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# **Local Management Response to Corporative Restructuring: A case study of a Company Town\***

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## **ABSTRACT**

This is a case study of top management in a Swedish pulp industry at Skutskär. After decades of proactive response to change, starting in 1976 the pulp industry experienced a rapid and significant restructuring. In 1992, and after a prolonged hold on local investments, came a large-scale investment with major labor reductions, which created a local crisis. The aim of this study is to analyze how top managers of a local business plant perceive and explain their citizenship relationship to the community of the company town during a transition period from 1976 to 2007. Our study shows that too much reliance on top management cost reduction requirements and not caring, or underscoring, local social concerns created gaps and local stakeholder distrust. We discuss how prolonged distrust of the company to bear social responsibility ended up in a broken relationship between the company and the local community. Our case indicates at least two problems that must be handled for successful corporate citizenship. First, the traditional control-oriented management view is too narrow and not adjusted to today's citizenship reality, including how to handle corporate social responsibility. Second, we can see a possibility where the conceived needs on a global corporate level may lead to situations to obscure local needs and consequences.

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## INTRODUCTION

Globalization and increasing competitive pressures have accentuated the corporate need to cut labor costs and speedup productivity gains. Different studies have illustrated the economic consequences (Gibbs, 1993; Hurry, 1993) as well as the social consequences (Bowdich and Buono, 2001) for the heavy industry of such strategies. Until recently the latter has appeared as a public urgency, and the pressure on business managers to take responsibility for social consequences of business actions, is increasing (Johnson and Greening, 1999). This trend is evident in Sweden, a country with a long tradition of state involvement and far-reaching responsibility of social tasks. Increasingly the Swedish government has imposed rules and also put pressures on the business sectors, to take their share and responsibilities for health care, job replacements and environmental control. Scholars addressing these problems present arguments promoting increased, explicit, and targeted efforts for an enlargement of corporate social responsibility (CSR), based on general business and profit motives as well as a response to social expectations (Googins and Rochlin, 2000). Looking at cases of proactive business efforts, van den Berg et al (2004) find support to these arguments and also list several reasons which either favor or hinder the development of social collaboration.

Corporate citizenship is considered as a possible ideology to handle the complexity of increasing competition, conflicts and power imbalances in the society (Googins and Rochlin, 2000). Corporate citizenship (CC) refers to the legitimacy level of responsibility from how society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it (Wood, 1991)". It is important for corporate firms to become accepted and looked upon as citizens in a similar way as any individual; a relationship where corporate managers proactively and on equal premises are involved in building and maintaining the infrastructure of communities in which they are located. This is rewarding for the business itself as cooperation is likely to be more effective than acting as being apart from local interests (Vidaver-Cohen and Altman, 2000). But the ideal CC built on reciprocity is "still exception rather than rule" which contrasts the traditional patriarchal corporation as giver and community as taker mentality. It also challenges traditional shareholder and profit-only ideology of business management theory (van den Berg et al. 2004) as the discourse in

strategic management literature follows basic rationality principles of efficiency and productivity (Caves, 1992, Bowditch and Buono, 2001).

Vidaver-Cohen and Cohen (2000) stress that the concept of CSR is not a new phenomenon but it has a current implication. To our knowledge the discussion of CC has not been applied or tested on a very differential context of smaller towns with a historical large dependency on one single company referred to as “company towns”. Garner (1992) defines a company town as “a settlement built and operated by a single enterprise”. One special feature of a company town is a long tradition of deep socio-economic relationships between the company and the community. Traditionally these relationships also have been major prerequisites for the development and success of the company and the community (Wheat and Florian, 2003). Because of local infrastructure building engagements, we can suggest that in many places a situation of CC was the case although primarily it was the company who took the most initiatives (Roth, 1992). For company towns, the social consequences of globalization, changed ownership structure and industrial restructuring have been some difficult issues to manage. Managers in these towns face institutionalized pressures of a local community to enhance, or at least continue to preserve, a local vitality. Taken together, traditional relationships have created a number of expectations of shared interests from the community on the company and its management, but mainly as a hidden agenda.

Many researchers argue that social actors constitute and shape the structure of organizations (van den Berg et al, 2004). However, researchers and practitioners disagree whether if and how management responsibilities should include the needs of the local communities in which they operate (Scott, 2003). Main issues discussed in this connection include companies' responsiveness and ability to separate traditional management conduct from local responsibilities (Moss Kanter, 2003); value of short term uncoordinated philanthropic efforts (Porter and Kramer, 2006); establishment of programs (Vidaver-Cohen and Altman, 2000) and philanthropic strategies (Porter and Kramer, 2002) that support sustainable CSR incentives.

Considering the CSR discussion and the traditional ideology of management, we find there are a number of unsettled questions about how social responsibilities can be a natural part of management. The above discussion offers different dimensions and suggestions to deal with social responsibility problems by the multinational companies. However, these views are mainly based on theoretical arguments (van den Berg et al. 2004) as empirical examples are rare. Our company town case in this study presents a situation where a certain

level of local solidarity and a number of social relationships between the company and society are known and established as a part of the culture. The company has vested a great deal of effort in building good local relationships, although the importance of such relationships has decreased over time. An interesting question here is how local management handles the transition from traditional to today's citizenship requirements by following the guidelines of the multinational corporation.

The aim of this study is to analyze how top managers of a local business plant perceive and explain their citizenship relationship to the community of the company town during a transition period from 1976 to 2007. By presenting a case with a CC like situation we offer a narrative approach for understanding CC sustainability as the local dominant company becomes one of the business units of a multinational corporation. We also investigate how practiced management deals and confronts with the already established social responsibilities during this transition period.

Our study is mainly based on interviews with members of the management and employee unions of a Swedish/Finish pulp manufacturing company, and politicians of the local community. After decades of proactive responses to change, the managers supported a prolonged period of discontinuation of investments and pursued an inactive role relating to local development. During this period the local business plant followed a rapid and significant restructuring program of the multinational corporation by ignoring local need of new investments and social attentions. In 1992, this "no investment" practice finally ended up in a large-scale rationalization with major manpower reduction. The corporate management priority of productivity and cost reductions were, for a long time, preferred to local needs of revitalization.

One significant contribution of this paper is its focus on the company town and the corporate citizenship from a historical perspective into the transition of the local company as a part of the global management. The longitudinal view offers a deep insight on the process of development of the local company from a major success to economical failure resulting communication and integration problem with the local community and the corporation. Further, this study has shown that traditional management practice is not enough to incorporate social responsibility in the changing requirement of the multinational company.

## CITIZENSHIP - PAST AND PRESENT

Although quite recently the interest of CC has increased, the social responsibility discussion is of late origin (Lantos, 2001). Company towns are outstanding in the way they provide early empirical evidence of how companies' social and economic business performance could build long lasting citizenship in local communities (Fishback, 1992). Even though many of the company towns have lost their basic economic role, some of them experience sweeping changes as the traditional local dominant company becomes a part of a multinational company seeking multinational goals and interests.

### *Company Town Citizenship*

In his edited book "The company town", John S. Garner (1992) presents good empirical evidences on how the industrial communities (towns) could be found in countries that embraced "capitalism" during the Industrial Revolution. Between 1830 and 1930 many company towns have established, grew and prospered as an effect of the growth of one single plant and with its roots mainly in the resource based industry (Ahnlund and Brunnström, 1992). The initial poverty, their isolation from the outside world, the prevailing and dominance of one single enterprise has given these industrial towns their unique socio-institutional characteristics (Garner, 1992).

Early, the company town citizenship became marked by mechanical and labor intense production, an overall power distance between superiors and subordinates, and the paternalism of social engagement in infrastructure building efforts and programs. Initially most company towns were owned by a family or in partnership dedicating them great power at work and as citizens in the community as well. Later, this all-embracing power became a management preference associated with leadership position. The resource based industries with high degree of mechanization became soon criticized to foster machine-enslaved workers. Social upheaval, strikes and the outside level criticism against the labor destitution, together with the acute need of labor in production, were some reasons on how the paternalism of company towns commonly extended beyond pure economic incitements (Garner, 1992). Infra-structure activities such as building houses, meeting halls, company shops, schools, and initiating educational and social welfare programs, were voluntarily undertaken by the owners (Ahnlund and Brännström, 1992; Candee, 1992).

Although the social caring of paternalism was intended to reform the social life of workers, it is claimed to have institutionalized a giver and taker mentality that actually hampered labor self initiatives. Most company town studies in Garner (1992) have devoted great interests on early historical evidence and less on how traditional citizenship confronts and deals with the transition into a globalized corporate management system. In Swedish research, some attention has been paid to the consequences of structural crises after labor reduction and approaches finding solutions to new economic conditions (Höglund, 2001). Less attention is paid on how globalization has changed local management and its social responsibility to local community.

### ***Corporate Citizenship –Ideology and Criticism***

Over the last decades, CSR research has paid a great attention to how companies increasingly invest in social programs to “do well by doing good” enriching society in ways that are good for business while increasing shareholder values. The CSR legitimacy derives from the ideal of business and society as interwoven entitles why society has expectation that goes beyond economic performance on corporate good citizenship engagements (Wood, 1991).

The CSR perspective is rooted in Carroll’s (1979) four-part legitimacy definition of CSR categories in economic, legal, ethical and discretionary (also mentioned as philanthropic or altruistic) responsibilities. The legitimacy extension is commonly viewed from shareholder (owners), stakeholder (interest groups) and citizenship (society) point of view. Globalization with variation of citizenship qualifications has, however, increased complexity to handle larger domains of responsibilities. From a citizenship perspective a holistic approach is assumed, paying attention to various stakeholders’ interests and broader society expectations (Galbreath, 2006). As global citizens, corporations are expected to deal with their all constituents, i.e., global, national as well as internal sides of the organizations. Foremost, their main obligations are restricted to localities in which the corporation has an operative presence (Vidaver-Cohen and Altman, 2000).

The CC perspective is *criticized* as an ideology because it is difficult to apply in practical work situations. From the ideal or CC model perspective, corporations and corporate leaders should act as citizen in each community in which they operate (Vidaver-Cohen and Altman, 2000). Business leaders should voluntarily rectify harms and establish sustainable, reciprocal community relations by proactively collaborating in programs and

infra-structure building activities that goes beyond easy-going philanthropic efforts (ibid.). To comply with reciprocity requirements, forward-thinking managers are expected to build up partnership for local community infra-structure (schools, education and training) development and encouraging students' learning activities. Partnership engagements as two-ways process of interaction (Burchell and Cook, 2006) are expected to trace the ways to provide sustainable communities and new business opportunities (Googins and Rochlin, 2000). Especially, in countries suffering from domestic government resources, the partnerships can combine CSR and strategic investment to ensure sustainable business as well as community opportunities (Damiano-Teixeira and Pompermayer, 2007). This citizenship is also reinforced by the European Commission's (2002) recommendation about the positive impact of CSR on business and societies, particularly in the developing countries.

The *criticism* of CC concerns how stakeholder demands often are mutually exclusive, paying attention to the impossibilities in how to treat all stakeholders as being of equally importance. Specially, as in a global context, stakeholders are often judged as being of primary or secondary importance (Galbreath, 2006). Therefore, by discretion, business leaders need to sort out which stakeholder or stakeholder group to prioritize. An inevitable part of citizenship arguments include degrees of stakeholder discrimination - also comprising to which local communities to serve. Studies have also shown difficulties in how to achieve reciprocity in engagements as corporate leaders commonly see partnership efforts as marginal while community leaders are more salient (Boehm, 2002).

The experience of conflicting gains and long-term requirement to fulfill reciprocity engagements have increased the need of CSR formalization in policies, reports and programs. For instance, CC research (Vidaver-Cohen and Altman, 2000) proposes a comprehensive partnership program referred to as "an architecture of excellence" covering a "five-phase cycle" beginning with identification of community threats and ending up in formalized strategies inherent in both corporate and community procedures. CC research also gives evidence to uncoordinated initiatives in CSR efforts undertaken (Porter and Kramer, 2006). In practice corporate leaders are giving priority to selected division and regions, not the corporation as a group. Even if having formalized CSR as the prescribed norm of action, informal practices may be decoupled from formal policies (Westphal and Zajac, 2001).

## METHODOLOGY

In this section, we describe how we have approached to present the case of the local company, its citizenship and social engagements, and the restructuring process it has gone through over a longer period. The local company is located in Skutskär, largest town in Älvkarleby municipality, Sweden and belongs to a Swedish/Finish multinational company.

### *A Time-Serial Research Approach*

In approaching the case by identifying critical events and changed practices over time, a time-serial approach is used. The term “practice” represents a repetitive performance in order to attain recurrent, habitual, or routinised accomplishment of particular actions (Jarzabkowski, 2004). Our use of practice implies that managers in daily action are influenced by rules and routines but depending on the mode of institutionalization and responses of change, exogenous influences may change the indigenous order (Giddens, 1986). Barley (1986) has applied the principles of practice in the development of a sequential model to map qualitative aspects of change over time. In this study, the model is primarily used as an analytical tool to map different structures of management conduct over time. The structuring process, as used by us in the model (Figure 1), assumes that management conduct has not only influence on business performance but also on social responsibilities of the company as well as the company town community.

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**FIGURE 1** An Adjusted Barley (1986) Sequential Model of the Structuring Process
 

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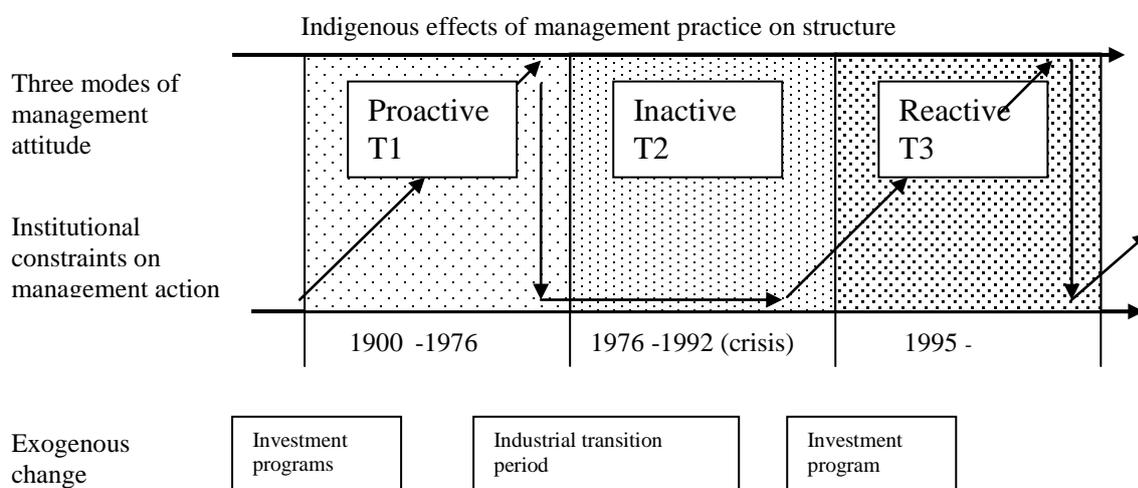


Figure 1. An adjusted Barley (1986) sequential model of a structuring process. The denser background signifies that practices from previously structure have effects on the next structure of development.

In his analysis, Barley presumes that technological change and related scripts (rules that defines roles) change the structure of working life over time (T1-T3). We assume that technological change in investments (from global competitive pressure and strategic change) through the applications of new scripts initiate changed rules and routines (indigenous processes) and thus, may change management realm of action and how they structure daily life. As shown by the model, management response on change also depends on the degree of institutionalization - that is how work is structured, repeatedly used and commonly accepted as the right thing to do the work.

### *Development of the Case study*

As we believe that investments have influence on management practice, a general overview of investments from the early establishment of the company and the company town into the present has been carried out. Inspired by explorative integrative case design and grounded theory, this study is drawn upon multiple sources of evidence to identify links over time between events, reactions, including behaviors and decisions as they occur but also as new questions have come up (Maalöe, 2002). We have found special usefulness in identifying manager's perception of changes that conflict with existing management practices.

According to Hodgson (2001), the principles of heredity and environment are vital for the understanding of the embedded nature between socio-institutional inertia and management action. We assume that traditional ties may have influence on both economic and social responsiveness on change. Barley's model is used to illustrate responsiveness on change in different *phases* over time. In the company town case, three different phases are focused: *the proactive phase* - the growth and prosperity of industry and company town from 1890s until 1976, *the inactive (relating to local development) phase* - between 1976 and 1992, and *the reactive phase* - after the crisis in 1992 until 2007. A quite similar time perspective has been used by Hyder and Eriksson (2005) to offer a historical background of a strategic alliance between two multinationals.

Historical texts, a personnel newspaper, and STORA annual reports gave information of early change processes and the movement into a specific industrial socio-economic order. These texts articulated the development from the early phase of the industrial establishment from the 1890s into the 1940s. These materials further provided documentations of the planning of the community, early settlements, working life, the emerging specific parts of the community directly related to the saw-mill (a part of the local company which had been closed down afterward), and the early industrial epoch. One book by Åkerlind et al. (1989) described the development of the pulp company over time and includes a good documentation of the spirit and pride underlying the improvements of industrial activity. This source also gave information about key actors and important investments until 1988. The annual business reports provided useful information about strategic decisions of the corporation for the restructuring program from 1984 to 1995. Statistical information was gathered from different documents and Statistics Sweden (population statistics 1985 – 2000 and historical documentations from 1890s). Calculation of factual employment/population rate over time and change of employment/population rate over time provided information on correlation and covariance.

Interviews with the key members of the plant management were the central sources of information in this study. These managers were responsible for management activities after 1970. Their reflections though, extend from the 1940s until 2007. We selected four managers from the top management with the qualifications of having long experience of economic and strategic decisions taken in the company. Our presumption is that they had the necessary knowledge of investment decisions (exogenous changes), how these decisions were converted into actions in the plant (indigenous processes) and an opinion on their importance for the company town context (local socio-institutional order). These key

actors had been active in the pulp company during their whole working life and have also experiences from other industry units. The local business unit manager (BM between 1995 – 2005), had management experience from another plant, while the other two managers M1, employed in 1970, and M2, employed in 1981, both had management experience from different tasks of the plant. Thus, M1 and M2 had long experience from different divisions and worked within the plant while an important contribution of the BM was his outside perspective. In 2003 additional interviews with manager M3, employed in 1972, and in 2005 with administrator A1, employed in 2000, were performed. We have no indications other than that the chosen managers do represent management modes of the local company.

To contrast local management statements from a citizen perspective, five interviews, two with local politicians: P1 – community councilor between 1989-1998 & chairman of community delegation from 1998-; P2 - community councilor from 1998- and three with employee representatives for three different unions: U1, employed 1982-; U2, employed in 1988-; and U3 employed between 1971-1974 and from 1980-, were conducted in 2007. The politicians provided information about local community reciprocity both in their roles as citizens and as community leaders, while the contributions of the employee representatives reflected their engagement as workers, representatives for the labor force and citizens of the community.

To illustrate the development over time, a simple life-cycle model based on statistical information was used in the interviews. Confronted with the model, the interviewees were asked to specify their narratives with most possible exactness to the point in time when the action occurred. We used open-ended questions. To emphasize their narratives on the most important events over time, we asked questions like "What happened in the industry in this phase?", "What was your own opinion?" followed by "What was the opinion in the community?" We expected that these narratives could be related to how investment programs structured management practices, caused the shift into the next phase of development and influenced the social relationship in the company town.

All key informants have reviewed their parts of the case study protocol to confirm the reliability of the data. In cases of misconceptions or data completion, the case study protocol has been changed to be in line with the interviewees' conception. Citations from the respondents have been frequently used in the case presentation partly to show the authenticity of the data and partly to keep the logical flow of information reporting.

## **RISE AND DECLINE OF A MILL AND A COMMUNITY – THE CASE**

The intimate relationship between the local company and the community is perceptible in the statistical data (Population statistics 1985 – 2000). The development over time shows a life-cycle character of a positively correlated employment and population rate over time. The positive correlation returned the covariance of 0,62 and the correlated change rate 0,81, which indicates a positive relationship between the development of the local company and the community. The statistics illustrate how work opportunities also increased the population in Skutskär, the home of the local company.

In the late 19<sup>th</sup> century the wood industry grew in importance and many saw-mills were established. In 1868, two Norwegians, H R Astrup and N G Sörensen, founded a saw-mill in Skutskär, which later turn out to be one of the most important establishments in northern Europe. In 1885, the saw-mill merged with STORA Kopparbergs Bergsslag AB and in 1896 the production was expanded to include pulp producing 6000 metric ton. Between 1868 and 1900 the work force increased from 300 to 1700 and the population of Skutskär increased from 2927 to 9348. Gradually, the industrial society was built up with water supply, public baths, self-owned houses, a school, a meeting-place and a grocery shop inside the industrial area. A patriarchal spirit governed the life in the community. The authority of the company was not questioned and the managers were expected to influence the community after traditional economic and social principles, commonly understood as very bureaucratic and imperative.

In 1932, the administration was divided into two different business units with a separate executive manager (EM) for pulp administration. The head engineers were commonly commissioned the assignment as local business unit managers (BM). The employment of Sixten Sandberg (1904 – 1932) turned out to be a great success due to his contribution of technological improvements in different production areas. His importance for the Swedish pulp industry became evident mostly because of his training of young engineers in relation to technological constructions. During his leadership, the first research laboratory in cellulose chemistry was built. Even internationally, Sandberg was greatly admired because of his ingenious construction skills.

After the First World War, new investments increased pulp production from 27720 metric ton in 1932 to 106188 metric ton in 1938. After the Second World War, the industry

conditions changed with an increased demand on the pulp market initiating a time of prosperity. This meant for the local company having an assortment of eleven different products. The post-war period into the 1970s was characterized by differentiation in which management of the business unit (four EMs and five BMs) carried out the mission to expand into different lines but in separate areas. Especially noticed was Per Collin (BM, 1958 – 1971) who made the whole line of pulp production to adopt conveyor belt principles. He also encouraged the need of modern living in the community. The considerable imbalance between managers and blue-collar workers in economic and social welfare clearly divided the inhabitants of the community in two distinct and unequal groups.

There was a housing area for the managers, for the employees in administration and for the blue-collar workers. I remember, in the community there was a shopkeeper, and once wife to an engineer entered the shop and the shopkeeper gave her the preference in the queue and offered her the best parts of the food. (M2)

Commonly, managers in high positions had private advantages. There was a huge difference between executives and the collectives. (BM)

My childhood and adolescence was idyllic. We had a private chauffeur and he took me to the school. The production increased and gave security in employment and the mill was central in people's life, the hub, with a growing employee demand. My life was privileged with parties, torch, our own chauffeur and the relations to the people. (M1)

The saw-mill and the whole business unit represented the hub in the community necessary for living. But it was a hierarchy comprising of senior engineers. I never played with their children – it was a great difference between groups. Business managers such as Collin were superior to others. I saw them driving across the market place. I stood there holding my cap in the hand. (P1)

Everything in society was the company. In 1966, when the company was most successful, it felt great to be a part of the company. I remember Collin and

foreman Kvarnström. In one occasion foreman Kvarnström came shouting - Leave everything, we need to clean up, Wallenberg (corporate chairman) is coming! Later, he just passed by sitting in a car. (P2)

In the beginning of the 1970s it was still *"the spin of the wheels"* although the enterprise experienced market fluctuations as a result of the oil crisis and occasional deficit of fibers. In 1976, a comprehensive investment was carried out with a concentration on the core activity improvements. It was followed by the end of the sulphite production era.

We had a good reputation in our line of business. In Sweden we were subjected to a low degree of competition and we were very upset by the new situation. (M1)

There were tremendously good years from 1970 to 1973. My superior said, "You can buy whatever you want." There were many mills and still it was possible to have a personal talk with the managing director Lindblad in Stora Kopparberg. (M2)

As a result of the "you-reform", the unfairness between superiors and blue-collar workers were fading away during 1970s. During the 1970s people lived with the greatness of the large enterprise. Even afterwards they remember the times when it was easy to get a job and the mill had a diversified production. (BM)

By 1970s the population increased to 10276 (the highest level ever) and the number of employees increased to 1550, representing 15% of the population. The pulp production increased from 287735 metric ton in 1969 to 433540 in 1988. During this period, plant managers started to experience increased fluctuations in production but also a dramatic change.

In 1980, we closed down the saw-mill. The situation was dramatic. One of the most important saw-mills in Europe was closed down. It gave an atmosphere of hostility. (BM)

The closing-down of the saw-mill was a shock. The year before the discontinuation, the company invested over 100 million SEK in the saw-mill.

Nobody understood what happened. The saw-mill and the pulp factory which, together make the local business unit, have been a symbol of security. (M2)

By 1987 the population had decreased to 9082 and the employees to 1100, representing 12% of the population. Apart from the closure of the saw-mill, the period between 1976 and 1992 was experienced as “safe” as “not much happened” during the period. In the beginning of the 1990s, both buildings and machinery were seriously worn-out. At the corporate level a critical decision was made in the beginning of the 1980s, to initiate a comprehensive change process which concerned all corporate units in one way or another. The mission was twofold – (1) expansion through larger and more stable corporate units in Europe and (2) disinvestments to free resources for exclusively concentrating on profitable product areas. It was important, the CEO claims;

to ensure that as many people as possible feel respected within, and motivated by, their new working environment, while simultaneously encouraging them to understand and accept the necessity of cooperating across business area borders in order to fully exploit the synergistic effects and take advantage of new forms of management and new routines. (CEO)

The new restructuring program required every business unit to increase profitability and moderate the sensitivity to economic fluctuations, increase productivity and efficiency in existing production lines, give priority to selected well developed production areas (refinement areas) and less priority to declining areas (wood and pulp business units falling from 48% to 21%), and integrate the pulp production and sales area. This was estimated to a total labor reduction during 1990 – 1992 with more than 6500 employees in the whole corporation.

For managers at the business unit in Skutskär, this new strategy was a shock.

The period between 1976 and 1992 was peaceful and we felt secure. We didn't know what happened behind the scenes. It was a changed attitude. People believed they could afford to refuse shift work and it was a great wastage of resources. (U3)

Already in the 1980s there were indications of change due to increases of prices and costs. In the beginning of the 1990s it was felt as a catastrophe. It was like being hit by a bomb, the Hiroshima in Skutskär. The loyalty was tied to security. The new situation demanded top management training and middle management training. In 1992 we had a meeting about how to reduce costs. The total labor reduction, from 1000 to 650 employees, implied that 350 persons had to leave their jobs. It was a shock - traumatic for everyone involved." (M1)

1992 came as a shock for everybody. We should have explained the aim of the method in another way. In reality work doesn't disappear that quickly. We received a general order from STORA Cell to rationalize as much as possible. The information came from the head office. We are no experts, behavior scientists, in knowing how to do this in the best possible way. Fathers, sons, families were given the notice to quit their jobs. (M2)

The municipal executive board received the information from the county administration board, not from the company. (P1)

Today, we notice the suspiciousness among people in the community. During the year 1991 and 1992, we were regarded as the tool of extreme capitalism. It was difficult to assert that the pressure from the surrounding world suddenly required a reduction of employees. They said - What the hell, why haven't they seen this happened before? Why was this necessary? It was taken as a devilry." (M1)

Top executives had other things to concentrate their energy on – the corporation and the expansion. I have a feeling that the mill, during the 1980s, was managed by top managers in the executive's board and not by the people at the plant. The local managers in Skutskär were too socially concerned and the mill was run based on local security criteria, the way it was, but they also listened too much to the top managers. Skutskär was a mill in which the values of the community were deeply rooted. When I started my employment in the mill I was shocked to realize how far they were behind in development in Skutskär. (BM)

The traditional industrial community may have contributed to make people feeling that they lived in a "bubble" lulled into a security, which showed to be false. Although facing the presence of necessary changes, we believe that both local managers and employees were "caught in bed" by an evil reality and reacted with inertia. (M1, M2)

In 1995 the company was seriously worn down and after a critical pending period, corporate top management decided to initiate a comprehensive five year investment program called "Project 2000". In December 1998, STORA and Enso merged to build STORAEnso, with headquarter in Finland, with an explicit goal for world leadership. The global competitive situation required industrial restructuring incitements. Afterwards, local managers not only experienced increased cost control and efficiency pressure but also the need to retain the local loyalty being lost.

To improve methods in production, we need to be in the front - all the time to do things better and never to be content before next change. There is always a need for improvement and all the time we have to identify them. (M3)

We have no dependency on the local community but we want a relationship with the community. We want them to understand our production situation. We have a moral engagement. It is important to be here and we visit the schools and tell them that this is a nice place to work. We sponsor a lot – for instance golf tours. (M1)

I live in the community and I can tell you, they 'know' how it is. In a haphazard manner they talk about terminations. There is a local perception that a wrong picture of the company has been given. Staff redundancy is a hash experience especially due to the difficulties to explain the need of change while keeping to the same product line and without increasing production capacity. (A)

In 2005, the former business executive manager (here BM) was replaced by an executive manager with the responsibility of two pulp production units.

The former BM wanted to be a part of the society, for the new BM, local is indifferent. (U3)

The former BM was unbelievably appreciated by the local community because of his citizenship engagement. He was on the same level as us and cared about the environment. His replacement was cruel and we couldn't believe it was true. Afterwards there are no contacts between the company and the society at all. Nothing, no collaboration, no talk, no discussions at all. We want more co-operation, more engagements in public responsibility and debates. (P1)

The new business manager is anonymous. We lack information about what happens in the plant. We want an open discussion. In cases of information, all their talk is about the corporate greatness in relation to competition, their concern about increased costs and price pressure. It seems like everything is about short term profit instead of long term thinking. (P1)

The new BM had the mission to reduce costs in production and to secure long term growth. To fulfill these goals in 2005 – 2006, additional 110 employees were required to quit their jobs. In 2007 the total labor force dropped to 350 employees.

In the last rationalization, the labor distrust was bigger. For us in the union, it became a shock to realize that the factory did not perform well. (U2)

## **DISCUSSION**

Our empirical data illustrates a drastic change of the relationship between the community of Skutskär and the company. With increased democracy in society until the 1970s, the development of Skutskär and the local company was a success story. Afterwards came a period of stagnation for almost two decades followed by a major restructuring of the plant. At the same time the focus of control of the local company, turned from a local-national to a global management. The drastic effects of these changes are communicated in expressions like “shock”, “hit by a bomb”, “hostility” and “caught in the bed” indicating how restructuring took the local management by surprise.

We will now analyze some important features from our case by observing how local management was practiced. First, we address the inactive phase of management during the period 1976-1992, describing how local development received low priority and how the “no investment policy” resulted into a conflict between global and local processes at the local management level. Second, we pay attention to how a postponed investment continued to keep the institutionalization of old management practice alive. Third, we illustrate how economic considerations underlying the structural crisis gave unanticipated socio-economic consequences not only for local management identity and role in the company but also in respect to local community citizenship relations.

### ***Corporate Strategy Not Locally Understood***

The aim of the corporate strategy was not distinctly articulated for and understood ex ante among local managers and hence, we presume that enough communication and sharing of information could not take place at the different levels of the corporation. Being responsible for production, the local management (see T2, figure 1) followed a defensive but conflicting strategy while simultaneously trying to balance increased productivity with worn out technology, meeting requirements for cost reductions, and fulfilling social responsibility to the community.

From annual reports we have found that before 1984 there was a shortage of information within the corporation. Caves (1992) points out that, top managers of giant corporations have several goals and in general they have neither the time nor the resources to find out how well local management is running their businesses apart from looking at bottom line economics. This is in line with the case, in which increased competition from new and more successful competitors urged for an offensive corporate strategy. It is reasonable to assume that weak corporate communication also meant increased top management distance to the local business unit's needs apart from looking at basic economic responsibilities.

It was evident in the case that there were several signals of a changed corporate strategy. The offensive corporate strategy required capital for international growth, which could be accomplished through an extensive cost reduction in some corporate units. The corporate restructuring program was explicitly mentioned in annual reports, and therefore is evident that the new corporate strategy was known to the local management. In our case we have seen that the advantages and the security experienced in previous periods

gradually crumbled. The relations linking a collection of diverse organization into a joint collaboration faded away and the mill became secluded from the network as the contacts with other companies in the business line ceased to exist. This inactive period of the local management may be understood as a “signal-to-noise” ratio. According to Bowditch and Buono (2001) we can see signals of change but not wishing to “hear” them due to the “noise” around - as in our case – local managers were too busy in how to reduce costs while increase productivity within the increasingly worn down organizational structure.

As a result, after 1970s local management lost their control of the plant development in becoming a part of a global corporation. But apparently, they did not take any active part in the corporate management either. Loss of control and the upcoming reality of reconstruction came as a big surprise to them. There are two main reasons for it. First, the period was characterized by repeated business unit management change which came from other business areas, and were claimed to have brought cultural misunderstandings. Second, plant managers were too socially concerned, ruled by security criteria in the way it was. Weak corporate communication, local reluctance to see the signs of change and too social involvement by the local management clearly demonstrates the difficulties in controlling socio-economic changes during the transition period.

The above scenario was opposite to the situation for local management before 1970 in which two business managers, Sixten Sandberg and Per Collin, were particularly admired because of their proactive roll for expansion of the mill. These leaders represented a management driven by the “heroes”, in control with enduring economic and technological change but also having a genuine power and care relationship to the community. These evidences illustrate a local management dilemma: not taking exogenous changes seriously while simultaneously balancing indigenous processes of change by maintaining stability. As a result of the corporate offensive strategy needed for industrial restructuring, local management had to defuse the needs of plant investments and therefore, economic goals of productivity and cost reductions were preferred to local improvements. Hence, local management felt that they confronted a mission impossible since the maximization of capacity utilization increased the costs of keeping the mill in production. This conflicting situation may give an answer to the frequent change of leadership during this period.

### *The Institutionalization of Management Practice*

Resistance to change among local managers may be explained through passivity and a protection of the security in status quo. The persistence of an institutionalized practice is according to Zucker (1977) based on facts, which can continue to exist as a part of an objective reality. To be persistent, no intervening mechanisms need to be active since individuals act on the basis of “this is how things are done”. In her study, Zucker (1977) found that cultural persistence may be based on three different origins; generational uniformity, maintenance of the traditional culture and resistance to attempts to change. In the company town case, the generational uniformity and the maintenance of the culture have been fortified over time through the excursiveness of industrial processes and rules influencing the duality between actions and keeping a given structure. The industrial traditions have been transformed through the succession from fathers to sons and the maintenance of the culture has been guaranteed through the institutionalization of the rules of management practice. In this case, no intervening and explicit mechanism had to be applied since the obedience to traditions was based on the security of industrial rules built into past experiences. We have noticed that persistence was possible since local top managers followed the corporate strategy and defused the needs for local expansion. Following the sequential model, this cultural persistence would indicate that established management identity and roles for the period T2 could be maintained.

Additionally, as locally accepted by employees and local community politicians, this management practice was reinforced as secure, and in control with “normal” industrial development. Local managers refer to the indolence in Sweden as a norm or change as a normal cyclic economic variation. Our interpretation is that these local managers consider the industrial slow down as a common “habitus” in the business field (Bourdieu, 1993). A habitus provides people with a sense of how to act and respond in daily life giving them a “feeling for the game”, what is right or wrong, that is, a practical sense. People always act in respect to a specific practice in a social context, which Bourdieu refers to as a “field” of action. We argue that the key concept of habitus and field as defined by Bourdieu, basically are fulfilled by local managers because of their intimate connection to industrial work, to the “field” and by living in a company town context.

### *The Social Consequence – A Loyalty Crisis*

The industrial restructuring challenged local managers' social involvement which was deeply rooted in a long tradition of a tight relationship with the local community. This resulted in a loyalty crisis confronting the local managers.

We have devoted special attention to the question of social consequences of industrial restructuring and especially, how the social consequences were experienced as a shock among local managers. These managers have the belief that their description of a shock is shared by many in the community beyond the working force. According to Berger and Luckmann (1966), it requires severe biographical shocks to disintegrate the deeply rooted perception of reality developed in the early childhood. In our case, the ideal picture of management skills, taking responsibilities for local expectations of continuous interdependency between the company and the community, was transformed into a reality blaming local management for falseness and guile. In this study we have noticed the vulnerability of a long-lasting company town citizenship that was demolished in the absence of a continuous proactive management involvement.

We have observed that the social consequences have contributed to a shift of the organizational identity and managers' rolls, both in respect to the company and to the local community. Previously, plant managers were heroes, afterwards they have been suspected by stakeholders in the community. One of the interviewees describe: "This caused the break between the mill and the community. The safety of the mill is gone. It has been difficult to erase the feeling of distrustfulness. We have established certain programs but it is hard to get rid off the distrust." According to Gioia et al. (2000), an organization's identity could be seen as a label telling others who they are.

## **CONCLUSION**

This study can serve as an evidence to show how awareness of social consequences of retardation is suppressed through a prolonged period of inactive (i.e., relating to local development) management behavior. This behavior may last as long as the business benefits of productivity exceeded the immediate costs of the restrictions. Our case indicates that a strategy believed as optimal on the corporate level also may, on a local level, be

considered as a way of how to obscure and darken the social consequences of restructuring while utilizing resources for “only profit” purposes.

Our research is mainly based on managers’ experiences from a company town case having a long tradition, and in many ways a positive experience, of tight relations between the dominant firm and stakeholders in the community. Sediments of these relations are very obvious among the top managers of the mill. Certainly these old relations should have been communicated, adjusted and changed along with the developments both in the industrial sector and society. The long term relationship between company and the town citizens could have involved several stakeholders taking a responsibility. Our case, focusing on managers of the local company, shows apparently a lack of efforts by the corporate firm to adjust or take explicit measures to acknowledge existing relations and their importance. This is somewhat surprising as one would normally believe that it would be easier and more natural to take care of existing good relations than building new ones.

Our case shows a management practice from a slightly different point of view than traditional ‘ideal’ theory of management. The ambition of the local managers to support productivity under restricted conditions, i.e., “doing more with less” was carried out through a management mode of passivity that screens off local managers from acting, responding and being sensitive to important social requirements of change. It is suggested that managers in general propose change, try to cope with their environment and to control the development by issuing orders and manipulate incentives (March, 1981). This ideal emphasizes managers as being in charge of decisions and that they are keenly aware of concurrent environmental requirements. As is evident, managers of the local business unit have been excluded from the power in adopting and implementing investment measures. This may also be an explanation for why the local managers became rather inactive in promoting and maintaining previously established relations to the community. As an effect, local managers were caught between on one hand, struggling with productivity, increased costs of production due to the outdated and worn out technique, and on the other hand dealing with institutionalized social relations. Things were not any more in the hands of the local managers, and this reality was tough to experience and, knowing about their own powerlessness, might be even tougher. The local managers’ shock is twofold:

- 1) The experience of losing control over conventional economic management arrangements from long historic roots of a discourse of “heroes” including the power of working practice.

2) The experience of losing control over their social role and identity in the community.

There are reasons to criticize the traditional control-oriented management view as too narrow and not adjusted to today's' citizenship reality and to the need for handling continuous change including increased (or, adjusted) CSR. This study is in line with some of the cases studied by Moss Kanter (2003) who has found that managerial work is undergoing enormous and rapid change with a new challenge for managers to reinvent their professional role. During a phase of radical transition with no preceding experience guiding them into a new situation, managers may recognize the loss of power, see hierarchies fade away and how the clear distinction of traditional elements of status blur out in unanticipated ways. Moss Kanter (2003) argues "They watch traditional sources of power erode and the old motivational tools lose their magic." Her study shows a managerial shift into new roles and tasks giving experience of chaotic situations in which managers need to rethink traditional ways of doing things.

Through this case, we illustrate how management modes differ over time and can cause difficulty for the local company to function efficiently and manage its social responsibilities. From a CC perspective, it is therefore interesting to investigate how transition from local traditional management to proactive management thinking as a part of global strategy can occur within a multinational company. This can be done by looking at a successful transition process in a company town environment. Problems of understanding and handling uncertainty and information are repeatedly pronounced in the statements of local managers as well as politicians. We take this as an indication that management studies embracing social considerations need to address strategic management concepts, especially the relations and obligations between the top management levels of the corporation and local units. Another issue we like to highlight is the restructuring programs which multinational companies are usually in need to introduce in the local company. How local managers can handle company town processes of regeneration, such as recruitment of new employees, acquiring competitive resources and hiring management consultants and subcontractors? These questions need to be addressed in future research.

Corporate citizenship as described in the company town case needs development and continuous adjustment to match with economical demands posed on the local management. Local managers need to develop partnership with the local community to maintain trust and

keep everybody aware of the changes to come in the local company so that a surprise can be avoided.

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