



EWC case studies

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Company profile

The Atlas Copco Group is a global industrial company employing close to 26,000 people around the world, with production in 13 countries over five continents. Their main products are compressors, drills and mining tools, industrial power tools and assembly systems. The company has its origin in the late 19th century and expanded in the 20th century mainly by developing compressor techniques. During the last 10 years the company has grown both organically and through acquisitions. During the 1990s expansion was mainly in the US and the current market ambition is to increase the company's presence in Asia. In the past five years compound annual growth averaged 15.3%, and was achieved mainly through acquisitions. The group encompasses a number of brands such as Milwaukee, Rand Air, RSO, Chicago Pneumatic, and AEG – the result of its many acquisitions and its multi-brand strategy.

The company operates through 15 divisions organised in four main areas:

- compressors (CT), 33% of revenues – 8,577 employees;
- construction and mining (CMT), 14% – 4,540 employees;
- industrial (IT), 23% – 5,986 employees;
- rental service (RS), 30% – 6,637 employees.

The group operates mainly in the industrial and professional markets with customers in the:

- mining industry – accounting for 8% of revenues;
- construction industry – 42%;
- manufacturing industry – 24%;
- processing industry – 12%;
- service industry – 6%.

The North American market accounts for over 50% of revenues followed by 30% for Europe, Asia/Australia with 11%, and 4% each for Africa and South America. The group runs its own sales operations in around 70 countries, with service networks in another 80 countries.

The RS area is mainly based on acquisitions in the past five years to establish the group in the product, rental and maintenance areas. The current business strategy also consists of offering new products developed from core technologies and new applications in new markets. By doing this it is increasing its market overall presence, acquiring businesses with complementary products and markets, and strengthening its presence in the Asian market.

Financial targets over the business cycle are:

- annual average revenue growth of 8%;
- average operating margin of 15%;
- increasing operating capital efficiency.

Development strategies include continuous improvement in manufacturing and products, marketing, organisation and business flows with the aim of better service and productivity as well as innovations in technology, concepts and methods.

The company is listed on the stock markets in Sweden, England and Germany. The main shareholder is the Investor Group with 22% of votes and 15% of capital. Other shareholders include a number of Swedish pension funds (6%) and banks (6%).

The Atlas Copco has its group headquarters, Atlas Copco AB, in Nacka, just south of Stockholm. The compressor business has its centre in Belgium and the US, the construction and mining in Sweden and the US, the industrial in Sweden, Germany and the US, and finally the rental business is concentrated in the US. Operations are based on 15 divisions, five in CT, five in CMT, four in IT and one in RS. The divisions have total responsibility from product development to sales and service.

The executive group consists of the MD, the business area managers, the human resource manager and the financial manager.

Out of 26,000 employees worldwide:

- 84% are men and 16% women;
- 30% work in production, 30% in service, 20% in sales and support and 20% in administration, marketing and R&D;
- 30% are white-collar workers with a university degree or higher – mainly engineers;
- 54% are under 40 years of age;
- 41% are in North America, 39% in Europe, 12% in Asia, 4% in South America and 4% in Africa.

In Europe the main production countries (based on the number of employees) are Belgium, Sweden and Germany followed by France, the UK and Italy. In Sweden there are about 2,500 employees; in Belgium somewhat more and in Germany fewer. In the other EU countries there are sales and service operations. The total number of employees in the EU is around 10,000 (2001).

The group's core values are:

- Interactivity: working closely with each other and with customers;
- Commitment: engagement in finding the best solutions;
- Innovation: the conviction that there is always a better way to solve a problem.

The EWC

The agreement on the European works council was reached on 11 October 1995 under Article 13 of the Directive and has since been reviewed and renewed in 2001. The main reason for renewal was to admit countries with sales and service operations into the council.

The council consists of:

1. four members from each of the dominating countries in the group – Sweden, Belgium and Germany;
2. two delegates each from France, Great Britain, and Italy;
3. five delegates from other countries (at the invitation of the working group).

There is a working group (select committee) consisting of one representative each from Sweden, Germany and Belgium. The working group is responsible for:

- organising and preparing the agenda for council meetings;
- coordinating the council and providing information and communication between representatives;
- dealing with extraordinary issues in between council meetings, such as relocations;
- engaging experts if needed;
- negotiations on changes in the agreement.

The secretariat is run by a Swedish delegate.

The purpose of the Council is to:

*...serve as a platform for information and consultation, i.e. exchange of views and establishment of dialogue...
(§3.1)*

Meetings

There is a general three-day meeting once a year consisting of a pre-meeting, meeting with management and post-meeting. From management the MD of the group, the HR manager, the legal advisor and one business area manager (vice president) take part.

The normal matters dealt with in the meeting consist of:

- information on business and economic development both worldwide and in Europe;
- organisational and structural changes and transnational, European relocations concerning more than 10 employees in any one country;
- larger investments, mergers and acquisitions;
- special reports from every country;
- reports on developments in each business area;
- employment and general HR issues.

According to the agreement, the information coming up at the yearly meeting should be distributed one week in advance, but this has been difficult to uphold. Presentations, which are often made on slides, are distributed during or after the meeting. The quarterly reports are also distributed. The working group decides on the more detailed agenda of the meeting after a discussion with the HR manager. Questions to management are also discussed in the pre-meeting.

The working group deals with special issues between annual meetings. It normally meets independently of management representatives, unless there are special issues such as restructuring and relocation. The working group is informed and the reports are presented. If countries outside the working group are affected, representatives from those countries will participate in the meeting.

The protocol is jointly agreed and sent out in English to all the representatives. Further information is dealt with in each particular country.

The agreement also stipulates the right of representatives to fulfil their tasks within work time. There is also a specific clause on the right to training, such as learning English and studying economics. The EWC members have all had uniform training. Representatives have also had training through their local positions.

The initial process of forming the EWC started at the beginning of the '90s on the initiative of the Swedish unions and mainly featured unions in Sweden, Germany and Belgium. The other relevant countries were invited but did not attend. The local unions were supported by the Swedish confederation (the metal workers' union). There were two preliminary meetings in 1992 and 1994, and negotiations during 1995, before the agreement was signed in October 1995. Those meetings were partly financed through the EU.

Company philosophy and the EWC

Atlas Copco is a typical industrial company working business to business or to professionals, with few direct consumer products. It is characterised by high-tech products in a mature industry. Production and product development is a dominant feature of the company. The past decade has been a period of acquisitions and following those, of restructuring activities. It is a very decentralised company with a small central group staff (around 60 employees) for general and business area management, finance, legal advice and human resources. A lot of decisions are made in each business area, even if, for instance, relocation of production is always an issue for the board of directors. Many of the issues on the agenda of the EWC are solely related to one business area. Contacts and networking among the employee representatives are also much focused on those representatives in the same business area. Restructuring and relocation decisions are always an issue between business area management and the working group and the local employee representatives.

Although Atlas Copco is a global company it still has strong roots in its country of origin. The Wallenbergs, an old Swedish industrial family, are still dominant through its investment company, Investor. Industrial relations in the company are mainly based on the Swedish cooperative tradition. Production is based in a locality where Atlas Copco has been and still is the dominant employer and has a prominent role in local society.

The company is characterised as very stable in its business procedures. Once a decision is made the company keeps to it. This creates stability for the employees – at least in the short run. Managerial guidelines are the common denominator for managerial behaviour throughout the company. There has been a training programme for all employees on the operations and values of the company. However, from a German perspective, these company measures tend sometimes to be in conflict with national and local cultures on work, industrial relations etc.

Both management and the Swedish union representatives see it as important to export the Swedish industrial tradition. Management emphasises the export of a relationship between themselves and the unions where unions act more as a business partner seeking cooperation and joint interests rather than conflict. Union representatives, on the other hand, emphasise the union tradition: well organised, with high membership, they hope that the Swedish experience can be used in less ‘union-mature’ countries.

The foremost industrial influences, apart from Sweden, are Germany and Belgium, as they have the dominant industrial sites and numbers of employees. The Swedish and German traditions are similar, with the Germans more formal about agreements, for instance, while the Swedes are more informal. The Belgians are more reluctant in taking part in decision making and have difficulties with competition between representatives from different unions. Different national electing periods can also create some problems. But generally the different cultural backgrounds and industrial traditions tend to be a minor problem both between representatives and between management and the representatives.

The Swedish employee insider is, apart from being local chairman in Metall, the local blue-collar union, also a representative on the board of directors. This gives him extra information, often before the others in the EWC. He has to treat this information as confidential until released to the public or the shareholders – or revealed to the joint EWC. This information advantage creates ‘suspicions’ of him, as someone who knows things others do not and who thus has a special relationship with management. The Swedish delegate also appreciates the difficulties of ‘sitting on two chairs at the same time’. His position as a member of the board means being careful with information, and, when necessary, not making a commitment before the EWC consultation.

All these differences in culture, and in industrial relations due to national legislation, created problems for the EWC in the beginning. But over time, and especially through joint training among representatives, they have become understood and accepted.

Procedures

The Atlas Copco EWC is largely a union- and employee-led council. It operates on its own. The management is ‘invited’ to the plenary meeting – as the employee representative formulates it. Support functions, such as taking notes, are undertaken by the representatives themselves. There is a budget for each plenary meeting. Other costs are accepted when needed – if they concern the group as a whole through the parent company, and if locally based then through the national company. There is not much use of experts. Early in the process the national and European confederations were helpful, mainly in ‘opening doors’ and supporting the negotiations on the agreement. The management, who are not very keen on having non-employees in the EWC, appreciate this.

The working group meets three or four times a year, independently of management but also with management if it is about, for instance, relocation decisions. Informal contacts between the working group and management are on a weekly basis.

The transnational issues involving management and employee representatives in the EWC and the working group primarily concern:

- the general development of the company – strategic, economic and financial – mainly at the plenary sessions;
- human resource strategies and policies – also mainly at the plenary sessions;
- restructuring and relocation, involving the working group and concerned local representatives.

Outcomes and impacts

From the employee perspective the outcome and impact of the EWC is very clearly the possibility of getting more information on the company and its changes. Developing clear information channels for closures and relocations can gain widespread approval. Notwithstanding, there are still some disappointments in the consultation process – such as leaving no time to formulate an alternative or the fact that decisions have already been taken. There is also a lack of information on future scenarios – both in terms of environmental impact and market analysis and strategies.

Generally information received tends to be more useful for the representatives in their own countries rather than having a cross-country relevance. Nevertheless, mutual trust between the employee representatives has been developed by building on joint training and continuous communication and learning. But because of changes in representation, communication has lately deteriorated.

Atlas Copco illustrates the operation of a mainstream EWC with its focus on information and generous recognition by management. On the other hand there is no visible evidence of the EWC influencing the decision-making process in relocation or restructuring decisions or in the development of European policies and standards in HRM.

It also illustrates that the EWC process and how it is perceived is very dependent on the particular interests of each partner in the council. Though the German and Swedish union and industrial relations structures are very similar, and both have reached a comparatively high level of co-determination, the representatives totally differ in their appreciation of the EWC. The fact that both management and unions in Sweden see the importance of exporting the Swedish model, despite their somewhat different focus on the model, is one explanation. The Swedish model builds on the fact that, among other things, employees and their representatives accept change, even relocation, in exchange for job security measures and employment support from society. On the other hand, the German tradition is one of influencing the operations as well as the terms of employment. Nevertheless, the relocation process in Germany did not meet local expectations, which are based on the national way of handling them.

Future developments

Developing the scope of the EWC:

- providing the EWC with more legal rights so that it is not dependent on management's good will in putting problems into an EU context (legislation and parliament);
- developing the same working conditions all over Europe, especially in view of enlargement;
- revitalising the EWC through the accession countries, for instance focusing on new issues such as wage comparisons.

Developing cooperation and trust based on existing principles:

- using the EWC as a way of acting on a tougher employer strategy (on the principle 'if you can't beat them – join them');
- a more intense use of English as the working language;
- more interactive work during plenary meetings;
- increasing ambitions, by making employee representatives more business-oriented;
- loosening the link to the unions and strengthening the link between being employed in the company and being on the EWC.

Accepting accession countries on the same principles as the present agreement, but with some changes in representation and the role of the working group.

Summary

The Atlas Copco case and the findings from it can be summarised as follows:

- A rather concentrated EWC with three dominating countries.
- A worker-based works council, building knowledge and trust among the employee representatives through training and long-term relationships.
- Offering examples of the process of restructuring, of information flows and of timing problems.
- Illustrating the different perspectives of an information-oriented management trying to build company loyalty and business orientation among the employee representatives, who are seeking to negotiate a more influential relationship with management on a European Level.

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