



The Quest for CSR in Closedowns

■ Alexis Rydell¹

■ Rune Wigblad

Dalarna University, School of Technology and Business Studies, Sweden

ABSTRACT

This paper focuses on analysis of and suggestions for Corporate Social Responsibility (CSR) orientation during the closedown process. The article addresses CSR considerations that adjust business strategies, which in turn change the Human Resource Management (HRM) focus. Our study focuses on four best practice cases in Sweden, which are compared with three reported cases in the literature. All four best practice cases had a long notice period and socially responsible coordination of management and employees, which created adjusted corporate strategies. Three cases had the CSR orientation in the earliest stage, while the fourth case had this coordination during a later stage of the closedown process. We develop a model where we show that the scope for action increases if the CSR orientation and coordination of actions come early in the closedown process, due to the increased ability to adjust the business strategy and create a plan for outreach HRM activities and local community activities.

KEY WORDS

Plant Closure / Plant Closing / Downsizing / Reemployment / Industrial Relations / Sweden / Human Resource Management / Corporate Social Responsibility / Stakeholder / Ethics / Business Strategy

Introduction

The context of plant closure is extreme, compared with when a company is operating normally (Bergman and Wigblad, 1999). The situation is difficult primarily for the employees who are facing unemployment and also secondarily for the local community. For instance, a plant closure study from Sweden indicated that the mortality risk increases for male employees who are being laid off (Eliason and Storrie, 2009). Therefore, it is important in which *way* the plant closure is carried out and that ethical orientation influences the corporate strategy in order to ease the pain caused to labor. Hardy (1990) argues that strategic planning models, although trying to incorporate new variables and nuances, continue to adopt a one-sided economic and analytic focus. The aim with the Human Resource Management (HRM) perspective on the other side is to incorporate human aspects in the decline process. Ideally, HRM should be more or less integrated into the strategic decision-making process. Planning ahead can be achieved through early consideration, so that alternative strategies can be considered in the HRM work with the downsizing (Hardy, 1990).

¹ Alexis Rydell, School of Technology and Business Studies, Dalarna University, Röda Vägen 3, 781 70 Borlänge, Sweden. Phone: +46(0)23-778925; E-mail: ary@du.se



The top management in corporations faces an ethical dilemma when deciding on downsizing that involves closure due to the negative effects on employees. Kavanagh (1982) asserted that companies have a moral obligation not to harm and that companies are not acting ethically if they ignore the impact of the closedown on employees. Furthermore, Greenwood (2002) found that the HRM literature is “ethically deficient.” A similar point of view is held by Budd and Scoville (2005) who argue that ethics are almost always absent beyond hollow rhetoric in Industrial Relations (IR) and Human Resources (HR). Decisions concerning plant closures involve the top management and the corporate business strategy, which are interrelated with both HRM and IR. Therefore, there is a need for a broad ethical concept in this area, and hence, we turn to the concept of corporate social responsibility (CSR) and, more specifically, to stakeholder theory with employees as primary stakeholders.

CSR is defined as “actions that appear to further some social good, beyond the interest of the firm and that which is required by law” (McWilliams and Siegel, 2001, p. 117). Clearly, CSR measures go beyond legal obligations. In closedowns, CSR concerns issues such as generous severance pay, long advance notice, the possibility of transfer to other plants in the enterprise, retraining, job consulting, educational programs, and early retirement opportunities (see, for example, Hansson and Wigblad, 2006; McMahan, 1999). McMahan (1999) also suggests that companies should have a just cause and due process in order for plant closures to be considered ethically responsible. In this article, we focus on how to mitigate the harmful effects caused to labor, by following Rydell and Wigblad’s (2011) definition of CSR in closedowns as implementing long advance notice periods, as well as offering active help and support to employees in their transition to new employment. Since top management closure decisions significantly affect employees, it becomes crucial that corporate and HRM strategies are influenced by such CSR.

The aim of this article is to develop a model that creates new employment impact for employees. We start with developing a framework that addresses the importance of strategic change, which provides possibilities for long advance notice periods in closedowns. Second, we argue that the CSR orientation that views employees as primary stakeholders may result in adjusted business strategies. In order to develop our model, we review the empirical findings of several existing cases in retrospect; these cases are selected because they show comparably good impact on the employees. Finally, we analyze the possibility of coordinating stakeholder actions in closedowns and argue that the ability to anticipate good impact is essential for the model to diffuse.

Strategic change and plant closures

Restructuring is a strategic change in structure from one state to another. Strategy is about adopting “courses of action and the allocation of resources necessary to carry out goals” (Chandler, 1962, p. 13). Strategy concerns linking the organization to its environment and is therefore very context specific. Mintzberg and Waters (1985) made a distinction between “intended” strategies based on plans, “emergent” strategies as unplanned patterns of behavior, and “realized” strategies that concern actual behavior (planned or unplanned). Many scholars writing about strategy presume that strategic decisions are made exclusively by executives high up in the organization. More important research on downsizing, however, reveals that decisions in such contexts are centralized (Cameron,

1994). Indeed, plant closures are serious decisions facing the top management of the corporation.

The strategy process is usually described as being composed of distinct phases. Chakravarthy and Lorange (1991) identified five steps, the first three of which involve the strategic planning system. The first step is associated with objective settings and determining a strategic direction. According to Bracker and Kinicki (1988), there are two types of corporate-level plant closing strategies: reactive and proactive. When a company faces short-term environmental constraints, the response is reactive. When the change is driven by internal forces, the strategy is proactive. This suggests that it is easier to create a CSR orientation when the corporate strategy is proactive, which in turn can create a scoop for action for proactive HR.

Writers have stressed that the HR function needs to become more strategically proactive (Brockbank, 1999; Lawler and Mohrman, 2003; Ulrich, 1997). Indeed, Ulrich (1997) argued that the HR function needs to go beyond the administrative expertise and become a strategic business partner. Brockbank (1999) distinguished between strategic reactive HR and strategic proactive HR. Strategic reactive HR refers to the process of implementing business strategies and the process concerning how HR can support that implementation successfully. Proactive strategic HR, on the other hand, focuses on creating a strategic alternative, and Brockbank concluded that there are several competitive advantages if HR becomes strategically proactive (Brockbank, 1999). In addition, Lawler and Mohrman (2003) argued that the HR function needs to increase its focus on planning, organizational design, and organizational development in order to become a strategic partner. Indeed, Lawler and Mohrman stated that the greatest benefits for the HR function “occur when HR is a strategic business partner that fully participates in both the development and implementation of strategy” (Lawler and Mohrman, 2003, p. 28). We propose that if there is a CSR adjustment of business strategy, the HR business partnership will also be guided by CSR.

Since a plant closure decision is part of a corporate strategy according to Cameron (1994), the CSR claim must be made at the top of the organization in order for the planned business strategy to be adjusted into a CSR orientation. Bracker and Kinicki (1988, p. 201) stated that research lacks a connection between plant closure and the social responsibility component in strategic management. Nevertheless, a few empirical studies of “socially responsible” closedowns have been reported in the literature (see Ahlstrand, 2010; Rydell and Wigblad, 2011; Wigblad, 1995). Our question concerning CSR consideration in business strategy also involves HRM activities connected to social responsible driven business strategies in plant closures.

Employees as the primary stakeholder in plant closures

CSR is a broad concept and relates to the role of business in society, and scholars have analyzed enterprises from this perspective including several different topics such as employee relations, human rights, community relations, corporate ethics, plant closures, and environmental issues (Moir, 2001). According to a review, the CSR theories can be divided into four types: instrumental theories, political theories, integrative theories, and ethical theories (Garriga and Melé, 2004). Two of these theories address the stakeholder perspectives: stakeholder management, an integrative theory focusing on balancing the



interests of the firms' stakeholders; and the normative stakeholder theory, an ethical theory, which stresses the importance of treating the firms' stakeholders in an ethical way (Garriga and Melé, 2004).

Scholars have also argued that the foundation of the stakeholder theory lies in its normative base (Donaldsson and Preston, 1995). According to Freeman (1984), a stakeholder is anyone with a stake or a claim on the firm (for example, employees, customer, local community, shareholders, and suppliers). However, during different events, stakeholders are affected to varying degrees. For instance, when a plant faces closure, the employees, who are facing layoffs, have a more legitimate interest compared with other stakeholders that are worried about losing the firm as a paying member (Carroll, 1991). The challenge for the management is to ensure that the primary stakeholders achieve their objectives, while at the same time satisfying the other stakeholders—or, in other words, creating win-win solutions (Carroll, 1991), as opposed to instrumental theory and shareholder value (see Friedman, 1970), which have a more one-sided stakeholder perspective.

The HRM focus has shifted toward “best practice” and “strategic fit” approaches (Winstanley and Woodall, 2000) that have marginalized the employee focus (Van Buren et al., 2011). However, Greenwood and Anderson (2009) address the issue of considering employees as “stakeholders” rather than “employees” and concluded that employees’ “divergent values and interest may be suppressed” (p. 70) if they are seen as stakeholders. Employees are often considered unique stakeholders since they are closely integrated with the firm (Crane and Matten, 2004; Simmons, 2008).

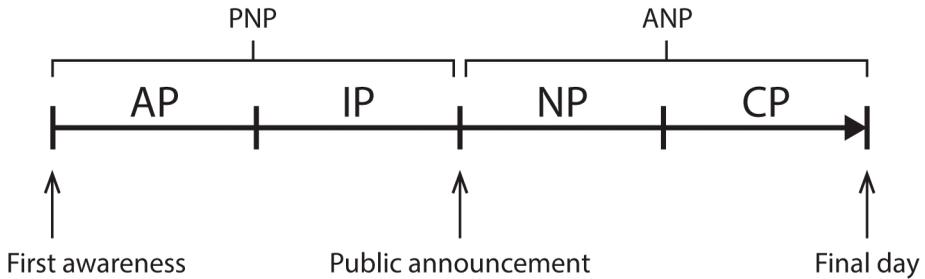
When a company decides to close down a plant, several socially responsible considerations emerge. Spiller (2000) addressed within the stakeholder model that managers need to consider “job security.” However, when the decision to close has been made, employees no longer have “job security” within the company as a primary goal; therefore, according to CSR, employers have a moral obligation to make efforts to help employees in their transition to new employment. The main focus for socially responsible HRM should therefore shift toward the local labor market in order to pursue employability stimulating measures and reconnect employees to new employment.

The closedown process

For the purpose of this article, it is important to clarify what periods are involved in a closedown process. A public announcement of a closedown decision is usually followed by a *negotiation phase* (NP). When it is finalized, which varies between cases, the end of the closedown period is defined as the *countdown phase* (CP). Combined, the NP and CP form the *advance notice period* (ANP). The period prior to the public announcement is furthermore called the *pre-notice period* (PNP) (Wigblad et al., 2012). If we include the PNP and the ANP, we can define the *closedown process* as in Figure 1.

The PNP can be divided into two phases. It starts with the first awareness of the urge for restructuring, which we here define as the *awareness phase* (AP). In one extraordinary case, researchers observed an “unspecified notice,” which is a notice that is unclear concerning time and range (Bäck-Wiklund et al., 1975). When the first awareness period evolves into a decision to start the timetable for the closedown process, a new period starts, which we will here refer to as the *investigation phase* (IP). During this phase, top

Figure 1: Principal time phases for the closedown process.



management usually starts to investigate and calculate possible alternatives. Preservation alternatives contra rapid closedown alternatives are ideal-typically compared.

The importance of long advance notice

The legalization concerning the duration of advance notice in closedowns differs in national contexts. For example, the law is more rigid in Sweden and stresses longer advance notice (four to six months) in closedowns compared with the United States (two months). However, the law stresses a minimum time limit, but this does not mean obstacles for prolonging the closedown process. For instance, Weber and Taylor (1963) detected that some closedown processes in the United States could last up to 36 months; furthermore, the Whirlpool Corporation closed down a US plant in 2010 with almost one year of advance notice (Carroll and Buchholtz, 2011). In addition, Carroll (1984) reported on a “socially responsible” plant closing in the United States, namely, the closing of the Brown and William Tobacco Corporation in Kentucky. Although the labor pact called for 18 months’ advance notice, the company told the employees three years in advance (Carroll, 1984).

Several authors have argued that providing long advance notice is an important factor for a restructuring to be considered ethical (Eby and Buch, 1998; Hopkins and Hopkins, 1999). If enough advance notice is given to the union, workers, and the region/community, they can act more proactively and mitigate the consequences of the closedown. Advance notice periods give employees time to overcome the stressful situation of losing their jobs. It enables employees to look for new jobs in the labor market, schooling or training to increase their employability elsewhere, if necessary. This provides new possibilities and gives employees a chance to actively choose among possible options that open up (Eleen and Bernardine, 1971). Indeed, advance notice makes it easier for employees to find new jobs, due to improved chances of being reemployed while they are still employed (Carroll and Buchholtz, 2006) and shorten jobless duration (Swaim and Podgursky, 1990).

However, how long the advance notice of the plant closure should be to facilitate the transition to new employment is somewhat unclear in the literature. Nevertheless, Schultz and Weber (1966) advocated advance notice of approximately six months to a year, due to the organization’s need for time to organize programs and also to allow the workers to adjust their own plans. More recently, Millsbaugh (1990) argued that for a plant



closedown to be seen as “socially responsible,” there needs to be a long advance notice period of up to two years. In addition, Cascio (2007) stated that for a restructuring to be “responsible” the organization should provide “maximum advance notice for terminated employees” (Cascio, 2007, p. 380). We argue that the duration of the advance notification is very context specific. For instance, if the local labor market is strong (business peak in an urban center) and the demand for the workers’ competence is high, then the need for long closedown periods is not as urgent. Nonetheless, there are generally benefits with long closedown processes, if the time gained is used for active measures.

Tang and Crofford (1999) point out possible disadvantages with advance notice such as “potential for sabotage, a disorderly shutdown of the plant, and the premature attrition of the workforce” (p. 45). However, long advance notice can also have positive effects for the management. Research has indicated the existence of a “closedown effect,” which refers to increased productivity during the closedown process, after the negotiations have been completed (Bergman and Wigblad, 1999; Hansson and Wigblad, 2006; Sutton, 1987; Wigblad et al., 2007). The existence of the closedown effect is an argument for management to prolong the closedown process. Also, loyalty among workers seems to be high when management adopts a long advance notice strategy together with a socially responsible approach (Rydell and Wigblad, 2011). More importantly, researchers have found empirical evidence that long advance notice periods provide production stability, which secures the market supply (Hansson and Wigblad, 2006; Rydell and Wigblad, 2011). Another positive outcome is that advance notice can improve the organization’s image in the public eye (Feldman and Leana, 1989).

Three reported restructuring cases in the literature

McMahon (1999) reported how the Chrysler Corporation went from being socially irresponsible to adopting a more socially “responsiveness” strategy during the plant closure process. The advance notice period was almost a year. Chrysler came to provide benefits and services to terminated employees, including retraining, assistance with job search, limited health insurance, and generous severance pay. This changed behavior from Chrysler was, however, due to the social pressure that emerged during the process (McMahon, 1999). In addition, Chrysler also contributed economically to the community that was left behind, by donating manufacturing and office space and by offering monetary capital to reinvigorate the community (McMahon, 1999, 2000). The conclusion from the Chrysler case indicates that ethics are considered by the way that the plant closure is carried out (McMahon, 1999).

A few reported cases in the extant literature have addressed proactive HR engagement in “organizational deaths” after being acquired. For example, Marks and Vansteenkiste (2008) showed how proactive HR engagement in organizational transition can help employees to cope with the death of the organization, as well as keep them committed to business results during the period of announcement to the actual demise. The proactive HR intervention consisted of, among other things, offering education and workshops even before the announcement had been made, and the company continued to offer them throughout the transition process. Furthermore, personal coaches were available for senior executives to help them cope with their personal transition and to enable them to lead the group throughout the transition process. The reported case showed how proac-

tive HR engagement can combine practical support, emotional support, and informational support in a comprehensive approach (Marks and Vansteenkiste, 2008).

Moreover, proactive HRM activities for “responsible restructuring” have been highlighted by Cascio (2002). He reported how Philips Electronics Singapore offered training, job finding assistance, financial assistance, and consulting to displaced workers. The training activities focused on vulnerable groups such as low-skilled and older employees to increase their employability through upgrading their skills. In addition, the company adopted several different proactive HRM strategies before the relocation decision had been made to meet the potential threat. For instance, (i) managers at the company were required to assess the long-term workforce projection cautiously before recruiting; (ii) vacancies needed to be fulfilled within the organization unless the present personnel could not meet the requirements; and (iii) contract workers were recruited rather than full-time employees in order to provide flexibility. The outcome of the restructuring showed that the laid-off employees comprehended the relocation decision, and that Philips needed to reduce operation costs to stay competitive. The employees also appreciated the support provided by trade unions and management (Cascio, 2002).

Research design and data collection

In order to build a CSR model in closedowns, we refer to deep case descriptions involving several cases with comparably good CSR impact. The approach with best practice cases can reveal the mechanisms that create good impact. This study contains four empirical closedown cases (Iggesund, Korsnäs, PLM, and Scania), all located and reported in Sweden (Wigblad, 1984, 1994, 2009), which we compare to three internationally published cases. The Iggesund and Hammar cases are only reported in Swedish language earlier. Repeatable studies are difficult to conduct; instead, comparative studies will add new information to and validate previous studies (Eisenhardt, 1989). By comparing several best practice cases, it becomes possible to build a model with common patterns.

Case study research provides knowledge to deal with the subtleties and intricacies of complex situations (Denscombe, 2010). Our case studies generate a broader understanding of the complex phenomenon and were selected because it was possible to enter the firms before or shortly after the public announcement. The research reports concerning the four case descriptions reported were mainly based on interviews with relevant stakeholders, that is, management, trade unions, employees, and the local government. Full access was granted, in time and materials. The interviews were formal, tape-recorded, and transcribed. The transcribed interviews were thereafter validated by the respondents. Data collection through interviews ceased when empirical saturation was reached. Interviews compared changes that occurred after the closedown decision with the period before the closedown process started. In our four reported cases, between 17 and 30 semi-structured interviews were conducted for each case, with the interviews lasting between one and two hours and taking place during different times of the closedown process.

In all our cases, we asked the respondents if they had any documents about the closedown and if such documents could be made available for research. Several documents were collected and studied before and after the interviews, complementing the information gathered from the interviews. These documents contained information on the HRM program for the closedown, information for employees, and protocols



from meetings. They also revealed the facts about the outcomes for employees during the transition process. Our cases revealed that there was some kind of adjustment in the business strategies that occurred during long closedown periods. This, combined with our theoretical review, revealed three themes that were relevant to bring up in the multiple case analyses (see Yin, 2003). These themes are CSR orientation, adjusted business strategy, and impact on employees.

Three of our cases are older reported cases and one case is comparably recently reported. A problem with using cases in retrospect is that changes in society occur over time. One main change in industry policy in Sweden took place in the mid-1990s, when the government no longer gave subsidies for restructuring. In the Marmaverken case, there were substantial subsidies involved, but not in the other cases.

Empirical findings

All our empirical findings are from corporations in the industrial sector in Sweden, which had a CSR orientation during the closure process. The Swedish context for IR is characterized by a high degree of unionization (even though there has been a declining trend in unionization), as compared with non-Scandinavian countries, and also by its semi-dispositive nature, meaning that the IR are both centralized and decentralized at the same time. Sweden is characterized by collective agreements between trade unions and employers.

In all of our four empirical cases, the corporations had stable economies and the restructuring processes were proactive and strategically motivated. In three of the cases (Scania, Iggesund, and Korsnäs), the restructuring occurred during a prosperous period of the business cycle, which made the labor market more favorable for the redundant workers, while in the PLM case, the restructuring occurred during a recession. The closedowns concerned plants located in “company towns,” except the Scania plant in Falun, a municipality of approximately 56,000 inhabitants (the Scania case examines a double plant closedown, one located in Falun and the other in Sibbhult). A company town is a small community in a remote area dominated by one plant. Thus, four of the plants examined here concern very small local labor markets, and one concerns a relatively small labor market.

Case: The Iggesund closedown of the Strömsbruk pulp mill—CSR with an early closedown decision

CSR orientation

The Iggesund Group closed down a plant in the company town Strömsbruk during 1980–1982. In the Strömsbruk case, which concerned 350 employees, the closure problems were counteracted by expanding a new operation at the plant in Iggesund. The top manager was socially anchored in the local municipality and had a paternalistic management style. He decided that the new operation would be relocated to the affected area in conjunction with plans for closing the older operation there to bridge the local unemployment gap. The trade union response was positive, although it meant repositioning for some employees to other jobs in the Iggesund plant.

Adjusted business strategy

The planned strategy was to expand the new operation (extrusion process) and close down the pulp mill. The expansion project had its own timetable, which pushed the closedown of the old pulp mill a few years ahead (AP) as compared with the timetable for the termination of the pulp mill production. The Iggesund Group was able to close the plant and change to another type of production without any intervention from the state or the municipality. In this way, it was possible to retrieve job losses caused by the closure with the help of the new operation, which concerned the extrusion coating of paperboard. The new operation was in an early stage of the product life cycle curve, and the expansion meant a big step toward a new plant. The expansion counteracted the adverse effects of the closedown decision.

Impact on the employees

Approximately 80% of the workers at the Strömsbruk pulp mill were given job opportunities in the new extrusion-coating mill, and several new operations were created during the restructuring process. Research evaluation of the costs involved in the case reveals the presence of considerable “economies of separation,” as compared with the alternative location of the new operation in Iggesund. Economies of separation are defined as possible economic gains in operations in a separate location from the main paper and pulp plant in the mother plant, in this case, Iggesund. Top management identified these economic separation advantages as caused by skilled “cabinet-making,” as compared with the paperboard production in the mother plant in Iggesund.

Case: Korsnäs, Inc.’s closedown of the Marmaverken pulp mill—CSR with a long closedown period

CSR orientation

In 1985, the Swedish business group Korsnäs, Inc. decided to close down its Marmaverken pulp mill plant with 250 employees. The village of Marmaverken had 800 inhabitants, and its economy was highly dependent on the pulp mill. The mill was finally closed in 1989, which made for a socially responsible long closedown period (four years), and active measures to reestablish an industry structure were integrated through proactive HRM during that period. Successful restructuring occurred because of close cooperation between three important stakeholders: top management, the trade unions, and several government organizations. Top management anticipated the closedown and acted during the earliest possible stage (AP) of the investment planning period. Korsnäs’ management was concerned about the negative effects of the plant relocation on the village of Marmaverken. The trade union response was positive to change, due to earlier negative experiences concerning past closedowns, which affected employees negatively (Wigblad, 1995).



Adjusted business strategy

The planned business strategy was to invest in the main plant in Gävle and close down the Marmaverken plant when the investment was completed. This was a strategic decision by Korsnäs to build an entirely new pulp mill in a different location (Gävle) and concentrate all production at that location by 1990. In 1985, during AP, Korsnäs adjusted their strategy to help organize a community development corporation to work on new employment and link all of the resource providers in a coordinated redevelopment effort. Korsnäs appointed a project leader, who coordinated all community specialist functions and activated the corporate network to find and facilitate expansion projects with relocation possibilities to Marmaverken. This became the major tool used by the local government in the growth effort.

Nine new plants were located in Marmaverken. Most were owned by other business groups (Wellbond, NCC, Rauma Repola, Mustad Converting, Garantidata, and SMA). On average, they employed 15 to 25 employees. Not all Marmaverken employees took new jobs with these firms. Many took early retirement or found new jobs on their own initiative. An important part of the Marmaverken case is the production strategy that Korsnäs followed during the transition. The strategy allowed employees to find new jobs or retire without negatively affecting the Marmaverken plant's production rate during the four-year transition period. More than 30% of the employees were temporary workers, hired during the CP.

Impact on the employees

When the factory shut down in 1989, only 15 employees were left unemployed (6%). Korsnäs offered those employees jobs at two relocated plants, but the employees rejected the offers. Performance at the Marmaverken mill was at an all-time high in 1988, demonstrating a productivity increase during the closedown period. Output per worker increased in Marmaverken, although the number of total employees was being steadily reduced (Wigblad, 1995).

Case: PLM closedown of the Hammar glassmill—CSR with public relations based prolongation of the closedown period

CSR orientation

PLM has operations in the Swedish processing industry, involving a business group well known for its sensitivity to public relations (Wigblad, 1994). The closedown of the Hammar glassmill occurred in 1989–1991. Management decided to close the Hammar glass bottle plant. The concept of the Marmaverken restructuring model was presented to the trade unions and plant management during the IP. A trade union member was the principal promoter of the model. When the trade unions' ethical claim to use the Marmaverken restructuring model was presented to the group's chief executive officer (CEO) during the IP, it was taken seriously because, among other possible reasons, the CEO was sensitive to the firm's public image.

Adjusted business strategy

Early discussions between the trade unions and the CEO involved reviewing the Marmaverken case. During the negotiations, it became clear that prolonging the factory's life was economically viable. Management agreed to try to prolong the closedown process to attempt to find innovative actions to create growth. The exact termination date was left to be negotiated pending further investigation.

To help resolve the question of the termination date, the local trade unions engaged a wage earners' consultant to investigate possibilities. Cost evaluations indicated the possibility of a three- to four-year prolongation. However, such long prolongation proved to be unreasonable due to an unexpected decline in the market. The actual agreement between the parties was to prolong the life of the factory for one-and-a-half years while all parties participated in the effort to find an innovative growth alternative. Only minor adjustments to the business strategy were made due to the adoption of CSR during the late stage of the IP. Money that was budgeted for disruptions in the production process was instead invested in a project aiming to create new business opportunities in the company town. An extensive HRM program was applied, although it had only a small impact due to a recession. In this case, top management tried to achieve a win-win solution. An adjustment in plans was made, but the full potential for an early start on growth projects was not adopted. When the negotiations began, the investment plans were already in the advanced planning stage.

Impact on the employees

The result was that only a few new employment opportunities were created. Due to a recession in the business cycle, only 50 out of the 300 employees at the plant were able to find new employment opportunities in the new established industries in Hammar. Productivity was good during the closedown process, and skilled workers at Hammar made it possible, after two years of effort, to successfully transfer one specific production line to another location. The market for glass products was not hampered.

Case: Scania's 2005–2008 closedown in Falun and Sibbhult—CSR with a long closedown period and procurement strategies

CSR orientation

The Scania restructuring model demonstrates a long closure period (three years). This time frame allowed for measures that mitigated the effects of the closure. Scania's management and trade unions have historically cooperated closely with each other (Wigblad, 2009). This made it possible to draw up an agreement at an early stage (AP) in the restructuring process. Scania management helped establish trust in this agreement early on as they showed their commitment to social responsibility. A reciprocal aspect of this agreement was that trade unions at the two affected Scania plants, Falun and Sibbhult, were prepared to accept change and withdraw their demands for high severance payments. The trade unions were also prepared to be flexible on the issue of



hiring temporary workers. The agreement resulted in a relatively long closure period. The Scania cases' three-year phased closure was characterized by levels of good worker performance, which in the early stage was trusted to be reliable by the management.

Adjusted business strategy

In the second phase of the closedown process, Scania mobilized the corporation's resources to achieve CSR. Scania analyzed what kind of production would be strategically beneficial to keep in-house and what kind of production could be outsourced. The corporation found that it was possible to adjust the business strategy in that almost half of the production could be outsourced and opted to use Swedish subcontractors that were willing to locate production in Falun and Sibbhult, in other words "nearsourcing." Scania contacted many industry subcontractors and negotiated contracts with four subcontracting partners that were interested in starting operations in Sibbhult and Falun, as opposed to a global sourcing strategy, which was also an option. At the Falun plant, two firms (Leax and Zakrisdalsverken) began subcontracting operations. Similarly, at the Sibbhult plant, two subcontractors (Sibbhultsverken and SwePart) started operations. This contributed to a good impact for the employees.

The other factor that made a difference was related to Scania management's long-term proactive approach which coincided with a relatively positive phase in the business cycle, which in turn enabled employees to find new jobs locally or arrange an alternative solution. To enable this effect, temporary employees were hired during the closedown project. The three-year closedown period made it possible for employees at Scania to receive education, training, and trial placements for new job opportunities. The measure, taken by Scania to facilitate the transition for employees, was named the "work-path," which included good terms concerning outplacement activities, employee studies, business startup education, three weeks of test employment assignment on other jobs, and six-month leave of absence granted for testing other job opportunities.

At the end of the closure process, more than 50% of Scania's workforce in both plants was made up of temporary workers. Some of the temporary employees even came to be as highly skilled as the permanent personnel. This was due to the temporary employees' long employment, which allowed them to gain human capital and experience. Many of the temporary employees who came to work at Scania during the restructuring process were unemployed youth. Their performance was comparably good, and the plant's production capacity increased during the closedown period.

Impact on the employees

A total of 83% of permanent employees received employment opportunities in the new operations that were "nearsourced," got new jobs in the local labor market, or were transferred to the mother plant in Södertälje. During the closedown period, both production units had approximately 50–55% temporary workers and approximately 10% workers who were hired from temporary staffing agencies. This increased the numerical flexibility during the restructuring and contributed to an increased scope of action for HRM measures for permanent employees. For example, Scania gave permission for

permutation work in new jobs for permanent employees to enable them to reconnect to new employment in the local labor market.

As mentioned, some of the manufacturing work was “nearsourced,” which enabled some employees to work in the new subcontracting firms. Due to the increase in demand on the market, the interlinked production units also had to increase capacity by approximately 30–40% during the restructuring. Despite all the changes going on, the work proceeded with continued good performance. Pros and cons with this approach was that employees with special needs (partially disabled workers, etc.) were given high priority early on, at the Falun plant, and were helped into new positions in the labor market, while temporary employees were not provided help to find new employment by Scania.

Discussion

The purpose of this paper is to develop a model that creates new employment impacts for employees during the process of plant closures. In the PLM Hammar case, there was a limited positive effect due to the decline in the business cycle, as compared with the upturn in the business cycle in the Korsnäs Marmaverken, Iggesund Strömsbruk, and Scania cases. Thus, it seems to be easier to create a good outcome with the CSR model during an upturn of the business cycle, since the labor market is more favorable for the workers at that time. Coordination in a CSR model relies on the anticipated positive effect, which occurred in three out of four cases. Hence, it is important for companies to be proactive in order to create a smooth restructuring with good impact. This result points to the importance of early coordination and long-term thinking, which implies good economic conditions within the corporation. We argue that corporations with good economic conditions and strategic plans can elaborate the time frame.

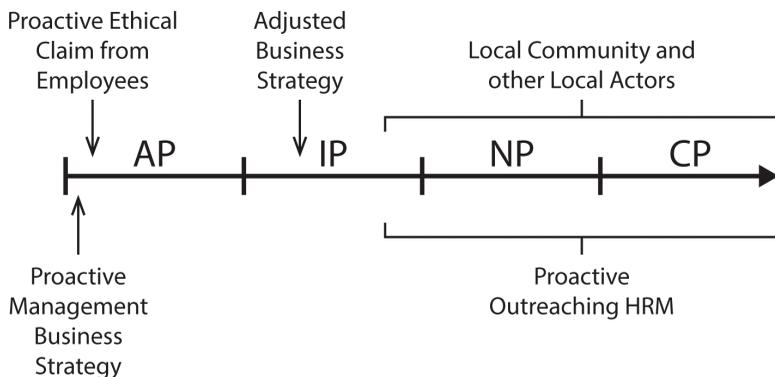
Without stakeholder coordination, the restructuring is dependent on instrumental theory and shareholder value, according to the view of Friedman (1970). In the context of plant closures, shareholder value can be connected to impatient economic behavior and rapid closedowns. If stakeholder coordination fails during the early phase of the closedown process (PNP), it usually creates rapid closedowns; this may be because top management does not communicate the decision before making the public announcement.

Normative stakeholder theory, on the other hand, stresses the importance of treating the firms' stakeholders in an ethical way (Garriga and Melé, 2004). Employees are considered to be a primary stakeholder in closedowns, since they are heavily affected by the management decision (see, for example, Carroll, 1991; Rydell and Wigblad, 2009). An empirical finding is that a stakeholder model can be implemented if the CSR orientation brings the main stakeholders together in coordinated actions. Stakeholder coordination includes comparably long closedown processes, and this provides a scope for action that increases the possibility of taking active HRM measures. This is in line with earlier research on “social responsibility” and ethics during closedowns, which has stressed the need for long advance notice periods (Carroll, 1984; Cascio, 2002; Millspaugh, 1990; Rydell and Wigblad, 2011).

We have seen that the social pressure that emerged in the Chrysler case (McMahon, 1999) was comparably reactive and appeared during the NP. In the PLM Hammar case,



Figure 2: A model for CSR-driven coordination of actions in closedowns.



the CSR orientation appeared during the IP. But in the Korsnäs Marmaverken, Iggesund Strömsbruk, and Scania Falun and Sibbhult cases, the CSR orientation came during the earliest stage—the AP. In these cases, it was also the early coordination of actions between management and employee representatives that created measures with relatively good impact. Additionally, in these cases, top management initiated a trust-based dialogue with employee representatives, which resulted in agreements. In the PLM Hammar case, the management did not have a trust-based dialogue initially, and the initiative came from the employee representatives during the IP.

The CSR-driven model (Fig. 2) brings together the empirical evidence and illustrates that when the ethical claim on top management is communicated and accepted at an early stage, it creates stakeholder coordination. This in turn adjusts the business strategy during the restructuring process. The fit of HRM to such CSR-driven strategies is outreach HRM, which focuses on reconnecting employees to the local labor market while they are being disbanded from the organization. The local community and other local government actors benefit from a proactive approach, since it gives them proper time for measures that increase employability, such as matching and adjusting existing competences to the demands of the local labor market.

The CSR-driven model is dependent on the capacity of employees, with their specific competence profiles, to reconnect to new employment in the local labor market. A big city like Stockholm provides relatively good conditions, while an isolated company town like Sibbhult provides comparably poor conditions, which makes it urgent to take more active measures including growth of new ventures and relocations in smaller communities.

Compared with ordinary HRM activities, the HRM measures in the CSR-driven model are directed more toward the local community and its labor market. The “work-path” strategy in the Scania case and similar measures reported in other cases (for example, Cascio, 2002) are HRM activities that we interpret as being “outreach HRM” toward the most affected stakeholders, that is, employees and the local community.

Based on our four empirical cases (five plants) and three international cases, we can distinguish between internal HRM activities that are focused on the change process and outreach HRM, which increases employees’ employability. Although this distinction is not clear cut, we argue that it makes sense analytically. Internal HRM focuses on how to

help employees cope with the process through various means and to support leaders to motivate the employees during the restructuring. Outreach HRM, on the other hand, focuses on offering education, retraining for new employment, business startup education, job search assistance, cooperation with local actors, and transfers to other company plants in order to reconnect the employees to new employment opportunities when the plant closes. We also note that the Scania Falun case and the case reported by Cascio (2002) took the opportunity to focus on active measures toward vulnerable groups to increase their employability, which increased the CSR.

In all of our empirical cases and the cases reported by Marks and Vansteenkiste (2008) and Cascio (2002), proactive measures were taken before the closure was announced. However, from the information available about these two latter cases, we cannot evaluate exactly how long before the announcement these measures were introduced. Interestingly, in all of our empirically reported cases, the companies offered transfers to other company plants, which contributed to the higher impact of the socially responsible approach. In contrast, Chrysler did not offer employees the right to transfer to other company plants, leaving it up to the employees to seek employment in the local labor market. However, Chrysler did offer some elements of outreach HRM, such as job search assistance, retraining, and also economic support for terminated employees and the local community (McMahon, 1999).

The CSR-driven model depends on good impact on the primary stakeholders for the model to be diffused. The CSR orientation concerns creating win-win solutions and stakeholders' evaluation of the possibilities for good impact during the early stages of the closedown process. Many measures and impacts in our four cases are very case specific and demonstrate various kinds of adjusted business strategies. One generic component identified in three out of four cases is the hiring of temporary workers to disband the permanent workers and reconnect them to the local labor market during a rather long advance notice period. Such a local "flexicurity model" (Rydell and Wigblad, 2011) can be adopted in other cases with a proactive approach. If this local flexicurity approach aims to seriously incorporate CSR, it should also involve measures toward temporary employees' transition to the local labor market in conjunction with the termination of operations.

The CSR-driven model illustrates that when the ethical claims of top management are communicated and accepted in an early stage, it creates stakeholder coordination. This in turn will adjust the business strategy during the restructuring process. The fit of HRM to such CSR-driven strategies is outreach HRM, which focuses on reconnecting employees to the local labor market while they are being disbanded from the organization. The CSR orientation, together with a proactive approach, creates relative advantages for the involved stakeholders as compared with the instrumental closedown approach; specifically, it creates smooth restructuring, which generates stable market conditions during the transition process and a more competitive corporate structure as a result.

We conclude that the essence of our CSR model in closedowns is that the scope of action increases if the CSR orientation and coordination of actions come early during the closedown process, which adjusts business strategy and plans for outreach HRM and local community activities. A good impact for the primary stakeholders depends on the coordination of stakeholder actions at the earliest stage of the model. This will ease the pain caused to labor and increase flexibility during the closedown process.



References

- Ahlstrand, R. (2010) 'Social responsibility in connection with business closure: A study of the closedown of Ericsson Telecom facilities in Norrköping and Linköping', *Economic and Industrial Democracy* 31(4): 537–555.
- Bergman, P. and Wigblad, R. (1999) 'Workers' last performance: Why some factories show their best results during countdown', *Economic & Industrial Democracy* 20(3): 343–369.
- Bracker, J. S. and Kinicki, A. J. (1988) 'Strategic management, plant closings, and social responsibility: An integrative process model', *Employee Responsibilities and Rights Journal* 1(3): 201–213.
- Brockbank, W. (1999) 'If HR were really strategically proactive: present and future directions in HR's contribution to competitive advantage', *Human Resource Management* 38(4): 337–352.
- Budd, J. W. and Scoville, J. G. (2005) *The Ethics of Human Resources and Industrial Relations*. Ithaca, NY: Cornell University Press.
- Bäck-Wiklund, M., Nilsson, A., and Rundblad, B. (1975) *Företagsnedläggningars konsekvenser för personalen: läget för de anställda vid Jössefors bruk cirka ett år efter nedläggningen från brukssamhälle till förort: en studie av social förändring*. (The impact of closedowns on employees: the status for employees one year after the closedown at Jössefors Bruk: a study of social change) Stockholm. (In Swedish).
- Cameron, K. S. (1994) 'Strategies for successful organizational downsizing', *Human Resource Management* 33(2): 189–211.
- Carroll, A. (1991) 'The pyramid of corporate social responsibility: Towards the moral management of organizational stakeholders', *Business Horizons* 34(4): 39–48.
- Carroll, A. B. (1984) 'Managing public affairs, when business closes down: Social responsibilities and management actions', *California Management Review* 26(2): 125–140.
- Carroll, A. B. and Buchholtz, A. K. (2006) *Business and Society: Ethics and Stakeholder Management*. 6th edition. Mason, OH: South-Western.
- Carroll, A. B. and Buchholtz, A. K. (2011) *Business and Society: Ethics, Sustainability, and Stakeholder Management*. 8th edition. Mason, OH: South-Western.
- Cascio, W. F. (2002) *Responsible Restructuring*. San Francisco, CA: Berrett-Koheler Publisher.
- Cascio, W. F. (2007/1999) 'Strategies for responsible Restructuring', In: *Strategic Human Resource Management* (Schuler and Jackson, eds), 2nd edition. Malden: Blackwell Publishing.
- Chakravarthy, B. and Lorange, P. (1991) *Managing the Strategy Process: A Framework for a Multibusiness Firm*. Englewood Cliffs, NJ: Prentice Hall.
- Chandler, A. D. (1962) *Strategy and Structure*. Chapters in the History of the American Industrial Enterprise. Cambridge, MA: MIT Press.
- Crane, A. and Matten, D. (2004) *Business ethics, a European perspective*. Oxford: Oxford University Press.
- Denscombe, M. (2010) *The Good Research Guide—for Small-Scale Social Research Projects*. 4th edition. Maidenhead: Open University Press.
- Donaldson, T. and Preston, L. E. (1995) 'The stakeholder theory of corporation: Concepts, evidence and implications', *Academy of Management Review* 20(1): 65–91.
- Eby, L. T. and Buch, K. (1998) 'The impact of adopting an ethical approach to employee dismissal during corporate restructuring', *Journal of Business Ethics* 17(12): 1253–1264.
- Eleen, J. W. and Bernardine, A. G. (1971) *Shutdown: The Impact of Plant Shutdown, Extensive Employment Terminations and Layoffs on the Workers and the Community*. Toronto, ON: Ontario Federation of Labour.
- Eisenhardt, K. (1989) 'Building theories from case study research', *Academy of Management Review* 14: 532–550.

- Eliason, M. and Storrie, D. (2009) 'Does job loss shorten life?' *Journal of Human Resource* 44(2): 277–302.
- Feldman, D. C. and Leana, C. R. (1989) 'Managing layoffs: Experiences at the Challenger disaster site and the Pittsburgh steel mills', *Organizational Dynamics* 18(1): 52–63.
- Freeman, R. E. (1984) *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman.
- Friedman, M. (1970) 'A theoretical framework for monetary analysis', *Journal of Political Economy* 78(2): 193–238.
- Garriga, E. and Melé, D. (2004) 'Corporate social responsibility theories: Mapping the territory', *Journal of Business Ethics* 53(1–2): 51–71.
- Greenwood, M.R. (2002) 'Ethics and HRM: A review and conceptual analysis', *Journal of Business Ethics* 36(3): 261–278.
- Greenwood, M. R. and Anderson, E. (2009) 'I used to be an employee but now I am a stakeholder': Implication of labelling employees as stakeholders', *Asia Pacific Journal of Human Resources* 47(2): 186–200.
- Hansson M. and Wigblad, R. (2006) 'Pyrrhic victories—Anticipating the closedown effect', *International Journal of Human Resource Management* 17(5): 938–958.
- Hardy, C. (1990) *Strategy for Retrenchment and Turnaround: The Politics of Survival*. Berlin: De Greuter.
- Hopkins, W. E. and Hopkins, S. A. (1999) 'The ethics of downsizing: Perceptions of rights and responsibilities', *Journal of Business Ethics* 18(2): 145–156.
- Kavanagh, J. P. (1982) 'Ethical Issues in Plant Relocation', *Business & Professional Ethics Journal* 1(2): 21–37.
- Lawler III, E. E. and Mohrman, A. A. (2003) 'HR as a strategic partner: What does it take to make it happen?' *Human Resource Planning* 26(3): 15–29.
- Marks, M. L. and Vansteenkiste, R. (2008) 'Preparing for organizational death: Proactive HR engagement in an organizational transition', *Human Resource Management* 47(4): 809–827.
- McMahon, T. F. (1999) 'From social irresponsibility to social responsiveness: The Chrysler/Kenosha plant closing', *Journal of Business Ethics* 20(2): 101–112.
- McMahon, T. F. (2000) 'Lifeboat ethics in business', *Business Ethics Quarterly* 10(1): 269–276.
- McWilliams, A. and Siegel, D. (2001) 'Corporate social responsibility: A theory of the firm perspective', *Academy of Management Review* 26(1): 117–127.
- Millsbaugh, P. E. (1990) 'Plant closing ethics root in American law', *Journal of Business Ethics* 9(8): 665–670.
- Mintzberg, H. and Waters, J. A. (1985) 'Of strategies, deliberate and emergent', *Strategic Management Journal* 6: 257–272.
- Moir, L. (2001) 'What do we mean by corporate social responsibility?' *Corporate Governance* 1(2): 16–22.
- Rydell, A. and Wigblad, R. (2011) 'Company-level flexicurity during the restructuring process: A model', *Transfer* 17(4): 547–562.
- Schultz, G. P. and Weber, A. (1966) *Strategies for the Displaced Worker*. New York, NY: Harper & Row.
- Simmons, J. (2008) 'CSR and management ethics and morality in human resource management', *Social Responsibility Journal* 40(1–2): 8–23.
- Spiller, R. (2000) 'Ethical business and investment: A model for business and society', *Journal of Business Ethics* 27(1–2): 149–160.
- Sutton, R. I. (1987) 'The process of organizational death: Disbanding and reconnecting', *Administrative Science Quarterly* 32: 542–569.
- Swaim, P. and Podgursky, M. (1990) 'Advance notice and job search: The value of and early start', *The Journal of Human Resources* 25(2): 147–178.



- Tang, T. L.-P. and Crofford, A. B. (1999) 'The anticipation of plant closing: Employee reactions', *Journal of Social Psychology* 139(1): 44–48.
- Ulrich, D. (1997) *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*. Boston, MA: Harvard Business School Press.
- Van Buren III, H. J., Greenwood, M., and Sheehan, C. (2011) 'Strategic human resource management and the decline of employee focus', *Human Resource Management Review* 21(3): 209–219.
- Weber, A. and Taylor, D. (1963) 'Procedures for employee displacement: Advanced notice of plant shutdown', *Journal of Business* 36(3): 302–315.
- Wigblad, R. (1984) *Strömsbruk—från avveckling till utveckling*. (Strömsbruk—From close-down to development). Universitet i Linköping, rapport nr 143. (In Swedish).
- Wigblad, R. (1994) *Hammar—en offensiv företagsnedläggning*. (Hammar—A proactive closedown process). Arbetsrapport. Linköping Universitet. (In Swedish).
- Wigblad, R. (1995) 'Community turnarounds in declining company towns: A restructuring model', *The Journal of Socio-Economics* 24(3): 463–475.
- Wigblad, R. (2009) *Socialt ansvariga avvecklingar—Scania ABs avvecklingar 2005–2008*. (Socially responsible closedowns—Scania Inc closedowns 2005–2008). Stockholm: Landsorganisationen. (In Swedish).
- Wigblad, R., Hansson, M., Townsend, K., and Lewer, J. (2012) 'Shifting frontiers of control during closedown processes', *Personnel Review* 42(2): 160–179.
- Wigblad, R., Lewer, J., and Hansson, M. (2007) 'A holistic approach to the productivity paradox', *Human System Management* 26(2): 85–97.
- Winstanley, D., and Woodall, J. (2000) 'The ethical dimension of human resource management', *Human Resource Management Journal*, 10(2): 5–20.
- Yin, R. K. (2003) *Applications of Case Study Research*. London: Sage.