



Developing Restructuring Practice Workforce Reduction at a Large Swedish Telecommunications Company

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Executive summary

During the 1990s Sweden was gripped by a spate of massive workforce reductions affecting private companies as well as public sector organisations. Most of the organisations affected, such as Vattenfall, the Swedish Post or Telia, had no previous experience of workforce reduction on the scale witnessed and had to gradually adapt to the new conditions.

In this case study we will present and analyse one of the largest and most publicised restructuring efforts in Sweden. From 1992 to 2005 the Swedish telecom giant, Telia undertook a number of major workforce reduction programs, cutting its workforce by almost 80% from 50 000 to 11 000. For the company's management, the main reasons given for the reductions lay with the increase in competition brought about by the deregulation of the Swedish telecom market in the early 1990s, and the continuous technological development in the sector.

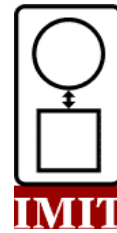
Experience with large-scale workforce reductions now spans almost 15 years at Telia. While the first major workforce reductions in 1992 were still understood as a onetime, temporary phenomenon. Telia began reducing its workforce in those days according to the traditional model, by following the procedures laid out in the employment protection legislation and pension agreements. However, subsequent programs followed different logics as it became increasingly clear that the work with reducing the company's workforce was becoming a stable part of organisational life. This gradually led to the development of what may be referred to as a community of (restructuring) practice at Telia.

In our study of the sequence of workforce reductions at Telia we focus on the production of expertise on workforce reduction among employees, mostly line managers, given the task of organising and managing the workforce reduction activities. We argue that as the focus shifted from treating workforce reduction as something taking place occasionally in crisis situations towards understanding it as part and parcel of everyday organising, a "restructuring practice" developed at Telia.

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Introduction

During the 1990s Sweden was gripped by a spate of massive workforce reductions affecting private companies as well as public sector organisations. Compared to private sector employees there was a much more deeply-rooted belief among public sector employees that their work was a sanctuary, a place of security and comfort that could not be taken from them. Many of them had been working at the same organisation for 20, 30 years or more and counted on continuing their work in the same workplace until retirement. The risk of ending up “out on the street” in search for new employment came as a huge shock to these employees. Most of the organisations affected, such as Vattenfall, the Swedish Post or Telia, had no previous experience of workforce reduction on the scale witnessed and had to gradually adapt to the new conditions. Consequently, the work with workforce reduction is characterised by two aspects: shock and ambiguity on the one hand and learning from experience on the other. In this case study we will present and analyse one of the largest and most publicised restructuring efforts in Sweden. From 1992 to 2005 the Swedish telecom giant, Telia (The company has changed its name many times throughout its 153-year history. In order to avoid confusion, we refer to it as only as Telia in this report), undertook a number of major workforce reduction programs, cutting its workforce by almost 80% from 50 000 to 11 000. For the company’s management, the main reasons given for the reductions lay with the increase in competition brought about by the deregulation of the Swedish telecom market in the early 1990s, and the continuous technological development in the sector.

Telia began reducing its workforce according to the traditional model, by following the procedures laid out in the employment protection legislation and pension agreements. However, subsequent reduction programs followed different logics. In our study of the sequence of workforce reductions at Telia we focus on the production of expertise on workforce reduction among employees, mostly line managers, given the task of organising and managing the workforce reduction activities. We argue that as the focus shifted from treating workforce reduction as something taking place occasionally in crisis situations towards understanding it as part and parcel of everyday organising, a “restructuring practice” developed at Telia.

In this report we trace the development of restructuring practice at Telia mainly within the framework of four large workforce reduction programs run between 1992 and 2005.

Events Leading up To the Workforce Reductions in the 1990s

Telia's history begins in 1853 with the founding of the Kungl. Telegrafverket (Royal Swedish Telegraph Authority) and the construction of the first electric telegraph line between Stockholm and Uppsala. By securing a national monopoly on long distance telephone lines, Telegrafverket was able to control and successively take over the local networks of quickly growing private telephone companies. A de facto monopoly position within the public voice telecommunications market was reached around 1920 never in need of any legal sanctioning.

In the early 1990s one development in the Swedish telecom sector changed Telia's business activities and provided the justification for the first large-scale workforce reduction activities at the company: the deregulation of the Swedish telecom market.

In 1992 the Post- och Telestyrelsen (Post- and Telecommunications Board) was created incorporating the state regulating agency and comparable to the U.S. Federal Communications Commission. At the same time the Swedish national radio and TV broadcast network was spun off into a separate company named Teracom. One year later, in 1993, the Swedish government then introduced a Telecommunications Act, obliging Telia to open its network infrastructure to competitors and stating that every telecom company had to apply for a licence when providing telecommunication services on a larger scale. Along with these developments a national regulatory authority was established to enforce the law.

The deregulation of the telecom market had a number of important consequences for Telia. Most importantly, because the company now was obliged by law to share "its" network with its competitors, it was no longer inclined to invest huge funds into the upkeep of the infrastructure.

At that time a significant part of the Telia's workforce was involved in the construction and maintenance of the network. Most of the workers had been employed by Telia during the great expansion and automatisation period of the 1960s.

Due to the continuous technological development in the sector and a subsequent reduction in investments into the further development of the "old" network, these workers were not needed anymore.

In accordance to existing collective agreements redundancies were negotiated with local trade unions. The collective agreement implied that employees at Telia were not covered by the employment protection act (LAS), but by TURAS, which was a special agreement for state employees. The agreement had somewhat different rules, understood as more advantageous for the employer compared with the conditions provided by LAS. For example, the circles for negotiations of priority of order (seniority) could be defined more narrowly giving the employer greater flexibility when it came to determining who had to be dismissed and who should stay.

When priority of order was negotiated it would only apply to the circles or parts of the workplace decided upon by the employer. The list of priority was then set, generally resulting in younger workers having to leave. However, the fact that there were so many older employees at Telia, allowed for the use of early retirement schemes: workers above the age of 60 were offered early retirement packages. Younger workers who were dismissed were treated in accordance with LAS and received severance payments between 3 and 6 months depending on their tenure. There were no extended severance payments and the general idea was to carry out the dismissal as quickly as possible.

The company's management cut the workforce by around 3 000 employees. The large majority of them was over 60 years of age at that time and had been working for Telia for close to 40 years. Most of them were dismissed (2 000), others were given early retirement packages (1000). For the workers as well as managers at Telia the decision to reduce the number of workers came as a shock. The situation was exacerbated because of the fact that there had never been redundancies on such a large scale within the public telecommunications sector before and few managers were experienced with dealing with this type of crisis.

From 1992 onwards "development projects" were set up in each one of the eight regions. The initial idea behind the projects was that workers themselves could voluntarily choose to leave the organisation and would then get support in their efforts to find new jobs. However, as the financial situation at Telia deteriorated during 1992 based primarily on financial claims made by the state, Telia's management initiated the large-scale dismissals. The development projects were turned into re-deployment units, providing support to workers who had already been dismissed.

The workforce reductions at Telia drew strong responses from various actors, such as the Swedish media and local politicians, who built their agendas around criticising the new telecom legislation and attempting to save jobs at the telecom giant. The dismissals

were also met by strong resistance from trade unions who went to the labour court to contest the dismissals.

In the summer of 1992 a Swedish labour court dismissed Telia's procedures as unlawful. The court argued that employers had to take the workers' competencies into consideration when deciding who should be dismissed. Telia had not done so. The company's management had identified the business activities that were to be discontinued and then dismissed the workers working with these activities. These had been the arguments of the trade union representatives and the court agreed. The court decision was immediately appealed by Telia and as the conflict dragged on the relationship between the trade union- and employer representatives grew more and more sour.

Early Experiences from the Work with Workforce Reduction

The seriousness of the conflict with the trade unions following the 1992 reductions led managers at Telia to conclude that dismissals should be avoided in the future. This insight brought them closer in line with the trade unions, whose work usually rests on avoiding dismissals at any cost.

Management also recognised the importance of providing information about the decision to reduce the workforce early on in the process to both trade union representatives as well as employees. Early information was important because it allowed redundant workers to understand why they had to leave the organisation and to install some confidence in them that it was possible for them to find a new job elsewhere. Telia managers highlighted the fact that messages sent out by the decision makers to the dismissed employees should always be clear and concise. One of the senior HR specialists explained:

This was in any case the same experience over and over again: one has to be clear. People who've lost their job need to know clearly and unambiguously *why* they've lost their job. The most clear-cut way of doing so is to dismiss them based on circles of priority on the basis of LAS. If you do that they'll know why they've lost their job: they've had the shortest tenure compared with their colleagues. And in that case you can move on. But, if you are made redundant in some other way then you may need a lot of energy to try and figure out 'why was I dismissed and not someone else?'

In particular, managers emphasised the importance of being present in the affected workplaces and of interacting with employees and trade union representatives in order to explain the reasons for the changes in the organisation. Most importantly, the information provided to the dismissed workers needed to be presented in such a way as to show them

that it was not their fault that they were dismissed. Rather, the dismissals were necessitated by changes in the organisation brought about by political decisions taken beyond the reaches of management.

The fourth insight concerned the creation of a common platform between the employer and employee representatives. Even before the actual negotiations took place a lot of interactions took place between the employer and trade union representatives. In the Swedish language the term “förankra” (anchoring) is often used to describe these usually informal contacts often providing the platform for the formal negotiations. In cases where such a “shared understanding” was reached the negotiations with trade unions were limited to discussing the conditions for how dismissed workers should be treated.

Telia’s employees believed that the spate of dismissals would be a onetime phenomenon, and that as soon as the redundant workers had left everything would be business as usual. They were wrong. Further changes loomed on the horizon, and it is to these changes we now turn.

The Division P – Preparing for the Future by Avoiding the Mistakes of the Past

The workforce reductions at Telia in the early 1990s brought about a major change in the organisation of the company, which at that time was still pretty much the same to what it had looked like almost 140 years earlier. Telia was organised into 20 different organisational entities (Tele-areas) distributed over the whole of Sweden, and in line with the requirements of the Swedish military dating back to the year 1853. Each Tele-area had its own administration and was in many ways autonomous. Some areas such as budget were the responsibility of the Telia’s central administration.

In 1992 the 20 Tele-areas merged with one another to form 8 larger regions. The company remained organised in this way between the years 1992 and 1995, the so-called “Regions-period”.

In 1995 Telia’s CEO, Lars Berg, presented his “Vision 2001” plan to transform the geographical structure of the company into a market and product-based one to the company’s 300 top executives at a function in Nynäshamn on the Swedish east coast. “Vision 2001” brought with it a new spate of workforce reductions in January 1996. They followed a different logic compared to the previous approaches and a number of reasons may be identified for the change in perspective. Firstly, a number of problems had been

identified in the way workforce reduction had been carried out in the past. The *side organisations*, for example, were not seen as contributing to creating clarity for the redundant employees who chose to enter them.

Secondly, a new transfer directive was enforced by the European Union (Sweden had at that time just recently joined the European Union and was therefore obliged to follow the directives) in 1996. According to this transfer directive, workers who were transferred from one legal unit to another would benefit from a one-year employment protection. In cases of restructuring, the new directive meant that workers affected in the old structure would be protected against dismissal for the duration of one year. For Telia's management working with planning the establishment of a number of new organisations and units within the Group, the directive complicated matters and meant that changes which had already been planned would need to be postponed. Subsequently, instead of closing down the old units one by one, Telia's management believed in the importance of managing this process in a holistic way.

And thirdly, the strict adherence to LAS and the large scale pension agreements led to an imbalance in the company's age structure and Telia's management realised that the organisation was heading for problems: the younger members of the workforce with their usually up-to-date education and training were gone. This fact coupled with the "radical" changes in the technological environment meant that the company suddenly risked not having the adequate knowledge base to meet the future requirements.

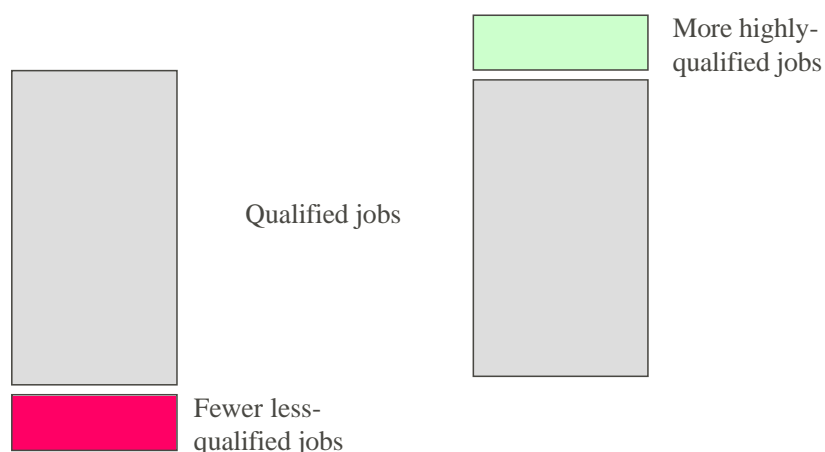


Fig. 1: Shifting Competencies

But, even the older, highly experienced employees around 60 years of age were gone, and had taken with them all the knowledge and wisdom accumulated during all those years of tenure at Telia. The company's management realised that they had to do something different in order to ensure that those members of the workforce who they understood as vital to the company's future wellbeing could be retained in the organisation. New skills were needed, at the same time as old skills and jobs needed to be abandoned.

According to Telia's management 5 000 – 7 000 employees would become redundant at the company over the next few years. 30 000 people were employed by Telia at the time, meaning that 25% of the workforce had to leave. Because of the magnitude of the workforce reductions, the company's management was aware that negotiations with the trade unions would be difficult. Previous experience had shown Telia's managers the value of remaining on good terms with the trade unions, and one way of doing so was by avoiding collective dismissals. They promised the trade unions that none of the company's employees would be dismissed on the basis of work shortage (*arbetsbrist*). The dilemma was how to get rid of so many people without collective dismissals on the basis of LAS?

Eventually, Telia's management found a solution to their problem. In order to deal with the major restructuring of the organisation a new legal entity was created. It became known as *Division Personalförsörjning* (Division Personnel Support) or simply *Division P*. The Division P was regarded as a transfer unit, a temporary place for redundant workers before moving somewhere else. It was organised as a three-year project, with its head directly reporting to Telia's CEO.

The idea behind Division P was simple: every single employee at Telia was transferred to the Division P. Physically they remained in their workplaces, but on paper they now belonged to a separate legal entity. Once this process was completed, all the employees at the Division P were used to staff the units and divisions at Telia. The employees had to apply for their old jobs, but not all job positions remained in the new organisation. Some of them were redesigned and relocated, others disappeared completely. Some employees would therefore have to search for new jobs outside the organisation. It was a stormy period as one HR-specialist recalls:

Well, one completely empties the office and then one simply refurnishes it with less chairs...and then one takes in...takes back just enough people to fill the chairs that are left. And then, of course, some are left without a chair.
[Bäckström]

The project ran for a period of three years. During that time, the redundant employees had the opportunity to search for new employment both inside and outside of Telia's organisation. Whoever did not receive a new position remained at the Division P and was given the guarantee not to be dismissed on the basis of work shortage under a three-year period. Those employees who were left without new employment at the end of the three years were dismissed.

Initially, there was an active exchange of employees back and forth between the Division P and the newly-established companies. One reason for this was that the new companies were sometimes overstaffed: there were more employees allocated to the new company than were needed. As a result of this, some employees had to be sent back to the Division P. At other times, the new companies would be understaffed: management knew that there were many employees remaining at Division P to choose from. If it was impossible to operate with so few workers, they could employ more at a later stage.

In tandem with the transformation of Telia from a geographically-based organisation to a market-based one, its management realised the importance of upgrading the skills and competencies of its employees and a number of activities were set up. The general assumption was that in the dawning "New Economy" computer literacy and/or information technology skills in general were a precondition for capitalising on employment opportunities. Telia decided on a standardised IT training program directed at all the redundant employees irrespective of their individual needs. The IT training activities were complemented by a number of other re-skilling and vocational training and guidance activities offered to the redundant employees.

Because the courses bought from an external supplier were expensive, Telia's managers began questioning the role of the Public Employment Service (PES) in the training of their redundant employees. Did they not in fact engage in activities normally the responsibility of the PES? Wasn't it the PES's task to support employees in case of redundancy and see to it that the affected employees received additional training and competence development?

Telia's representatives began shifting their focus towards getting financial support for their efforts from the PES. Their attempts were more or less successful depending on the county. In some counties the PES were not interested in supporting Telia's work with redundant employees, while in other counties the company's efforts to refrain from simply sending its employees "out into unemployment on the on the market, in other

words out into PES's area of responsibility", as one HR expert put it, were acknowledged and generously supported with funds exceeding 10 million SEK.

The time period of the project – three years – meant that a worker who was transferred to the *Division P* in the beginning of 1996 could stay there until the end of the project in December 1998. There was a continuous flow of workers in and out of the program and most of them found a new solution within 5 months.

In the beginning of the program in 1996 it took the workers an average of 4-5 months to find new employment. This was not strange. After all, the workers who found themselves in the *Division P* were not there because of their lack of competence or because they did not fit into the organisation. When the new companies had been established and had to be staffed, the most competent and brilliant employees in the *Division P* found new employment in no time. In a way they were the real winners. They had entered the *Division P*, had maybe participated in a short educative activity or had received an amount of money, and were now on their way back into the business.

Once the most competent employees had been transferred to the new companies, the situation changed. The remaining workers were persons with a lower "labour market value", in possession of only the most basic education, difficulties with fitting into the organisation and/or in need of rehabilitation.

The Results – Success through the Creation of a Common Platform

Division P was the result of a collective agreement that was signed between Telia's management and the employee organisations and the primary idea behind it was, as mentioned before, that the restructuring program was to be completed without collective dismissals. This collective agreement was described as the key to the ultimate success of the *Division P* program:

And we continually had discussions with them [the trade unions] about practical issues as well as the tools that we used and how we should use them. But we did not have any negotiations on the number of people who should return to the [newly established] companies. It was part of the basic collective agreement that the employer had the right to single-handedly decide how to staff the new companies. Those that didn't find room there came to [the re-deployment unit]. [Svensson, 051125]

The negotiations between the partners were initiated at an early stage, proceeded briskly and were preceded by fruitful "anchoring" activities (in Swedish the term "förankra" – anchoring – connotes that efforts are made to introduce a new idea for example, in such a

way as to make sure that many people are aware of the idea, have knowledge about it and support it.) according to our interlocutors:

We had a culture where we were relatively good at working together with the employee organisations. And that cooperation worked especially well when it came to Division P. And one can say that this depends very much on the fact that the different partners trust each other. [Burman, 060124]

The resulting *Division P* program was described as “a gigantic competence shift project” by the HR specialists working in the project, because at the same time as employees were made redundant, new competence was demanded by the company. This fact is mirrored in the results of the program. During the three years that the Division P program was run, a total of 6 550 employees were transferred to the reemployment unit, where they were given various forms of support in finding new employment. Of the 6 550 persons, 3 600 left the company, either because they found new work, began studies, started their own company or retired from work.

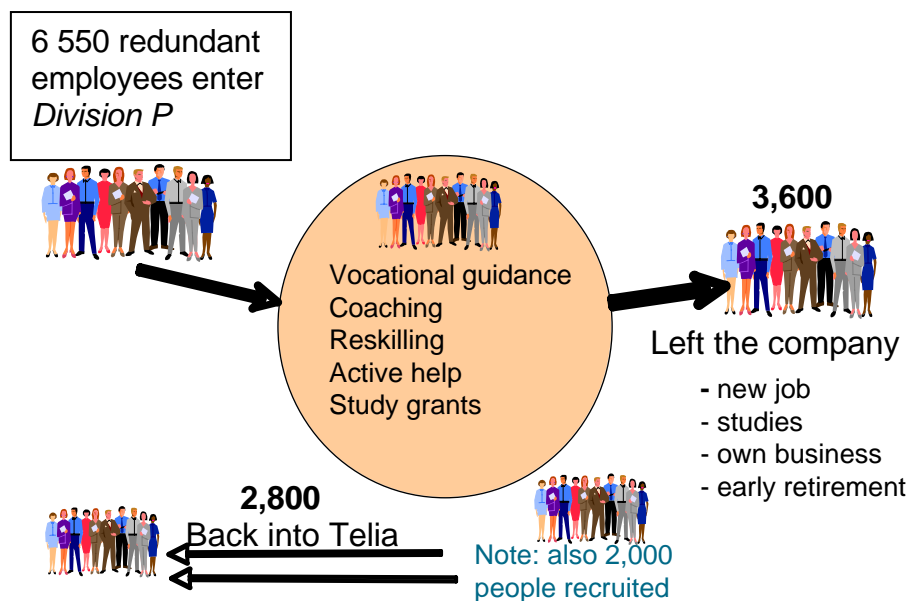


Fig. 2: The Results of the *Division P* Program

2 800 employees were transferred back to Telia after having received additional training, either to continue with their previous work activities, or to work on new jobs. Only around 100 employees were dismissed, often on the basis of inveterate problems both of a private as well as professional nature. At the same time around 2 000 new employees were recruited as part of Telia’s drive to update its competence base.

Telia had identified a large number of redundant employees, but had managed to avoid collective dismissals and only dismissed 100 persons. This was described as a huge

success and many other larger companies in Sweden became interested in Telia's work with workforce reduction.

Creating a Community of (Restructuring) Practice

In January 1999 a new restructuring agreement was signed between Telia representatives and the trade unions. It became known as *Telia Omställning (Telia Restructuring)*. In tandem with this development 10 experienced employees of the around 100 people who had originally worked with restructuring in the now defunct Division P were placed in a special unit that was to work with future restructuring activities. The reason for doing so was that the trade unions as well as Telia's corporate leadership anticipated that although the Division P project had just recently been concluded, further major reductions in the workforce would have to be made in the near future. For 1999 alone the prognosis established by management foresaw between 1 500 and 1 800 workers becoming redundant.

By gathering several of the experienced persons who had worked as part of the Division P project in one place, Telia would be well prepared for any future restructuring developments. The experts at *Telia Restructuring* were described as "internal consultants". Understood as in possession of the knowledge of what had been successful and what had been less successful in previous workforce reduction efforts at Telia, their task was to assist and educate the line managers in the different units and divisions in case they saw the need to reduce their workforce. The assistance included practicing the "difficult talk" with persons earmarked for dismissal, and reflecting on the reactions to be expected and how to handle them in the best possible way. Many of the HR experts who worked in the Telia Restructuring unit had been line managers themselves before they started to work with workforce reductions. They therefore understood the situation the line managers found themselves in.

The Telia Restructuring unit was built on the premise that the responsibility for the downsizing would be transferred back to the line. Responsibility would not, as had been the case in the early 1990s, lie with side organisations. Instead, the line managers themselves would be responsible. In this way, the hope was, the managers would take more responsibility for their employees and their business activities as a whole and avoid dismissals in the future.

Our HR director said, now we will make leadership complete again at Telia. During one period you were only responsible for recruiting and developing your personnel, while someone else took care of the termination of employment contracts. That's why the expectations from the HR director were that you should maybe become more thorough when developing the employees, your employees, so that you don't have to terminate any contracts in the first place. [Bäckström]

In the eyes of the restructuring experts, the side-organisations had meant that the managers out in the organisation had at times not been as careful and thorough as they could have been when it came to recruiting new employees or developing the employees already in the organisation. After all, when things went wrong, they could simply send the redundant employees away to be taken care of by someone else.

The period of the Telia Restructuring unit was frequently described as uninteresting by company representatives, as a quiet period, at least from a restructuring point of view. In reality, many things did in fact happen. In 1999 Telia began negotiations with the Norwegian telecom company Telenor, aimed at paving the way for the eventual merger of the two companies. As the negotiations took place Telia went into a state of limbo, its employees (including the managers) uncertain of the future of the company. Pending the eventual outcome of the negotiations redundancies were postponed, but with the merger negotiations coming to an unsuccessful end, discussions on redundancies were taken up again. Eventually around 12 000-14 000 employees left Telia between 1999 and 2001. This number constituted 50% of Telia's workforce. Of those, 400 workers were dismissed, while the majority of workers left the company through outsourcing and as a result of divestitures. The heavy focus on outsourcing meant that the experts of the Telia Restructuring unit did not become active in the same way as they had previously had been during the days of the Division P.

The company's strategy of collecting the "restructuring experts" in one unit in order to capitalise on their knowledge and expertise in the area may be understood as an attempt to build, what Brown & Duguid (1991) refer to as a "canonical community of practice", a community of practitioners that work closely together and share their knowledge and skills with one another as part of their relationships with each other. Telia Restructuring may be seen as canonical, because it is clearly identified by management as a community, whereas the majority of communities of practice in organisations are "non-canonical", informal, situated and not recognised as communities by management.

Telia Resurs & Omställning (TRO) – Revisiting the Division P

In January 2002 a new restructuring agreement was signed, known as *Telia Resurs & Omställning* (*Telia Resource & Restructuring*), or simply TRO. Telia's management once again justified the signing of the agreement with the rapid technological changes taking place in the IT and telecom sectors and the consequent changes in the customers' demands.

In 2003 Telia merged with the Finish telecom company Sonera OY to form TeliaSonera. As was the case with Telia, Sonera's history was characterised by its monopoly position before its privatisation towards the end of the 1990s. The separate brand names Telia and Sonera continue to be used to this day in the Swedish and Finnish national markets respectively. 43.5 % of the shares in the new company are owned by the Swedish State, 13.2 % by the Finnish State, and the rest by institutions, companies, and private investors in Sweden, Finland and abroad (see www.teliasonera.com). The TRO agreement was not affected by the merger as it concerned only Sweden.

There were two differences between the new agreement and its predecessor. Firstly, the element of voluntariness was reintroduced. Based on their own free will, employees could decide whether or not to enter the program. This had been possible in the Division P program 1996-1998, but had disappeared in the 1999 agreement. Secondly, the side-organisations made a comeback.

The TRO agreement also had some new features though: employees entering the program were "preliminarily dismissed" under a period of 6 months. After the 6 months, the employee's line manager at her home unit would determine whether she was still redundant or whether she could be transferred back to her old position or into a new job position. In cases where line managers established after the 6 month preliminary period of notice that the worker was still redundant, a 4-12 months period of dismissal followed.

Two concerns were voiced from the employer representatives with the TRO agreement: its extensive length and the ambiguity inherent in the message that was sent to the employees.

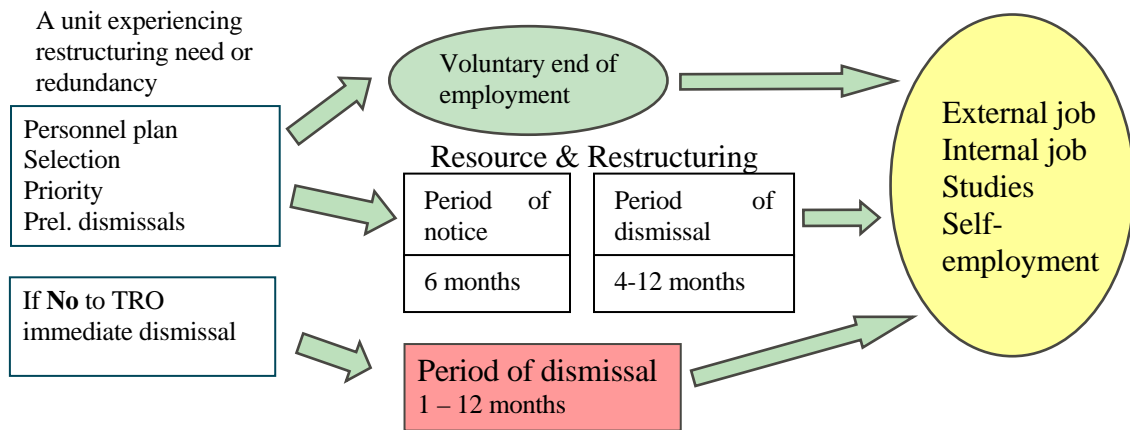


Fig. 3: The TRO Program 2002-2004

Reflecting on the length of the Division P project, many of the persons involved in establishing and maintaining the project had felt that three years was too long a time for a restructuring program to be effective. The problem they had identified previously in the Division P project was that the workers entering the program had frequently displayed the attitude “oh well, I have three years ahead of me in this program. I might as well lean back and take it easy for now...and, on top of it all, get paid for doing so”. Although there had been financial incentives for employees to quickly find new employment, a number of them had still seen the Division P program as a generous and welcome opportunity to get paid for doing nothing for a period of up to three years. Related to this point was the issue of ambiguity in the message, which the program sent to the employees. It was unclear to some of them what would happen once the program drew to a close. Many thought that they would return to some form of employment at Telia after the three years, and therefore did not see the need to actively search for a different employment opportunity both inside and outside the company. Instead they saw the period in the program as a good opportunity to take it easy and make money in the process. Both of these problems, acknowledged by the HR specialists who had worked with the Division P project, resurfaced now in the TRO program.

Once again the length of the program was extensive and once again the message sent by the agreement was at times filled with ambiguity. The head of the TRO unit described one of the possible shortcomings of the agreement, the ambiguous message sent by the 6 months “preliminary dismissal” period in the following way:

I usually say that one can't be a little bit pregnant...and one can't be a little bit redundant. You are either redundant, or you are not. And this is a sensitive question for the trade unions. [...]. I even feel that it's downright unacceptable to say that a person is a little bit redundant. "You are redundant...not now, although you don't have a job now, but in 6 months you become redundant", because one closes down a site for example. So, that is...I really think that's unacceptable. Here, a person was preliminarily dismissed up to 6 months.

The question is: why did this happen? Although lack of clarity and extensive length had been identified in previous workforce reduction programs as problems to be avoided, they reappeared in the TRO program. According to employer representatives, the trade unions were to blame for this:

I think that it was the trade unions that pushed this issue, because they didn't want to have to face dismissals. And, after 6 months you were dismissed on the basis of work shortage, but at that point you could remain in the program for another 12 months. And it would take a whole lot for you to come back after 18 months. Of course, some people leaned back again and thought, they can't throw me out in any case.

In the end, 900 workers in total entered the TRO program. 200 of these workers returned to some form of employment at Telia, whereas 700 workers left the company.

TeliaSonera Omställning (TSO) – Central Agreements and Local Knowledge

The fourth and hitherto last restructuring agreement was signed in January 2005 as a result of negotiations that took place locally between the trade unions and Telia's representatives. It became known as *TeliaSonera Omställning (TeliaSonera Resource & Restructuring)* or TSO. Company representatives described the agreement as bearing resemblance to the Division P agreement. Once again one of the main premises of the negotiations between the trade unions and the employer representatives was that dismissals should be avoided at any cost. Staffing should take place on the basis of skills and competencies. However, this time around Telia was in great shape and had high margins in Sweden. Nevertheless, its leadership had determined that around 3 000 employees would become redundant over the next 3 years due to the expected disappearance of fixed telephony services coupled with an increase in price pressure within the next 3-4 years. The managers knew that tough negotiations awaited them in order to convince the trade unions that redundancies were unavoidable.

Translating Numbers into Roles

The process was initiated when senior management identified the need for future cost cutting measures. The reduction in costs was then translated into a certain number of people to be made redundant. On the senior level, the figure was still highly abstract, devoid of any particular context. It was unclear who was to be made redundant and where employees would be made redundant. The overall figure was then communicated further “down the hierarchy” to the divisional managers. The simple question was asked: to what extent can you cut costs in your division? How many people can you do without and still keep your activities running smoothly? How many percent can you contribute with when it comes to cutting costs at Telia?

The divisional managers in turn communicated the ideas of senior management further to their departmental managers. On the departmental level, according to one leader (title given unit manager at Telia), the percentage was broken down into occupations. The abstract figures became more contextual as departmental managers examined their organisation and decided which professional roles they could do without, or which ones they absolutely could not get rid of. In doing so the departmental managers often employed the services of persons acknowledged as “process specialists” within Telia. The idea was to map out the business processes and to then decide which roles would be needed in the future to keep these processes running.

The difference between the number of people working in the present organisation and the roles allocated in the future organisation, represented the number of employees who were redundant. One leader said that the idea was, of course, that the new organisation would need less people than the old organisation. At the end of the day, less people working to keep the processes running meant less costs incurred.

The departmental managers communicated the numbers and the types of roles to be reduced to their subordinated leaders. The leaders then had the task of informing their employees of the redundancies. Another two weeks or so passed before employees were told which professional roles were affected and how many persons had to leave.

The whole process brought with it a steadily increasing anxiety among the employees. Whereas the threat of losing one's job seemed relatively remote at the time senior management informed of future workforce reductions aimed at cutting costs, it became increasingly real as the figures were translated into concrete professional roles to be downsized in the units.

The next step was to determine who was to leave and who could stay. The criteria for choosing employees were based on evaluating their skills and competencies. In some units a standardized form was used for the evaluation, in other instances the leaders wrote their own evaluation forms. Based on what our interlocutors told us the process seems to have proceeded differently depending on the unit or department concerned. The result of the evaluation had to be communicated in writing, however. It was sent to the trade union representatives. The leaders/departmental managers and the trade union representatives then met to discuss the choices of employees to be dismissed. In most cases there was agreement between the partners on who should leave, but in some instances the trade unions questioned the choices for dismissal.

One question which may be asked is whether or not this method of evaluating employees on the basis of their competencies and skills did in fact constitute an objective, “just” tool for deciding who was made redundant? Lyotard (1984) argued that knowledge under the post-modern condition is never outside a system of legitimation that allows it to be understood as knowledge. In other words, what is legitimate knowledge in a certain situation will always be decided upon within a context based on the existing power relations. For example, there may be a risk of leaders and departmental managers holding grudges against some of their employees and using the situation to get rid of them; or, of managers using the “wrong” or misleading criteria when evaluating their employees. However, according to our interlocutors, the system worked very well, primarily because of the dedicated work of the trade union representatives, who put great effort into studying the cases that had been earmarked by the managers. Once the group of employees belonging to the earmarked professional role were identified and informed of how many persons had to leave, they were given the opportunity of resigning voluntarily. Those, who did not want to do so, had to apply for a position in the new organisation. They did not know yet of who had to leave and they had around two weeks to decide whether or not to take the offer.

For the company the decision to offer voluntary dismissals was a risk. They had made their decision on the basis of the competencies and skills of the employees, and naturally the persons judged most competent were to remain in the organisation. But, the choice of resigning voluntarily with the prospect of benefiting from the very generous conditions offered as part of the restructuring agreement was tempting for some employees, especially those who felt that they were highly competent and could quickly find new employment or those who already in the past played with the idea of doing

something else, starting their own business, for example. Telia faced the risk that some of their ambitious and competent employees might resign, while the company was stuck with the less competent persons. This scenario did not materialise on a large scale although there were some persons who later on appeared in the TSO unit that the company would have loved to have retained.

After the two week period the employees were informed by their leader about who was redundant and what was going to happen to them in the future. The employees who were earmarked for dismissal were prepared for entering one of the TSO units, the administrative units working with supporting the redundant employees in their efforts to find new employment, begin studies or start their own business.

The TSO Reemployment Unit

Telia operated a number of TSO units in Sweden, the largest of which was in Stockholm. Ten other units were situated in cities and towns all over the country. At the TSO units in Göteborg, three “career coaches” (leaders) worked with giving support to the redundant employees who ended up at the unit. The leaders at the different units reported to their leader who in turn reported to the Head of TSO in Stockholm. He in turn reported directly to Telia’s Personnel Director for Sweden.

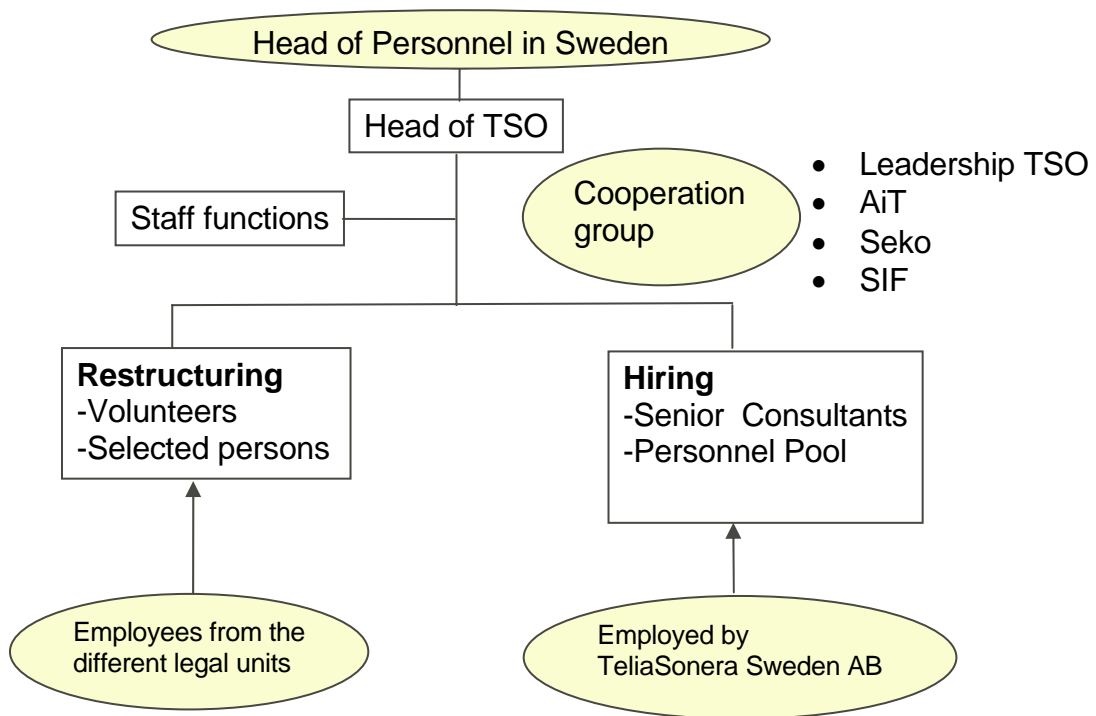


Fig. 4: Organising the TSO Program

One aspect that distinguished TSO from the Division P, which it was so often compared to, were the “Trotjänare” (Senior Consultants) and Personnel Pools. Trotjänare in Swedish means “faithful servant”. At Telia senior consultants were long serving employees who, as a consequence, had reached an advanced age. If an employee was made redundant who qualified as a senior consultant, he or she was given a contract and hired back to the different units at Telia to perform different tasks. In the personnel pool

At the TSO Unit

The first contact a redundant employee had with the TSO unit was at the so called handover conversation where the employee together with his or her “submitting” leader met with one of the career coaches. The meeting was intended to take care of as many questions as possible that the redundant employees might have, in order to allow them to quickly settle into their new environment. It also facilitated the formal handing over of the employee from one administrative unit to another. The employee had to hand in his or her computer and key card, etc., and was allocated a new leader and new economic unit. The coaches at the unit functioned as leaders for the participants in the program. The participants who came to TSO voluntarily were often highly motivated. They had plans for their future; they knew where they were going, and they knew what they expected from the coaches. The employees who ended up at TSO, because they were earmarked for dismissal were generally not as happy. On the contrary, they were often devastated by the bad news, did not understand what was happening to them or why and often refused to accept the situation. In cases deemed difficult by the leaders, TSO offered professional counselling given by *Företagshälsovården* (Company Health Care Services) in an effort to bring the persons back on track. TSO offered two types of services: financial support and a transition support program.

Financial Support Packages

The financial support package included support offered to redundant employees at TSO who resigned and quit Telia. In this case the amount was based on the last salary, the length of employment at Telia and the age of the person. The amount of the severance payment decreased the longer the person remained at TSO (see table 1). The idea behind this was to motivate participants in the program to actively find a new solution. If a person left TSO for another job within Telia, and this job paid more than 1 000 SEK less

per month, the person was entitled to “löneutfyllnad” (compensation for difference in the wage) over a period of 12 months.

Time in TSO (months ¹)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Salaries	12	12	12	12	11	10	9	8	7	6	5	4	3	3	3
Bonus - Time of Employment, TSEK															
10 - 19 years	60	60	60	60	60	60	54	48	42	36	30	24	18	12	6
20 - 29 years	120	120	120	120	120	120	108	96	84	72	60	48	36	24	12
30 - years	180	180	180	180	180	180	162	144	126	108	90	72	54	36	18
Incentive Bonus, TSEK															
Age 45- 49	60	60	60	60	60	60	54	48	42	36	30	24	18	12	6
50 - 54	120	120	120	120	120	120	108	96	84	72	60	48	36	24	12
55 - 59	180	180	180	180	180	180	162	144	126	108	90	72	54	36	18

Table 1: Severance Payment as Part of the TSO Agreement

Employees 63 years or older had the opportunity to quit TSO and continue to receive the transition support for the remaining months until they turn 65. Employees above the age of 65 could quit TSO and receive their pension or enter the senior consultant pool and continue to work with different tasks within Telia when needed.

Transitional Support Program

Apart from the initial handover and the inquiry into the expectations and demands of the redundant employees, as well as the solving of practical issues, the participants at TSO were supported throughout the process through a number of activities. The participants were allocated a leader that kept an eye on their progress. The leader was also responsible for setting up goals and working out a plan of action together with the participant.

As part of the program the participants had the opportunity to scout the labour market for job offers. In the larger cities Telia cooperated with suppliers of outplacement services such as Manpower when it came to “job finding” activities. The participants at TSO were also able to get more information on further studies, on occupations or professions that might be in demand in the future and on how to start their own businesses. Telia also offered the opportunity for the participants to take part in internships inside Telia or at other companies for up to three months. During this period

they remained employed at Telia. Once the internship ended the employer could decide whether or not to employ the TSO participant fulltime or not.

Participants also had the opportunity to attend seminars on how to search for jobs, including workshops on how to behave in an interview situation, how to write a good CV or a personal letter, and how to use personal networks or other channels efficiently in the search for a new job. These seminars, as well as workshops on presentation technique, were given by the job security council TRR. The cooperation between TSO and TRR was described by our interlocutors as good. The job security council arranged for the workshops to be held at their premises in Göteborg. Present at the workshops were not only ex-Telia employees, but also employees from other companies. This was seen as an advantage by our interlocutors. Meeting people in a similar situation from companies other than Telia gave the participants the opportunity to broaden their views a little. It also gave them the opportunity to get new contacts outside Telia contacts that might come in handy at a later stage in their search for new employment.

Results

As the new agreement came into effect as recently as 2005, results for the program at large are at this stage still preliminary.

3.700 redundant employees
coming into the
Reemployment Unit

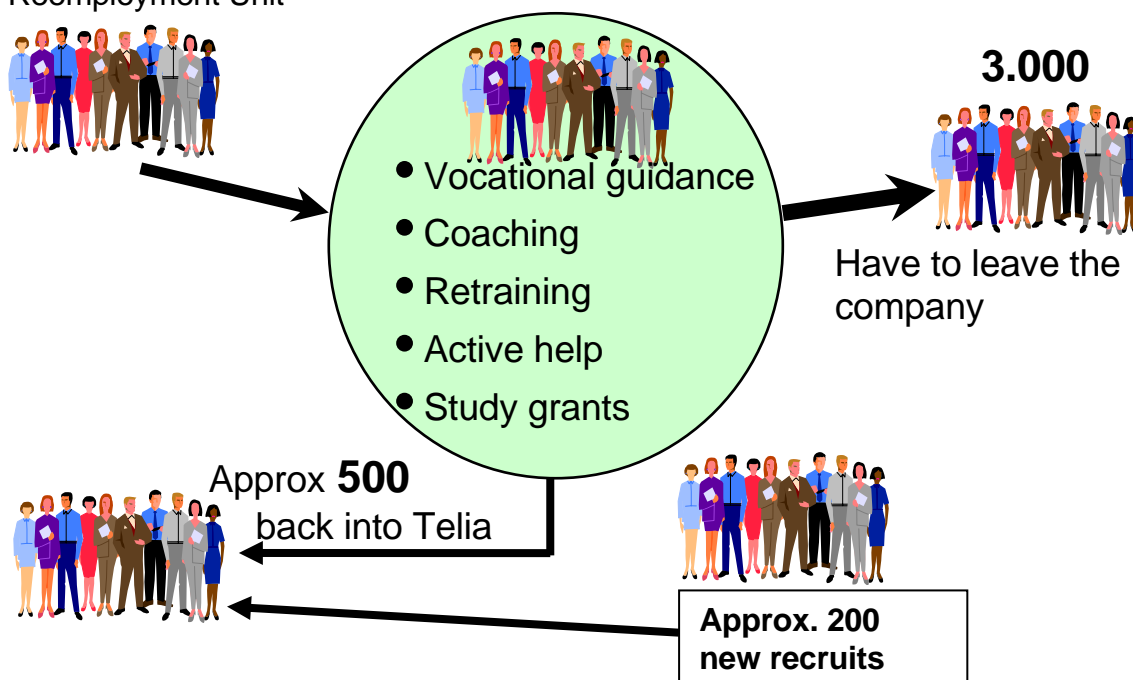


Fig. 5: The Goals of the TSO Program

Concluding Discussion – The Development of Restructuring Practice

In this concluding section we reflect on some of the important issues identified in the Telia case as well as discuss the company's work with workforce reduction in a more general context.

At Telia, the successive programs were repeatedly justified with the increasingly rapid technological development in the IT as well as telecom sectors and the subsequent changes in consumer demand.

In 1992 the rationalisation strategies led to the dismissal of around 2 000 employees in accordance with LAS, as well as the allocation of early retirement packages to another 1 000 workers. Workforce reductions on such a scale were new concepts at Telia, and this period in the company's history is often described as “stormy”.

Then came the year 1996 and Telia launched its first structured workforce reduction program, the Division P. Retrospectively, it was considered as a huge success in every respect, not least so because it managed to avoid some of the problems that had been experienced in the previous workforce reduction efforts. It brought together practitioners who had previously worked with these issues in a more decentralised fashion giving them the opportunity of sharing their experiences and discussing the mistakes and the successes of the past in a more organised way than had been the case before. The Division P brought to the fore the fact that more and more employees at Telia were not only affected by workforce reductions, but also became involved in the work with reducing the workforce.

The Division P agreement was followed by a number of new restructuring agreements. These agreements were translated into practice based on the previous experiences that the experts who by now had collected some valuable experience in working with workforce reductions. After the “successful” Division P Telia's management was conscious of the value of this previous experience eventually leading to the establishment in 1999 of the *Telia Restructuring* (Telia Omställning) agreement, which ran for three years ending in 2001. *Telia Restructuring* was premised on the idea of establishing an internal consulting unit staffed with “restructuring experts”, people who had participated in previous workforce reduction activities at Telia. It was explicitly

aimed at taking advantage of the experiences of these experts gathered in the field of restructuring during the years of the Division P program. By gathering the experts in restructuring in one place, Telia Restructuring can be seen as an attempt by management to build a “canonical community-of-practice” (Brown & Duguid, 1991), a group of experts clearly identifiable as such in the organisation.

Telia Restructuring was followed by the third version of the restructuring agreement, the *Telia Resource & Restructuring* agreement. Characteristic for this agreement was the fact that it in some important respects constituted a return to some of the features of the Division P, not least so because of the resurfacing of the so-called side organisations.

The Telia Resource & Restructuring was followed by the the *TeliaSonera Omställning (TeliaSonera Restructuring)* agreement signed in January 2005. The agreement, which is to continue until 2007, can be seen as a new version of the previous agreements. It is in some ways different from past programs, but also displays a number of similarities.

As more and more emphasis is put on restructuring not as a onetime phenomenon, with a clear beginning and a clear end, but more as a continuous process, increased attention should also be given to the groups of employees within organisations who work with restructuring activities as part of their daily work tasks. Over time a restructuring practice is bound to develop among these persons.

The focus on practice has recently received increased interest in organisation studies (see e.g. Schatzki, 2002). Above all, proponents of practice-based approaches to knowledge and learning have argued that learning is situated in practice, in “communities of practice” (Brown & Duguid, 1991; Lave & Wenger, 1991). People working in organisations within the same field, sharing practices, values and a common understanding learn and share knowledge with one another as part of the practice they engage in. The knowledge an organisation is assumed to possess is understood as embedded in the communities of practice constituting the organisation (see Nicolini, Gherardi & Yanow, 2003).

As we have seen in the Telia case, experience with large-scale workforce reductions now spans almost 15 years at the company. While the first major workforce reductions in 1992 were still understood as a onetime, temporary phenomenon, subsequent programs followed different logics as it became increasingly clear that the work with reducing the company’s workforce was becoming a stable part of organisational life. This gradually led to the development of what may be referred to as a community of (restructuring)

practice at Telia. In order to gain a deeper understanding about the restructuring phenomenon it is important to study this restructuring practice in further detail in different contexts.

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