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Discussion

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DISCUSSION AFTER THE SPEECHES OF RICHARD LIDSTAD AND
MARGARET KERR

QUESTION, *Ms. Houston*: We have talked a lot here about global cultures for corporations. My question is, I know it has certainly been stated in our company, Dow Chemical, that the global culture of the company will supersede any national culture. I wondered if there are any checks in the system or how that is overtly addressed in creating a global corporate culture that you find — you are measuring success across the globe, but provides that sort of accommodation so that the national identities can still exist.

ANSWER, *Ms. Kerr*: I can cover that from two points. We are approaching this as one culture, and one standard worldwide is certainly our goal, what we are working towards.

With our global ethics approach, we do have one standard of ethical behavior worldwide. But we do recognize that we do have to understand, and in some cases accommodate, the local cultures within that one single framework.

For example, in some cultures it is very appropriate to give expensive gifts between customer and supplier, however, that is something that we would not do and would not allow in North America. In cultures, such as India or Japan, for example, we tend to be able to handle that. There the individual accepts the gift, acknowledges it so that it is recorded, and the gift is actually put into company inventory and displayed within the plant or the facility. So we have been able to keep the one standard, but we have been able to accommodate and very much respect the culture in which we operate, which we feel is very important.

On the employee opinion survey side, we have made great attempts to find normative data within the various countries in which we operate so that we are able to compare the results that we would get in Japan, for example, with a normative set of companies within Japan, so that we are not comparing the opinions of our Japanese employees with those of our North American employees.

QUESTION, *Ms. Szel*: Dick, do you have anything to add to that?

COMMENT, *Mr. Lidstad*: Yes. I think, just a couple of observations. I think, first of all, you do not create culture. I think culture is a result. It is created by a lot of other things you do, but the fundamental issue in that employee/employer relationship is where it exists. In other words, whether or not your employees feel like they are employees of a global company versus employees of a division of a global company or a country of a global company has to do with how consistent and how

universal the policies and processes are that you use.

If, for example, the same ethics policies apply, as Margaret was talking about, if the same promotion standards or compensation standards apply on a global basis, it tends to create an environment where people feel that they are part of an entire company, particularly if you allow and promote movement between organizations. To the extent that you allow differences to exist between organizations, it tends to make people feel like they are employees of that entity. And in our case at least, we are attempting to perpetuate the belief that people are employees of 3M first, and happen to be assigned to countries or business units second.

QUESTION, *Professor King*: I had a question of Mr. Lidstad on the innovation question. What I was curious about is you said that you rely on employee innovation for a lot of your new products. Is that something you can rely on? Are there guarantees, or is it just flying by the seat of your pants? How do you do it? How do you forecast that?

ANSWER, *Mr. Lidstad*: There are no guarantees, but I think the answer is you are not successful even a majority of the time. So the only way to address that in terms of the new product flow is to just work at it with great vigor and have a lot of stuff going on at one time. We do research at, of course, three or four different levels within the company. We try to hire very creative people. We think we know how to hire not just smart people, but people who are innovators as well. And that does not mean just people with large pedigrees, but people who are, well, frankly, different, some would even say weird. The weirder the better, because a lot of creativity is contained in people who think differently, think outside the boxes, if you will. And then you have to create that environment where they can flourish and feel good about it. And then you just hope that you have got enough volume of that so that you hit one out of five in terms of a successful commercial product, and maybe one out of twenty-five is a real world-class product.

QUESTION, *Professor King*: So you attract people do you think because of your reputation?

ANSWER, *Mr. Lidstad*: Yes. I think we attract people, but we also work really hard at trying to identify and recruit them, and then keep them and keep them happy and productive once we have got them. And as you know, we are a long-service company. Most people stay with 3M. Part of that is that whole idea of developing a relationship that is for the long term, because you do not innovate over the short term.

QUESTION, *Ms. Szel*: Any other questions?

QUESTION, *Mr. McDermott*: I am very perturbed by that last comment because a couple of times this evening it came through about the long service, the long term. If you are going to have the short term in London going on, this lack of security, how do you develop the kind

of results that come from long term? And it is not a question, but a comment basically. You are going back to the years you have been at 3M. The permanency of the staff probably, in most cases, is that going to disappear? Are we really confident that we are going to replace it with the kinds of performances we have had with changing all of what they are thinking about?

ANSWER, *Mr. Lidstad*: I think that that kind of an old paradigm, the loyal employee, the long-service employee, the idea of a career opportunity, not just a job opportunity is under attack all over. Frankly, I come from a fundamental belief that productivity is not just a matter of having competent employees working at jobs. It is at least fifty percent commitment. And I do not think you get commitment from people unless there is some sense, as Margaret was talking about, of being in alignment; that people can see that their own needs and goals can be achieved within the corporate context; that is to say, if the company's success is somehow aligned with their own success. And that is best done, I believe, in a situation where you create an environment where people like to be there, like to stay there.

So we are working at it. I mean, this is not something we stumble into. We have a contract that says we promote from within. It is not written down that we are never going to do anything else, but we do promote from within. We hire at the entry level, and then when we recruit people, we really look into their eyes to see if there is a CEO in there someplace because all of our executives have come up through the ranks. They all have thirty years in the company.

Now, that may not sound stylish these days, but we believe that is still the fundamental source of our productivity innovation. It is the formula that has worked for us, and we intend to continue in that direction unless it is proven that it will not work anymore for some reason. But we still think that it is the right direction, maybe not for everybody, but for 3M it is.

QUESTION, *Mr. Langmack*: My question may be out of order, but I believe that Nortel is a unionized company, and I think that 3M is non-union; am I correct?

ANSWER, *Ms. Kerr*: We do have unions in our company, but we are not widely unionized. I mean, we are a combination of both.

QUESTION, *Mr. Langmack*: Well, I am curious, and this is to 3M. Are you a union or a non-union corporation?

ANSWER, *Mr. Lidstad*: Well, you cannot define them one way.

QUESTION, *Mr. Langmack*: What I am getting to here is in this country the effect of the unions has been declining, I think, at a rather rapid pace. In Canada I think the whole idea of a non-union company does not exist to the same extent it does in this country. And when I hear what you are doing with your employees, I say, well, 3M must be a non-union company. Then I listened to Barbara, and I said, oh, they

have got to be union. But now I am probably completely wrong.

ANSWER, *Mr. Lidstad*: I would just comment that I do not think that has got a lot to do with it, in all honesty. We are philosophically committed to being union-free. We think we would rather deal with our employees directly, and we are very open about that, including to our union members. But at the same time, we work very harmoniously with the unions that we do deal with, and they tend to be in our oldest, longest-serving plants. And I think that we have got the same kind of loyalty and commitment there as we have in our non-union plants. I do not think that is the significant variable in this whole equation.

COMMENT, *Ms. Kerr*: I would just echo that and agree. We have union and we have non-union, and since we are approaching all 60,000 employees, regardless of their affiliation with union or not in the same manner, I do not really see that it is a variable.

QUESTION, *Professor King*: I had a question, Margaret. How do you test performance in that program that you outlined? How are you going to evaluate? How are you going to judge that what you are doing is right? I think the proof of the pudding is in the eating, so how do you look at the results?

ANSWER, *Ms. Kerr*: That is my big challenge for this year; to actually look into trying to develop the types of metrics so that we can measure and monitor. We are a company that really believes what gets measured gets done, and if you cannot measure it, it probably is not worth doing. So I think measurement is very important.

At this point in time we do have an employee satisfaction index that we have determined contains the elements that we feel best make up what we call our employee satisfaction index. We are tracking that and we made significant improvements in that since last year. But we do not feel that the index really is enough because it is such an isolated index.

So what we are looking at now is perhaps a combination of measures that include productivity and employee satisfaction. It is limited to determining what the employee satisfaction elements are that drive customer satisfaction. What are the critical linkages between the two? What elements are related the closest to driving business results? That is something we are in the process right now of trying to benchmark. We are trying to understand what metrics other companies are using, as well as what makes sense for us. We are taking all of our extensive customer satisfaction data and our employee satisfaction data and we are using various models to do this analysis of our own data so we can come up with this type of metrics. Maybe a year from now I will have a little bit more to say on that.

QUESTION, *Mr. Levy*: Lincoln Electric and 3M are both companies that are extremely successful at what they do. They both have, if not lifetime employment, virtual lifetime employment and incredible

employee and employer loyalty back and forth. It seems to me that there is another company that had that sort of philosophy for a long time, and that was IBM. You say that one out of five things that you work on are successful, and it seems that you are able to reabsorb the things that are not successful into your bottom line. That seems to also be true for Lincoln Electric. They had some problems with their European operations, but they were able to absorb that. But IBM recently has not been able to do that. They were also a very experimental company dealing with various technologies, and they were not able to reabsorb their failures. They changed their philosophy with regard to human resources because they had to.

Do you believe that if, God forbid, 3M or Lincoln Electric, but in your case 3M, were ever in a situation where you were not able to absorb those, would you really have to rethink the philosophies that you have been talking about regarding human resources as IBM has had to do?

ANSWER, *Mr. Lidstad*: First of all, I grew up admiring IBM and I still do. I think that the roots of IBM's problems had to do with their being a pretty much monolithic company. And when you miss a market opportunity and you are a company like that, it is a big fall. But there are not any guarantees. It can happen to anybody. Any company like 3M is built on its financial strength. If you do not have financial strength, increasingly you are going to have external people driving your decisions. We are able, because of our financial strength, to run the company the way we want to.

The shareholders are willing to tolerate the heavy investment in R & D, for example, instead of turning it into profits because it has paid traditionally a very good return. If those returns start to diminish, the shareholders will not put up with that. Then you start losing control of your ability to form your own destiny. There are not any guarantees about that at all. And I am not foolish enough to think that if our financial results are not there that we are going to be able to continue to do things exactly the way we would like to. Having said that, I do not believe that IBM has changed that fundamentally. In fact, if you listen to what Lou Gerstner has said in the last couple of years, he sounds amazing, like John Akers did before him. It is just that they have gone through this huge transition in the meantime with a very large part of their work force. But I do not think Gerstner is, by any means, thinking that IBM can be successful without their people being aligned with their goals, and he sounds very much like that in his current thinking. A lot of the IBM-ers that are still there are that core group that was driving the company to begin with. So it is going to be interesting to watch. You know, they are currently very financially successful, and I think you are going to see what emerges will look like more the old IBM than the new IBM, but it will be much more cus-

tomers sensitive, much more market-oriented than they were, and less arrogant. But I think in terms of people policies, it is going to be very similar.

QUESTION, *Mr. Levy*: Are employees large stockholders in 3M?

ANSWER, *Mr. Lidstad*: Oh, sure. Oh, yes, but they are not the largest stockholders in terms of the percentages. You know, in any major company today, I think the biggest investors are all the insurance companies and the mutual funds and all that kind of stuff. But yes, our employees are large shareholders.

COMMENT, *Mr. Robinson*: My comment is on the recurring theme of one of our earlier questioners. Canada seems to be like the midlands in England in the '50s, fully unionized, but that is definitely not the case. The extent of unionization is much higher. But a very interesting example that is worth studying is to look at the steel industry in Hamilton, Ontario. There you have the two largest and most successful Canadian steel companies that are very successful at selling into the United States. And assuming they can still keep winning in Chapter 19, there are various anti-dumping complaints that the U.S. industry was bringing against them, that is a steel company in Canada, fully unionized. The company is Dominion Foundries of Steel. There is no union, never has been a union. And the third one is the one we heard about today, Algoma, which is company-owned. So we really have a mix in Canada, and that is to be found in many industries.