**SSE/EFI Working Paper Series in Business Administration**

**No 2007:7**

**August 2007**

# Restructuring an Empire

A narrative study of the turnaround of the telecom company Ericsson

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## Abstract

The turnaround of the telecom company Ericsson is considered a unique chapter in Swedish business life in terms of complexity, size and speed. This paper focuses on implications of the transformation for how the management views the world and how the organizational setting is restructured. Instead of making a conventional study of a change process this study uses narrative method and explores the transformation through the eyes of four people, two top managers and two middle managers. In this way it hopes to present a picture of some of the knowledge building that takes place during events like this, since storytelling seems to be crucial when people make sense of their everyday life. A narrative analysis will not result in the one "true" account of a phenomenon. However, it can provide detailed insights into individual informants understanding of events and highlight similarities and differences in interpretations that are interesting also for outsiders to take part of. The findings in this study indicate...

**Keywords:** interpretative schemes, management, narrative method, story telling, knowledge building, turnaround, telecom, Ericsson.

## Introduction

This study explores a unique chapter in Swedish business life, the turnaround of the telecom company Ericsson. It focuses on implications of the turnaround on how the management interprets their world and how to act and the organizational setting is re-structured. Studying change processes is a common undertaking among organizational researchers. By using narrative method this study hopes to be able to present a picture of some of the knowledge building that takes place during events like this, since storytelling seems to be crucial when people make sense of their everyday life. A narrative analysis will not result in the one "true" account of a phenomenon. However, it may provide interesting insights into individual informants understanding of events and highlight similarities and differences in interpretations among informants that are of value also for others to take part of.

The section that follows informs about the theoretical framework that this study uses. How research has been conducted is then described. Then the data obtained are analyzed and interpreted and the findings summarized and discussed.

## Interpretative schemes structures and re-structures an organizational setting

A theoretical framework that combines cognitive theories about the use of interpretative schemes with theories about knowledge management has been used as an analytical tool during this research. Interpretative schemes may be defined as mental schemas developed in a specific organizational setting (Fiske and Taylor, 1991). They can also be defined as standardized elements of stocks of knowledge applied by actors in the production of interactions (Giddens, 1984, 1979). They influence how communication and interactions take place in an organizational setting. This is because when human actors communicate they draw on interpretative schemes to help make sense of interactions; at the same time those interactions reproduce and modify those interpretative schemes which are embedded in social structure as meaning or signification. Interpretative schemes can also be described as cognitive structures that represent ones knowledge about a given concept or stimulus including its attributes and the relations among those attributes. A schema influences the encoding of new information, memory of old information and inferences about missing information. It is a way of organizing information about the world relevant to a particular task and functions as a filtering mechanism. It facilitates top-down, conceptually driven, or theory-driven processes which means processes that are influenced by prior knowledge. As an example there are person-schemas, role-schemas, event-schemas and place-schemas. A person-schema influences how a person views him or herself as a human being and relates to other human beings. A role-schema can be expressed when a person act according to his or her job. Event-schemas are cognitive structures that influence how we perform certain events and place-schemas influence how we perform certain tasks at certain places. Then individual cognitive schemes can combine to form an overall interpretative schema mapping relevant aspects of how an organization experiences of the world is to be understood (Ranson et al 1980), and assumptions about why events happens as they do and how people are to act (Bartunek 1984).

Phenomenon such as categories and mental schemas allow human beings some sense of prediction and control, which is essential to our wellbeing. They make us believe that we understand the world. Also they are difficult to change. People ignore exceptions to a mental schema, they even interpret the exception as proving the schema. Many of the information-

processing advantages of mental schemas would be lost if they changed at each encounter with slightly discrepant information. But having an incorrect schema is also costly since it can make people inadequate problem solvers. The wrong mental schema can lead one to be inaccurate, biasing encoding, memory, and inference. But nevertheless mental schemas are believed to be cognitively more efficient than understanding each instance afresh (Fiske and Taylor, 1991). Interpretative schemes are supposed to influence and transform how tools are used and processes executed in organizations. Then tools and processes help to structure how knowledge is exercised in this organization and the context surrounding a knowledge worker structured.

## Knowledge management and learning

Theories about knowledge management have grown out of earlier research about information management and organizational learning. Information management can be described as the management of information resources, the information of management tools and technologies, or the management of information policies and standards (Choo, 1998). Organizational learning used to focus on people and human resource management while knowledge management is supposed to be something more. It is supposed to improve "factors that lead to superior performance: organizational creativity, operational effectiveness and quality of products and services" (Wiig, 1993).

In real-life situations the practice of managing knowledge may consist of intra-organizational and/or inter-organizational activities. When mobilizing internal knowledge, information processes are managed to promote the sharing of information, conversion of tacit knowledge, experimenting and prototyping and the migration of knowledge to other parts of the organization. The transfer of knowledge from an individual to a group level might for example occur through the development of a unique language or a code which allows group members to learn who knows what and to coordinate their activities. But before this is possible one has to investigate and make visible what kind of knowledge that exists and this can be done through knowledge-audits organized by the management.

There are three critical factors that concern knowledge integration: shared experiences, shared symbolism captured in metaphors and logos and shared artefacts. Then the effectiveness of integration mechanisms depends on the existence of a common knowledge and other forms of symbolic communication, the commonality of specialized knowledge, shared meaning and the recognition of individual knowledge domains.

The creation of new knowledge is often stimulated by a situation that identifies gaps in the existing knowledge of the organization. Such gaps stand in the way of solving a technical or task-related problem, designing a new product or service, or taking advantage of an opportunity. Choo (1998) uses a general metaphor for knowledge creation that is "looking across many levels". It means that new knowledge is created by sharing and shifting knowledge across many organizational levels, including individuals, groups and other organizations. Knowledge creation can be achieved through recognizing the synergistic relationship between tacit and explicit knowledge and through the design of social processes that create new knowledge by converting tacit knowledge into explicit knowledge.

As an example, Leonard Barton (1995) suggests following knowledge building activities: shared problem solving, experimenting and prototyping, implementing and integrating new processes and tools and importing knowledge from outside. During the activity of shared

problem solving employees with different specializations and problem-solving approaches are brought together so that the diversity of their knowledge and back-ground can be channelled toward creative problem solving. As people become highly skilled they develop individual "signature skill", which are formed from their specialization, cognitive style preferences, and preferences for particular tools or methods. Bringing people with diverse signature skills together to work on a problem generates a situation that can be fertile for innovations. When integrating and implementing new methods and tools is proprietary knowledge introduced into process tools and methods that improve internal operation. To ensure successful implementation user involvement is essential since the future users of the tool will have critical information that must be integrated during design. Through the activity of experimenting and prototyping the organization extends its existing capabilities as well as builds new capabilities for the future. In situations like this "intelligent failures" provide valuable lessons.

The strategic knowledge of any organization lies in its long-term, knowledge-generating capabilities which it has built up over time. These capabilities are the result of the quality of its internal network of people, skills, communications, information resources, and cultural norms and the quality of its external network of relationships with customers, suppliers, distributors, information sources and other associates.

The organizational context exposes a knowledge worker to cultural, rule-based and background knowledge. Cultural knowledge is a filter that helps us place a value on certain parts of knowledge and also keeps out knowledge that is deemed unimportant by the dominant group in a culture or organization. Choo (1998) describes cultural knowledge as knowledge that: *"Includes the assumptions and beliefs that are used to describe and explain reality, as well as the conventions and expectations that are used to assign value and significance to new information. These shared beliefs, norms and values form the framework in which organizational members construct reality, recognize the saliency of new information and evaluate alternative interpretations and actions"* Rule-based knowledge guides action by answering three questions: What kind of situation is this? What kind of person am I or What kind of organization is this? What does a person such as I, or an organization such as this, do in a situation such as this? Back-ground knowledge is defined by Choo as knowledge that is part of the organizational culture and communicated through stories, metaphors, analogies, visions, and mission statements. It supplies the world-view by which people in the organization understand and make sense of events, actions, objects, utterances or situations. The two concepts background knowledge and/or cultural knowledge can be used intertwined and the difference between them is blurred (Choo, 1995). Cultural, rule-based and background knowledge influence how interactions take place and interpretative schemes develop in organizational settings.

## Narratives and Narrative Method

The overall perspective that has been guiding this research is that we belong to several thinking collectives (*denk-kollektiv*) each characterized by a special thought style (Fleck, 1934/1997) and that parts of our world are socially constructed (Mead,1934, Berger and Luckmann, 1966/1991). The common features of social constructionism are a rejection of a dualistic ontology, of an objectivist epistemology, of the individual as the foundation of knowledge and of language as a mirror of objective reality. Instead social constructionism regards subject and object as an inseparable relation. In the social construction of reality there

is an ongoing dialectical process between subjective and objective reality. It can be described as externalization, objectivation and internalization.

During primary socialization we internalize language, greetings and gender, things that regulate the most common activities and interactions among people. Later secondary socialization includes processes in which individuals internalize aspects of reality such as professions. As we increasingly become part of reality through primary and secondary socialization, we begin to reproduce it ourselves. So what is going on in our everyday world is an ongoing reproduction rather than an ongoing production of reality. Reality is mediated through our lived experiences. Our description of a phenomenon is always colored by our specific historical, cultural and linguistic understanding of reality. Social interaction between people is the primary vehicle for developing this knowledge. And language does not achieve its meaning primarily through a correspondence with objective reality, but rather through the way we socially define and use it. Mead (1934) looks at language as a principle of social organization which has made the distinctively human society possible. It means that it is important what people say and how they say it. Also the British critic Peter Brooks writes in ”Reading for the plot” (1985) that *:”Our lives are ceaselessly intertwined with narrative, with the stories that we tell…”*

A narrative in its most basic form requires at least three elements, an original state of affairs, an action or an event, and the consequent state of affairs. Basic narratives can carry a load of ambiguity and therefore leave openings for negotiation. But narrative and metaphors cannot replace one another because they have different tasks to accomplish. A narrative is a mode of association whereas metaphor is a mode of substitution.

Narratives are texts that present events developing in time according to impersonal causes or human intentions. They are the main carriers of knowledge in modern societies toward the end of the 20$^{th}$ century (C, 1998).

Qualitative research using narrative methods enables researchers to place themselves at the interface between persons, stories and organizations and to place the person in emotional and organizational context. Using narrative during fieldwork is an expression of curiosity of the other, and how others construct their worlds (C, 1998).

Storytelling is an art of weaving, of constructing, the product of intimate knowledge (Gabriel, ?). Storytelling opens valuable windows into the emotional, political and symbolic lives of organizations offering researchers a powerful instrument for carrying out research. By collecting stories in different organizations by listening and comparing different accounts by investigating how narratives are constructed around specific events, by examining which events in an organizations history generate stories and which ones fail to do so, we gain access to deeper organizational realities, closely linked to their members experiences (Gabriel). Stories are valuable but precarious artefacts and storytelling an important narrative craft. Stories emerges as the great factories of meaning, creating it, transforming it, testing it, sustaining it, fashioning it and refashioning it.

Stories are emotionally and symbolically charged narratives. They do not present information or facts about events but they enrich, enhance and infuse facts with meaning. This is both their strength and their potential weakness. Stories will often compromise accuracy in the interest of poetic effect, itself an expression of deeper fantasies, wishes and desires. They may focus on the incidential details, remaining stubbornly silent about what a researcher may

regard as vital clues. They may contain inconsistencies, imprecisions, lacunae, non sequiturs, illogicalities, and ambiguities. Ultimately the truth of a story lies not in its accuracy but in its meaning and paradoxically the inaccuracy, the distortion or even the lie in a story can offer a path towards the deeper truth it contains at an individual or collective level.

Storytelling plays an important role and may inform decision-making in organizations since it helps people to consolidate experiences to make them available in the future to ourselves and others. Storytelling allows the individuals to keep track of the sequences of behavior and their theories about why things happen. It helps people work towards imposing a coherent, causal account on apparently random sequences of events to decide how to react. Storytelling is a social process and the insights accumulated are not private substances but socially constructed and distributed (Brown and Duguid, 1991). To the extent that narratives are linked into broader discursive structures that influence their interpretations, they may be used to justify and legitimize actions (Vaara 2002). In organizations collective storytelling is performed as a key part of all the sense-making that takes place.

*Organizational narratives*

Organizations are institutionalized action nets, not groups of people and not communities, although they for periods of time might behave as such. (C, 1998) In their desire to be as modern and scientific as possible contemporary organizations tend to ignore the role of narrative in learning, at least in their programmatic attempts to influence organizational learning. Organizational narratives are both inscriptions of past performances and scripts and staging instructions for future performances.

Narrative enters organization studies in at least four forms: organizational research that is written in a story-like fashion, organizational research that collects organizational stories, organizational research that conceptualizes organizational life as story making and organization theory as story reading (interpretative approaches). Narrative forms of organization studies are easiest to find in case studies: research cases, educational cases and fictive cases that use chronology as the main organizing device. Now organizational narratives as the main mode of knowing and communicating in organizations have become an important focus for organizational researchers.

Organizational stories are currently studied in different ways, as example of organizational symbolism and culture, as expressions of unconscious whishes and fantasies, as vehicles for organizational communication and learning, as expression of political domination and opposition, as dramatic performances, as occasions for emotional discharge, as narrative structures and so on. (Gabriel, Y. 1998)

The truth of a story lies not in the fact but in the meaning. Aristotle viewed stories as emotional-symbolic texts and used the term “poetics” to describe the type of work that is involved in transforming facts into stories. The storyteller is concerned not with “facts-as-information” but with “facts-as-experience”. The telling of organizational stories frequently moves beyond entertainment seeking to educate, persuade, warn, reassure, justify, explain and console the people concerned.

*Reflections on how work has been performed*

This study has also been influenced by the American sociologist Elliot Mishler who is critical about how interviews normally are done. He writes that we expect short answers and answers only on the questions we pose. As an interviewer we interrupt people when they start telling stories, or we do not code the stories since they do not fit into the conventional categories we already use. The human beings that appear in the material become artificial. Important aspects of their stories disappear and they give predicted answers on predictable questions.

The unit of analysis in this case is management and how their interpretations of how to act have been transformed by the turnaround.

| Category | Description |
|---|---|
| **Narrators abstract** | Segments in which the narrator summarizes the events and outcome of the story. |
| **Narrators perspective** | Segments or use of language ( e.g., "I" or "we" versus "they") in which the narrator reveals his or her perspective on events in the narrative. |
| **Orientation/contextual descriptions** | Segments in which the narrator provides contextual information which does not contribute to the movement of action through time. |
| **Actors** | Segments or use of language (e.g., "I" or "we" versus "they") which indicate who carried out actions or contributed to events depicted in the narrative. |
| **Problematic situation** | Segments in which the narrator describes his or her perspective of the noncanonical or exceptional circumstances which motivates actions described in the narrative. |
| **Goal/problem solution** | Segments in which the narrator describes his or her perceptions of how the problematic situation could be or was resolved. |
| **Actions and events** | Narrative clause segments:<br>•Actions are activities that occur during the time span of the narrative that have a strict temporal sequencing.<br>•Past actions or flashbacks serve as orientation clauses.<br>•Events are recognized changes in state, such as completion of an activity or arriving at a decision point. |
| **Outcomes** | Segments in which the narrator describes the perceived outcome of actions and events, such as resolution of the problematic situation by achieving the goal. |

Figure 1 Classification Categories for Narrative Segments Davidson 1997

During this research four interviews have been conducted. What matters is the quality rather than the amount of material that is collected. The narrative ability of different individuals also differs greatly. During 2004 two middle managers and two top managers were interviews. All the interviews were taped and then transcribed in detail. The four accounts have then been divided into categories, discussed, compared and contrasted. The narratives have then been interpreted. The role of the researcher is to interpret the information and come up with a new text that will bear this interpretation (Van Maanen, 1988). Interpretation is part of the story-work carried out by the storyteller but also the researcher, who reads meaning into events, infusing them with symbolic significance, which resonates with his or her audience.

Although many researchers propose that individuals draw on cognitive schemes and other knowledge structures in order to make decisions and act (Fiske and Taylor, 1991) it is

difficult to observe schemata directly. In this case I have therefore focused on articulated expressions among the informants to identify mental schemes for how to act and interact.

*For and against narrative method*

By the criteria of scientific knowledge, the knowledge carried by narratives is not very impressive. Formal logic rarely guides the reasoning, the level of abstraction is low, and the causal links may be established in a wholly arbitrary way ( C, 1998). But peoples nonscientific explanations and interpretations of life events are grounded in attempts to establish a connection between the exceptional and the ordinary.

A researcher using narrative method is not looking for a general truth. Instead he or she, as a narrative researcher and social constructionist, is aware of that everybody has their own personal opinion about the phenomenon discussed. However narrative analysis can provide detailed insights into individuals understanding of events that are interesting also for outsiders. Gabriels (2002) advocates the use of organizational stories as poetic elaborations on actual events, as wish-fulfilling fantasies built on everyday experience and as expressions of deeper organizational and personal realities.

A constructionist view clearly reveals the impossibility of establishing evaluation criteria. Researchers who want to use stories as research instruments must rid themselves of the assumption that quality data must be objective, reliable, accurate and must be prepared to engage personally with the emotions and the meanings that reside in the text.

There are many dangers in narrative research. One danger is the selective use of organizational narratives according to preconceived ideas about what may have taken place. There is also a risk of regarding stories as facts. The opposite danger is to regard everything as narrative and to lose sight of the importance of actual events in organizations.

Stories may also be used to pursue different research agendas. The overall purpose of a study will dictate the precise methodology used, the type and range of stories sought and the ways the stories are analyzed. The main disadvantage of eliciting stories is that the researcher risks imposing his or her definitions of what is important, meaningful or enjoyable on the text.

At the same time narrative approaches are appropriate for exploring and expressing the reflexive nature of human beings (C, 1998).

## Analysis

The unit of analysis in this study is the management in the company and how its view of how to conduct business is transformed during the turnaround. The management is represented by four people. What kind of people are these four informants? Top management 1 has worked in the company since 1976. He has had many different management positions within the company both in Sweden and abroad. Top management 2 has worked in the organization since the end of the 1980íes, also in different positions both abroad and in Sweden. Middle management 1 started in the company1989 and middle management 2 year1998. They explain why they have stayed in the company in spite of the problems like this: “I have stayed, I believe, because in spite of all of this I like what I do”. (Appendix A. Section 7) “I like to work in an environment in which I can make a difference”. (Appendix A. Section 3) “It is easy to look back…better not to do that”. (Appendix B. Section 11) “What made me jump out

of bed every morning was that this is possible, this we will be able to manage."(Appendix C. Section 22) "The flexible one realizes that it is about surviving a few years then there will be new possibilities." (Appendix D. Section 12) The informants are people that had a say in what took place and could endure the problems. One can detect an optimistic approach in their narratives that probably made it possible for them to manage the problems.

*The problems*

The problems at Ericsson, according to the informants, were "many companies in the company" (Appendix C. Section 1) and that the leadership had abdicated. "People who were charismatic and had good connections in the organization succeeded with building mini-empires". (Appendix D. Section 3) The result of this was that many parallel projects with the same purpose started. "We existed at 80 different places in the world with research and development, it was very inefficient but it took care of the growth". (Appendix C. Section 9) So, on the surface this company is successful and grows very quickly but internally it becomes a fractured organization and difficult to manage. It becomes an unfocused organization that strives in several different directions at the same time. One of the implications of this is that nobody kept track of how money was spent. As an example Ericsson had more than fifty different versions of SAP within the same organization. (Appendix C. Section 13) When the downturn came management lost track of how it affected the organization. And the downturn came extremely quickly. They were still recruiting new people when they had to start downsizing the organization. "I remember a project in which I was the only one employed at Ericsson. Then there were maybe 8-9 consultants, many of them right out of school". (Appendix D. Section 1) "It happens extremely quickly…to lose 80 billion in sales…to get rid of the costs is not that easy". (Appendix B. Section 4)Top management 1 describes how they realized what was happening around 2000 and 2001.

"The correlation between how the operators invested and growth changed around 1999. The operators continued building but at the same time the growth was not that good. At the beginning if year 2000 the incoming orders became weak. Then the sales picked up again at the end of year 2000". "It was heavy…all limitations were gone…we started recruiting, we recruited a hell of a lot of consultants. (Appendix B. Section 5) The first quarter of 2001 everything stopped. The first warning about huge losses came from the company in March 2001.

Another problem in the company, according to the informants, was the quality of management. "Growth demands a certain delegation…but not that the leadership abdicate", concludes one of the top management. (Appendix C. Section 14) In addition to this it was something wrong with the strategy. "I remember 1999, when I lived in Japan. I talked about how the market changed, how the youth in Japan behaved and did their shopping, I do not think Ericsson understood. I remember I was asked to have an opinion about the strategy. I think we became too big". (Appendix B. Section 27) Top management 1 concludes that the company became too big and that the leadership stopped listening. Top management 1 also concludes that much more control is needed in an organization like Ericsson both when everything goes up but also when things goes down. (Appendix B. Section 12) To summarize, it was something wrong both with the companie´s internal and external network. Its identity was fractured and a different language was spoken in different parts of the company. Different parts of the company had different information about what was going on both inside and outside the company.

*Abstract of what took place*

The informants abstract of the turnaround is that "the same thing happened at IBM but we managed the situation quicker". (Appendix B. Section 1) "The company was bleeding it was all about survival".(Appendix D. Section 7) "Some kind of pooling of resources was needed. (Appendix D. Section 7) All the informants conclude that the company tries to implement a new way to work and top management that they have come honorably out of the transformation. All the informants agree on the seriousness of what is taking place. One says "it is a big transformation taking place". (Appendix A. Section 18) Another one says "the consultants do not understand the magnitude of this". (Appendix B. Section 2) A third person calls what is happening "a horrible trip". (Appendix C. Section 17) And the fourth person talks about "the crises came". (Appendix C. Section 5) Finally the transformation is described as "revolutionary, messy, extremely messy". (Appendix A. Section 2) What takes place is an effort of solving problems together. Internal knowledge is mobilized and needed information transferred to different parts of the company, and between different levels, groups and people.

*Why did the problems appear?*

The comments on why the problems in the company appeared are mostly geared towards management and organization. One of the middle management says: "I tend to listen less and less to what they say, I tend to take in less and less of what management does, as long as they do not make a complete fool of themselves. (Appendix A. Section 16) He talks about that he dreams about setting up a meeting with his own boss and telling him that he wants to leave the company. "Then I am going to go to my boss and tell him that I want to quit, and I feel so relieved…it is like therapy. (Appendix A. Section 10) "My closest bosses I do not listen to, not very much, for the simple reason, they are managed by details, and they want to manage in detail, they have a problem telling what framework I am supposed to work within. That message is not communicated…everything I do I am prepared to tear up…I feel no respect for my closest bosses…I have a quiet agreement, if you let me be I will deliver…" It is very serious critic and he also has a somewhat cynical view of the new CEO that started at the beginning of 2003: "A very charismatic person-he invites confidence. He was here and presented his goals and values, and what we are supposed to do and so on, for our unit. He rattled off about what is important and so on…the usual talk. He knows the numbers and he knows what we are doing. And he communicated this in a good way, he likes to be on a stage, that is needed…"

The other middle manager says that: "They recruit managers in a way so that they loose a good engineer and get a bad manager". (Appendix D. Section 2) Most of the critical comments come from the middle management but also the top management is critical. Both the two top managers agree on that management has been delegated and now the goal is to become one company with one management. One of the middle management is critical both towards the old COB "I have never had a good picture of X, and then he has been mentioned in many strange situations" (Appendix D. Section 11) and the new COB that gets a big bonus 2003. "What really lowers all confidence I eventually had for X as the new COB was that he retroactively managed to fix an unbelievably high compensation, and the motive was that he worked so hard, so hard, so hard, and when this spread, when we read about this in the papers and realized what it was about, that someone retroactively fixed better conditions for already performed work, that is not acceptable…" (Appendix D. Section 13)

On how the organization functioned one of the informants say: **"**Many had totally lost a feeling for that it was money they spent. Some kind of pooling of resources is needed". (Appendix D. Section 7)

*How were the problems solved*

"We have implemented one business system in all of the company so that we can keep track of numbers". "It is better to have hundred people that know ten numbers, then ten people who know hundred numbers. (Appendix A. Section 17) "We try to implement a new way to work". " We want to focus". (Appendix C. Section 4) "Now it feels like we are a totally different company". (Appendix C. Section 4) "The R&D machine has been reduced with half. The costs are a third of what they were in the beginning". (Appendix C. Section 35, 36)

*How were employees influenced?*

On how the employees were influenced by the turnaround the informants says: "People have felt bad, they have felt apathy. People have been ironic and talked shit about the company". (Appendix A. Section 5) "Employees have problems sleeping… they leave work…search for new things to do". (Appendix A. Section 18) Middle management 2 expresses the drama in what is taking place like this: "One day we were asked to sit in our rooms, then middle management walked around in the corridor, from room to room and told people if they could stay or not…during this period a third of the people were fired. I think this took place in May 2001". (Appendix D. Section 9) He also says: "From being glorified one month, we were as an organization producing bad results. We were supposed to reduce the staff because everybody else was supposed to do that. It did not matter that our section produced good results". (Appendix D. Section 6)

What happened at the company was reported, discussed and criticized daily in the media and it also influenced the employees in many different ways. Middle management 1 tells how he is approached by people outside the company: "Surprise…oh are you still there…yes, you are working for Ericsson, and then they get like this…oh dear, poor you, soon the bell tools for you! And you know, they put their head on the side like this and…oh, oh, how is it, are many fired, have you managed, well yes that is good for you, but you can see that they think, well in six months you are also there". (Appendix A. Section 11) Many other things also happened that in some way threatened the life of the employees. One example is that the Chinese telecom company Huawei tried to expand in Sweden and employ some of the engineers that were fired from Ericsson. The first question these engineers got was if they could bring documents about product development with them.

Middle management 1 informs about how the cut downs were handled by management in front of the employees: "We understand if it hurts, but it is good for Ericsson, and if you do not like it, you are free to leave. It was such difficult times. If people complained and said: this is the organization not going to accept, then it came very, very hard from above…walk straight, do as the others do…as managers we were allowed to tell people: now you just implement this even if it is going to hurt…"

Top management 1 tells about how he tries to inform the employees about what is going to happen during the turnaround: "I had internal meetings and supplied information…since it was a big change in the organization, they asked us many questions that we had no answer to. (Appendix B. Section 25) He also says: "It is difficult to talk about your vision for the future

when you cut down". (Appendix B. Section 22) It was not easy to manage the turnaround. Management had no experience of crises. "You must remember from were we came, growth, growth, growth". (Appendix C. Section 29) Middle management 1: "Before I had fifty people but now we are only thirty, but we are still supposed to produce the same output as with fifty people". Top management 1 says: "It is always nervous, first we could not show results, it was mostly pictures and talk…but when we could show results…"

Middle management expresses how the attitudes were in the company: "If people did not want to implement a new system or a new way of working it was solved with force. Either they did as management said or they were asked to leave. (Appendix A. Section 3)

On the question if employees got sick middle management 1 says:" Yes, they have problems sleeping, that is obvious stress symptoms, many people stop working here, they change, quickly…it is a big transformation taking place…people search for other thing to do…because where I am is to bad, not that I want to do something else…they try to get away from something and that is not the best way to change your profession or what you do…I notice this all the time, that is what happens in my near surrounding…people become sick, I am sick myself all the time, there are colds that arrive all the time, the physical resistance is low…there are many people in my surrounding that ends up in this situation…(Appendix A. Section 18)

On the question if the employees had confidence in management during the turnaround middle management 1 answers like this:" Not that I have experienced. People have understood the situation. I have experienced that they look very much backwards and say, "they should have thought about this much earlier", to have minimized the losses. But it is easy to say…this is not the first time a big corporation get rid of people…it is not the first time these arguments are presented, it is not the first time, we will make the same mistake again, everything happened so quickly, we did not have the time…well, the baby was thrown out with the washing water…"

Middle management 2 says:" I think most people realized that it was a question about winning or losing…that a lot of things were in focus, there was understanding, some managers were not competent enough but were involved in selecting who was going to go or stay…they did not do the right thing, but in general there was an understanding that the reductions were necessary and that there were problems in the organization…"

Top management 2 also talks about how all of this affected people: "I have heard that people who did not loose their job, that was not fired, asked themselves, why am I still here". (Appendix C. Section 30) And middle management says: "It is bullshit that you are safer in Sweden if you are Swedish, work hard and have a master in science". (Appendix D. Section 14) "The big change is that I can lose my job, and this safety that you think you have because you are Swedish and work in Sweden, that is bullshit…I have a friend who worked for Ericsson in Madrid. He got a much better deal when he had to leave Ericsson, than what they got in Sweden. He worked twelve years with Ericsson". (Appendix D. Section 17)

*The outcome of the turnaround*

The management worked very quickly during the turnaround year 2001 and 2002. The last step, reducing 5 billion was already prepared before the new CEO came at the beginning of year 2003. Now Ericsson has become one company with one management. The costs are a

third of what they were. But at the same time the management group must work with less people but produce the same amount of work as before. On the outcome of the turnaround top management are optimistic, “We have come honorably out of it” (Appendix C. Section 12) “We have not lost out” (Appendix B. Section 7) “It feels like we are a totally different company”. (Appendix C. Section 4) Middle management 2 says: “I feel happy. I am still in the organization. What is happening now is exciting”. (Appendix D. Section 15) During the turnaround have new processes been implemented and an extensive amount of new knowledge been built and distributed between people and groups at different levels in the company. A pooling of resources has taken place and the interpretative schemes for how to do things and how to view the world have been transformed.

## Findings

The narratives told in this study indicate that the main problem in the company was a fractured organization with a management that had abdicated. Nobody kept track of numbers and they recruited new employees without limits. It was something wrong both with its internal network of people, communications, information resources and cultural norms and its external network of relationships with customers, information sources and other associates. To solve the problems management quickly becomes centralized during a dramatic turnaround. They reduce the amount of employees and consultants extremely quickly with all kinds of compensation packages. They also start implementing one business system in all of the company to keep track of numbers. Ericsson is still a decentralized organization with global operations in 140 countries around the world. But an operational loss of 13 billion SEK in 2001 was turned into profitability in Q3 2003 and a profit of 7,8 billion SEK in Q2 2004. There was a headcount reduction from 107 000 employees and 17000 consultants to less than 50 700 employees in Q2 2004. Operational expenditures were reduced from around 88 billion SEK to around 33 billion SEK Q2 2004. These activities have influenced the interpretative schemes of these four managers in several different ways. This paper distinguishes between four different interpretative schemes that have been transformed. The first one has to do with how the organization is structured and managed, the second with the economy, the third with the internal world and the fourth with the external world of the employees.

•*Interpretative scheme 1: Organization*

“We are becoming one company with one management”. Before the turnaround power was exercised in a decentralized way and now it becomes centralized. “Growth demands a certain delegation…but not that the leadership abdicate”.

•*Interpretative scheme 2: Economy*

A new way of looking at numbers and money are implemented in the company. “It is better to have hundred people that know ten numbers, then ten people who know hundred numbers”. This has become a sort of mantra that is often repeated by the new CEO during events both inside and outside the organization.

•*Interpretative scheme 3: Internal world*

The demand on how to be as an employee is changed: ”If you are going to work at Ericsson today you must be flexible. You cannot be too proud to do certain things. You must be focused and work for the best of the company”.

•*Interpretative scheme 4: External world*

The view of life in more general terms has also been transformed into a more pessimistic one. ”You are not safe in Sweden even if you are well-educated and work hard”. One of the middle management says that the feeling of that if you have a master of science, work well and because of this are sure to keep your job, it has disappeared. “That is the big change…people are conscious about this…The big change is that I can lose my job, and this safety that you think you have because you are Swedish and work in Sweden, that is bullshit…It is just bullshit that you are safer in Sweden.”

## Discussion

The purpose of writing this paper has been to give some insight into how the turnaround of Ericsson influenced the management. Using narrative method has made it possible to show some of the knowledge building that took place. It has also made it possible to identify verbal expressions that can be translated and transformed into interpretative schemes. It is a success-story that is told in the sense that the company survived. But it is also a turbulent story. Employees get sick, depressed and many have to leave their jobs. This is something new as one of the top management says “you must remember from were we came, growth, growth, growth”. He also says: “It is not so easy to manage a giant like this, and a global one…”The organizational setting of Ericsson becomes restructured very quickly depending on transformed interpretative schemes for how the business should be conducted. The outcome of all of this is one company with one management. The demands on how to be as an employee is also changed. But this study also shows that the informants did not only change their mental schemes for how Ericsson should be run but also their view of life in a more general sense. The turnaround has changed how the management view both their internal and external world.

## Appendix A

**Text segment from interview with middle management 1**
(January 30, 2004)

1. I have worked at Ericsson since 1989 with many different things. Right now I work with implementing business systems. Before everybody had their own system, it was difficult to keep track of numbers, it was very expensive. Now we are implementing one business system in the whole company. Since year 2000 I have worked with SAP.
Q: How has it been to work at Ericsson during the last four years?
2. Revolutionary, messy, extremely messy…
Q: Why did you stay?
3. Because of that. I like to work in an environment in which I can make a difference…I am implementing a new business system, for a few it gets worse but for the rest of us it will get better. Before everybody wanted their own system, to take away the system costs money, we have to say, that for you it means a step backwards…we understand if it hurts, but it is good for Ericsson, and if you do not like it, you are free to leave…it was such difficult times…if people complained and said: the organization is not going to accept this, then it came very, very hard from above…walk straight, do as the others do…as managers we were allowed to tell people: now you just implement this even if it is going to hurt…
Q: More?
4.During these years many people have been fired, there has been chaos, reorganizations…at the same time we try to implement a new way to work, we want to focus on what we do, we are all aware that management are needed in many different places, the management group must realize that they are important for the turnaround, at the same time they are burdened with reductions, they work during changed conditions such as "before I had fifty people but now we are only thirty, but we are still supposed to produce the same output as fifty people". This thing, to cut down and learn how to do things differently, always comes after a certain period of layoffs".
Q: How have people felt at Ericsson?
5. Apathy, very sarcastic, ironic…it is not really…people talk shit about the company when they get a chance…because it is a ventilator…
Q: Do they have confidence in management?
6. Not that I have experienced. People have understood the situation. I have experienced that they look very much backwards and say, "they should have thought about this much earlier", to have minimized the losses. But it is easy to say…this is not the first time a big corporation cut down on people…it is not the first time these arguments are presented, it is not the first time, we will make the same mistake again, everything happened so quickly, we did not have the time…well, the baby was thrown out with the washing water…
Q: Why did you stay? Have you thought about looking for a new job?
7. Yes, sure. I have stayed, I believe, because in spite of all this I like what I do…since year 2000 I have worked very much with change, I have a certain technical background, I have a background from Ericsson, I know what is important for middle management, and for an employee here…I have insight into the new system…it is fun to work in that area…to get people to understand a new way to work…efficient and easy for everybody…I try to make people feel happy…
Q: Have you felt down, depressed?
8. Yes, sure, down, without strength and apathetic, very much…

Q: How do you handle that?
9. I have tried to speak with friends, activate myself, do other things outside work…the last one and a half year, been involved in several implementations that have gone very, very fast…we were rationalizing a lot,…we shortened the process, for certain parts of the organization, now we just implement it, then you just have to like it…I have made a few of these kind of implementations, it made me very, very tired this summer…I was really…on the border of burn-out…luckily enough I have taken a course in stress management…
Q: What did you learn then?
10.Year 2000 they educated a lot of internal stress consultants, they were supposed to be a support in the organization, they talked about stress, how to get a better feeling in the organization for this, I got an education that takes two days, they went through a lot of medical and psychological factors, what you do with an employee to…and so on…therefore I can say that I was pretty stressed, rundown, tired…earlier you asked me about my confidence in management…during circumstances like this not very good…I said to myself, I wonder what happens if I go and say that I want to quit…you know, I can feel that when you reason with yourself like that, when you get up in the morning, and…yes…it feels pretty good. Today I am going to go to work, then I am going to go to my boss and tell him that I want to quit, and you feel so relieved…eh…it is therapy…well, yes, no, I better activate myself with other things…
Q: What kind of reactions did you meet from people outside Ericsson, during this period?
11. Surprise…oh are you still there…yes, you are working for Ericsson, and then they get like this…oh dear, poor you, soon the bell tools for you! And you know, they put their head on the side like this and…oh, oh, how is it, are many fired, have you managed, well yes that is good for you, but you can see that they think, well in six months you are also there…
Q. But you did not get burned out. Why?
12. No, I did not. The summer and the vacation came just in time for me. I took on another project privately, to renovate my apartment, and to do it myself…in the middle of all this tiresome business did I manage to get some energy. I did something for myself. But then of course, I isolate myself from the environment, I have no strength…I need distance, to be alone, and to do what I thought was important for myself…
Q: This took place this summer?
13. Yes, now things are working again. I like the project team we have built…
Q: What do you think about your COO?
14. A very charismatic person-he invites confidence. He was here and presented his goals and values, and what we are supposed to do and so on, for our unit. He rattled off about what is important and so on…the usual talk. He knows the numbers and he know what we were doing. And he communicated this in a good way, he likes to be on a stage, that is needed…the other COO made a fool of himself in Television, he was a person that media probably like to crucify…because…
Q: What do you think about the new chairman of the board that came 2002?
15. I think people are scared of him…
Q: What do you mean?
16. We have heard how much he had cut down at Electrolux, that he had cut down a lot…we know it would come, but I think it was with divided feelings…for me I hoped we would get a person who was tougher than X (the former COB). Here is the framework-fix it! But also I must say that I tend to listen less and less to what they say, I tend to take in less and less of what the management do, as long as they do not make a complete fool of themselves…
Q: Who do you listen to?
17.The one I listen to…I listen to the ambitions that C-H (CEO) has…that every manager should have a responsibility to keep track of the numbers, it is better to have hundred people

that know ten numbers, than ten people who know hundred numbers, it is better to spread the responsibility like that…to get a common way to work…everybody is supposed to know what they do…
My closest bosses I do not listen to, not very much, for the simple reason, they are managed by details, and they want to manage in detail, they have a problem telling what framework I am supposed to work within. That message is not communicated…everything I do I am prepared to tear up…I feel no respect for my closest bosses…I have a quiet agreement, if you let me be I will deliver…
Q: Have you seen people become sick?
18.Yes, they have problems sleeping, that is obvious stress symptoms, many people stop working here, they change, quickly…it is a big transformation taking place…people search for other things to do…because where I am is to bad, not that I want to do something else…they try to get away from something and that is not the best way to change your profession or what you do…I notice this all the time, that is what happens in my near surrounding…people become sick, I am sick myself all the time, there are colds that arrive all the time, the physical resistance is low…there are many people in my surrounding that ends up in this situation…

## Appendix B

**Text segment from interview with top management 1 (IB)**
**(August 26, 2004)**

1. The same thing happened at IBM, we managed the situation quicker.
2. The consultants do not understand the magnitude…to reduce costs with 55 billion. They learn more from us than…
3. I have worked at Ericsson since 1976. In different places…I have worked in Japan, been COO for two Ericsson-companies. In March 2001 X (former CEO) recruited me to conduct this program…now we have reached our goal…
4. We realized what was happening around 2000/2001…The correlation between the operators way to invest and growth (CAPEX) turned around 1999. Year 2000 it was hysteric…they continued building but at the same time the growth was not that good…It happens extremely quickly…to lose 80 billion in sales…to get rid of the costs are not that easy…big losses, both systems and mobiles…marginal loss of 75 billion…
5. At the beginning of year 2000 weak orders…during the later part of 2000 the sales came, it was heavy…all limitations were gone, we started recruiting, we recruited a hell of a lot of consultants…we had a runrate of about 55 billion, yearly, today 33 billion. The first quarter of 2001 everything stooped, but still people were being recruited…
6. When we left year 2001 we had an R&D machine that…
7. We have not shot ourselves, we have not lost out…(IB)
8. In the middle of all of this they introduce 3G…
9. Every week we sat down and…many did not realize the crises we were in…it is not so easy to inform about such things…of course mistakes are done…
**Q: Why did this happen?**
10. It relates to all of 1990-we had no problems with money, that was the last problem we had, it was the access to…management was delegated…it easily happens when everything goes fine…
11. It is easy to look back…better not to do that…
12. Much more control over work, both when it goes up and down…
13. We can manage this…it is possible…

14. When X put this group together…we had group work, everybody looked at each other…this is not possible…where the hell do we start…maybe we should start reducing employees…
15. July 1999, X was appointed CEO…X initiated the 40-group…the board have different committees…they appointed a committee that was supposed to be a support for the COO…it was not an overcoat, they had several meetings…I attended these meetings…at the board meeting they have no time to attend to all details…I reported to the board…this was not interpreted correct from the outside…
16. It is always nervous, first we could not show results, it was mostly pictures and talk…but when we could show results…
17. The first step was to reduce the yearly costs with 20 billion…but soon we realized that this is not enough…
18. At the same time they made the emission public…
19. The fall of 2001 I believed that most people in Ericsson realized that this looks problematic…doubt, we had no experience of reducing…
20. We put a lot of effort into communicating this first…
21. The plans we made we followed very closely, we were even a little bit better…I met many people from banks and so on…then they did not doubt that we would manage…
22. It is difficult to talk about your vision for the future when you cut down…
23. I led the group…they were picked by X…from March 2001 it got another agenda…meetings every quarter were changed to every month…
24. I think the reductions were of the correct size, 20 billion from the beginning, you cannot take to little and not to much,…it is not possible, it makes the organization confused…
25. I had internal meetings and gave information…since it was a big change in the organization, they asked us many questions that we had no answer to…
26. We continued with this project according to what we had decided…
27. I remember 1999, when I lived in Japan…I talked about the development, how the youth in Japan behaved and did their shopping, I do not think Ericsson understood…I remember I was asked to have an opinion about the strategy…I think we became to big…
28 Yes, I invested in the emission…

## Appendix C

**Text segment from interview with top management 2 (PAS)**
(Aug 26, 2006)

1. Before it was many companies in the company…
2. May 2001 I was asked by X to supervise the turnaround.
3. Together with Y I managed the transformation. We were going to become a company with one management…
4. Now it feels like we are a totally different company…
5. You can divide the time in two parts, 1990-2000, and 2000-2004. The first is the big expansion, but from year 2000 and to today a new era has started…
6. The bubble burst…the fall of 2000 in USA I saw…this market does not hold.
7. Ericsson´s first warning came in March 2001…sales decreased extremely quickly, growth had decreased, nobody reacted or said stop…Ericsson was on its way to become a 300 billion company,
8. It was one of the leading telecom companies in the world
9. A lot of things happened…we existed at 80 different places in the world with research and development, it was very inefficient but it took care of the growth…

10. We sat once a week, X and I, and Y…
11. All the time we were worried, about how much to cut, how much to do…
12. Has it been a negative reduction…absolutely not, we have come honorably out of it…
13. Now we have a straight, and simple organization…before we used 58 different dialects of SAP…we are so special…
14. Growth demands a certain delegation…but not that the leadership abdicate…we had many expatriates…unfortunately they came home and lost their job…
15. We had 8 000 consultants in the company, especially in the development…
16. It has not been easy for us…I have recruited many of them…but now the picture is different…
17. It became more and more painful…a horrible trip…
18. The change of chairman…it has nothing to do with this…here comes Mike the Knife from Electrolux…a chairman of the board does not work like that, it is not an executive job…
19. Ramqvist…really we should not speculate…I think, there was a massive chase on him
20. One chairman wants to leave…it was not a question in the company…
21. The emission that came…it came as a good proof for employees and customers…that the market actually believed in Ericsson…and that Ericsson´s management could handle the crises…
22. What made me jump out of bed every morning was that this is possible, this we will be able to manage…the management group was good…
23. The visions became more of survival…
24. Now this story is over, this chapter is written…
25. The group of forty people existed before as a bigger management group with representatives from abroad, it was a group put together for discussion, information exchange and so on that X (former CEO) invited once every quarter…
26. What we learned…inspect what you expect…
27. Do it properly instead of…
28. If we had said in Q1 that we were going to reduce 50 billion they had never…another wisdom, as soon as you have some kind of feeling, the smallest indication…react quickly instead of taking slow steps, analyzing…
29. You must remember from where we came, growth, growth, growth…
30. I have heard that many people who did not loose their job, that was not fired, ask themselves, why am I still here…
31. The last step, reducing 5 billion was already prepared for before the new executive came…
32. The graph is in our back…it is a fantastic thing that it rushed away like this…now we have facit…
33. It is not so easy to manage a giant like this, and a global one…
34. The R&D machine that we have today is 24 billion, it has been reduced with half…
35. The costs are a third of what they were in the beginning…
36. The emission…I bought what I could…

## Appendix D

**Text segment from interview with middle management 2**
(Nov 8, 2004)

1. I started at Ericsson November 30, 1998. I have a master in science from Chalmers. First I said “never Ericsson”. The company had no status. Many of my friends started there, they talked a lot about where in the organization they were and what contracts they worked with. But to me it seemed to be small possibilities to influence your situation in an organization

with more than 100 000 employees. I worked five years in the forrestry industry and was happy with that. But then I started at Ericsson. First I worked in development. Many projects were started. They recruited consultants without any limits. I remember a project in which I was the only one employed at Ericsson. Then there were maybe 8-9 consultants, many of them came right out of school. Almost all of them were put into education immediately.
2. I have been used to taking initiatives myself and have good bosses. But the first job at Ericsson was a letdown. They recruit managers in a way that they loose a good engineer and get a bad manager. That is something I have seen many times. It is boring. It is a lot of this that friends pick friends…but they are not happy, they would probably be happier with being specialists…Now I am at the market side since four years back.
3. One problem was that they built parallel organizations, three different groups were working with the same problem, that is crazy, even if they produce a little bit different results…**they build empires in the organization, this is an enormous waste of resources…but people who were charismatic and had good connections in the organization they succeeded with building mini-empires. That was a pity…**
4. At the beginning of year 2001 everything collapsed…I have to think…I changed work in February 2001, then it was still good, there had been no reductions…I changed from development, it was very frustrating work, you worked with something, you had no feeling for how it was going to be used, and they stopped the projects all the time…sure it was a pleasant life, but I was used to working in sharper projects…so I changed to the market side. I worked with new accounts…we are the people who through out existing suppliers and take their job, we grabbed new licenses and new affairs, things were happening quickly all the time. I worked all the time with Pakistan, Sri Lanka, Bangladesh and Vietnam. It was very exciting…it was another tempo…certain periods people worked 80 hours during a week, they slept at work, that was exciting…
5…two months later, from I started working there, from everything being incredibly good and great, the crises came, we had a good organization but there was no way we could escape what was now happening, for a while half of us were supposed to leave…we made a lot of profit, the key numbers per employee was high, it is easy to measure such things when you work at the market side…from being glorified one month, we were incredibly good, so it became, now we are doing bad results as an organization, everybody have to reduce…I have seen numbers that we were 107 000 or 112 000. I have seen number that we came down to 47 000 but I think we ended up at 50000…
6. We were supposed to reduce the staff because everybody else were supposed to do that, then it did not matter that our section had good results and good businesses…the air went out of the new businesses also..
7. X (former CEO) symbolized the cut downs…still he was very competent, he probably wanted to leave, but he took his responsibility…we heard nothing from X (former COB), and if we heard something it was not very positive…from my perspective he was a person that meant no good…Everything was about X (former CEO)…
As a media person he was not the best, but in the company he was respected…and he did something, the company was bleeding, it was all about survival, there was loyalty and understanding, even from people who got fired…there were exceptions of course, people realized that something had to be done…many had totally lost a feeling for that it was money they spent…they started and closed down projects, they had parallel projects. They did the same thing at three different places in the organization. Some kind of pooling of resources were needed…
8. In May 2001 they were going to reduce 30-50% of our section. You can say that Ericsson in Stockholm was hit hardest by all this that took place. This is if you look at absolute numbers. Telefonplan have been closed, Sundbyberg and Kista have also been hit hard.

Gothenburg have not at all been hit so hard…many local companies have not been hit, and Eastern Europe have not been hit…
We sell a lot there…A big chunk of Ericssons profit comes from Russia and Ukraine. This year we sold for 8 billion at our market unit. X (CEO) has been several times to Moscow and that region, he tries to help out…The money we made in this region have helped Ericsson to survive during these difficult years. That feels good…
9. During the transformation we were informed that we will have to reduce a lot, but nobody know how much. One day we were asked to sit in our rooms, then middle management walked around in the corridor, from room to room and told people if they could stay or not…during this period a third of the people were fired. I think this took place in May 2001. Many were not very happy…we were hit extremely hard in the beginning, then there has been minor adjustments…
10. During the fall…we were not hit, more than they changed the organization all the time…It was mostly other parts of the organization that was hit…I heard that they started to reduce development, I heard about a project that was going to have sign-off in December. They were informed after the summer that in December we will tell you who is going to be fired…that was maybe not the best way to increase the moral…when you work to develop a product you must work very hard, to motivate people to work 60 hours a week is maybe not so easy when you know that you are going to be fired…there were probably faults with how the reduction of people took place…now it is even tougher, now we talk about people who have worked maybe, ten or twelve years and have a good position…
11. I have never had a good picture of X (former COB) , and then he has been mentioned in many strange situations. I do not think he has contributed so much. But X (former CEO)he stuck it out…many people understand that X had to take a lot of shit in the press, it was not easy, but he was asked to stick it out…he did his best…many people understand that…
12. People who were on a contract abroad were told that either you take a local contract with worse benefits or you go back to your home-organization, business managers came home who worked with fluffy things, you must be able to work as one of the team, use the tools we use, that is difficult if someone is used to just gliding around, working higher up in the organization…but there is no need for thousand of business managers when we have less business, we have to change the organization, the flexible realize that it is about surviving a few years, then there will be new possibilities…now we lack certain categories and we have an excess of other categories…If you are going to work at Ericsson today you must be flexible, you cannot be too fancy for certain thing…you have to be focused and work for the best of the company…
13. What really lowers all confidence I eventually had for X as a new COB was that he retroactively managed to fix an unbelievable big compensation, and the motive was that he worked so hard, so hard, so hard, and when this spread, when we read about this in the papers and realized what it was about, that someone retroactively fixed better conditions for already performed work, that is not acceptable…
14. I think most people realized that it was a question about winning or losing…that a lot of things were in focus, there was understanding, some managers were not competent enough but were involved in selecting who was going to go or stay…they did not do the right thing, but in general there was an understanding that the reductions were necessary and that there were problems in the organization…
The feeling that if you have a master of science, if you work well and because of this are sure to keep your job, it has disappeared. That is the big change…people are conscious about this…The big change is that I can lose my job, and this safety that you think you have because you are Swedish and work in Sweden, that is bullshit…I have a friend who worked for

Ericsson in Madrid. He got a much better deal when he had to leave Ericsson, than what they got in Sweden. He worked twelve years with Ericsson…
15. I feel happy, I am still in the organization, what is happening now is exciting…
16. Huawei (Chinese telecom ) hire engineers that have been fired from Ericsson…the first question they get is what kind of development documents they can bring with them…
17. It is just bullshit that you are safer in Sweden…

# Appendix E
## A structural analysis of the turnaround of Ericsson

| Category | Description |
|---|---|
| **Narrators abstract** | The same thing happened at IBM but we managed the situation quicker.<br>To learn how to do things differently always takes a while after a certain period of layoffs.<br>"The consultants do not understand the magnitude of what has happened, they learn more from us than we from them…"<br>It is a big transformation taking place.<br>The company was bleeding, it was all about survival.<br>Some kind of pooling of resources was needed. |
| **Narrators perspective** | We try to implement a new way to work.<br>We had no experience of cutting down. You must remember from where we came, growth, growth, growth…<br>We have come honorably out of it.<br>It feels like a different company.<br>I feel happy. I am still in the organization. What is happening now is exciting.<br>It has been revolutionary and messy to work during the turnaround. |
| **Orientation/contextual descriptions** | "I meet many reactions from people outside Ericsson: Surprise…oh are you still there…yes, you are working for Ericsson, and then they get like this…oh dear, poor you, soon the bell tools for you! And you know, they put their head on the side like this and…oh, oh, how is it, are many fired, have you managed, well yes that is good for you, but you can see that they think, well in six months you are also there…"<br>The Chinese telecom company Huawei (Chinese telecom ) hired engineers that have been fired from Ericsson…"the first question they get is what kind of development documents they can bring with them…" |
| **Actors** | The actors in this story are Top management 1 who started at Ericsson 1976. Top management 2 has worked at the company since 1989. Middle management 1 started working at the company 1998. And Middle management 2 has worked at the company since 1989. Then there is the COO and the COB. They have both of them spent most of their life at Ericsson working in different positions. Both of them ask to leave the company during the turnaround and are replaced by a new COB and COO. Then there is something called the Forty Group. It is like a big management group with representatives from many different parts of the company. In addition to this there are many other actors such as media, banks, pension |

| | |
|---|---|
| | funds, the stock-market and competitors involved in this story. |
| **Problematic situation** | "Too many companies in the company". Parallel projects. A management that abdicated. Nobody kept track of money. They recruited consultants without limits. |
| **Goal/problem solution** | Management quickly became centralized. They reduced the amount of employees and consultants extremely quickly with all kinds of compensation packages. We have implemented one business system in all of the company so that we can keep track of the numbers. |
| **Actions and events** | **March 2001**: Ericsson´s first warning came in March 2001<br>**May 2001:** they were going to reduce 30-50 % of our section.<br>**The fall of 2001:** I believe most people in Ericsson realized that we have a problem.<br>**April 2002:** New COB<br>**The fall of 2002:** The fall of 2002 the COO wants to leave. The last 5 billion of cut downs are proposed.<br>**Spring 2003:** New COO<br>**Annual meeting 2003:** The extra bonus of the new chairman of the board causes problems.<br>**The summer of 2003:** The emission of 30 billion |
| **Outcomes** | One company with one management. A simpler organization. The costs are one third of what they were. The management group must work with less people but do the same work as before. |

**Figure 2 A structural analysis of the turnaround of Ericsson**

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