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**An Anglo-Swedish affair -  
Changing relations  
in an international acquisition**

Working paper within the project  
“Scandinavian Heritage”

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# SCANDINAVIAN HERITAGE

A research project on Scandinavian business and work ethics in a global setting

## Aim

The research project aims at defining and analysing how core values change in Swedish corporations turning international through mergers or acquisitions. Core values signifies both a system of values and a system of norms that organise and interpret thinking and action in the organisation. This field of knowledge includes business ethics, organisation and leadership, as well as work ethics, i.e. the content and value of work.

## The research process

The investigation will include a number of firms and corporations of different size and scope. It will comprise interviews, fieldwork and archival studies. Its theoretical orientation connects to three scientific discourses: organisation culture, leadership and business ethics.

## Scholarly and financial base

The project is part of the research program at the Centre for Ethics and Economics, a section of EFI, The Economic Research Institute at the Stockholm School of Economics. Vinnova, the Swedish Agency for Innovation Systems, Sweden, mainly finances the project.

## Documentation and publication

The project will provide the basis for two dissertations. Some results may be published in scientific reports and articles in reviewed journals. The results will also be used in educational texts on business ethics and mergers & acquisitions. In all cases, individual firms will be anonymized unless otherwise is authorised by the firm. Results will in convenient forms be fed back to the firms.

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# Contents

<b>1. Introduction</b>	4
<b>2. Globalisation</b>	4
<b>3. Theory</b>	6
<b>3.1 Relations to shareholders and other stakeholders</b>	6
<b>3.2 Relations to employees and managers</b>	8
<b>3.3 Internal relations and legitimacy</b>	9
<b>4. Method</b>	12
<b>4.1 Hermeneutics as a starting point</b>	12
<b>4.2 Ethnography and other methodological inspirations</b>	13
<b>4.3 A longitudinal study</b>	14
<b>4.4 Interpretation</b>	15
<b>5. Earlier presented cases</b>	17
<b>6. The case - Case C</b>	18
<b>6.1 Observing the company</b>	18
6.1.1 History	18
6.1.2 The premises in Stockholm	18
6.1.3 The premises in Smalltown	19
6.1.4 The premises in London	19
<b>6.2 Meeting employees in interviews</b>	20
6.2.1. Impressions	20
6.2.2 The new owners	20
6.2.3 Culture, leadership and organization	21
6.2.4 Re-organizing the firm	24
6.2.5 Work content	25
6.2.6 New roles	27
6.2.7 Stakeholder relations	28
<b>6.3 Reading about the company</b>	29
6.3.1 Introduced symbols	29
6.3.2 Official presentation	29
6.3.3 Presentations before the merger	30
<b>7. Analysis</b>	30
<b>7.1 Changing relations to stakeholders</b>	30
<b>7.2 Legitimation and internal relations</b>	31
<b>8. Conclusions</b>	32
<b>9. References</b>	34

## **1 Introduction**

In this paper, we use a twofold approach to identify and interpret consequences of globalisation on a company level. The case study covers a Swedish firm recently acquired by a British firm belonging to a multinational American group. The purpose of the paper can also be described as twofold. We want to provide a picture of how the external and internal relations of a firm change as it goes through a process of internationalisation as a consequence of an acquisition by a foreign competitor. In addition, we want to show how the culture, the identity and the ethical values of the acquired firm change as a consequence of the new foreign ownership.

This process of change is characterized by clashes between different cultures, value bases, self-perceptions and leadership styles. We try to pinpoint this through an interpretative approach that contains two parallel frameworks. As for the external relations, we analyse our case by using the stakeholder/shareholder frame of reference. When it comes to the internal relations, the discussion will focus on how relations change along with the process of internal legitimation of the new ownership. This double way of confronting the case also gives us the opportunity to identify aspects that concern culture, identity and ethical values.

This paper originates from the research project, "The Heritage". In this project, we set out to investigate what happens to the culture, the value base and the self-perceptions of a company when merging with or being purchased by a company belonging to another cultural and ethical tradition. This is the third case study that we present. Two studies have been presented previously in other conference papers. The two different frameworks used in this paper reflect the perspectives employed in the dissertation works of two of the authors.

## **2 Globalisation**

In a global world national borders become increasingly irrelevant. In 2000, the total inflow of international direct investments reached a new record of 1271 billion dollars (Unctad 2001). In 1982, the figure was 57 billion dollars. During 1996-1999, the value of mergers and acquisitions increased with 50 percent per year globally. During 2001, things changed somewhat due to the worsening economic situation. The global foreign direct investments were about 50 percent lower than in 2000. Even so, globalisation is expected to speed up again when the world economy improves.

Sweden is one of the countries in the world that is most affected by globalisation. From 1995 to 1997, Sweden had the highest share of foreign direct investments compared to GNP of all countries (Strandell 2001). In 1980, 6 percent of the big and medium sized Swedish companies were foreign owned. In 1999, this figure had risen to 17 percent. In addition, we have seen several big Swedish companies merge with foreign competitors. Astra and Stora have merged with foreign companies forming

Astrazeneca and Storaenso. American giants have bought the two car manufacturers Volvo and Saab. Volvo has been taken over by Ford and Saab has been taken over by General Motors. The Anglo-Saxon nations USA and UK are the biggest foreign owners of Swedish companies. In 1999, American firms had 26 percent and British firms had 11 percent of the total turnover generated by foreign owned companies in Sweden (Strandell 2001). Many of the Swedish companies have, as a part of becoming more international, moved their headquarters out of Sweden. From 1997 to 2000, 46 big and medium sized companies moved their head office abroad (Strandell 2000).

There is an intense debate, not only in economical but also in political and ideological terms, about the consequences of globalisation. Critics mean that business has to face the tension between globalisation and localisation. Local interests have claims on transnational businesses that global interests may oppose. A division between the mobile and immobile becomes evident. Bauman (2000) claims that globalisation through the technological development frees certain people from their territorial limits while it deprives the territory of its meaning and its ability to create identity. While some persons benefit from this by creating meaningful communities extraterritorially, others suffer from the decreased role of their geographical domicile, an environment with less chances of creating meaning and identity due to the constant reduction of distance. Sennett (1988) discusses effects on individuals having to cope with the changes of work life in the global corporation. Downsizing, increased flexibility and a shift in work content are leading to a changed identity.

On the opposite side we find promoters of globalisation, like Norberg (2001), who claims that international companies improve salaries and working conditions. Exchange with new cultures brings new ideas. Globalisation prevents oppression of women challenging old traditions in rural areas. Globalisation makes the world more democratic and prevents war. The nation becomes less important for citizens, freeing them from the local power structure. According to Streeten (2001), globalisation brings higher prosperity. Today, more people can read and go to school compared to a few decades ago. Fewer children die young and people live longer. But he also argues that the created wealth is unfairly distributed and that with globalisation comes the erosion of national identities and national values. Jobs move to low-cost countries. In developed countries, globalisation may reduce the need for low-skilled workers and keep wages down. A brain drain makes the well-educated go to work in other countries and for companies that offer the highest salaries. A global elite evolves that feels less responsibility for the home country.

Henrekson & Jakobsson (2001) discuss the political perspective of this. They refer to Tinbergen's (1961) hypothesis that the economies in the communist countries would converge with the economies in the West, resulting in a mix of capitalism and socialism. Sweden was regarded as a leading country in that process from 1960 to 1980. Now, Kitschelt (1999) argues that there is a convergence towards an Anglo-Saxon form of capitalism. Instead of different forms of co-ordinated market economies, a uniform system of a liberal market economy is emerging. Henrekson & Jakobsson call it a Washington-consensus or a Greenspan-convergence after the president of the American Central Bank,

Alan Greenspan, with office in Washington. Henrekson & Jakobsson suggest that this new consensus will result in an Anglo-Saxon model of corporate governance coming to Sweden. This implies a shareholder value model where the shareholders are regarded as a more important group than other stakeholders. It means a shift from the Swedish tradition of corporativism, where companies to a large extent were taking into account the views of the stakeholders. The increased foreign ownership may change the corporativistic tradition of central wage negotiations and might also change the style in leadership to a more Anglo-Saxon one, suggest Henrekson & Jakobsson.

### 3. Theory

#### 3.1 Relations to shareholders and other stakeholders

The Swedish tradition comes close to the pluralistic stakeholder model, as described in the 1960:ies by the works of Rhenman (1964). Traditionally, this model implies a multitude of strong relations between different stakeholders within the economy. Probably, shareholders become an increasingly more important stakeholder as the Swedish business life changes from a stakeholder orientation to a shareholder value orientation. Landelius & Treffner (1998) claim that Swedish companies follow a trend of shareholder orientation coming from USA and UK. A study (Brodin & al. 2000) shows that a Swedish CEO today spends as much as half of his time communicating with shareholders, much more than before. There are several driving forces behind this change. More Swedish companies are listed and the development of international capital market puts more companies under pressure from shareholders. Institutional owners like insurance companies are now important stockholders and act differently compared to entrepreneurs, demanding a higher return quicker. Swedish companies try to attract new international investors, competing with foreign companies.

The shareholder orientation trend started among the investment banks in USA during the 1980:ies. (Jensen 2000, Kennedy 2000, Holmstrom & Kaplan 2001) Originally, the idea came from academics doing research in accounting. They developed a model for calculating share prices by using cashflow instead of profits. Banks used the new models for buying and restructuring companies and, as a consequence, raising the value of the stock (Kennedy 2000). Managers adapted in order to avoid being overtaken. Also deregulation, nationally and internationally, new information and communication technologies were drivers that made it possible to find new strategies and to make companies more efficient (Holmstrom & Kaplan 2001). Jensen & Chew (1995) estimate that from 1976 to 1994, over 45 000 control transactions occurred, including mergers, tender offers, divestures and LBOs. The restructuring also meant cutbacks in personnel, less investments in R&D, outsourcing and move of production to low-cost countries. (Kennedy 2000).

Let us investigate further the difference between a stakeholder and a shareholder perspective. Milton Friedman (1970) is regarded as one of the leading academics arguing for a shareholder value

orientation with his argument that the only responsibility an executive of a company has is to generate profits to its shareholders. There is no other social responsibility, to argue that is to argue for socialism and anyone who does so, is opposing a free society. An executive has to run the company as the owners want, which often means to maximise profits. The executive has to follow laws and ethical rules, but nothing more. It is wrong for example, not to raise salaries because of inflation, to lower pollution more than required or hiring unemployed instead of better skilled. To spend someone else's money for a general social interest is like imposing taxes and that can only democratically elected politicians do. Michael Jensen (2000) argues in a utilitarian way that the trend of shareholder orientation creates value, thereby improving human living standards. The value-maximising criterion is the corporate objective that maximises the size of the social pie. It gives managers a decision rule: invest an additional dollar in things like product quality or in improving working conditions for employees only if the expenditures increase the value of the firm by at least one dollar. As a consequence of the restructuring that came with the shareholder value orientation in USA macroeconomic data suggests a dramatic improvement in productivity of the American industry during the 1980:ies, argues Jensen.

Promoters of the stakeholder model argue differently. Freeman & Evan (1993) argue for a stakeholder perspective by referring to Berle's & Means' (1932) argument that companies now have such a significance that it has become a way of organizing economical life and is not anymore just a business activity between two parts. Stakeholders have a right to be regarded as an end and not only as means to an end, argue Freeman & Evan with reference to Kant. For example, the company should help the loyal employees through bad economical times. A company should have long relations with suppliers, lasting in both good and bad times. The local community expects a company to be a good citizen, lowering pollution and in times of cutbacks helping the local community to survive. Also Allan Kennedy (2000) argues that if the orientation towards "shareholder value" goes to far, stakeholders as a consequence react. Customers lose interest in corporate brands and become more sceptical towards commercials. Instead they bargain for best price. Local societies become more suspicious towards companies and the public becomes sceptical to company's corporate image. Employees become less loyal since many as a part of a merger ends up in a new environment they did not choose to enter. Suppliers form big international corporations to become stronger and have a stronger strength in negotiations with companies.

So, what effects does a shift from a stakeholder to a shareholder orientation have on the way companies are managed? It brings a change to corporate governance defined as "the mecanisms by which corporations and their managers are governed" (Holmstrom & Kaplan 2001). A shift away from the stakeholder model increases the power of the shareholders over the executives. It changes the relation between agents and principals and gives the principals more power. Douma & Schroeder (1991) point to a change in how agents are being monitored. New types of incentives are introduced like stock-options or bonuses rewarding agents after share price and return for shareholders. Top management has to accept being supervised and monitored more thoroughly, a way for the board and the shareholders to insure management according to shareholder interests.

Abrahamsson (1993) discusses the tendency among executives to build a bureaucracy in a company. The executive builds a kingdom of his own, controlling it. In the bureaucracy the executive assumes the role of a mediator between the different stakeholders in the organization. Hence, a shift towards a shareholder value model is likely to lead to less bureaucracy and to less mediating between the stakeholders. The shift can also make the organization less political, using the metaphor from Morgan (1986) "Organization as a political system". In the metaphor the organization is seen as an arena for employees and other stakeholders to work for their own interests, not to create higher return for shareholders. This way of reasoning is hardly correspondent with the situation of a shareholder value oriented company. Instead, the focus would be on the shareholders. According the consultants at Price Waterhouse, Landelius & Treffner (1998), each part of the value chain is analysed to ensure that every part is managed to give maximum return to shareholders. Furthermore, cash flow becomes more important than profit, since the stock market value companies more after their cash flow than their profits. It is also important to optimise company structure and to sell or buy parts of the organization if that increases the value on the stock market.

### 3.2 Relations to employees and managers

So what do these changes mean for the leadership style and the relations to employees? We could say that the Scandinavian model has been characterised by a kind of stakeholder ethics where different actors with certain characteristics are represented by strong negotiators that share the common aim of achieving improvement of quality of life for all persons involved. This collectivist mentality could be seen as a special variant of the process advocated by Ulrich (1997), where readiness of reflection, the communicative process, readiness to compromise and legitimation of our actions by means of public scrutiny play an important role. The Scandinavian model in its Swedish version could be seen as: "...a mental construct firmly entrenched in the labour market and among political actors. It is a tradition, a way of thinking and evaluating. And it can of course only be understood in relation to its own historical development" (De Geer 1992). Another interpretation originates from Sjöberg & Tollgerdt-Andersson (1991). They claim that the Swedish model in its modern outfit presupposes that effective production is the consequence of human reasoning and liberated human resources. To achieve this aim participation, group co-operation and solidarity are considered important factors. Work enriches people if it is seen as meaningful, if it comprises large entities and if it is possible to shift between different elements. Less emphasis is put on individual rewards. Co-ownership is seen as less important but employees are given a large amount of trust which means that control and sanctions are held back.

Daun (1998) suggests that Swedes be characterized by a conflict avoiding mentality, which eliminates conflicts in society but also creates an atmosphere of conformity. There also seems to be a strong tendency towards fairness and equality. Swedes also seem to value personal independence from established structures. This may sound contradictory but is not necessarily so. Experiences of personal



independence may not be in conflict with the tradition of a strong state as well as strong actors on the labour market. On the contrary, this institutional setting may contribute to conflict avoidance and an increased sense of security on a personal level. Hofstede (1980) describes the Swedish culture as feminine with small power distance and with little need to avoid uncertainty. The Swedish organizational culture is more collectivistic than its Anglo-Saxon counterpart. Zander (1997) partly confirms this picture in her study when she finds significant differences between national cultures when it comes to managers' way of coaching and communicating with employees. Holmberg & Åkerblom (1998) found Swedish managers in comparison to managers from other countries to be collectivistic, gender-neutral, tender and with little need to show their own abilities to others. Sten Jönsson (1995) describes Swedish corporate culture as non-hierarchical. It is collectivistic with norms as teamwork and informality. As a manager you have big freedom to act, but you have to justify that trust by taking responsibility. This is in contrast to a more individualistic culture as the American, where strict control and written instructions form a power base for managers. Also Birkinshaw & Crainer (2002) emphasise the Swedish non-hierarchical leadership style. It is free to challenge anyone's view, even superiors. "It can seem as almost shocking for an Englishman", writes Birkinshaw & Crainer.

### 3.3 Internal relations and legitimacy

It can be assumed that e.g. leadership styles and ways of co-operating are not only expressions of superficial preferences, but are generated in a process where underlying norms play an important role. Our preferences do not originate from nowhere. Rather, they have some basis. Underlying norms affect our understanding of phenomena that we encounter. Globalisation can be seen as phenomenon of this kind. It is obvious that traditional norms and values are challenged in an increasingly globalised world, especially on professional level within business. Within the Swedish context, there are fears that the principles that govern how you run and, if need be, close down a company are questioned or ignored.

This is problemized in a political and ethical context. Certain actions are deemed illegitimate since they are in glaring contrast to the traditional principles for owning and governing Swedish companies. The measures taken are questioned not only for financial and ethical reasons, but also for ethical and ideological ones.

This means that the question of *legitimacy* becomes important, since firms act on other arenas than the strictly financial one. The ethical arena, e.g., becomes crucial since sloppy playing there may harm the firm in the long run. The question of legitimacy becomes important as an ethical concept. By following the norms you get a normative licence to operate (De Geer 2002) from relevant stakeholders. Infringements may cost you dearly. For example, demands for tougher legislation and taxation may arise, harming your business as a consequence.

Institutions, legislation and organizations need legitimacy for their existence. Pfeffer (1978, p. 189) writes: "Goals and normatively acceptable values such as efficiency or effectiveness provide legitimation for organizational actions as perceived both within and without the organization."

What the firm does must be warranted in many aspects. Acquisitions and organizational changes are no exceptions. But firms need not only external, but also internal legitimacy, formed in a process by the ethical acceptance of ownership, work routines and organizational frameworks, a process with employees as the main characters.

Legitimacy is a concept used mainly in the socio-political, theoretical discussion. Famous names include Rousseau, who links legitimacy to a higher, imaginary power, the will of the people (Lindbom, 1995), Weber and, in more recent years, prominent figures within discourse ethics. To Habermas (1984, p. 125) legitimacy is „a certain political order’s well-founded claims of recognition“. Apel (1994) bases legitimacy on rational discourse built on well-founded arguments. Agreements are reached in a communicative process where all interests and needs are taken into account. Ulrich (1997) understands legitimacy as the moral justification of a claim, action or omission, which, in some way, gets consequences for others. The prerequisite for legitimation is that the dignity and unassailable rights of man are respected.

Among the discourse ethicists, you can find a constructivistic view of legitimation. It is not a static concept, but formed in interaction with others. Within business administration, the concept is often treated from a resource perspective. Karlsson (1991) claims that lack of legitimacy creates disturbances in management work and its relations to internal and external stakeholders and that it constitutes a hinderance to necessary changes. To Sutton (1993, introduction), legitimacy of power "...is a notion of political morality that also implies rightness - rightness, that is, as it is defined in a given context by groups or individuals." Legitimacy warrants your power and is needed to perform competitive management. Sköldberg (1982) separates between management legitimacy based on the principle of efficiency vis-à-vis the principle of human needs. In a Swedish context, legitimacy based on formal power rather than care is complex and has been questioned. Different views on what the human being is dwell under the surface.

Power and legitimacy are closely related concepts. Different scholars emphasise the ethical aspects of this. If the pursuit of power should go smoothly, management (and, for that matter, all people within the organization) must adhere to and respect the prevailing normative context of the organization. Brunsson (1986) also discusses legitimacy from a perspective including the contextual norms. In his view, actions are rendered legitimacy by conveyance of the personal legitimacy or the legitimacy linked to the position of the decision-makers. Another keyword here is confidence. Ekman (2003) claims that if you do not enjoy the confidence of your subordinates, manifested in the small talk, your informal mandate to lead will be weakened. Confidence can be generated in different ways, but one

important factor is some kind of resemblance, e.g. as far as social, political or ethical beliefs are concerned.

A perspective contrary to a genuinely constructivistic one would be the one that Crombie & Driscoll (2001) understand as instrumental. This view suggests that legitimacy be a static resource that can be used by management for manipulative purposes. Other researchers that have paid attention to this view include Dowling and Pfeffer (1975) and Pfeffer and Salancik (1978).

However, the ethical aspects of the concept of legitimacy will be highlighted in this paper, saving the concept from being synonymous with pure acceptance. By identifying how the co-workers in our case actually legitimate the new organizational setting, we are able to get a picture of how the internal relational aspects of the acquisition are affected.

Based on Karlsson (1991) and Suchman (1995), a typology of different forms of legitimacy would look like this:

<i>Legitimacy</i>	Internal	External
Pragmatical		
Normative		
Cognitive		

Figure 1. Forms of legitimacy.

Internal legitimacy refers to legitimacy originating from inside the company, while external legitimacy is created outside it. Pragmatical legitimacy refers mainly to self-interest, normative legitimacy to ethical acceptance based on held values and beliefs while cognitive legitimacy focuses on the meaningfulness of the context, signifying e.g. that an activity or the firm as such is legitimate if it is perceived to be meaningful.

In this paper, the focus is on the internal form of legitimacy. To mention a few examples, hierarchical arrangements, leadership styles and work content are judged from different angles. It is very likely that these arrangements will work much worse if they do not gain legitimacy from those affected by them. Legitimacy is here understood as an acceptance on ethical grounds. This means that arrangements that are contrary to the co-workers norms, values, self-perceptions and self-interest are likely to meet resistance. The consequences for the success of the acquisition may be severe if correspondence does not exist.

The objectives of the acquiring firm and the measures that it takes to achieve these objectives may lead to unwished consequences. This calls for an identification of the norms, values and ideas that form the

basis for legitimation. To interpret the internal climate of the acquired firm and its relational aspects is an objective of our further analysis.

#### 4. Method

##### 4.1 Hermeneutics as a starting point

We see hermeneutics as the natural starting point for our research. Like qualitative research in general, hermeneutics is characterised by interpretation and emphasis on understanding rather than explanation. The hermeneutical researcher wants to understand the meaning of the whole. According to Gadamer (1960), it is actually possible to construct such a meaning. This means that we can hope for a holistic understanding without reducing what is being studied to a mere ‘object’ in the strictest sense. Accordingly, the aspect of ‘dialogue’ between the researcher and the object of study has a special place in hermeneutics. Alvesson and Sköldböck (1994) mention the tradition of ‘empathy’ within hermeneutics, i.e. the ability of the researcher to adopt the role of the actor that is being studied in order to understand his or her thoughts and intentions better, sometimes even better than the actor him/herself. You could say that within hermeneutics there is a constant process of understanding both of the ‘object’ of study in all its aspects and your own (pre-) understanding. This way of reasoning comes close to the hermeneutical circle described by e.g. Heidegger (1972). In order to gain a holistic understanding we have to consider the parts and in order to grasp the parts we must have a concept of the whole.

This approach challenges positivism, one of the problems of which is that it does not explicitly consider the role of the researcher, who has interests and pre-understandings that may bias the research. The relation between the subject and the object – e.g. the role of interpretation - is seldom problemized. An hermeneutical approach pays attention to the role of the researcher in the study, showing that a researcher’s own pre-understanding influences interpretations made and that these interpretations change over time in a ‘dialogue’ with the object under study (Figure 2).

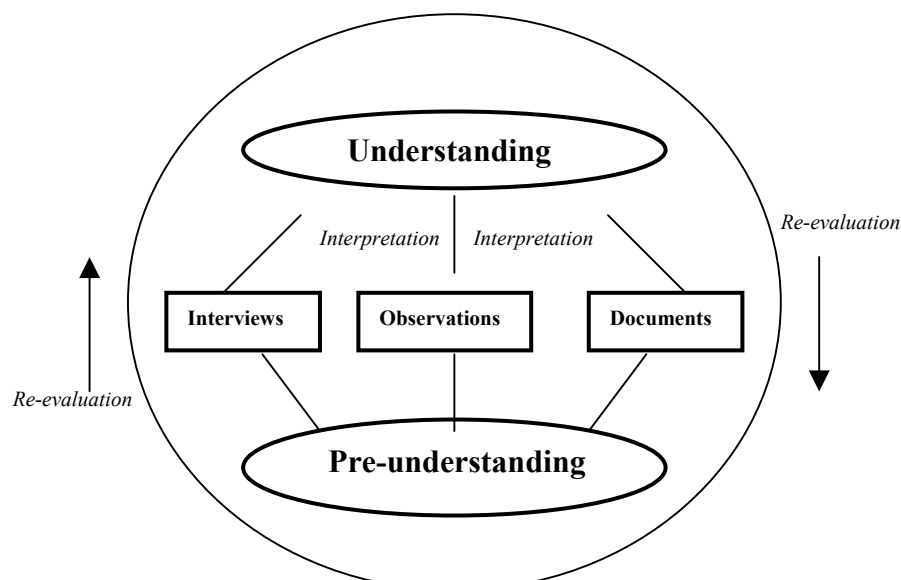


Figure 2. A hermeneutical circle.

#### 4.2 Ethnography and other methodological inspirations

To some extent we are inspired by the ethnographer's way of working. To Fetterman (1989), ethnography is the art and science of how to describe a group or a culture. Marcus & Fischer (1986) describe an ethnographer as a researcher that observes, takes notes and takes part in the everyday life in a culture and presents his findings in descriptive details. Atkinson & Hammersley (1994) point to the advantages of ethnography when it comes to exploring the nature of a particular social phenomenon rather than setting out to test hypotheses about it. Ethnography is linked to hermeneutics in the sense that it ascribes an important role to interpretation and that it rarely claims to deliver any absolute truths. The use and analysis of metaphors is important in ethnography, and can also be found within hermeneutics. Ricoeur, e.g., uses text metaphors claiming that human actions leave traces that can be understood as documents to be analysed with hermeneutical methods (Sellstedt 2002).

We think that using ethnographical methods is a suitable way of studying actions and symbols in the organization. It provides us with situations that can be interpreted and given meaning. As Smircich (1985, p 66) describes it when discussing cultural analysis of organizational life: 'We realise that organizations are symbolically constituted worlds, like novels or poems; they can be known through acts of critical reading and interpretation'. The ethnographic approach seems to be of use even though it is not possible to devote our research object a full-time commitment for a year or two, as a full-scale ethnographical study would demand. Ethnography functions as inspiration, in particular, as Alvesson & Sköldbberg (1994) describe, when it comes to the emphasis of the ideas, thoughts, symbols and hidden meanings of the organization. Almost anything can be empirical material for an ethnographer, but especially important in ethnography are observations and interviews (Kaijser & Öhlander 1999).

In addition, the notion of social constructivism is important (Berger & Luckmann 1966). It is especially important when it comes to the interview situation. Interviews can be seen as being constructed by the interviewee and the interviewer. Reality is not independent from the interview situation, but is created by it. Social constructivism can be seen as a complex of ideas with some common denominators. Ontologically, there are traits of (subjective) idealism and nominalism in it. Essentially, it holds that reality is not independent from the actor. In a sense, it is 'created' by her, not necessarily as a conscious 'product' but as an experience characterised by underlying assumptions, norms and ideas. Reality is constituted by meaning, which it gets through the concepts, interpretations and structures that human beings construct. This is why social constructivists reject the idea of value-free knowledge (Kleppstö, 1993). This is something we have to have in mind when interpreting, especially when it comes to analysing information from interviews. It is the individual's social construction of reality that is expressed in the interview situation (Barlebo Wenneberg 2000). Other individuals might construct it differently.

When it comes to documents, we also have to consider the use of historical methodology, including evaluating and criticising sources (Jarrick & Söderberg 1993). Texts provide us with complementary information along with the interviews and observations. But they must be treated with a critical eye. These include internal and external documents issued by the companies, e.g. ethical codes and policy documents, as well as articles, analyses and books covering relevant aspects of our research problem. Documents we find that refer to the company can be used as sources of knowledge. They could be regarded as remnants of earlier processes in the organization and they bear witness of activities in the past. It gives us an opportunity to follow the transformation of the organization over time in the longitudinal study that we are performing.

This means that we are inspired by ethnography, social constructivism and historical methodology but to a different extent for the three methods of collecting information. We have different main sources of methodological inspirations, even though they overlap. (Figure 3)

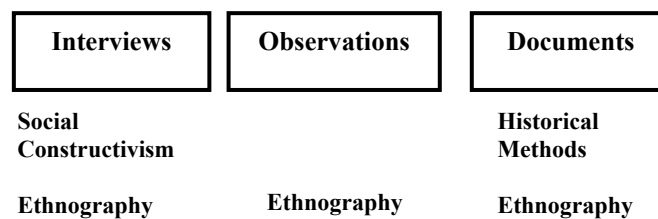


Figure 3. Main sources of methodological inspiration.

#### 4.3 A longitudinal study

Ethnography is by definition a longitudinal method with a process-based understanding of organizational life (Rosen 1991). It is important to focus on flow and interrelationships of behaviour and action and not only use data to obtain a snapshot view. We visit the companies and try to get an idea of the life in the organization. We conduct interviews with managers, experts and ordinary workers. We make direct observations when walking around the premises looking for symbols and incidents that are of interest, studying both people and the environment. We also gather documents of different kinds, for example organizational charts, mission statements, instructions or maps of desired company-values. We do not make participatory observations, nor do we live as natives inside the organization for a longer period of time. But we do follow the organizations in a longitudinal study for a year or two by returning to the organizations for follow-up studies. We then conduct additional interviews with new people in the organization and sometimes re-interview people we met last time.

This gives us a chance to reform our general interpretations and to study changes from last time we were there. It gives us a deeper understanding of the process of change. We also remake the interpretation several times after having had feedback from the interviewees. Meeting interviewees again and going through our interpretations provides new information and updated interpretations. The interpretations then develop over time, becoming deeper, richer and more relevant to the studied organizations. Using a range of methods helps us perform a longitudinal study. From interviews, observations and documents we obtain information of the integration process and the changes it brings. By studying documents, we can go back in time and see what the characteristics were of the organization earlier. Also, we can ask interviewees for narratives from the pre-merger period and compare these with documents to construct a picture of the pre-merger life of the organization. Hence, we have two longitudinal aspects to our approach. First, we repeat interviews, make observations and collect documents at approximately six monthly intervals. Second, we have access to documents that predate the merger and we also have narratives from the pre-merger period. (Figure 4)

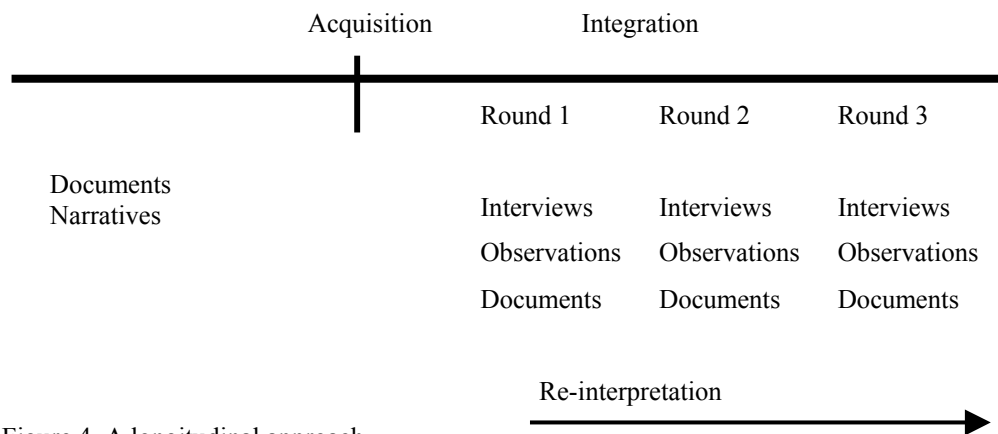


Figure 4. A longitudinal approach.

#### 4.4 Interpretation

Interpretation is central to our hermeneutical approach. But of course, interpretation processes always risk bias and coping with the hermeneutical circle is not always easy. How do we actually know that our interpretation is true? Alvesson and Sköldbberg (1994) claim that to hermeneutics this question is based on a misunderstanding since it assumes the correspondence between a statement and reality. Within hermeneutics, the traditional correspondence theory of truth is brought into question. In some sense this has to do with the situation we find ourselves in when studying something. We are not trying to establish a mathematical truth or something close to it. Instead we want to understand a hermeneutical situation (which we are part of ourselves) by means of interpretation, a situation that is in constant flux. What we can hope for are well-founded interpretations with no claims of representing objective truth since other interpretations are possible. The dividing line between good and bad

interpretations should rather be internal coherence and consistency. This means that our interpretations should have value in a pragmatic and contextual sense.

We have to carry out the interpretation at several levels and not only be satisfied with our first impression. We use three levels of interpretation (Alvesson & K ping 1993, Alvesson & Sk ldberg 1994). At the first discursive level we describe what we see and learn without problemizing the information more closely. On the imaginative level we look for the meanings of different actions and languages. On the level of action and relationships we look for the patterns and structures that the different actions form. We have to interpret our material – interviews, observations and documents - on all three levels to gain a high level of understanding of the phenomena through which we can find what the fundamental values of internationalised firms are. On the discursive level we can expect to find concrete expressions, words, actions and opinions, while on the imaginative level we look for symbols and metaphors constructing meaning. On the level of action and relationships it will be possible for us to draw conclusions about the structural and social framework in which the fundamental values are formed. The meanings of different actions and answers will be knitted together to form a pattern from which we can expect to abstract a picture of a culture in change.

One way of updating interpretations is to have informal informants, which we have been lucky to have in all of our cases. They can be friends, or people you know that are working in the organization or close to the organization. They can give you informal information on what goes on in the organization. You can discuss interpretations with them and get help with conclusions. It is a way of getting an alternative explanation to the one given by the respondent and it gives you a chance to see the contradictory and the ironical. These people have also helped by giving us access to the organization, introducing us to senior managers and bringing them on board to co-operate in the study as well. In all cases, this has been done informally without having a long decision process involving senior management. This has been an advantage as it makes it easier to work in an informal way in the organization if the project is not seen as controlled or initiated by the management. It is easier to be a ‘fly on the wall’ if you are regarded as a friendly researcher instead of a consultant working for senior management. On the other hand, we do try to keep in mind the obvious risk of being too influenced by the views of the informants. We must therefore balance those views with other impressions as well.

This has been especially important for us, since we are interested in the changes people have undergone in the organization. That is, we do not look upon the changes from a strategic perspective from the view of the management team. We are interested in changes for the company’s co-workers and their reactions. The division between the co-workers and the management is important when it comes to things like values, virtues and culture. Jahoda (2002) points to the importance of being clear about whose culture you are describing. Is it the managers’ view of how the culture or is it the culture as formulated by the co-workers? The managers’ views are not always the same as those of the co-workers. Rather, management may want to impose a culture in the organization that it believes is



instrumental for the company's purposes. As researchers we are more interested in the expressions of cultural change in the organization, and not the managers' view of culture.

## **5. Earlier presented cases**

We have studied two other cases before the present case. These two cases, as well as the forthcoming studies of two more companies, constitute the raw material of our complete study. We do not yet consider these initial studies completed. More work has to be done on interpretation and contextual analysis. However, it is of interest to mention something about the major findings so far.

Our first case, Case A, is an Internet consultancy firm that was acquired by a German competitor. From being a small firm run by a few enthusiasts, a much larger costume had to be put on. The acquisition implied that the firm ended up in an international group within a growing and dynamic line of business. New demands made themselves felt. E.g., a report system was imposed, implying much more reporting to company headquarters. This has changed the work content of many co-workers. Several of these have quit their jobs. An inner circle of important bearers of culture, i.e. a number of persons that were prominent within the company before the take-over, left the firm. A shift in identity could be seen in the company due to the fact that the "insiders" left the company. The financial difficulties have been dealt with harshly. Job-cuts have also been made. Although some people within the Swedish firm haven't had much to do with the Germans, many of them claim to have a feeling of estrangement to the new owners and have disclosed anxiety as to the consequences of the new ownership. In common projects, cultural differences have made themselves known. E.g., the Germans are seen as more meticulous in everything that they do.

Our second case, Case B, is a firm within the engineering industry, situated in the western parts of Sweden. A couple of years ago, it was taken over by an American competitor after a long history of belonging to one of Sweden's oldest and most famous industry groups. However, since its business was far from the core activities of the Swedish group, the firm felt neglected by its former owners. The Americans have been cautious not stir up feelings. A "bridge-builder" was sent from the U.S. to function as a link between headquarters and the new subsidiary. No major re-organizing of the firm has taken place, but the demands on financial reporting have become tougher. Along with American standards, a much harder control of company finances has been imposed. Reports are now to be more substantial, adapted and frequent. Management as such seems to have become somewhat more hierarchical. Critics say that the Americans always communicate with the boss instead of the employee handling the specific issue in question and that communication becomes unnecessarily ineffective when information is received only through the nearest superior. Board meetings are now held in English and the atmosphere at meetings seems to have changed. The Swedes have had to adapt to American working-hours, meaning that many of them have to work later in the evening in order to be

accessible for the Americans. The concessions as far as the time difference is concerned are made by the Swedes.

## **6. The case – Case C**

### 6.1 Observing the company

#### 6.1.1 History

The firm that we have been studying for about one and a half years was acquired by a British competitor belonging to an American listed conglomerate around three years ago. Before that, the Swedish firm had gone through several drastical changes. It started as a small firm with a charismatic leader a couple of decades ago. But as the years passed, ownership was widened as a number of private investors came in as partners while the founder left his position. During this period, the firm's business developed from being limited to research to more extensive consultancy services within management. In the mid-90's, the entire business was bought by a Swedish investment trust, and became a part of a larger group whose business was far distant from the one the firm had pursued so far. The new owners merged their new firm with their own firm within the same line of business, a measure that caused clashes and grievances. Around the turn of the millennium, however, the Swedish owners were able to sell their business to the British firm at a substantial price.

#### 6.1.2 The premises in Stockholm

In Stockholm, the company is situated in very nice buildings in one of the best parts of the city, close to the very centre and close to green parks. The offices are placed in a part of a historically well-known huge building. The reception is really modern and furnished in a light Scandinavian design. The reception desk is staffed by two receptionists, young and nice looking women. You get your nametag printed out from a computer in the reception and the person that you are supposed to meet always picks you up. There are two groups of chairs and tables for guests to wait at. There are daily papers to read while you are waiting. You really get an impression of a modern knowledge intensive company.

Inside there is more of a chaos. First you pass the coffee machine in room furnished as a cafeteria with a bar to sit at when having your coffee. You can choose from espresso, cappuccino and lots of other types of coffee. When you enter the rooms where the consultants are sitting you see a lot of small rooms with glass walls and doors that you push aside when opening them. The rooms are quite small and you also see other desks placed a little everywhere. They are often piles of papers and computer printouts on the desks. There are meeting rooms that you pass when you walk through the offices. They also have sliding doors and there are whiteboards on the walls that seem to be frequently used. There are also papers and printouts, magazines and brochures lying around in the meeting rooms. When you

pass each department you have to draw a card to get inside the next room, so there seems to be a system for security preventing outsiders to walk around as they like.

### 6.1.3 The premises in Smalltown

In Smalltown, the company has found interesting and representative premises in an old factory, built in 1948. Above the entrance door there is a sign with the old company name, not yet changed into the new name of the global company. It is situated in a quiet place in the outskirts of this little town in the southern part of Sweden. The surroundings are picturesque and the town centre lies within walking distance. Some cars are parked outside the building. There is no reception when you enter the building. There are about 320 employees working here, about 80 full time, and there is not even a local switchboard here, all calls are connected from Stockholm. In the first floor we first see the department for goods, sending and receiving packages of different kinds. This is a big room with working benches and desks spread around it. There are no special office rooms, just a landscape of desks. Here we see questionnaires lying in piles, ready to be sent away to target groups. We see used packages thrown away in smaller containers. Everything is very neat and tidy and seems to be in a very good order. The room is very bright with good lightning and sunlight coming in from big windows. It is arranged so that the trucks can back up very close to the doors of this department so that they easily can be loaded with goods or leaving postbags.

The room for making telephone interviews is also furnished with desks in a landscape. These rooms, two connected to each other, are really big. The desks stand in formations. Each place contains a computer and a headset. They are separated from each other through a small movable office wall. The managers of this department are sitting at a bigger desk, in front of the others on a little plateau. This means that they can look down slightly on those interviewing people over the phone and control that everything is going smoothly. It looks somewhat hierarchical. Upstairs on the second floor there are smaller office rooms in two corridors. The doors are open into the rooms and there are windows making it possible to see into the rooms even if the door is closed. There seems to be an open atmosphere even though this is the place for local management. In one corner room is the department responsible for paying salaries, they do that for the whole Swedish part of the company.

### 6.1.4 The premises in London

In London, the office of the English company is situated in the very busy centre of the city. It is located in a big white impressive house. The reception is guarded by two or three receptionists, immediately noting your presence when you arrive, asking you questions and serving you. The reception is a rather intense place where a lot of people come and go. This day, a group of three is working on their portable computers as they wait in the reception. There seems to be a high stress factor among all the people waiting. On the inside we see only some closed rooms. The interior does not at all match the exterior and the reception. On the contrary, it looks a little shabby with grey office walls and narrow corridors.

We see a meeting room without any windows, sparsely furnished, but equipped with a camera and a TV for videoconferences. We are not allowed to see the whole office due to restrictions. You get a feeling of being inside a modern efficient factory looking good for customers but maybe not for employees.

## 6.2 Meeting employees in interviews

### 6.2.1 Impressions

At this stage, fifteen interviews have been made with persons in Stockholm, Smalltown and London. In this account, we shall focus on how these persons have experienced the acquisition. Special attention is paid to how the new owners are perceived, cultural and leadership issues under the new regime, the new organization, changes in work content, the new roles (including self-perceptions) that come together with the acquisition and, finally, stakeholder development. At this stage, the impressions are presented as “raw material” on a discursive level. Further interpretations come later on.

### 6.2.2 The new owners

One of the seniors of the Swedish firm claims that the British firm was the natural choice when the old owners wanted to sell. “The British firm was a very natural choice to us, the possibility that we had considering the old owners”.<sup>1</sup> The choice was about being acquired by a global firm or joining an international partnership, which was deemed much more complicated, since an alliance is usually hampered by its members different objectives and purposes.

“The reason for looking for an international partner...is that we are beginning to get some big international customers. One example is a Swedish multinational whom we have worked with in 60 countries now”, C.K. continues. The international range of the buying firm was impressive. Obviously, the international limitation is gone after the acquisition. “Now we have a competent and financially strong buyer that knows the business, which our former owners didn’t.”<sup>2</sup>

But critical voices are heard: “They had a bad understanding of what they bought, and it went very fast too. They hadn’t done all the analyses that I think they should have done before the acquisition.”<sup>3</sup> The interviewee continues by pointing at what the Britons didn’t know or like about the Swedes: “They thought we were lousy at reporting, which we were, since we didn’t have their systems...Then we charged to high prices and worked with methods that pushed prices upwards.”

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<sup>1</sup> Interviewee C.K.

<sup>2</sup> B.M.

<sup>3</sup> D.X.

At the Smalltown branch, a manager remarks. “The ones in London are the ones really governing. But it’s also like a network where you meet very nice and sympathetic people that have tough jobs but still are very warm human beings.”<sup>4</sup>

In England and in the rest of the world they interview people...but taking one step further and putting the consultative aspect into it still remains a step for them to take...But on the other hand they are better businessmen than we are here at home.”<sup>5</sup>

But in general, the picture remains positive: “At least to me it was like a champagne toast, now we had been bought, fun, some reawakening”.<sup>6</sup> He continues: “Their primary strength was that they were represented in so many countries around the world. And the thought was that we could take advantage of their customers and sell our things. That was a very positive part, as was the fact that they had lots of concepts and products that we could sell on our home market.”

For some, the relationship to the new owners remains limited: “What you can talk about concerns financial matters. ‘They are not content in London, what do we do about it?’ ‘What happens if we don’t sell?’”<sup>7</sup> “Above all we have got M. here from Germany, and he is competent”, she continues. M. is mentioned by several interviewees. His personal presence becomes a visible sign of the new parent company. “One of the reasons why people had a rather good perception of our parent company when I came back, was...that we took M. over here to work with us...It is really about making a person visible so that you get personal contact.”<sup>8</sup>

### 6.2.3 Culture, leadership and organization

The picture of the Anglo-Saxon culture and leadership is multifaceted. It also contrasts the perceptions of local culture, which is not necessarily a uniform phenomenon: “Well, the English and the American culture is not like the Latin, but still, it is a bit more macho, more from top to bottom, I think.”<sup>9</sup> As a contrast, an executive claims: “It’s about values like getting competence and respecting others. There is no ‘from the top thinking’ in their firm. Rather, it functions like a network where there is a democratic culture where you ask who knows what and what can I learn. The culture of learning, that is. Working closely with the customers is a basic value, creating partnerships and developing products and concepts together is a basic rule...Then there may be empty rhetoric, like ‘passion and inspiration’, and I can buy that, but the most important thing is how you treat people, mutual respect internally and against customers, being serious but also having fun.”<sup>10</sup>

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<sup>4</sup> K.T.

<sup>5</sup> D.X.

<sup>6</sup> D.L.

<sup>7</sup> K.S.

<sup>8</sup> D.X.

<sup>9</sup> C.K.

<sup>10</sup> C.K.

“The English are very correct and very competent, I think. But I haven’t had any real relation to them, so I don’t know. But it feels as if they are very specialized. You know your thing and you have worked on it for a long time and so... But that is perhaps only the people I have met.”<sup>11</sup>

A person with experience from the international headquarter of the parent company remarks: “A part of their national culture was that you could go down to the pub and drink two, three, four beers and then go back to work...You always went to the same pub on Fridays...perhaps one hundred people from work...You did lots of more things with your work mates than in Sweden. Here, we must have our company parties at Wednesdays because on a Friday, people are going home to their families and have no time to join.”<sup>12</sup>

Some of the employees also have a feeling of increased hierarchy, like A.E: “If you think about corporate culture, it is much more loose here and you can go to your manager and say what you think. It is more flat here, which I think is positive. It is more hierarchical in England. Why should I go here and be afraid of my manager?”

Also O.E. expresses this: “They are more hierarchical, they think more hierarchically. That was very surprising, we had such a flat organization.”...”It is connected to the role you have. If you are executive you do this, if you are an ordinary co-worker you do that. They had a hierarchical ladder you could climb. We just had a manager and a lot of co-workers and the poor manager did not have time enough and all around him complained to him that they did not get enough development”

On British soil, the hierarchical feature was manifested to a Swede: “Once we walked around in the English offices with some of the managers showing us around. We shook hands with those that were a bit higher up...But then we past one low-salary department...and then our guide just pointed with his right hand, hardly looking, saying that ‘these are the ones working with the PowerPoint parts of production’, and then we went on.”<sup>13</sup> He continues: “It was also shown in other ways, like in remarks from people reacting to the fact that I was at headquarters having a good dialogue with our executive for European business. ‘But are you really talking to him? He is such a high boss.’”

“They are much more hierarchical in their leadership style. What can I say more? In general, everything there has a very low standard, everything from the offices to computers and how you do things. It’s also more specialized. They are very good at what they are doing but they did it within a very limited area.”<sup>14</sup> Our informant continues, referring to the low standard. “...the work force is very cheap. To perform simple tasks you don’t need advanced systems in order to manage production. You can let people do that instead. A sort of slavery, we would say in Sweden.”

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<sup>11</sup> K.S.

<sup>12</sup> D.X.

<sup>13</sup> D.X.

<sup>14</sup> D.X.

A younger project manager gives another picture, referring both to the days before the acquisition and after it: “Young persons joining us have a rather tough time, or have had it. When I began here, we were ten, eleven or something...and today I am the only one remaining, perhaps someone else remains to, but the rest have left the firm.”<sup>15</sup> Our informant identifies the older and more experienced co-workers as the brake-blocks signalling “no, we have tried that before, it won’t work, we can’t do that.” He continues: “They row you out in a boat, push you into the lake and then they check if you can swim or not. Then it got even worse for those who joined us later on. They had to row the boat themselves and the ones who could swim came back to shore and had to grab some senior telling them that he or she had been out swimming.”

Cultural clashes had existed before the Anglo-Saxon takeover. The former owner, the Swedish investment trust, “appointed administrators, and then we can really talk about a cultural clash, and installed an administrative system that was run by these newcomers who represented the investment trust and then we had our knowledge intensive firm building on networks and competence...The cultural clash was a thousand times worse then.”<sup>16</sup>

The more ‘direct’ culture of the British is emphasised: “I mean, they say directly what they think...They think it should be like this and say it...they mean that they are right about it. A Swedish boss is more like one who thinks and then comes back in some way or the other.”<sup>17</sup> The Swedish managers seem to have adopted this style. Our informant continues: “I experience that Swedish executives have changed...and say more what they think.” This prompts reflection: “I have been thinking of this lately, that I have to stop for a while to find myself again, the one I used to be. There has been much of pointing with your entire hand lately...” Roles are accentuated in another way among the British: “Their managing director and CFO are usually strong figures...Often they have the role of good cop and bad cop.”<sup>18</sup> The role of the managing director is to personify a good culture while the CFO is hard on figures.

The focus on finances is notable: “Finances run everything...You always count the margin per employee. Everything is being counted financially. Not really a bad thing, but there is so much focus on it, much more than in a Swedish company.”<sup>19</sup>

One assistant without university education describes the prevailing culture as academical. “Everybody has studied, statistics and such things...I wasn’t employed because of that, but because I know things about brands and marketing and so...” She continues: “It’s rather stiff, rather boring...not so young, but it varies between different business areas. But there is an attitude of ‘this we have always done and

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<sup>15</sup> D.L.

<sup>16</sup> C.K.

<sup>17</sup> K.T.

<sup>18</sup> D.X.

<sup>19</sup> K.S.

will always do...’ New things are a bit frightening, but that has nothing to do with the new owners, rather the contrary.”<sup>20</sup>

One co-worker describes the Anglo-Saxon style as, in some cases, more casual than the Swedish one, at least with more excentric expressions. Adaptation can also be linked to a Swedish national culture: “It’s almost more of that in Sweden, that we have our national culture and that you have to fit in, that you shouldn’t get on the wrong side of somebody, you’re supposed to wear, perhaps not a tie, but at least a jacket when you meet a customer.”<sup>21</sup>

The quality of home country facilities is emphasised: “If you come to countries like Denmark, England or whatever, then it is not uncommon to find people sitting in some smoky corner making interviews. Sweden is different in that sense, because we have lots of laws for occupational health and environment, and then we have our own agreements about that.”<sup>22</sup>

But there are also cultural differences between the facilities in Sweden. A person from Smalltown claims: “We are not really like the people in Stockholm here...I think we work in a more relaxed way and resolve our tasks in some way. We don’t get excited that easily. It happens, but not very often.”<sup>23</sup> He continues: Freedom and responsibility would be our hallmark. To some extent we are mates, many here see each other after work and so, we are like...sympathetic.”

#### 6.2.4 Re-organizing the firm

Four business areas are being co-ordinated in another fashion than before in order to create synergy effects. The sales process has become much more emphasised. “We have had no real sales organization before. We have been used to being recipients of orders from customers. They have called us and told us what they wanted and then it has just gone on.”<sup>24</sup> The organization has become much more customer focused, meaning that the co-workers are organized in a key account system with strong customer focus.

A big project that has been introduced by the parent company aims at reducing the number of customers into an edge consisting of 100 firms with big profitability potential. The focus on financial reporting has become much stronger. The frequency of reports has increased dramatically, down to weekly or even daily basis. This explains the tremendous pressure on the financial department. “Well...along with the improvement of the financial department, every business area has got its own controller supporting this area. This means that a business area manager doesn’t have to devote so

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<sup>20</sup> K.S.

<sup>21</sup> D.X.

<sup>22</sup> K.T.

<sup>23</sup> K.T.

<sup>24</sup> D.L.



much of his time to solving budgeting and financial problems. This is taken care of in an admirable way by the financial department”, says one senior manager.<sup>25</sup>

In order to save money, some services have been moved from Stockholm to Smalltown. Concentration to areas with lower costs has been the lodestar. Actually, no persons from Stockholm working at the department that was transferred to Smalltown chose to move. New technicians were employed in Smalltown at lower salaries than the former ones had.

Job-cuts have been made in at least three stages. Cost cutting aspirations have tightened the routines for bills. Even smaller bills must be authorized for payment by higher executives. To all this, people react in different ways: “The reactions on our intranet were very childish, infantile reactions.”<sup>26</sup> The reactions prompted reactions: “The worst things with them were that they were written in such a bad Swedish”, our informant continues. Other measures taken were to form a local trade union at the firm. The CEO of the Swedish firm claims that this was done according to the wishes of management: “We wanted a speaking-partner”, he claims.

Some refinements of payment systems have been made: “They don’t like incentive pay, they are taking that away, which is really stupid. Especially in this new environment it could be needed. There are always problems with incentive pay...but it is still worse not to have it, in particular when we have become so big and are working in a more anonymous environment.”<sup>27</sup>

Size and power play a part: “They use their own actions as norm, as something that is right, without questioning it...For example, we have a data warehouse that we have developed ourselves. It cost a hell of a lot of money and is really good. They haven’t decided what to do with it, but probably they will drop it because it is too tough for others to implement it...People here shrug their shoulders at it, realizing ‘what the hell can we do?’”<sup>28</sup>

#### 6.2.5 Work content

Belonging to an international group means going into a more complex system of co-ordination and routines: “Now when we have been bought by them, it means that planning and administration takes over, which doesn’t mean that it’s like a Stalinist bureaucracy...but it’s a bit smarter, like doing it through standardization, e.g.”<sup>29</sup>

Reporting takes much more time and is demanded not only on a weekly, but sometimes even daily basis: “The financial department has more to do now, lots of more work to do. There has also been an

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<sup>25</sup> C.L.

<sup>26</sup> B.M.

<sup>27</sup> B.M.

<sup>28</sup> B.M.

<sup>29</sup> B.M.

enormous turnover of people at the financial department due to the almost inhuman pressure that has forced people to work themselves to death in order to complete these reports and to hand in these figures.”<sup>30</sup> A senior co-worker claims that the new administrative routines are the main thing that has occurred: “That they bought us has meant nothing apart from our being forced to use their routines.”<sup>31</sup>

Organized planning comes to play a more important part. Standardized administrative routines and co-ordinated offers to customers get internal consequences: “We used to have our own budgets and things and incentive bonuses for what we sold.... Then you become a co-worker serving something you can call a ‘key account’...Then you become more of a dependent office clerk, which leads to infantilization. You lose responsibility. In a way it is good, but I don’t like it. It’s boring as hell. But in a way it is good since you know what to do.”<sup>32</sup>

Work content also changes as a consequence of a more sales oriented culture. Salesmanship becomes an important quality. “I thought I would get the chance to work more with brands, but I became much more of a salesman than I had expected from the beginning...It has become focused on ‘okay, now we miss some figures here, go out and sell, sell, sell...’”<sup>33</sup> This business driven culture also affects how you deal with projects and customers: “For example, if you get a new idea, you’re supposed to assign a project number, which we never did before, we assigned it when we had it ready. They want to charge the customer the time for selling and marketing the project now. I believe that’s fairly ridiculous.”<sup>34</sup> The customers are not aware of this new policy. Our informant continues: “They don’t know it...it’s just that, in our area we have like ten contacts before we get someone that swallows the bait, so there’s a lot of waste.” It also seems that the consultative way of working is challenged, although it is claimed to be lauded by the Britons.

The firm has taken over a project initiated by the British parent company, aiming at identifying and developing the relations to the 100 biggest and most income generating customers. This means working your way up the value chain. Formerly, work could be spent on less profitable projects of smaller size. But also methodologically, new ways of working enter the scene: “Well, they don’t talk very much about missing data in our projects. They just do it more like ‘run the projects’”.<sup>35</sup> Another difference may be in the products offered: “I think they have more of pre-packed concepts and products. It’s more like selling a product than we have done before. We have sold much more flexible solutions to different customers, tailor-made solutions, but that is not very British.”<sup>36</sup>

The Swedes have to speak English in the new environment. Lots of English vocabulary is used.

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<sup>30</sup> D.X.

<sup>31</sup> B.M.

<sup>32</sup> B.M.

<sup>33</sup> K.S.

<sup>34</sup> B.M.

<sup>35</sup> K.T.

<sup>36</sup> D.L.

“You have to speak English sometimes. It is rather amusing to see some well-educated people being at a loss for what to say. Being tourists once a year doesn’t help.”<sup>37</sup> You also have to adapt to new things. “You should be able to adopt new products”<sup>38</sup> Personal skills that are emphasised are the ability to learn and adapt.

The budget process has become more crucial. One manager remarks: “Well, we used to construct a budget...that was never questioned...Then they came in and now it has to pass different scrutinies...The process gets longer and you have to start the budget process earlier. Then you get feedback almost instantly.”<sup>39</sup>

#### 6.2.6 New roles

Criticism is heard against the drainage of work content. “There’s a longer distance between the individual co-worker who in reality does the individual work...and the ones running the project...This will become clearer in the long run...You lift off responsibility.”<sup>40</sup>

A manager in Smalltown remarks: “I used to do almost everything myself, like running the economy and all that stuff... But today I don’t run the economy, a controller does that. We have so much of reporting to our parent company today, and you are not capable of doing that alone today.”<sup>41</sup>

Self-perceptions may change as the new international identity becomes clearer. “I don’t think people in Sweden have understood how much there is abroad...When you know their product you can go virtually wherever you want...One of my mates is on, as he puts it, vacation in Australia, but would stop at the Singapore office...to see if they were interested in his moving there. South Africa has gone out asking for people. America always wants people. In England, a couple of the managers have asked for Swedes to come there to work.”<sup>42</sup> Another person adds: “If I wanted to go to England to work for two years, they would surely arrange it for me”.<sup>43</sup>

Not only opportunities arise for those who so wish. Self-perceptions seem to be challenged: “We were market leaders in the Swedish market and to some extent also in the entire Nordic market. Then you think ‘we are the best, strongest and most beautiful’. But then you end up in an organization where you

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<sup>37</sup> C.K.

<sup>38</sup> C.K.

<sup>39</sup> K.T.

<sup>40</sup> B.M.

<sup>41</sup> K.T.

<sup>42</sup> D.X.

<sup>43</sup> K.T.

have to work against the London organization, where they think that England is the place where they are the best.”<sup>44</sup>

### 6.2.7 Stakeholder relations

The merger has meant changed relations to stakeholders. As A.E. puts it, a Swede who has worked in London for some time but who is now back in Stockholm. “The higher economic demands have affected suppliers of course. They have had a much tougher partner to negotiate with. .... We have been very careful because we have to know a lot to explain things to London, which means that we push on much harder and make a good deal out of it all”

Some of customers have to understand they are not as important as before, the smaller customers are not wanted any more, tells R.A. “We have now a much stronger focus on sales. Before we more revived orders, the customers called us and ordered surveys. Now we have to focus on the sales process and a new project Play At 100 was introduced. We were supposed to cut down from about 500 customers to about 100 customers. ... We had a long tail of small customers that just cost us money and we were supposed to cut them off and focus on bigger customers instead.”

The employees were supposed not to receive any increase in salary at all. A.E says: They have an extreme check on us now. They have told us if we make a profit this year, they will give us more freedom. We are not allowed to buy anything, almost. You do not get any raise of the salary at all, or almost nothing. They wanted to stop all raises last year. I felt it was really greedy.... I know that our CEO fought hard for us to get just little higher salary. It was not easy”

There has been more focus on financial reporting and on shareholder related issues. This is partly due to the fact that the American group owning the British parent is listed on the New York Stock Exchange. “There is a greater economical focus that comes from the listing on the stock market. You have to deliver ten or fifteen percent or what you have promised in the prognosis. It makes the British CEO to have a row with the European Manager that in his turn goes to our manager, that tell his department managers and they go after us so that results meet the expected”.<sup>45</sup>“There is a structure of reporting within the company that has to do with listing and that you have a boss that counts every krona and öre and has made a fortune by doing that”

Also V.E. discusses the financial reporting: “We have controllers from the whole world running around in the house”... “The financial department takes order directly from London and not from the Swedish Organization. It is a difference compared to before, then we had nothing like that. This part is now very

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<sup>44</sup> D.X.

<sup>45</sup> AE

important and they are extremely focused on the financial reporting and the finance people are very central in this organization”

### 6.3 Reading about the company

#### 6.3.1 Introduced symbols

The new company has after the merger introduced a set of symbols in the organization. These are expressed in pictures that are on display in brochures, posters and at business cards. You can see these symbols in various places in and around the organization. We could see them hanging on the walls at the offices in Stockholm and London. There are four different kinds of symbols. They consist of two pictures, one broad picture and one of a detail in the other picture. One above the other. They are representing the whole and the part. That is, the company, when it does a study, looks at the details but also gives the customer the big picture. They put the details in a larger context.

The symbols do not have a specific meaning. But within the firm there is a discussion about what picture people actually prefer. For example, customers can be offered to take one of four types of business cards and then there can be a discussion around the one that was chosen. Internally, there have been some studies made about what kind of people that prefers a certain symbol, like, for example, if male managers prefer the water pictures and if younger women prefer the yellow roses.

#### 6.3.2 Official Presentation

In documents on the Internet we can see how the company officially presents itself. It is a company that: “works with clients to help gain a better understanding of consumers and customers, solve problems, and develop the knowledge to create successful brands and businesses.” And also: “Whether in one country or throughout the world, our people learn from each piece of work to help build a more complete picture of the people who buy – or who could buy – your products or services. We help you to know your world.” And further: “Our job is to give clients the knowledge they need to prosper in a new and difficult world.”

On the Intranet the company’s official values are presented. The values of the global parent company are “passion about the world”, “hunger for knowledge”, “co-operation for excellence” and “innovation”. The role of the company is expressed: “We co-operate in understanding people to empower our clients to create and maintain competitive advantage”.

### 6.3.3 Presentations before the merger

In a document from before the merger the former organization's values are presented. Values are according to the document something that is central for the organization: "The core in a company's personality is its values. The values are guidelines that are consistent over time and are something that is not to be compromised with for short term gain or financial gain"

The values described by the company at that time were "integrity and respect", "customer focus and business orientation" and "creativity and co-operation". These values are described in more detail. Integrity means for example to: "Stand up for your own and the industry's ethical and moral guidelines" and "To stand up for your professional conviction." Respect is for example to: "Have respect for customers and colleagues" and to: "Respect individuals' integrity and that people are different". Customer focus is to: "Do the best for the customer and to help the customer to be successful". The company is supposed to be "Proactive, to listen and to be flexible towards customers." To be business oriented is to: "Do business with customers in such a way that we have a profitable company with growth that brings development to customers and owners." To be creative is among other things to: "Have a passion for change." Co-operation is "A belief that competent individuals in co-operation makes better results" and to: "Co-operate between departments to create a higher value for customers" and to: "Evolve customers to strengthen relations and mutual learning."

## 7. Analysis

### 7.1 Changes in relations to stakeholders

It seems that there has been some kind of shift in stakeholder relations after the merger. Many of the persons interviewed bear witness to an increased focus on things that can be seen as shareholder related. That is among other things an increased financial reporting to meet the standards of a listed company. There is an increased focus on keeping the promised results according to the prognosis given. It is possible to identify conflicts in the economical department about the quicker and new way of reporting. The lack of understanding of the problems for employees of adjusting to the new order also indicates the importance given to financial issues by management. A new financial rationality has been introduced.

In addition, we can see an indifference from top management to worsening relations to others stakeholders. Smaller but former loyal and reliable customers are not wanted anymore, at least not unofficially. Suppliers face tougher negotiations and a pressure to lower prices. Employees are asked not to expect any higher salaries before they have improved the financial performance in the Swedish subsidiary. The tradition of higher hierarchy makes the management less sensible to employees' wishes and thoughts, the possibility to have a say and influence management decisions has become smaller.

Of course, you can argue that these changes are also due to a worsening economic business climate in general and might not have occurred if times had been better. Also, you can argue that these things always happen when a small company enters in to a larger organization. But you can also argue that following a small company merging with a global company in bad economical times clearly shows what is at stake for the acquired company.

## 7.2 Legitimation and internal relations

There are a few critical aspects that seem to be of importance for the internal climate and the internal relations of the firm that we have studied. Acceptance (in a wide sense) of the new owners doesn't follow automatically, but critical factors can be identified.

Senior management within the Swedish firm seems to emphasise the global possibilities that the acquisition gives rise to. To be able to compete you have to be an international player. The British ownership actually offers this opportunity. This is also accentuated by lower level co-workers, who stress that you actually have possibilities to go abroad if you want to. Even though only a limited number of the employees make use of this opportunity, nobody claims that expectations come to nought as far as this aspect is concerned. This is a factor facilitating legitimation, and most probably internal legitimation of pragmatical kind. Professional and occupational ambitions linked either to the firm or your own career may materialize, implying a sort of acceptance of self-interested kind. This aspect actually facilitates relations with the new owner and provides air to breathe for those in the Swedish firm with a strong international outlook.

Words like infantilization and lost responsibility signify drainage of work content. Normative legitimation would probably demand correspondence between actual work content and normative ideas about what a meaningful job should contain. Dissatisfaction has made itself known, not only because of changed work content, but also as a result of increased work-loads, at least at the financial department. Several people have left the firm voluntarily and gone to other jobs. Less emphasis on consultative work and more focus on standardized products and concepts are also mentioned as complicating factors. These items certainly have a negative impact on how the acquiring firm and the management that has to implement all this are perceived. Legitimation does not take place and dissatisfaction spreads.

However, exogenous factors play a part. The world economy is in a trough and times are hard. This means that the financial argument for tightening things up gets stronger. Generous offers to people who leave the firm is a measure taken that probably mitigates the anger. Although not without reluctance, the strong measures are understood. Some reactions are, however, described as infantile. Internal

legitimation of the measures exists as a consequence of external pressure. People rationalize actual events and start seeing them as inevitable.

Professionalism seems to facilitate the take-over. Most of the employees and executives laud the competence of the British firm. The persons that the Swedes meet seem to know what they are doing and they are good at it. Professionalism is a value that is recognized as important and in line with how people want a firm to be. Normative legitimation follows.

Hierarchical leadership styles do not seem to be preferred or wished by the Swedes, being contrary to the held values about equality and flat organizations. But power talks. The Swedes seem to realize who is in charge and adapt to it. Once again, normative legitimation does not follow naturally, but in a process of rationalization, possibly building on self-interest referring to the risk of losing your job, the style gets acceptance.

## **8. Conclusions**

Judging from our case, it is likely that a small firm that is acquired by a bigger firm has to face a number of critical aspects as far as its external and internal relations are concerned. It has to operate in a new setting where it is peripheral compared to what it used to be. Its original stakeholders will, as a consequence, be more peripheral than they used to be. The stakeholders of the acquiring firm, notably its shareholders, will come in and play an important role. Size plays a part, also as far as customers are concerned. A global firm has opportunities to serve global customers. Big wants big.

On an internal level, several aspects influence the climate. For the acquiring firm and, most possibly, the local management, the relational aspect is crucial. Legitimacy for the use of power is gained from good relations and the provision of a context that is correspondent with the co-workers interests and values. Cultural clashes arise, but it is not necessarily so that the worst clashes must be due to different national cultures. In our case, earlier clashes under the old Swedish ownership are described as much worse than the ones following from the international acquisition. Professionalism plays an important part for a buyer as a means to acceptance. Financial difficulties create a climate where figures work as arguments. It is likely that new arguments gain ground as the self-perceptions of the staff in the acquired firm change. The relations to your owner and your acceptance of their measures are marked by the new inferiority that befalls you when you go from being locally big to globally small.

Adding up interpretations of case C with findings from case A and case B, we can suggest some common features. There seems to be an increased focus on shareholder related issues in the acquired organizations. This can be seen as a new financial rationality emphasising financial reporting and financial control systems. Also, there tend to be an increased hierarchy breaking with the Swedish tradition of working in participatory processes and with consensus about decisions. There are some



signs that the Swedish organizations are adapting to a more hierarchical “Anglo-Saxon” culture. Individuals might be imitating the behaviour of their new managers, adapting to the expected behaviour. Probably, this also implies a change in the way that the employees perceive of their organizations.

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