by eliminating or controlling its main causes. But too many, though very able in sophisticated financial transactions and marketing, production technology, and planning techniques, do not have the vital managerial skill of managing conflict with LIC hosts.

Managers lacking this skill come unequal to their task when they meet LIC officials in the arena of managing differences and reconciling opposing interests. And instead of coming away from such meetings having negotiated a modus operandi with which both MNC and LIC can live, they return having accomplished nothing or having made things worse.

MNC managers are slowly becoming more aware of the issues that cause strained relations between them and their LIC hosts, and more able in mediating differences with them. Usually, MNC managers are expected to possess every managerial skill except the critical and specifically multinational one, that of reaching and maintaining a satisfactory understanding with host countries. They easily become so involved in the internal workings of their business that there remains no time to protect it from external threats and a potentially hostile environment. In the face of this future of increased tension and conflict with LICs, MNCs should make a more serious effort to equip their managers with the understanding and skill they need to cope with growing tension that threatens MNC survival. Survive it will, because of the interdependence tying LIC to MNC, but at greater cost and anguish than necessary.

The understanding MNC managers need consists primarily in a recognition of the conflict of interest between MNCs and LICs. This recognition keeps an MNC manager from assuming that, because the MNC intends no harm, all its actions must be beneficial to the LIC. It also helps them appreciate that because MNC and LIC have differing objectives and serve different constituencies, they will at times, like it or not, be working at cross-purposes to LIC politicians who are under heavy pressure to satisfy constituents insistent on instant solutions to problems of high unemployment, galloping birthrates, scanty educational opportunities, and critical shortages of skilled manpower.

With such understanding as a basis it becomes easier for the MNC manager to build skills of putting themselves in the LIC official's shoes, trying to make sense of his viewpoint, and searching for the halfway point that contains enough of a win to satisfy the objectives and constituencies of both MNC and LIC. These are skills that are hard to describe to someone who has not acquired them. They are skills that cannot be taught, and are learned only by those willing to concede the validity of ways of thinking, feeling and acting other than their own.

Mechanisms for Mutuality

Since so many MNC managers lack the knowhow and skills to carry to a successful conclusion the management of their differences with LICs, are there mechanisms they can turn to for help? Apparently so. The conflict resolution models and mechanisms used in organization development (OD), though still untested in the MNC/LIC arena, seem eminently applicable to it.[17]

OD techniques and mechanisms have been utilized with success in a variety of contexts for the purpose of reducing or eliminating conflicts of interest, misunderstandings, suspicions, differing expectations, and ignorance of the other's situation and intentions. Since these are the identical factors that produce or accentuate strained relations between MNC and LIC, why shouldn't OD techniques work also in their case?

One OD technique, which seems particularly applicable to the MNC/LIC situation, is the intergroup meeting. In it two groups who have been experiencing dysfunctional tension and conflict are brought together for a series of short meetings, some with both groups together and some with them separated. The meetings are structured and controlled in a way that makes it possible to surface, understand, confront, negotiate, and resolve differences in a systematic, open, and orderly process, designed to eliminate counterproductive backbiting and incriminations. Such intergroup meetings, when planned and guided by skilled facilitators, normally result in notably improved and more productive work relationships.

The fundamental conflict of interests between LIC and MNC forces them to engage in bargaining and negotiation from time to time. It seems these would be carried to a successful conclusion more quickly and more often if use were made of the intergroup meeting technique.

Another common OD technique that seems applicable to the MNC/LIC situation is survey-feedback. It consists of a comprehensive overview of work relationships. The opinions and feelings of those surveyed are organized and fed back to those expressing them without identifying the individual sources of the survey data. Survey-feedback is an appropriate mechanism if there is interest in knowing the point of view of others across a wide spectrum of work relationships or issues. Besides serving a function of informing, it is agenda building; it identifies the critical issues which a consensus of those involved feel merit discussion and action. Once people, with the help of this mechanism, are able to recognize common concerns, it becomes relatively easy for them to collaborate on finding solutions.

Audits have been accepted as an essential tool of effective management. Through audits of various kinds all the systems or elements of an organization vital to its functioning are checked periodically. Audits are conducted on a periodic basis even when there is no particular reason to believe that something is awry and needs checking. A survey-feedback can perform the same function. One should not be conducted because conflict or tension is known to exist, but rather to detect it, on the chance it is present below the surface.

Wouldn't it be worthwhile for MNCs and LICs to use survey-feedbacks in order to periodically audit their relationships and pinpoint any problems there might be between them? Invariably critical issues not yet given merited attention would emerge into the light and their significance recognized. And if a survey-feedback should reveal that all is right and well between the parties involved, it has still served a valuable purpose. Thanks to it, decision-makers get the reassurance concerning key concerns that enables them to take actions they might hesitate to take otherwise.

Granted, there is a major obstacle to the successful introduction of OD technology to MNC/LIC relations. Organization development "interventions" are based on the generation and sharing of data about themselves by the participants. Without such sharing of data the intervention bogs down. Since there exists a possibility that information shared with another can be used against the person or the group sharing it, to share information is to take a risk. This holds true in any intergroup relationship. But when the two parties are an MNC and an LIC, the risk escalates, inasmuch as the dimensions at stake are far-reaching. One outcome feared is the passing on of valuable information to another MNC, which may utilize it to eliminate a competitive disadvantage.

Broaden the Horizon

An undesirable outcome like this can be minimized by disclosing information circumspectly and gradually, in accord with normal OD practice. Deceit or withholding of all information is one thing. It is quite another thing to judiciously filter information and disclose part of the truth without dissimulating or distorting the whole. Doing this initiates a learning process. In the course of it participants discover that disclosure of information makes it much easier to confront divisive issues; facts, instead of suppositions of doubtful basis, then become the ground undergirding decisions and positions. Step by step, groups and individuals come to see the benefits of disclosure and practice it more freely, thus gaining more control over the outcome of events.[18]

Intergroup meetings, survey-feedback, and every other OD technique have a common denominator, a reflection on relationships carried out by the very actors in the relationships. Therefore the role of the professional OD facilitator is not to prescribe, but to facilitate; not to direct, but to provide mechanisms and a set of questions which enable the actors in the relationships to reflect on them together, negotiate differences, and reach accords.

Conceivably, then, an OD intervention could occur without the help of a professional OD facilitator or consultant. I have come across such a case, an intergroup seminar in which the participants were the top-management team of an MNC and high-ranking government officials of LICs. The seminar was designed by an MNC executive, who, though not conversant with OD techniques, had an intimate understanding of conditions in LICs as well as familiarity with the application of behavioral science. Probably it is the only event of this type that has ever occurred.

Interestingly, the executive who designed and implemented this seminar planned it as an event to broaden the horizons and understanding of his own company's top management. This objective was realized. So was another notable benefit, not planned or anticipated, namely, learning and change in the LIC opinion-makers.

This event illustrates an important dimension of OD, which extends beyond facilitating the solution of specific, individual problems. While accomplishing this, it can be simultaneously educating the participants in improving their understanding of the other's point of view and the grounds for his action. Thus as well as being a tool for change, OD serves as an instrument of learning.

OD is relatively new. The technologies it has developed date back only a decade or two. Its limits have not yet been sharply defined, and may never be. Its lack of sharp definition is reflected in the various names used to characterize OD specialists, called either consultants, facilitators, or change agents, depending on the way they understand and play their role.

The objective of OD was in its inception, and has continued to be, the negotiating of differences. It works on the assumption that, when individuals or groups with common interactions reflect in a planned and controlled manner on their work processes and relationships, valuable learning will occur. With this learning as a basis, they can then improve their relationships, with the result that work effectiveness is improved and job satisfaction enhanced.

The OD professional or specialist, depending on circumstances and his own skills and preferences, may work with a single work group or team, or may intervene at the interface between two groups. He may also work one-with-one with an individual manager, helping him to reflect on work processes and relationships with his management team or with other groups.

Because of the varying accents and focuses that OD can take and since it has not yet become operative at the MNC/LIC interface, it is not possible at this time to predict or prescribe the forms of OD best fitted for this interface. OD embraces a spectrum of highly adaptable techniques. It permits a variety of designs and a variety of roles for the OD specialist. The "right" design to use is determined only after preliminary data collection and diagnosis. Therefore it is conceivable that in the case of the MNC/LIC interface the OD specialist will never, because of considerations of delicacy and secrecy, play the role of facilitator on the actual scene of interaction between the two groups. The person's role might have to be restricted to working with one group only.

If as indicated, OD has the potential to play a significant role in reducing the conflict and tension that contaminates MNC/LIC relationships, why has its appearance in this arena been delayed? Several factors account for the lag. OD is new and not well known to high level executives. If they do know OD, they know it as a tool to make employees more motivated or to reduce counterproductive competition within or between groups at the level of middle management or below, but not at their own level. Therefore it does not occur to them that they might apply OD to problems with LICs. Furthermore, high-level executives are generally slow to admit they need training in a new technique.

In conducting interviews with top-level MNC executives to collect data for a seminar on the management of political risk, I found ample substantiation for my supposition that OD has great potential for assisting MNCs to get along better with LICs. When these executives brought up certain problems they were experiencing in the LICs, I tested their interest in OD techniques by mentioning a few that appeared appropriate to the situation described. Some responded with instant enthusiasm. One executive remarked that he had participated in OD interventions and had been quite satisfied with the results. But until then he had not realized that the same mechanisms could be adapted and utilized to improve MNC/LIC relationships.

Much of the LIC dissatisfaction with the modus operandi of MNCs within their borders has a basis in past history or in the present reality. The operations of MNCs have exerted a harmful as well as a healthy impact on LICs, with the ratio of harmful to healthy varying with the industry and with the individual company.[19] The tension between the MNC and the LIC is going to continue. The nature and mission of each produces a conflict of interest between them that will be slow to fade away. Factors that aggravate this built-in conflict can be alleviated and at times eliminated: factors like the misunderstanding, suspicion, and distrust that exacerbate already tense relations between the two. OD techniques have proved their value in such conflict situations. Isn't it time to give OD a chance to improve the "marriage" between less industrialized countries and multinational companies?

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