

Company-Level Industrial Relations and the Internationalization of Swedish Firms in the Post-War Period – Prospects for Future Research

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Introduction

The role of management-employee relations in multinationals has received little treatment in previous research. Most studies have focused on employment within the firm, largely within one country, namely the country of the origin. However, since the early 20th century, a growing number of large firms have had multinational activities, which has accelerated in the post-war period. As has been stated by Howard Gospel, further research needs to be done on the historical development of labour management in such multinationals.¹ The use of firm practices from the home countries or the adoption of those of the host countries are examples of questions that could be treated in such studies. The growing activities of multinationals around the world have also generated incentives to develop global patterns of labour management. This paper aims to sketch a future research project of management-employee relations for the internationalization of Swedish firms in the post-war period. Even though the development of Swedish industry has been studied in areas such as business history and international business studies, the relations between multinationals and their employees have often been neglected. There is also industrial relations research that has discussed the importance of the “Swedish model” for the success of national big business. However, since Sweden is a country where a cooperative spirit has been a central part of industrial relations on the national arena as well as at the company level, a focus on the internationalization process of Swedish multinationals presents an opportunity to explore the role of employer-employee interaction at the company level, which is a neglected research topic. Did, for example, the Swedish multinationals benefit from their cooperative relations with employees and employee organizations when facing problems connected to the expansion of company undertakings abroad? Did trade unions in Swedish multinationals deliberately support company internationalization? Historically sensitive studies of

¹ Gospel (2007), p. 438.

internationalization processes in Swedish multinational companies can provide answers to such questions and improve the understanding of internationalization processes. Hence, this future research project aims to give a historical perspective on the management-employee relations in Swedish multinational companies in the post-war period.

Background

The internationalization of Swedish firms

Since the late 19th century the Swedish economy has been dominated by a small number of large, export-oriented companies. These firms have been active in an international environment since the industrialization of the country, and most of them are still active as fully developed multinationals. The export-oriented industry can be divided into two groups with different characteristics: resource-based industries and different forms of manufacturing.

The resource-based industry has a long tradition of exporting wood and iron ore to the European market. In the 20th century new technology was developed that made it possible to refine the Swedish natural resources. However, companies in the resource-based sector did not expand their activities abroad until the post-war period. Traditional manufacturing and engineering companies like SKF, Ericsson and Alfa Laval also established activities abroad in the early 20th century. These companies were known as “genius firms”, and by inventing new high-technological products they were able to expand their activities to Western and Eastern European countries such as Russia, Great Britain, France and Germany, as well as to Latin America. However, because of the political turmoil in Russia and the two world wars, the Swedish multinationals lost their important markets in Eastern Europe, and their international expansion was therefore mainly directed towards Western Europe and the USA later in the first half of the 20th century.²

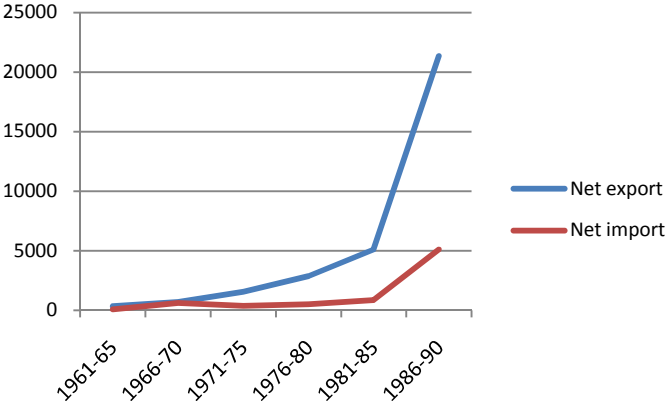
The two world wars caused a downturn in foreign direct investments (FDIs). After the Second World War Swedish companies started to expand their international activities again. Palmer has identified two major phases of expansion (in terms of FDIs, export, sales abroad, employees abroad) in the internationalisation process of Swedish companies in the post-war period. The first has been situated to the period 1950-1979 and the second to the period after 1980, which was characterized by a explosion of the international activities of Swedish companies.³ The graphs below illustrate the internationalization of Swedish companies. Diagram 1 shows the development of net exports from

² Olsson (1993), Glete (1989)

³ Palmer (2001)

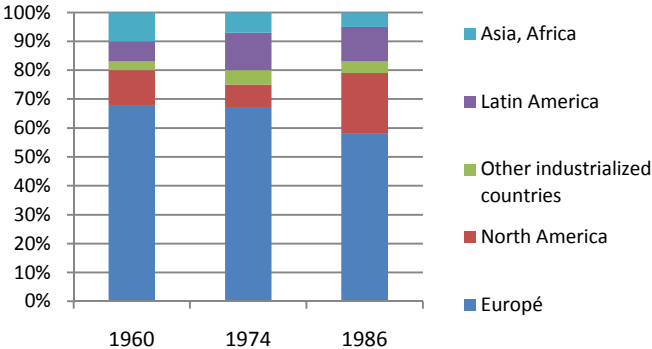
Swedish companies during the 1980s, and Diagram 2 illustrates the distribution of employees in subsidiaries of Swedish companies in different market 1960-1986.

Diagram 1. Swedish outward and inward FDI, 1961-90 (US \$ billion)



Source: Swedenborg (1988).

Diagram 2: Regional distribution of employees in the subsidiaries



Note: Total numbers of employees abroad were 105,511 (1960), 221,111 (1974), 259,821(1986).

Source: Olsson (1993),

Diagram 1 illustrates a ten-fold increase in net exports from Swedish companies during the 1980s. However, during this decade an increasing amount of inward FDIs were directed to the Swedish economy. Of course this development is a part of the globalization that affected all industrialized countries. The international expansion by Swedish multinationals has been explained by both economic and political factors. The boom in the world market after the Second World War gave Swedish companies opportunities to increase their activities by expanding to other markets. Since

Sweden is a country with a small population, it was also necessary start production in other countries in order to secure market shares in other areas in the world. Some Swedish companies expanded abroad in order to reduce production costs, such as cost for labour, R&D and natural resources.

Political factors, such as the existence of trade barriers and custom unions, also explain the localization of production in new markets. The most important export market after the Second World War was the European market. Investments were mainly directed to the original EEC countries⁴ though it was necessary to get within the tariff walls of the emerging Common Market in the early 1960s. Swedish companies could as a member of the free trade area easily supply the EFTA⁵ countries through exports. In 1972 a free trade agreement was negotiated between EFTA and the EEC, which had the effect that the flow of direct investments to the EEC decreased, while the Swedish export of goods to the European market increased.⁶

The decreasing share of FDIs to the European market was mainly compensated by increasing investments in the Latin American and North American markets, which is illustrated through the development of the regional distribution of employees in Diagram 2. The decision to expand to Latin American countries was mainly a response to government demands on foreign multinationals to establish local production in this region. Swedish multinationals such as SAAB, Volvo, Ericsson and Alfa Laval opened factories in Brazil, Argentina and Mexico. In 1974, 60 production subsidiaries were established, which represented 63 per cent of total Swedish sales to the Latin American market.⁷

The increase of FDIs in the North American market was motivated by the fact that the American market was considered to be attractive because of its size and growth potential. The rapid growth in FDIs was mainly generated by the acquisition of existing firms rather than green field investments. By acquiring existing firms, Swedish multinationals were also able to gain access to important assets such as new technology and the already existing network of subcontractors and sales organizations.⁸

The decisions to expand abroad were also affected by political decisions in Sweden. For example, in the 1950s, the Swedish government nationalized the largest mining areas in the north of Sweden. The private company that had previously produced iron ore in this area, Grängesberg, decided to move most of its mining production abroad. Until the late 1980s, the company became responsible for the management, sales and shipping at one of the largest international mining projects in the world, in Liberia in West Africa.⁹ In the 1960s and the 1970s, the labour movement proposed to

⁴ France, West Germany, Italy, Belgium, the Netherlands and Luxembourg.

⁵ Great Britain, Portugal, Switzerland, Austria and the Nordic countries.

⁶ Olsson (1993).

⁷ Olsson (1993).

⁸ Olsson (1993).

⁹ Bergström (2009).

nationalize the pharmaceutical industry, which was a factor that affected the management strategies of existing firms in this sector. One of the largest producers in Sweden, Astra, responded to the imminent political threat by activating new expansion strategies, such as diversification and internationalization.¹⁰

Another sector in the resource-based industry that became more internationalized was the forest industry. After the Second World War it was concluded that domestic timber supplies would be insufficient to satisfy the future demand for lumber and pulp, which motivated a further expansion to unexploited forest resources abroad. Companies like SCA and Stora opted for forest resources in Canada, while Billerud invested in Portugal. However, most of these investments ended up as failures.¹¹ The gradual international expansion of the resource-based sector in the 1960s and 1970s was mainly interrupted by the industrial crises in the 1970s. At that time several traditional Swedish companies in the mining, shipping and clothing industry disappeared.¹²

To summarize, the internationalization process of Swedish firms in terms of FDI has been affected by several factors such as tariff walls and political demands from governments in the 1960s and 1970s. The ambition to gain access to the growing American market in the 1980s has also been an important factor for increasing FDIs. Beside those external factors, Swedish companies have also been affected by political decisions in Sweden which forced several companies in the resource-based and pharmaceutical industries to start production abroad. On the other hand, regulations, such as the foreign exchange controls, have in some ways slowed down the internationalization process of Swedish industry by making it more difficult to finance investments abroad.¹³

The internationalization process has continued since the 1990s. The most common characteristics of this period has been the growth of mergers and acquisitions between Swedish and foreign multinationals. This wave of mergers started already in 1988 when ASEA merged with Brown Boveri, and ABB was created.¹⁴ Other examples of mergers in the 1990s are the ones between the chemical companies Pharmacia and Upjohn (later Pfizer), the communication company Telia and Finnish Sonera and the pulp and paper producer Stora with the Finnish Enso. In this decade the Swedish car producers Volvo and Saab were acquired by the American giants Ford and General Motors.¹⁵

The two diagrams below illustrate the degree of internationalization in six large Swedish companies from 1968 to 2008. Three of them, Ericsson, Atlas Copco and SCA, will be included in our research

¹⁰ Sjögren (2006), Sjögren (2005).

¹¹ Sjögren (2006), Sjögren (2005).

¹² Glete (1989), Swedenborg (1988).

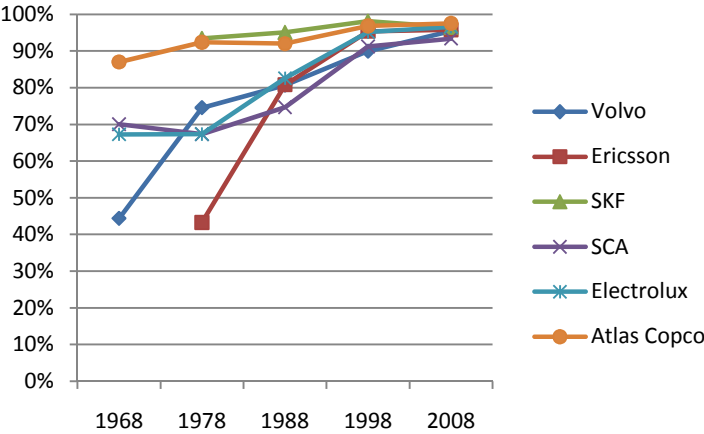
¹³ Strandberg & Jörnmark (2006).

¹⁴ Fellman et al (2008).

¹⁵ Palmer (2003).

project¹⁶. The other companies, Volvo, SKF and Electrolux, all share a long tradition of handling business activities abroad. Diagram 3 illustrates the sales abroad in proportion of total turnover in each company.

Diagram 3: Sales abroad, (per cent of total turnover)

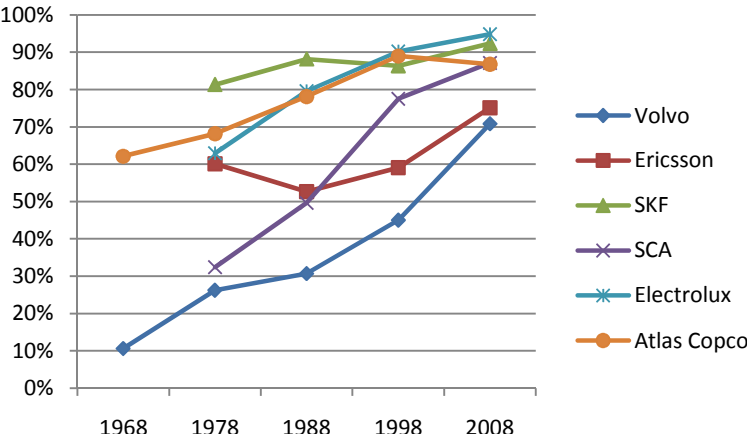


Note: No data of Ericsson and SKF for 1968

Source: Annual reports 1968-2008 (See appendix for absolute figures).

The proportion of foreign turnover increased rapidly for all companies from the 1960s to the 1980s. This trend has continued since the 1990s with the amount of sales abroad on average about 90-95 per cent of the total turnover. Another indicator of internationalization is the number of employees abroad in relation to total employees in each company, see Diagram 4.

Diagram 4, Employees abroad (per cent of total employment)



Note: No data of Ericsson, SKF, SCA and Electrolux for 1968

Source: Annual reports 1968-2008 (See appendix for absolute figures).

¹⁶ For a further discussion of the selected companies, see p. 17.

The number of employees abroad in relation to total employees has gradually been growing upward for all companies¹⁷ in the sample. Companies like Electrolux, SKF, Atlas Copco and SCA show employee rates abroad of about 80-95 per cent since the 1990s, while Ericsson and Volvo still show rather high rates of employees (although decreasing) in Sweden in these decades.

The Swedish industrial relations model in an historical perspective

One important ingredient in the successful Swedish post-war economy is often said to be the cooperative relations between capital and labour and the positive effects that this labour market model has had for the export industry. After a setback in the attempts to create a less hostile labour-market that were made during the first decades of the 20th century, labour and capital took the formal step towards labour market peace in the late 1930s. The main agreement of 1938, the so-called Saltsjöbaden Agreement, stipulated a number of rules for bargaining and conflict resolution and, although it was concluded under the threat of legislation, laid down the regulatory principle of the Swedish post-war labour market: freedom for the organizations of labour and capital to settle matters through agreements without the interference of the government. In the following decades, a centralised system of peak-level bargaining was created, which would play an important role in the Swedish success story. Supported by an active labour-market policy, the aim of which was to relocate the temporarily unemployed to companies and industrial sectors in need of labour, the peak-level organizations took the responsibility of keeping wages in the internationally dependent Swedish economy on a competitive level. The so-called solidarity wage-policy did in fact enhance the structural transformation of the Swedish economy; companies that could not keep up with the pace of wage increases would, according to the policy, be left to bankruptcy and have their employees “transferred” to more competitive businesses and sectors. One of the most central aspects of this system was, as noted, the goal to keep wages in the blooming Swedish export industry on a competitive level.¹⁸

Towards the end of the 1960s and during the beginning of the 1970s, the well-oiled machinery started to squeak. The structural crisis that affected the entire industrialised world was met in Sweden with political measures that worked against a well-needed reorganization of Swedish industry and added to an already rising inflation. There was nonetheless still a political focus on the importance of a successful export industry, which was supported through a series of devaluations of the Swedish currency during the 1970s and 1980s. In addition, the once so united Swedish labour

¹⁷ The exception is Ericsson between 1978 and 1988 that shows a decreasing numbers of employees abroad in relation to total employment.

¹⁸ Lundh (2010), pp. 213-220.

movement started to show internal fragmentation. The balance between different groups of employees had changed due to a growing service sector, and the export industry lost its leading role in the wage-setting process. The last decades of the 20th century also saw a break with one of the most important principles of the Swedish model: following increasing demands for a more democratic working life, the government, for the first time during the post-war era, introduced new labour-market legislation. The more hostile attitude of the trade unions in general, and the calls for labour market legislation in particular, encouraged the employers to end the organised form of cooperation between capital and labour in the 1980s.¹⁹

The end of the 20th century was characterised by a turbulent labour market. Since the beginning of the 1990s, Sweden unemployment figures have also been much higher than before. Despite the fact that the government tried to control wage increases, a new order of stability in the labour market was not reached until the end of the 1990s. The new form of coordinated bargaining following the so-called Industrial Agreement²⁰ that was made between the labour market organizations within the industrial sector in 1997 makes it is fair to describe the first decade of the new millennium as a era during which labour and capital once again took responsibility to secure the competitiveness of the export industry^{21, 22}.

A central part of the Swedish model has been the mutual recognition between labour and capital regarding certain rights: the employers acknowledged the right for workers to organise themselves and the trade unions accepted that the employers had the right to manage the workplace as they saw fit. This compromise did not, however, mean that organised labour refrained from initiatives to strengthen their formal role in workplace. In fact, two of the agreements following the general agreement from 1938, the agreements on employee participation (Företagsnämndsavtalet 1946) and work studies (Arbetsstudieavtalet 1948), both implied a possibility to improve the position of local trade unions in relation to single employers. The outcome of these agreements could nevertheless be described as rather watered-down, which has been explained by the fact that they concerned fundamental conflicts of interest.²³ Thus, even though labour and capital agreed to support an ongoing rationalisation of Swedish working life, there were underlying matters of disagreement that eventually would surface.

¹⁹ Magnusson (2000); see also Lundh (2010), pp. 258-266.

²⁰ The official title was The Agreement on Industrial Development and Wage Formation.

²¹ It is important to note that this form of wage setting recently suffered a setback due to the withdrawal of one of the major employers organizations.

²² Lundh (2010), pp. 273-276.

²³ See Johansson (1989) for a discussion of the positions taken by organised labour and capital towards the issue of rationalisation.

As long as the Swedish model worked without problems, organised labour did not raise the question of having more far-reaching influence at the workplace. For example, despite the fact that the company committees that were established 1946 met with much criticism, the constituting agreement behind the councils was renewed in 1966. However, not many years later, when the downsides of rationalisation started to become evident and when Swedish industry did not perform as well as it previously had, voices were raised for a more democratic work life. Even though the first proposals for employee participation in company decision-making were quite radical; the end result was a Co-Determination Act with a distinct focus on information regarding company undertakings and the right to negotiate on certain matters rather than an establishment of co-determination in the real sense of the word. An obvious similarity with the previous company committees was also the clear focus on employee participation as a means to promote the competitiveness of Swedish business, which also was a goal clearly set down in the agreements made between labour and capital that followed the introduction of the legislation.²⁴

There is not much empirical research addressing the earlier forms of employee participation in Sweden. However, the company councils have been described as a parenthesis in Swedish industrial relations, and the employee side has also considered the council members as being captives of company management.²⁵ The consequences of the introduction of the Co-Determination Act have been more thoroughly studied. Levinson has, for example, studied the influence of the legislation on employer-employee relations and concludes that it has helped to strengthen the position of local trade unions, but that employers have a positive view of these arrangements.²⁶

In sum, company-level industrial relations in Sweden might be described as a historical complement to the national arena. The focus on the competitive Swedish export industry at the national level can thus be said have been supported by the focus on rationalisation and cooperation at the local level. The importance of national policy for Swedish industry has been addressed in previous research. A much less studied subject is employer-employee relations at the local level and their role for the internationalization of Swedish business. The importance and potential of more research in this area will be discussed in more detail in the following.

²⁴ Cf. Brulin (1995).

²⁵ Janerus (1989) is an example of this view.

²⁶ Levinson (2000); see also Levinson (2005).

Employee participation and company internationalization – an analytical framework

An institutional perspective on company-level industrial relations

Industrial relations in general have often been examined through the lens of institutional analysis. The most common approach has been to compare labour market institutions in different national settings. In addition, these types of studies have often been aiming towards the construction of typologies of national labour market models. A majority of the research in this area has nevertheless been directed towards macro-level variables, such as the coordination of bargaining, labour market legislation etc. These studies have, in many cases, also been connected to a broader comparative analysis of welfare state models, or different types of capitalist economies.²⁷

However, during the last decade a more company-centred strand of institutional analysis has emerged in the field of comparative political economy. One of the most influential works has been *Varieties of Capitalism*²⁸ (VoC), edited by Peter Hall & David Soskice. Although VoC, like much of the previous research within the field, focused on institutional differences between national forms of economic organization, the company was now seen as the locus of the economy and much of the analysis was directed towards the relations between enterprises and their surroundings. According to VoC, private business ought to be seen as the prime source of economic development within capitalist economies, which justifies the focus on the company in the analysis. Despite this shift in focus, labour market institutions remained an important variable for the analysis. The difference compared to earlier studies lay in the explanation for national diversity in labour market institutions; contrary to previous research, which often portrayed labour market regulation as a result of strong labour movements, VoC states that institutions supporting labour also benefit capital since they are complementary to the institutional structure surrounding business. As Peter Swenson has pointed out, national differences in labour market regulation can also be connected to the diverse industrial relations strategies of companies. Or in other words, extensive labour market regulation should not necessarily be seen as a burden for business; they might rather be interpreted as resources, at least in some institutional contexts.²⁹

A new strand of institutional analysis has also emerged within the field of business history, although for different reasons. In an attempt to theorise how the development of companies interplays with external factors, scholars have tried to create models that account for institutional factors outside the firm. One example of these efforts is the work of Whitley³⁰, which incorporates a number of

²⁷ See Esping-Andersen (1990) for one of the more influential studies.

²⁸ Hall & Soskice (2001).

²⁹ Swenson (2002).

³⁰ Whitley (1994), (1999).

different variables, such as industrial relations and educational systems, in the analysis. This approach has also been applied in studies of business development in different contextual settings. One example is the analysis of the emergence of a Nordic form of capitalism by Fellman et al.³¹

Business history research has increasingly focused on factors external to company organization, and national comparisons of economic organization, which often include labour market institutions, have incorporated the firm in analysis. However, there are not many studies within business history taking employer-employee relations into account; nor is it common to apply an historical perspective in research that focuses on how the activities of firms interplay with the macro organization of welfare states and labour markets.³² A proposal on how to address these matters within the area of company internationalization is discussed in the following parts of the paper.

Employer-employee relations and company internationalization

The interaction between employers and employees is discussed within several social science disciplines. Scholars in the field of comparative industrial relations sometimes discuss the interaction between capital and labour at the workplace in terms of “single” versus “dual channel” models. This terminology aims to capture the difference between countries where trade unions are the sole form of employee representation at the local level, i.e. a single-channel form of representation, and countries that have separate channels of representation for employees outside the traditional trade union structure, i.e. dual-channel countries. Although the functions of these extra channels of representation differ to a large extent in separate national contexts, these institutions are often described as works councils. However, regardless of the existence of a second channel of employee representation in addition to trade unions councils, established forms of employee-employee communication at the company level act as set of functions that could be of benefit for companies. In the eyes of the employer, works councils can for example be a useful asset in creating effective means of communication between management and the workforce. Nevertheless, there is always a risk that such institutions are “hijacked” by elements that want to undermine managerial control.³³ Institutionalised forms of employee participation can thus be seen both as a resource for, as well as a challenge to, the management of companies.

In an historical perspective, employee participation in Western Europe has taken a number of different forms. Although there are substantial national differences, most countries in the region

³¹ Fellman et al (2008).

³² Swenson (2002) is an exception.

³³ See Rogers & Streeck (1995) for a discussion of central issues connected to employee participation at the company level.

have gone through a similar development of their works council arrangements, which has been driven by shared economic, technological and political factors.³⁴ However, the position of employers and employees in relation to company internationalization has often been portrayed in a fairly straightforward manner. From an employee and trade union perspective, company internationalization is commonly described as one of the threats that the globalization of economic activities presents to labour movements world-wide: e.g. through increased trade, which leads to changes in the international division of labour, and via development and operation of multinational companies. Since multinational companies function according to an international logic, the nationally organised trade union movements have been forced to reconsider their traditional strategies. Nonetheless, the complex supply chains that have emerged as a result of new production regimes associated with multinational companies provide labour with opportunities as well; since each and every one of the links in the chain is important, it makes such a system vulnerable to industrial action.³⁵

One of the threats to national trade unions that is often raised in relation to globalization is the possibility for multinational companies to move their production to places where employee organization is weak, as well as the pressure that this might put on labour market regulation in countries where trade unions are strong. However, it must be noted that many multinational companies are still dependent on political decisions made at the national level.³⁶ In addition, according to the argument stated by Swenson³⁷ and others³⁸, companies often benefit from the particular form of regulation present within the national model where the company is rooted. There are also studies³⁹ suggesting that multinational companies might, although in a quite selective manner, “export” national forms of employer-employee communication. Research focusing on the FDIs of U.S. companies has also shown that the presence of some industrial relations institutions tends to attract investments, e.g. the presence of a works councils, while other factors, such as unionisation rates, have a negative impact on the international expansion of American firms to specific countries.⁴⁰ While the evidence is ambiguous; these studies suggest that at least some forms of employer-employee communication are looked upon in a positive way by employers. Even though it is likely that employees will oppose strategies such as off-shoring, which might be considered as hindering company internationalization, there is thus evidence suggesting that existing employer-

³⁴ Cf. Streeck (1995).

³⁵ Waddington (1999), pp. 7-11.

³⁶ See Waddington (1999), pp. 11-13.

³⁷ Swenson (2002).

³⁸ Cf. with a several of the contributions to Hall & Soskice (2001).

³⁹ See Dörrenbächer (2004).

⁴⁰ Cooke (1997).

employee relations can be beneficial for companies during international expansion. This paper will present a number of examples of the positive impact established forms of employer-employee interaction might have for company internationalization, as well as a research agenda for a more thorough exploration of this phenomenon from a Swedish perspective.

In addition, as Waddington has pointed out, it is important to note that the implications of globalization are uneven. There are several explanations for these differences, among which national regulation and the organization of production are the most important. In contrast to arguments that assign to globalization an element of convergence both in regulatory regimes and in the way production is organised, Waddington stresses, in accordance with the discussion above, that national differences tend to persist. However, despite an unbroken diversity in regulatory and production regimes, the pressures created by internationalization and globalization raise a number of challenges for organised labour, as well as for established employer-employee relations at the company level in general.⁴¹ The aim of the described project is not to assess the impact of internationalization and globalization on company-level industrial relations. The focus is rather on the role of established employer-employee relations during the phases of company internationalization. Changes in labour market regulation, as well as in production regimes, will nevertheless be taken into account.

Employer-employee relations and the internationalization of Swedish business – empirical examples

Even though there is a lack of specific research regarding the role of employer-employee relations for company internationalization, there are examples of studies that address similar issues. There are several types of activities that can be connected to company-level industrial relations and the internationalization of Swedish companies, which is illustrated in the examples presented below.

To begin with, there are established forms of employer-employee interaction (cf. the discussion on works councils above) that concern international matters, which could be set up voluntarily or as a result of legislation. One example of voluntary arrangements is the form for employee participation that was established in the 1980s and 1990s at the Nordic level of a number of multinationals based in this region. While there were political initiatives to create structures for employee participation at the Nordic level, which could have encouraged companies to create such arrangements, these efforts did not result in a legislative outcome. However, some companies decided to set up forms for employee participation on the international level voluntarily. These arrangements were often extensions of similar institutions at the national level, and they differed substantially between

⁴¹ Cf. Waddington (1999), pp. 14-24.

different companies. Even though the companies in question had undertakings outside the Nordic region, both management and employee representatives refrained from trying to expand these structures to other countries, which indicates that these arrangements reflected a particular Nordic way of organising employer-employee relations.⁴²

One of the most obvious examples of international forms of employer-employee interaction at the company level are the European Works Councils (EWCs), which originate from a EU directive⁴³ adopted in 1994 that states that all companies with more than 1000 employees in the European Economic Area (EEA), and at least 150 employees in two different countries, were to set up structures for employee information and consultation. Even though nearly eight hundred companies across Europe have established EWCs, the activities differ substantially between different councils. There are EWCs that are actively involved in the company decision-making, as well as EWCs performing only a “symbolic” function.⁴⁴ Previous research has put forth country-, sector- and company-specific factors as the explanation for the large differences. In the Swedish case there are studies suggesting that national legislation and practice play an important role, but that the experience and tradition in specific companies also have been central to the development and outcome of EWC work.⁴⁵ For example, there is evidence suggesting that some companies have built up a EWC-structure in accordance with the existing organization and recognise the benefits of having forms for employer-employee communication at the international level. It is, however, interesting to note that Swedish employer and employee representatives also have worked against the development of the EWC as bargaining organisations, since this might threaten the national employee participation system.⁴⁶

Beside the existence of formal structures for employer-employee communication at the international level, there are examples of how more informal arrangements have been of assistance to Swedish companies during periods of internationalization. There are also examples in previous research of how Swedish multinationals have used national employee representatives in a “mediating” role in relation to employees in countries during times of international expansion. In a study of how local trade unions coped with the restructuring and international expansion of the Swedish multinational Electrolux, it is, for example, described how Swedish trade union representatives assisted company management in relation to the acquisition of an Italian company in the mid-1980s. A part of the mediating role played by the national employee representatives was that they actively tried to teach

⁴² See Schiller (1994) and Berg (1995).

⁴³ European Directive 94/45/EC (revised as European Directive 2009/38/EC)

⁴⁴ See Lecher et al (1999), (2001) and (2002) for a thorough analysis of the development of the EWCs.

⁴⁵ Huzzard & Docherty (2005); Dahlkvist (2009).

⁴⁶ See Dahlkvist (2009).

their Italian comrades how to handle employer-employee relations in a “Swedish”, i.e. more cooperative, way.⁴⁷ Although there are examples of Swedish companies with an opposite strategy⁴⁸, the Electrolux case illustrates how established forms of employer-employee cooperation at the national level can be used to aid company internationalization.

Employee organizations could also be a valuable source of support during company restructuring. One example is the new production strategy (the Global Forecasting and Supply System – GFSS) implemented by the Swedish ball-bearing manufacturer SKF in the 1970s. The implementation of GFSS was the most important step towards the development of SKF into a truly multinational company. However, the changes made to the organization had substantial effects on employment and employee influence in the countries where the company was active. SKF also met with much criticism for the results of the restructuring, for example after a closure of a factory in France in the 1980s. Even though Swedish employee representatives expressed sympathy with the laid-off workers in other countries, the national trade unions supported new organization as well as the general need for restructuring.⁴⁹

Moreover, company internationalization is often connected to political issues, such as production under different types of political regimes, and established employer-employee relations could be seen as a burden as well as a resource in relation to these issues. The South-African undertakings of SKF might serve as an example of how trade union support could be valuable for companies. Due to the Swedish embargo concerning investments in apartheid South Africa, which was introduced in 1979, SKF was forced to apply for exceptions from the sanctions in order to keep its South-African activities going. The Swedish trade union organization at SKF viewed it as being in the interest of the foreign workers that the company remained in the country and therefore gave valuable support to the company in this matter. Thus, even though the reason behind the trade union position was to give support to the employees abroad, its actions also benefitted the company.⁵⁰

Towards an understanding of company-level industrial relations for company internationalization

This paper is a tentative presentation of the role of company-level industrial relations for the internationalization of Swedish companies and how this matter might be an area for further research. Based on the theoretical discussion and empirical inputs presented above, we wish to end this paper with a brief discussion of some preliminary conclusions and important points that need to

⁴⁷ Åkerman (2003), pp. 219-224.

⁴⁸ See Sjölander (2005).

⁴⁹ Fritz & Karlsson (2006), pp. 262-263.

⁵⁰ Fritz & Karlsson (2006), pp. 299-308.

be addressed in order to make the proposed research fruitful, as well as with a preliminary outline on how we are going to proceed.

There are, as has been noted, a number of problematic aspects connected to the matter in question. First of all, we need to develop a more specific way of describing the employer-employee relations that will be at the centre of the analysis. It is important to note that there are several different types of activities that could play a role for the internationalization of companies, which is also illustrated in the examples presented above. There are formal institutions providing a potential platform for employer-employee communication and interaction (as in the case of the EWCs), as well as more informal functions that could be of use during periods of internationalization (e.g. the mediating role of Swedish trade unionists). It is moreover possible to make a distinction between transnational arrangements (once again the EWCs could be used as an example) and the potential benefits of nationally rooted arrangements in relation to internationalization processes (e.g. support for organizational changes). Additional examples of similar divisions might be presented, but these two are sufficient to support the notion that the object of study should be more clearly defined and that the approach of the analysis is in need of further elaboration. It is nevertheless clear that different types of arrangements constitute an empirical base supplying many interesting research questions.

A second matter concerns the question of how to look upon national (and international) labour market regulation. Even though this paper argues that companies might find employee participation useful for their own purposes, it does not mean that such structures can be expected to be set up voluntarily. If one compares the EWCs and the trade union bodies at the group level in some Nordic firms, it becomes clear that legislation can play an important part, but that this may not always be the case. Despite the fact that it may be difficult to determine the role of legislation in relation to other factors, it should be fruitful to take such matters into account, which the examples above illustrate.

Yet another issue, not evident in the empirical examples above but still worth noting, is the possible differences between industrial sectors. One might argue that the rationale behind internationalization differs between industrial sectors. For example, the reasons for international expansion should differ between extractive industries and companies active in the manufacture of high-tech products, which could affect the role of employer-employee relations in the internationalization processes. A similar logic can be applied to the type of investment. It is, for instance, reasonable to assume that investments in new factories abroad imply different problems for companies than the acquisition of established undertakings.

There might also be problems that are connected to different internationalization strategies. In this paper we have presented data series (see diagram 3 and 4) of foreign turnover and employees abroad that show a rather high degree of internationalization in the sample of large Swedish companies, at least since the 1990s. However, companies like Volvo and Ericsson seem to be more internationalized in terms of sales abroad than employees abroad. These figures emphasise the importance of location of production in relation to other ways of measuring company internationalization. It is possible that the strong position of employees on the national arena, as well as the possible benefits of the established system of industrial relations in Sweden, have favoured the employment in the home country compared with foreign subsidiaries, at least in some companies. Thus, internationalization in terms of sales abroad must not be mirrored by an equivalent decrease in employment in the home country.

Finally, it is important to note that established forms for employer-employee interaction, such as the Swedish industrial relations model, can become an obstacle for the creation of functioning employee participation forms at the international level. The resistance towards the development of EWCs into bargaining institutions is perhaps one of the clearest examples of this. Established institutions must thus not only be seen as resources, but also as potential barriers to company-level industrial relations in multinational companies.

Outline for a research design

Keeping these considerations in mind, we aim to end this paper with a presentation of a tentative research design for our future study of the role of employer-employee relations in the internationalization of Swedish companies during the post-war period.

The project will include studies of enterprises in several industrial sectors during different periods. The focus is on three periods of internationalization during the post-war era. Firstly, there will be case studies examining internationalization processes during the 1950s and 1960s, which have been identified as an era of increased internationalization in previous research, as well as the height of the "Swedish model" of industrial relations. Company-case studies will also be undertaken regarding company-level industrial relations in Swedish multinationals during the 1970s and 1980s, which was characterised by industrial crises and important changes in the Swedish labour law. Lastly, the project will address internationalization processes in the 1990s. This period was marked by political change, such as the breakdown of the traditional "Swedish model" and the emergence of a new macroeconomic policy regime, as well as by the definite breakthrough of the globalised economy.

The aim is to follow a set of Swedish enterprises through all of these three periods. In order to account for sector-specific factors, companies from three different industrial branches will be selected. Since there might have been different reasons behind the decisions regarding international expansion in the resource-based sectors compared to the high-tech industries, as well as in traditional manufacturing, companies from these different areas will be studied. This longitudinal approach will also enable an analysis of the internal development of the studied companies in general and changes in their activities in particular. The Swedish pulp and paper manufacturer SCA will serve as an example of the developments in the resource-based industry, while Ericsson and Atlas Copco are to represent the high-tech and traditional manufacturing respectively. All three companies have a long history and have remained independent companies up until today. However, they all underwent significant changes during the post-war period, with increasing internationalization being a central element.⁵¹

The project will make use of quantitative as well as qualitative methods. The aim is to collect quantitative data for the selected companies in order to identify important events that will be in focus in qualitatively oriented case studies. Those studies will focus on the role of company-level industrial relations for the internationalization processes in the selected companies. Although the quantitative analysis will contribute with valuable input to the project, the focus will thus be on qualitative case studies of specific events in the internationalization of these enterprises. Different types of empirical sources will be used for the case studies; company and trade union archives will nevertheless be a main source of data. In addition, when addressing more recent events, interviews with management and employee representatives of companies will be conducted. Overall, the material from the case studies will generate important sources that concern labour management by multinationals in general and the development of management-employee relations in periods of increasing internationalization of Swedish firms in particular.

⁵¹ See Diagrams 3 and 4.

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Appendix

Turnover and sales abroad (million sek)

	1968		1978		1988		1998		2008	
	Turnover	Sales abroad	Turnover	Sales abroad	Turnover	Sales abroad	Turnover	Sales abroad	Turnover	Sales abroad
Valvo	3865	1714	19133	14259	96639	77953	212936	191457	303667	289812
Ericsson	2521	-	9021	3904	31297	25291	184438	175929	208930	200054
SKF	3766	-	9533	8909	21248	20206	37688	37000	63361	61152
SCA	1540	1078	5128	3454	20850	15568	61273	55920	110449	103140
Electrolux	1327	893	12022	9077	73960	61069	117524	111873	104792	101233
Atlas										
Copco	1138	990	4742	4382	12812	11787	33740	32679	74177	72343

Employees and employees abroad

	1968		1978		1988		1998		2008	
	Employees	Employees abroad	Employees	Employees abroad	Employees	Employees abroad	Employees	Employees abroad	Employees	Employees abroad
Valvo	25073	2665	57289	15030	77072	23636	79820	35920	97030	68708
Ericsson	48700	-	66395	39895	62114	32709	101485	59931	78989	59314
SKF	62870	-	54468	44295	43331	38206	44958	38814	43201	39902
SCA	12467	-	15519	5028	21315	10574	32082	24873	51999	45293
Electrolux	20964	-	75631	47592	147200	117097	99322	89573	55177	52312
Atlas										
Copco	11349	7050	17664	12043	19207	14998	23857	21224	34119	29604