Transportation's multicultural multinational

Only one year after merger, DaimlerChrysler's CEO is forcing out several key American executives. The most striking casualty is Thomas Stallkamp, president of the U.S. unit and the leader of the company's merger integration efforts.

This event occurs amid a rapid growth of business globalization. In 1998, foreign direct investment increased by 39% over 1997. This investment, much of it resulting from cross-border mergers, totaled $644 billion.

The transportation industry, with its numerous multinational companies, has faced legislative, regulatory and governmental policies worldwide that have created increased market competition. Companies seek the means to achieve economies of scale and scope in order to compete in the global market, industry consolidation is inevitable.

Today's ocean shipping business provides an excellent case study for the cultural issues facing transportation multinationals. They are international companies and most are not American.

Steamship lines traditionally managed through local steamship agents. And agents often make as much money as they could from the steamship lines, and conflict of interest was not a widely applied yardstick. Steamship lines, expecting the exploitation, assigned foreign nationals as owners' representatives to oversee the local operations.

This began to change 15 years ago when lines became large enough to establish their own agencies. Because the lines had little business experience with outsiders, and yet often there were longstanding personal relationships between principals and agents, the new companies were usually initially staffed with employees of the former agency.

For some lines, this worked. Other lines recruited personnel from APL and Sea-Land, the U.S.-flag lines that many foreign lines sought to emulate. Results were mixed.

A few lines aspired to change and empowered the new management to oversee it. These lines truly benefited.

In other cases, lines thought they wanted new management, yet they also wished to retain the existing personnel. These experiments invariably failed. A lack of definition in the corporate culture crippled necessary change. And the follow-up organization was often worse than the original. As is the case with many dysfunctional organizations, the better employees would leave. The poorer quality employees, those with no other prospects, would stay.

Successful multinationals have traditionally followed a path of increased awareness. Initially, foreign offices are for sales and distribution only. Companies may then try to integrate global production. At this point, multinationals may seek to involve foreign offices in planning or new-product development. Finally, a visitor to the local branch of a truly global company is unable to tell the nationality of the parent because the company looks local everywhere. There is a guiding corporate vision whose execution takes local forms throughout the world.

A handful of transportation companies have done this. Logistics companies may provide the best example. One recently stated in its annual report "...we strive to build and extend our culture of service. The benefit is a truly global team of people with a common focus, all pulling in the same direction: for the benefit of our customers."

In ocean shipping, this is not so easy because the shipping line is often part of an extensive conglomerate. Most steamship lines in this country are now foreign-owned. Successful lines will find a way for local and foreign nationals to co-exist successfully.

The issue is not so much who is in charge, but rather whether clear management responsibility exists. If responsibility is not clearly defined, shadow regimes and associated political intrigues consume scarce time and effort.

Clarity of management responsibility is the key. Some lines have done an excellent job of integrating local and foreign management. Some make no attempt at it. In either case, the company's direction is clear and all employees follow the lead.

Other lines only pretend to seek local management. They seek token local managers who simply follow orders.

As the liner shipping industry enters a period of consolidation, these issues, all common in the global economy, will become even greater. The companies that can successfully integrate culturally will probably be the industry survivors and ultimately, the industry leaders.

The logistics company cited earlier has become an industry leader in large part by virtue of its culture. In his most recent letter to shareholders, its CEO described it: "Our people all contribute to creating and being part of a global culture. We happen to call it (name omitted)."

Perhaps the difference is that non-asset companies really feel that people are their most important asset, whereas asset owners are more focused on improving return on tangible, hard possessions.

The results would indicate that a little cultural awareness would go a long way toward improving the effectiveness of local employees.

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