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Semco & Freys: A multiple-case study of workplace democracy

Supervisor: Curt Scheutz
Authors: Mary Petersson and Anna Spängs

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*Mary Petersson and Anna Spängs
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Contact information:

Mary Petersson merger1973@yahoo.com +46-76-240 24 30

Anna Spängs annaspangs@hotmail.com +46-70-634 30 39

Abstract

This case study aims to find out what characterizes the Brazilian company Semco and the Swedish company Freys hotels as private owned democratic companies, and whether the mechanisms used to apply and carry on the democratic process are sufficient or not to truly make the workplaces democratic. The way this study is conducted, is by analyzing the definition of workplace democracy and its managerial approaches. To be able to map and study the democratic process in the companies, the authors chose to analyze the parts of the organization that sustain democracy. These parts are structure, information/communication process, individuals and decision-making.

The theories applied, are theoretical thoughts and definitions of the managerial approaches (empowerment and participation) used to introduce democracy at the workplace. In addition a political framework for analyzing democracy is used. Five previous studies were also highlighted in the theory chapter, in order to reinforce the authors' choice of theories and give a broaden understanding of the subject studied in this essay. For analysis, seven hypotheses characterizing a democratic company and the use of workplace democracy were tested. The analysis was carried out using collected primary and secondary data from books, articles, interviews and inquiries with employees from Semco and Freys Hotels. Another interview was conducted with Professor Carl Von Otter at the National Institute for Working Life, who explained the meaning of a democratic corporation.

The results show that the hypotheses can be used to describe workplace democracy. However, the managerial approaches are not sufficient to make a company democratic since they can be used in order to restrain employee participation. Participation and involvement should be the basic idea that comes with employment. Another conclusion from the study is that the application and success of workplace democracy depends on the national context.

Key words: Workplace democracy, Empowerment, Participation, and Involvement

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Disposition

Part 1: Introduction

The first chapter starts with a small introduction to the subject which this paper embraces, followed by the background to the problem, the questions to be studied, and seven hypotheses to be tested. Purpose and delimitation come next, which have the function to form and shape the field to be studied.

Part 2: Method

Here the authors take the opportunity to describe the choice of method, its possibilities and short falls regarding the other methods available.

Part 3: Theories

This chapter describes the theoretical thoughts, definitions and forms of workplace democracy, empowerment, and participation.

Part 4: Empirical study

Here the authors present secondary data about Semco and primary data in form of interviews and questionnaires with managers and employees at Semco and Freys, as well as an interview with Carl Von Otter at the National Institute for Working Life in Sweden.

Part 5: Analysis

In this chapter the authors analyze the material collected using the hypotheses and the managerial and employee perspective on the both cases. The interview with Von Otter is analyzed separately.

Part 6: Results

In order to fulfil the purpose this describes which part of the structure, decision-making, communication and individuals that characterize Semco and Freys as democratic companies.

Part 7: Discussions and conclusions

In this final part the authors discuss the problem of the thesis and draw conclusions. Criticism toward the study and a suggestion to further research is also given here.

1 Introduction

1.1 *History of workplace democracy*

The nature of democracy has been debated for two or three millennia now. As Philosophers and other thinkers have speculated about what it is, and what it might become, reformers have advocated continual efforts to turn states more democratic, to make people more equal politically, and to transform the decision-making into a process of consensus that can be controlled by the people. (Mueller, 1999)

As consequence of those efforts, remarkable developments increased demands for democracy in many fields of the society (Dahlström, 1969), including in the workplace. The period of national democratic industrialization, stretched from the Civil War to the First World War. Syndicalist and Socialist labour movement of the 1800s and the radical trade union movements of the early 1900s demanded an increasing unionization of workers with protest movements against anti-democratic forces (Deutsch, 2005). Undoubtedly, the face of the workplace changed rapidly due the union movements, and this affected the lives of millions of people.

In the US, employers and managers became seriously interested in workplace democracy (also known as Industrial Democracy in the US and Britain) in the late 1960s and early 1970s (Deutsch, 2005). Workplace democracy was then seen as means to foster employee commitment to the firm and reduce turnover.

The 20th century was marked by globalization of markets through the reduction of trade barriers and the demand for increasing productivity in all sectors. New programs such as Total Quality Management and Total Participative Management were implemented, and the technological advances accelerated. (Collins, 1996)

With international competition and the declining economic performance of US firms, corporations were forced to consider the democratic alternatives to the traditional top-down control structures. Democratic governance appeared in the field of management as an instrument that enabled deliberation and debate, which offered opportunities for improvement as a mean of communication and exchange on a peaceful basis.

1.2 Background of the problem

Democracy in its ideal sense is the notion that “the people” should have control of the government ruling over them. This ideal is pursued by implementing a system of voting where the majority of people rule, either directly or indirectly through elected representatives. According to de Paepe (1842-1890), democracy would inevitably spread to the economic segments of society and economic organizations, and gradually workplace democracy would be inevitable. (Wikipedia, the free encyclopedia, 2006a) There are signs of that forecast of Paepe might come true. As mentioned before, private corporations have gained an interest in creating more democratic working places, which enables them to adjust quicker than an autocratic firm to the changing demands of the market.

Workplace democracy implicates that management passes the control over to employees. Further, employees that reach higher levels of education develop greater expectations that autonomy and democratic rights will be available to them in the workplace (Rothschild, 2000). Therefore, mechanisms used to create workplaces that are more democratic vary depending on how participative in the decision-making a company wants its employees to be. This is not the case in cooperatives, which are businesses owned and governed to the benefit of their members. The main principle in a cooperative is the democratic formula “one member – one voice”. Therefore, democracy seems to be against the nature of traditional autocratic firms. For that reason, one might wonder which corporate practices may lead to a private owned democratic workplace, where the employees are empowered, involved and have a voice in the work process.

1.3 Problem

1. What characterize a company as democratic?
2. Which management tools are used to apply democracy on the workplace? Are they sufficient to make a company democratic?
3. Is it possible that workplace democracy differs between countries?

1.4 Hypotheses

The authors' understanding of workplace democracy leads to some hypotheses that will be tested in the essay.

Structure

H₁: A democratic company has a flat structure where the business units have the freedom to manage themselves.

H₂: Democracy assumes rotation of posts among employees, to spread the knowledge/power and prevent dependency on key employees.

Decision-making

H₃: In a democratic corporation, the employees are offered a "voice" in all decisions.

Communication

H₄: A democratic company has a free flow of information, which demands organizational transparency.

H₅: Communication channels must to support employees' participation in the decision-making.

Individual

H₆: Employees participate in the decisions about their salaries and rewards

H₇: Employees are satisfied with their work and working climate

1.5 Purpose

The focus of this paper falls in the field of workplace democracy that encompasses a wide variety of employee's participation, empowerment and involvement in the organization. These three philosophies will be briefly studied here in order to describe the interpersonal and/or structural arrangements, which link decision-making to the interest and influence of employees at various levels. The purpose is to study structure, decision-making, communication and individuals in order to describe what characterizes the Brazilian company Semco as a democratic company. To fulfil this purpose seven hypotheses will be tested. Further, the application of workplace democracy will be studied at a Swedish company, where the two companies' manner of applying workplace democracy will be compared.

1.6 Delimitations

The objective of this paper is not to present a comprehensive list of workplace democracy experiments or management approaches. A description of *how* the philosophies of workplace democracy are applied is also beyond the scope of this paper. Moreover, even though the focus is on a Brazilian company, it does not mean that the thesis aims at analyzing the Brazilian culture, neither the cultures of other countries.

1.7 Definitions

Workplace Democracy (WD): The field, as stated by Heller (1983) “stretches from participative management and employee involvement, to industrial democracy and self-management...” The term is meant to describe a variety of interpersonal and/or structural arrangements which link organizational decision-making to the interests and influence of employees at various levels. Workplace Democracy is also defined as the application of democracy in all its forms (including voting systems, debates, democratic structuring, due process, adversarial process, systems of appeal) to the workplace (Wikipedia, the free encyclopedia, 2006c).

Participative management: A technique which substituted Fredrick Taylor's ideas about scientific management. Through a democratic work organization problems with an uncommitted and unqualified workforce will be solved. (Nationalencyklopedin på nätet,

2006) “Participative management is a philosophy that values workers ability to make decisions and solve problems. It enhances the motivation and satisfaction of employees towards their work, improving company’s competitiveness and performance. (Pinski and Rocha, 2004)

Employee involvement (EI): A process designed to empower members of an organization to make decisions and to solve problems appropriate to their level in the organization (Pace, 1989). The logic of EI is that the people closest to a problem or opportunity are in the best position to make decisions for improvement if they have control of the improvement process.

Empowerment: Refers to increasing the political, social or economic strength of individuals or groups. It often involves the empowered developing confidence in their own capacities.

Industrial democracy (ID): A product of a philosophical tradition based on the democratic thought of Jean-Jacques Rousseau (1712-1778) and J. S. Mill (1806-1873). Their notion of work and participation were given economic elaboration and specification by the utopian socialists, anarchists. Industrial Democracy is an economic arrangement which involves workers making decisions, sharing responsibility and authority in the workplace. Although industrial democracy generally refers to the organization model in which workplaces are run directly by the people who work in them in place of private or state ownership of the means of production, there are also representative forms of industrial democracy. Representative industrial democracy includes decision making structures such as the formation of committees and consultative bodies to facilitate communication between management, unions, and staff. (Wikipedia, the free encyclopedia, 2006b)

Self-management: Worker Self-Management is a form of workplace decision-making in which the employees themselves agree on choices (for issues like customer care, general production methods, scheduling, division of labour etc.) instead of the traditional authoritative supervisor telling workers what to do, how to do it and where to do it. (Wikipedia, the free encyclopedia, 2006d)

2 Method

This section describes the chosen method and its course with a brief discussion on its possibilities and short falls. The idea is to state the authors' way of working to answer the questions at issue.

2.1 Introduction

In the beginning of our Master course, it was clear for all students that each one of them should give serious thought on which subject was in their interest to study. During a trip to Brazil, one of the authors came in contact with an interesting company named Semco. This company was reported at CNN, magazines and among students in Brazil to be a revolutionary company in the field of workplace democracy.

Immediately the author decided to have this company as an object of studying. The first opportunity to know more about Semco came with a meeting at UFRJ (Federal University of Rio de Janeiro). This meeting gave a great possibility to collect information, even if all the information collected was of secondary character. The author knew then, that to be able to have good reliable material to study it was necessary a near contact with Semco. The first contact came through an email, where it was requested a contact person that could guide the authors through the organization and could create a vision on how the company and its personal interacts.

Back in Sweden, the first author got a colleague, the second author of the thesis. Together they started the search for a Swedish democratic company which could be studied in order to conclude the thesis, by proposing an answer to the third problem question. However, the scarcity of companies that were known as democratic in Sweden, lead the authors to contact Professor Carl von Otter at the National Institute for Working Life. During the interview, Professor Von Otter revealed not knowing the existence of any democratic company in Sweden. Instead, the professor extended the authors' knowledge about the concept workplace democracy.

Later, the authors decided to study the case of Freys hotels in Stockholm, a company that some years earlier had gone through changes toward a more democratic workplace. According to the former manager of Freys hotels, Semco had been a source of inspiration in the transition to democracy. The reason to why the company wasn't contacted from the beginning was because the authors were aware of the limitations in comparing companies

from different markets and different sizes. With the lack of options, the authors finally decided for accepting Freys hotels as an object of studying since it was addressing the application of workplace democracy on a company in Sweden.

2.2 Case study

Since the aim of this essay is to describe a democratic company, a qualitative case study will be suitable as research design. More specifically the objective is to present results that will give a description and understanding of workplace democracy at Semco. A case study of Semco is justified by the uniqueness of the case¹. Semco is famous around the world for its radical form of workplace democracy. The CEO and majority owner Ricardo Semler have written two books on his experience at Semco, of which one became a worldwide best seller in 1993. The organization and its special form of government are well documented. Therefore, a case study will be possible even without a visit at the company.

The authors are aware of the implications the case study encompasses. The results from a case study can not be generalized. In other words, the results from Semco are not valid for other cases of workplace democracy. Instead the ambition is to use existing theories for describing and understanding Semco. The results may later be used for analysing what might be important to look at more extensively in the future.

Freys Hotels are the second case study to be described and analysed as a democratic company. Like Semco, Freys hotels have attracted the attention from media, and the manager of the hotels has also written two books about organizational change. The reasons for Freys Hotels to become the second case of this thesis was its attempt to replicate Semco's method of introducing democracy in the workplace, and for being a Swedish democratic company.

2.3 Study strategy

The strategy of this study was first; to map the parts of a company that was changed from the traditional hierarchical perspective in order to have democracy in the workplace. Since democracy touches the interpersonal and the political field within a company, it became clear that the fields to be studied should be: structure, individuals, communication, and decision-

¹ Yin (2003) mentions an extreme or unique case as rationale for a single-case design.

making. The study started from collecting data and concentrating on these four specific areas to find theories which could help in the analyzing process.

Lather, seven hypotheses were created, with the support of the theories, in each of the four fields. The purpose of having hypotheses was its benefits of structuring the planning of analysis and facilitating for readers to follow the authors way of thinking.

2.4 Literature studies

Collecting the data needed to present Semco's structure, decision-making, communication/information and individuals, two books became the main sources. Both books are written by the majority shareholder Ricardo Semler. The title of the first book is "Maverick" and it was written in 1993. The second book is called "The Seven-Day Weekend" and was first published in 2003. Maverick is more detailed about how Semco is managed, while the Seven-Day weekend talks about finding a balance between work and free time, or making the work more fun. The first book was therefore more useful in this study. The second book was only an update, which mentioned that the practices described in the first book were still in use. The books are written by the owner and give his view of his company. Semler's perspective may not be shared with the whole workforce. An alternative method would therefore have been to make interviews with several employees from different divisions of the company. This would have given more facts about the workplace and some more details about how the business is run. The authors could also have taken part of external opinions about the company, for example by contacting the union or local business magazines. Other sources would have been easier to find if the authors had visited the company in São Paulo.

2.5 Interviews and questionnaire

The choice of having interview and questionnaire as primary method to collect data can be justified by the need to state the employees' understanding of democracy and empowerment at work. To Semco structured questions were sent by mail to be answered by João Vendramin Neto, who oversees Semco's manufacturing. The questions was first written in English and then translated into Portuguese. Both interviews were then sent away. In consideration to the language barrier, the interviews ran a large risk to be ambiguous. For the interviews with Carl Von Otter, and the hotel coordinator of Freys hotels, half-structured questions were applied, with the purpose to give the respondents freedom and time to elaborate and develop their

answers. During the interviews, the authors avoided to give further explanation on what they meant in order to prevent from leading the respondent answers.

The questions to João Vendramin Neto are presented in Appendix 1. In the moment of writing he still hasn't answered. Considering the scope of the questions the authors understand why. A smaller number of easier questions would have been preferable.

2.5.1 Interview with Casten von Otter

The vocabulary workplace democracy often generates confusion since different persons who employ the concept mean very different things with it. As newcomers in the field of workplace democracy the authors felt the need to contact an expert who could explain the meaning of a democratic corporation to them. An important step for this thesis was the interview with Casten von Otter, a professor at the National Institute for Working Life. The interview person wasn't known to the authors in advance, but came to their knowledge when they searched for an expert using the Internet. His name appeared in an interview published in the morning newspaper "Svenska Dagbladet" where he spoke about the consequences of a more democratic working life. He was then contacted by phone and agreed to an interview that took place five days later at his working place.

The interview was carried out in a conference room at the National Institute for Working Life. The authors had prepared a set of general questions about democracy in companies that they wanted to discuss. The interview person gave his permission to use a tape recorder. By request of the professor the interview started with a presentation of the case study as an introduction to the subject. The prepared questions were then used as a guide for the rest of the interview, which went on in form of a 45 minutes long conversation. The interview person gave detailed answers, which involved both theories and practices of industrial democracy, and suggested literature on the subject. In the end of the interview the authors received two books from the professor, one which was a gift and another one that was a loan.

In the library of the National Institute for Working Life, the journal *Economic and Industrial Democracy* was found. That journal is the leading one in the field of economic and industrial democracy and it is published in association with the National Institute for Working Life. The reason for mentioning this is that the interview person used to be the editor of the journal, which justifies the choice of interviewing him in the role of an expert in the subject of the thesis. The tape from the interview was printed in Swedish, and then a summary was made in English. Since the English summary still was very long it is available as an appendix. Only the most informative parts of the answers are presented in the thesis.

2.5.2 Interview with Anna Karin Neuman, Freys hotels

In the end of 2005 the authors decided to make a second case study on the company Freys Hotels. On Friday the 30th of December a phone call was made to the main hotel, and the authors presented their study on Semco that had led them to contact Freys. Surprisingly, the person on the phone had never heard about Semco. The authors then asked to speak with the CEO, who according to the receptionist would not be back until the eight of January, two days before the presentation of the paper. The authors requested someone else that had been working at the hotel in 1999 and could be their contact person. They got the information to call back on Monday, when Anna-Karin Neuman should be back after Christmas holidays. On Monday Anna-Karin, who is a hotel coordinator, was contacted and agreed on giving an interview two days later.

The day of the interview the authors met with Anna-Karin at the hotel reception and were showed in to the restaurant where the interview was going to take place. When the authors asked for permission to use a tape recorder, Anna-Karin suggested making the interview upstairs, at the office and conference area of the hotel. The authors felt relieved since they preferred a quite place where the interview would not be interrupted. In the way to the office, the authors noticed pleasant conference rooms, with names like Balance, Creativity, Wisdom and Courage. The interview was made in the room Harmony, which was furnished with five armchairs around a round table. It seemed like everyone felt more comfortable in this room.

The interview was semi-structured and lasted 45 minutes. The overall question that the interview intended to answer was “what characterizes Freys as a workplace democracy?” Again, the structure, decision-making, communication/information and individuals were to be studied, and in total 27 questions had been prepared about the 4 headings. The questions were all of relevance since they were derived from the theories about democratic structuring, participation and empowerment. They were open-ended, which means that Anna-Karin was free to answer the questions the way she liked. The interview person was in a good mood and spoke freely. She was familiar with the history of the change at the hotel and she could answer all of the questions without problems.²

One might think that it is easy to make an interview with prepared questions, but as soon as the interview starts one notice that the questions overlap each other since they can address the same event in the history. In the interview with Anna-Karin, the questions were not asked

² For example on questions to Anna-Karin see appendix 2

in the same order as on the paper. Instead some questions got an answer at the same time, and sometimes Anna-Karin also felt that she had to go back to a question and explain some more. The advantage by discussing more freely is that the one gets a more living picture about the case, and that supplementary questions can be asked. A disadvantage is that the interviewer might forget what he/she was really interested to get an answer to. In this interview the authors got both a living story and answers to all the questions. Being two interviewers simplified the job.

After the interview, the data from the tape was translated into an English text that presents the case of Freys under the headings structure, decision-making, communication and individual. Since Anna-Karin is the hotel coordinator, her view of the hotel is close the view of a manager.

2.5.3 Questionnaire

The questionnaire applied to the employees of Semco and Freys had the purpose of verifying whether the employees of both companies felt empowered and participative in all decisions regarding their workplace. The questionnaire had fourteen questions encompassing the four fields studied in this thesis. Those areas were related to employees in order to verify the extension of their power, knowledge, participation and satisfaction towards their workplaces. The formulation of the questions was based on the theories described in this thesis. To be able to measure the frequency and intensity of employees' participation, the answers range the scale one for yes, two for frequently, three for from time to time, four for rarely and five for no.³

On the 16th of December the questionnaires were sent away to the contact person at Semco, Lucia Kobayashi. She was responsible to distribute the questionnaires among employees and to send the answers back to the authors. Once in her hands, the questionnaires were sent forward to 30 employees through e-mail. 11 questionnaires were replied.

The implication of having an employee distributing the questionnaires is that respondents may feel uncomfortable in speaking their mind since they are not anonymous and they are also aware that their answers can be seen by others within the company.

To be able to have the same premise as Semco, the person responsible in distributing the questionnaires among Freys' employees was Anna-Karin Neuman. 10 questionnaires were handed over to her the same day the interview took place, which 9 of them were answered.

³ The questionnaire is in appendix 3

Consequently Freys had the same implication on having an employee handing over the questionnaires as Semco.

2.6 Reliability and validity

The internal validity in this thesis is relative high. The results from interview and questionnaires coincide, as it was expected, with reality presented with the help of secondary data. The conditions in which the questionnaires were distributed among the employees at both Semco and Freys can be questioned though, since the persons that handed out the questionnaires may have influenced the answers and results from the employees.

The reliability in this thesis is relative low, since it has a hermeneutic character. The reality was interpreted with help from the chosen theories, the interview with Professor Von Otter and authors own idea on the concept. Besides, this study only covers the workplace democracy method that was applied at Semco. Here, it is also necessary to mention that Freys Hotels were inspired by Semco. Eventually, the replication of this study, presupposing the same circumstances may not give the same result.

The credibility of the data from the interviews was secured by sending the authors printed versions of the interviews back to the interview persons. In that way they got the opportunity to make corrections. Von Otter did not answer, but Anna-Karin Neuman reported some changes by phone. She made some clarifications about the union and the Board of the concern that Freys belongs to. The script about Semco was not sent to company why the credibility of case number one can be criticised.

2.7 Analyzing method

The two cases were analyzed one by one. The hypotheses about structure, decision-making, communication and individuals were used to form the analysis. Under each hypothesis the data from the manager perspective respectively the employee perspective were analyzed. By considering both manager and employees perspective the authors were able to discuss to what extent the company fulfilled the hypothesis. The theories and previous research also helped to analyze the material. The data from the interview with Von Otter was analyzed separately. His view of a democratic company was compared to the definition of workplace democracy. His thoughts didn't affect the results from the case studies, but were considered in the conclusions of the thesis.

3 Theory

This chapter aims to describe management and organizational theories/philosophies that is able to enhance and lead a workplace towards democracy. The first section entails previous studies and the second part theories, which end up in a model for how the study is structured.

3.1 Previous research

This part presents five current research papers in the field workplace democracy. Because of the wide scope of the field and the thesis, articles with different topics have been chosen. The presentation ends with a summary of what can be learnt from the articles.

3.1.1 Democracy without empowerment: The grand vision and demise of Yugoslav self-management

Lynn, Mulej, and Jurse (2002) claim that “the dynamics within the rise and fall of Yugoslav self-management provide lessons for understanding and managing empowerment efforts today”.

The worker self-management system in Yugoslavia rose in 1948 under the leadership of Josip Tito. Employee councils were created at the Yugoslav companies with the purpose to meet monthly to discuss a wide range of issues, from product pricing to corporate goals.

In 1971 and 1976 councils were created for company’s unit level. With time, the councils got decision-making power over capital investments, income distribution, salaries and merger policies in the strategic business units. Unfortunately, the councils never got any true impact, they were only a façade. The democratic structure wasn’t sufficient to convince employees to believe that they were truly empowered. Since demand exceeded supply there was no real need for employee involvement and the council tasks were often meaningless. Furthermore, certain council tasks exceeded some employees’ skills and knowledge, and this undermined their confidence. Council members were also frustrated because federal law controlled how employee councils operated.

Another shortcoming of Yugoslav self-management was that the task environment was never changed. Workers continued to be assigned fragmented de-skilled and segmented jobs and operated under the authority of management. Information flow was constricted as was organizational support for self-management. Hence, the failure of Yugoslav self-management

was that employees never got a sense of empowerment, and this led to that employees felt apathy toward democratic responsibility.

3.1.2 The distribution of employee participation schemes at the workplace

McNabb and Whitfield (1999) concluded that there had been very little analysis of which firms have made extensive use of employee participation and which have not. Therefore the purpose of their paper was to investigate the characteristics of workplaces which introduced a wide range of participation schemes and the way in which establishments combined different forms of participation scheme.

The paper focused on ten different types of schemes: (1) the presence of a joint consultative committee, (2) regular meetings among work groups to discuss aspects of their performance, such as quality circles, (3) regular meetings between junior managers/supervisors and workers from whom they are responsible (briefing groups), (4) Regular meetings between senior managers and all sections of work-force, (5) systematic use of the management chain for communication with all employees, (6) suggestion schemes, (7) regular newsletter, (8) surveys or ballots of employees' views or opinions, (9) profit-related payments or bonuses, and (10) share-ownership schemes.

In sum, there are varying types of participation schemes and not all companies use the same type of participation schemes. Older and larger organizations without unions tend to apply representative participation, and younger and larger organizations with advanced technology use the newer types of participation schemes. Financial participation is found in larger organizations without unions, with advanced technology, serving national and international markets.

3.1.3 Employee participation and managerial style (the key variable)

The problem that Rees and Porter (1998) highlights in their article is that participation often is addressed as if it could be achieved simply through legislation and mechanistic solutions. To show that mechanistic solutions are not enough they refer to a study about joint consultation at the Wales Gas Board conducted by Rees (1962).

He got to the conclusion that managers who prepared their consultative meetings found that their committees survived, while managers who saw the meetings as unnecessary were in charge of the committees which collapsed. Hence, Rees and Porter suggest that if organizations wish to develop employee participation, the starting point is to review the potential commitment and competence of their management and management structure.

A participation scheme will not work properly if the culture is autocratic, if managers lack interpersonal skills, and if there is turmoil and conflicts between employees. They argue that employees' day-to-day contact with their local management has an important impact on the degree of employee involvement in organizational activity and decision making.

3.1.4 The discourse of industrial democracy: Germany and the US revisited

Frege (2005) says that an often-neglected explanatory factor for better understanding cross-country variations of institutions and practices of industrial democracy is the national specific discourses of democracy at work. These discourses are shaped by alternative political philosophies of the 19th century on the relationship between state, society and economy.

In the US mechanical state theories focused on free interaction between individuals with a minimum role of the state. In contrast, in Germany organic state theories emphasized the importance of the state to secure a moral social life. Therefore, democracy in the US is conceptualized mainly on the political level and has no place in economic life, while in Germany industrial democracy has been much more linked to the development of political democracy and has legally restrained managerial discretion.

In the US, the firm is seen as a private affair and workers should rely on unions' free collective bargaining. In Germany, the firm is conceived as a public affair and workers have legal rights to participate in firm decision-making. The historically embedded national discourse on democracy at work may enhance our understanding for why, for example, attempts to extend democracy at US workplaces are likely to fail as long as the firm is seen as a private affair and participatory rights principally are bound to the political sphere.

3.1.5 Creating a just and democratic workplace

Rothschild (2000) offer a utopian vision of what work might look like in the year 2005. She points to some of the key social forces that could unlock the potential for democratization. Her idea is that changes taking place in workplaces today may contain seeds of a much deeper transformation in the relationship between labour and capital. Her main thesis is that flatter, team-based organizations could provide the basis for much more deeply democratic forms of control in the workplace. Rothschild compares the team-based organizations with genuinely (and often directly) democratic grassroots organizations, for example cooperatives. In team guidebooks, it is pointed out that it is important to make the employees feel empowered. In contrast, in the genuinely democratic cooperatives actual ownership and control are extended.

Rothschild does not see salary equalization on the agenda of US firms yet, and she does not see consideration of worker representatives on Boards of Directors. However, in the best cases teams she sees employees learning democratic group process skills. According to Pateman (1970) it is the act of participating in a directly democratic group that whets the appetite and develops a capacity for more.

3.1.6 Summary

The Yugoslav experience of self-management suggests that it is important with employee empowerment. Solely a democratic structure is not enough to create employee self-managed companies. The second article tells us about different types of participation schemes, and the diverse types of firms that apply these schemes. The paper suggests that it is important to distinguish between different types of participation. The third article refers to managerial style as the key variable for achieving participation; it suggests that mechanistic solutions are not enough for effective participation, and that managerial competence and commitment are important factors to sustain participation. The piece about industrial democracy in Germany and the US, tells us that the success of implementing democracy at the workplace depends on the national discourse of industrial democracy. Finally, the utopian vision on workplace democracy proposes that employees in team-based organizations will achieve democratic skills and a wish for more democracy at work.

3.2 Theoretical Perspectives

This chapter aims to describe management and organizational theories/philosophies that is able to enhance and lead a workplace towards democracy.

3.2.1 Workplace Democracy

Workplace democracy, also known in the US as industrial democracy, is the involvement of staff in making decisions (through structures and processes) which involve the sharing of authority and responsibility in the workplace. Besides its definition, workplace democracy is too complex to offer more than a general overview of its advantages and its disadvantages. But two obvious differences are that lockouts can't happen without the support of the majority of the workers, and strikes will not be motivated by lack of control over who manages. Centralization and change management will only take place by request, where work teams

and units must retain at least the power to resist changes and centralization of work functions they have performed.

Some benefits stated with workplace democracy:

- Less industrial disputes resulting from better communication between management and staff.
- Improved decision making processes resulting in higher quality decisions.
- Increased creativity, enthusiasm and commitment to corporate objectives.
- Lowered stress and increased well-being.
- Better use of time and resources.
- Improved productivity including service delivery.
- Increased job satisfaction resulting in reduced absenteeism.
- Improved personal fulfilment and self esteem.

The Two Forms of Workplace Democracy

Representative and participative:

The participative activities involve:

1) Regular meetings with:

- An agenda collected from staff
- A rotating chairperson, and
- Discussion about sectional work allocation, maintenance and administration.

2) Group discussion before decisions is made.

3) Active promotion of an involved team environment.

4) Participative redesign of jobs or work systems.

The representative activities involve:

1) The formation of committees and consultative forums consisting of staff and/or union representatives.

2) The formation of working groups of staff and/or union representatives to analyze and make recommendations about specific issues.

3) Setting up channels for continuous communication between management, unions and staff. (National Library of Australia)

3.2.2 Structure and Communication

Managerial grid models and matrix management, compromises between true workplace democracy and conventional top-down hierarchy, became common in the 1990s. These models cross responsibilities so that no one manager had total control of any one employee, or so that technical and marketing management were not subordinated to each other but had to argue out their concerns more mutually. A consequence of this was the rise of learning organization theory, in which the definitions in common among all factions or professions becomes the main management problem.

With workplace democracy, organizational commitment cannot be promised without extreme consultation, causing the structure to take longer to be negotiated. Meetings and meeting systems must generally be extremely efficient, and require strong models of chairmanship and sophisticated models of how to handle consent and dissent. Performance improvement, self-assessment and coping with one's own resistance to change are easier if the rate of change or depth of assessment is negotiated with one's peers who must deal with the same changes and challenges. However, there is much more acceptance of returning to the shop floor as a worker if someone fails at management, which is much more difficult in organizations where there is a culture gap between managers and workers. (Wikipedia, the free encyclopedia, 2006c)

3.2.3 Democratic structuring

Jo Freeman, a major influence in the theory of participatory democracy, consensus decision making and collective intelligence, advocated for the idea of democratic structuring, where political effectiveness could also be reached.

According to Freeman there are some principles it must be kept in mind, because they are essential to democratic structuring:

1. Delegation of specific authority to specific individuals for specific tasks by democratic procedures. Letting people assume jobs or tasks by default only means they are not dependably done. If people are selected to do a task, preferably after expressing an interest or willingness to do it, they have made a commitment which cannot easily be ignored.
2. Responsibility - requiring all those to whom authority has been delegated to be responsible to all those who selected them. This is how the group has control over

people in positions of authority. Individuals may exercise power, but it is the group that has the ultimate say over how the power is exercised.

3. Decentralization - distribution of authority among as many people as is reasonably possible. This prevents monopoly of power and requires those in positions of authority to consult with many others in the process of exercising it. It also gives many people an opportunity to have responsibility for specific tasks and thereby to learn specific skills.
4. Rotating chair - rotation of all key tasks among individuals. Responsibilities which are held too long by one person, formally or informally, come to be seen as that person's 'property' and are not easily relinquished or controlled by the group. Conversely, if tasks are rotated too frequently the individual does not have time to learn her job well and acquire a sense of satisfaction of doing a good job.
5. Labour specialization - allocation of tasks along rational criteria. Selecting someone for a position because they are liked by the group, or giving them hard work because they are disliked, serves neither the group nor the person in the long run. Ability, interest and responsibility have got to be the major concerns in such selection. People should be given an opportunity to learn skills they do not have, but this is best done through some sort of 'apprenticeship' program rather than the 'sink or swim' method. Having a responsibility one can't handle well is demoralizing. Conversely, being blackballed from what one can do well does not encourage one to develop one's skills.
6. Open information flow - Diffusion of information to everyone as frequently as possible. Information is power. Access to information enhances one's power. When an informal network spreads new ideas and information among themselves outside the group, they are already engaged in the process of forming an opinion without the group participating. The more one knows about how things work, the more politically effective one can be.
7. Equal-power relationships imply equal access to resources needed by the group. This is not always perfectly possible, but should be striven for. A member who maintains a monopoly over a needed resource (like a printing press or a darkroom owned by a husband) can unduly influence the use of that resource. Skills and information are also resources. Members' skills and information can be equally available only when members are willing to teach what they know to others.

Freeman claimed that “when these principles are applied, they ensure that whatever structures are developed by different movement groups will be controlled by and be responsible to the group. The group of people in positions of authority will be organized in structures that are diffuse, flexible, open and temporary. They will not be in such an easy position to institutionalize their power because ultimate decisions will be made by the group at large. The group will have the power to determine who shall exercise authority within it. (Freeman, 1970)

3.2.4 The relationship between democracy, participation and empowerment

In a paper by Collins (1996) the natural relationship between democracy, participation and empowerment is explained. He argues that they are corollaries of one another and so must be studied together. “Democracy must imply participation, and in turn participation springs from a sense of empowerment” (Collins, 1996). He uses an article of Pateman (1970) to explain how democracy, participation and empowerment are related. According to Pateman the Anglo-Saxon democracies are undemocratic since only small elite participates. She explains that non-participation is clustered in low-status groups since they lack feelings of political usefulness. The reason to their distrust in democracy is that they lack a sense of their own power, in other words, they lack a feeling of empowerment. Pateman also concludes that mass participation on governmental level can be hard to achieve in the short term. She believes that education in democracy is needed, and her idea is that people should be educated in democracy at work, where most people spend the majority of their waking hours.

3.2.5 Empowerment

Since the 1980s, when human resource management and total quality management become popular management approaches, empowerment has grown to be a part of organizational practice. The aim of empowerment is to transform the traditional hierarchies to more flexible firms that better fit in the new environment where competition demands higher performance (Wilkinson, 1998).

For example empowerment practices allow employees to decide on their own how to recover from a service problem that affects a customer without waiting for approval from a supervisor (Bowen and Lawler, 1995). Management hope that implementing an empowerment practice will overcome worker dissatisfaction and reducing costs of absenteeism, turnover, poor quality work, and sabotage (Klein et al. 1998). Empowerment is also viewed as critical in the

process of organizational change. Instead of forcing people to change, empowerment attracts employees to change when they have ownership of the change process (Spreitzer and Doneson, 2005)

Empowerment has implications both from a workforce perspective and a business perspective. On one hand, when work responsibilities are restructured, teams are made central to the workplace and employees are encouraged to identify with managerial objectives, unions can be marginalized and sometimes are intended to be so (Wilkinson, 1998). On the other hand, managers are concerned by a loss of management control, for example an individual acting alone brought down a British Bank, Barings (Simons, 1995).

3.2.6 Three perspectives on empowerment in the workplace

Spreitzer and Donesson (2005) summarize the contemporary organizational research on empowerment in the workplace by separating three theoretical perspectives. Each perspective understands empowerment in a different way.

- 1. The social-structural perspective.* This perspective has its roots in the values and ideas of democracy. The success of empowerment as democracy depends on a system that facilitates and promotes employee participation (Prasad and Eylon, 2001). According to the social-structural perspective organizational policies, practices and structures have to be changed away from top-down control systems to high involvement practices. Bowen and Lawler's (1995) social-structural model of empowerment says that employee empowerment is a function of organizational practices that distribute power, information, knowledge and rewards down throughout the organization. In the model empowerment is dependent on all of the four variables; if one is missing empowerment will fail. The limitation of the social-structural perspective is that it doesn't investigate the experience of the employees.
- 2. The psychological perspective.* This perspective refers to a set of psychological conditions necessary for individuals to feel in control of their own destiny. Thomas and Velthouse (1990) defined empowerment as intrinsic task motivation consisting of four dimensions: meaning, competence, self-determination and impact. Meaning signifies that there has to be a fit between the work role and one's beliefs, values and behaviours (Hackman and Oldham, 1980). Competence refers to the employee's ability to perform work activities with skill (Gist, 1987; Bandura, 1989). Self-

determination is a feeling of autonomy when it comes to decisions about work methods, speed and effort (Bell and Straw, 1989). Impact is the degree to which one can influence strategic, administrative or operating outcomes of work (Ashforth, 1989). There are research both concerning the antecedents and the consequences of psychological empowerment. Many of the antecedents can be found in the social-structural perspective. The research on consequences shows that empowerment have an impact on attitudes like job satisfaction and organizational commitment, and on performance.

3. ***The critical perspective.*** The critic raised against the empowerment research argue that a discussion about power is absent in the literature on empowerment (Hardy and Leiba-O'Sullivan, 1998), and that feeling empowered is not the same as being empowered (Jacques, 1996). In this perspective empowerment practices are disempowering unless employees are given direct ownership and representation (Wendt, 2001). Empowerment interventions sometimes create more control over employees through less obvious means, for example through putting employees in work teams where they control each other. It's important to understand who controls formal power. Forcing empowerment on people only demonstrates that they don't have any power – which the authority figure is still in control. (Spreitzer and Donesson, 2005)

These perspectives are complementary to one another, and help seeing empowerment through different lenses. The social structural perspective focuses on the organization. The psychological perspective sees the individuals' experiences. And the critical perspective discusses the political implications of empowerment. (Spreitzer and Donesson, 2005)

3.2.7 An empowerment framework

According to Wilkinson (1998) there is a significant difference between empowerment focused on task-based involvement and attitudinal change, and initiatives which may empower, for example industrial democracy, which is concerned with workers' voice. Therefore the authors have chosen an empowerment framework which addresses empowerment as well as the softer elements of industrial democracy (Lynn, Mulej and Jurse, 2002). This framework was used by Lynn, Mulej and Jurse (2002) in their essay about Yugoslav self-management. The framework was first developed by Spreitzer (1995, 1996)

and contains both task motivation and work environment factors that leads to increased empowerment.

Cognition

Spreitzer validated Thomas and Velthouse's (1990) construct of empowerment as increased intrinsic task motivation, manifested in a set of cognitions reflecting an individual's orientation to his or her work role. The cognitions are the same ones as those presented under the psychological perspective on empowerment above, namely a meaningful task, competence or self-efficacy, self-determination and impact.

1. *Meaning* signifies that there has to be a fit between the work role and one's beliefs, values and behaviours
2. *Competence* refers to the employee's ability to perform work activities with skill
3. *Self-determination* is a feeling of autonomy when it comes to decisions about work methods, speed and effort
4. *Impact* is the degree to which one can influence strategic, administrative or operating outcomes of work

The cognitions reflect an active orientation to a work role, which means that an individual feels able to shape his or her work role and context

Work environment

In 1996 Spreitzer wrote an article with the purpose "to examine the work unit design characteristics of an empowering system". She found six work unit social structural characteristics that create a work context that facilitates empowerment:

1. *Low role ambiguity*. If an individual is unsure of his or hers authority this may lead to that he or she feels unable to act to make a difference. (Sawyer, 1992)
2. *Working for a boss who has a wide span of control*. Span of control denotes the number of people supervised by one manager. If the span of control is narrow the employee may feel that the management doesn't trust his or her skills (Lawler, 1992).
3. *Socio-political support* is gained from membership in organizational networks (Kanter, 1983) with key channels for getting work done (Brass and Burkhardt, 1993). Relevant support networks include an individual's boss, peers, subordinates and the members of his or her work group.
4. *Access to information* helps individuals to develop alternative frames of reference for understanding their roles in the organization's operations (Bowen and Lawler, 1992).

5. *Access to resources*. A lack of resources contributes to powerlessness and dependency (Homans, 1958).
6. *A participative climate* values acknowledgement, creation and liberation of employees, whereas the opposite values control, order and predictability (Evered & Selman, 1989). A participative climate helps employees to believe that they are important assets in the organization and that they can make a difference.

3.2.8 Participation

Organizations have developed new structures in an attempt to gain competitive advantage in the changing product markets. High value added has become the focus instead of mass production and this implies that higher attention is paid to product quality and attention to rapidly changing demands. A necessary condition of such high performance is employee participation. Employee participation schemes allow employees either greater involvement in decision making or financial stake in their organizations. Participation is a flexible term addressing a wide range of practices, from active joint consultation to the existence of a suggestion scheme. (McNabb and Whitfield, 1999) A four-fold classification of employee participation schemes was proposed by Marchington et al (1992). These are: downward communications, for example team briefings; upward problem-solving techniques, such as quality circles; the financial involvement of employees in profit sharing schemes; and representative participation, which include joint consultation. Marchington et al. note four paradigms of participation, each with its own aim and objectives of participation. The quality of work life paradigm sees job satisfaction as the aim of participation; the human resource management paradigm uses participation in aim for commitment; in the industrial relations paradigm the objectives are legislation and cooperation; and, finally, the labour process paradigm views participation initiatives as reflecting dominant capitalist interests. In other words participation can be viewed in different ways.

3.2.9 An framework for analyzing participation

Since the discussion of empowerment often is oriented toward management, and doesn't consider larger social concerns, Collins (1996) attempt to locate empowerment within the larger debates on participation and democracy. As mentioned above the three concepts democracy, participation and empowerment are closely linked. Therefore it is possible to analyse empowerment by means of an analysis of the related concepts participation and democracy (Collins, 1996). Collins reintroduces Parry's (1970) framework for analysing

participation which consists of three primary headings: the mode of participation, the intensity of participation and the quality of participation.

The mode of participation

There are two key modes of participation at work, direct and indirect participation (OECD, 1975). The ideas behind direct participation are usually quality of work life and human resource management. Direct forms of participation focus explicitly on the individual workers and/or their immediate work group. A limited delegation of managerial functions will expand the responsibility of the workers through redesign of the organization of work, for example creating autonomous work groups. In the indirect form of participation the employees are offered a “voice” in decisions that have “more of a policy character”. This mode of participation is more than just a way of getting the workers motivated, it is concerned with worker representation, for example on company boards. (Collins, 1996)

The intensity of participation

The intensity of participation deals with the proportion of the population which actually shares in the decision-making process and how often the population may do so. (Collins, 1996)

The quality of participation

To analyse the quality of indirect participation Towers et al. (1985) offers three classes of indirect participation, cosmetic participation, incorporative forms and distributive forms. Cosmetic participation means that the existing pattern of power is retained; it's only on the schemes that the participation appears to have been improved. Incorporative forms offer a higher quality of participation, but only in the beginning, since this form of participation usually appears as a response to a crisis. Management wants the workers to participate on a specific agenda and when the crisis is gone the participation from the workers is no longer needed. Distributive forms of participation are truly democratising because they redistribute the power from minority elites toward grass-roots levels of participation. Towers et al. would not regard direct forms of participation as democratising to any meaningful extent. (Collins, 1996)

3.3 Model

The model links the purpose to the theories and shows how the case study will be conducted. The *structure* of Semco will be analyzed using Freemans principles for democratic structuring. Millwards theory about the conflict between more *communication channels* and employees voice will be tested. The *decision-making* will be analyzed using Parry's framework which consider the mode, intensity and quality of participation. Finally, the empowerment of *individuals* will be investigated using Spreitzer's framework. The three different theoretical perspectives on empowerment will also be kept in mind during the study.

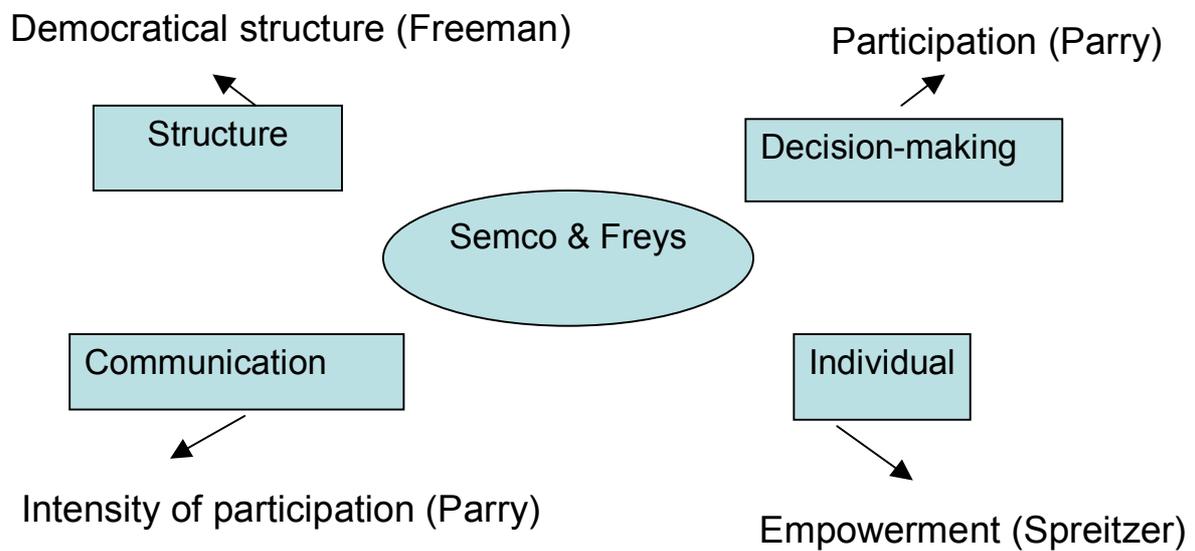


Figure 1: Application of theories, Model

Source: authors'

4 Empirical study

In this chapter the two cases are presented. Case one is Semco and case two is Freys hotels. In each section the structure, decision-making, communication and individuals are described, first using the managerial perspective and then from an employee perspective. An interview with the Professor Casten von Otter concludes the chapter.

4.1 Case 1: Semco

The managerial perspective at Semco is taken from the books⁴ written by Ricardo Semler, the majority shareholder of Semco. A presentation of Semco and a description of Brazil can be found in appendix 4 respectively appendix 5 of the thesis.

4.1.1 Structure

The purpose of workplace democracy at Semco was to create a sustainable organization where people felt more enthusiastic towards their work. Before its democratically transition, Semco had a pyramidal structure and a rule for every contingency.

For the democratic process to take place, Semco's CEO decided to take away the formal organizational chart in consideration to the hierarchical sentiment that lied within it. The hierarchical signs where also removed. Dress codes were abolished. The privileges taken for granted in a highly hierarchical company were also taken away. All the traditional titles where taken away. The employees have only four titles: Counsellors, who are like vice presidents and co-ordinates the general policies and strategies; Partners, who run the business units; Co-ordinator, who comprise the first level of management, such as marketing, sales, and production supervisors or engineering and assembly-area foremen; and Associates who are all the workers. There are no secretaries, no receptionist, and no reserved parking lot to the managers. Everyone is treated as same.

The bureaucracy was cut down from twelve layers of management to three, and in addition, Semco devised a new structure based on concentric circles to replace the traditional corporate pyramid. The new structure consists of three concentric circles. The small innermost circle consisted of six Counsellors who determined general policy and strategy, and attempted to catalyse the actions of those in the second circle. Each of the Counsellors took a six-month turn as CEO. The second circle, known as the Partners, included seven to ten

⁴ Semler, Ricardo (1993). *Maverick!* Century Random House. UK
Semler, Ricarddo (2003). *The Seven Day Weekend*. UK Century

leaders of each Semco division. At last, all remaining employees comprised the third circle, scattered within this circle were triangles representing permanent and temporary team leaders. Marketing, sales and production managers, engineers and foremen all fell within this classification.

The company is divided in nine business units that are self governed, managers run business units with freedom, determining business strategies without interference from the top. To promote a sense of true ownership of the process, the factory workers set their own production quotas, come in on their own time, help to re-design the products they make and formulate the marketing plans. Tying salaries to monthly budget and production performance aligned employee and organizational goals. Interaction between departments is freely and independently. The departments are not bounded to other departments and are free to do business with each other or go outside the company to buy from someone else.

Working process – Teams and groups

Workers typically work in clusters or teams, assembling a complete product, not just an isolated component. Often, goals and monitoring production is set by the workers for each one product. Nearly all workers have mastered several jobs. In addition, they purchase the raw material that they need from suppliers.

Each factory has its own committee, which spin off groups within the company that often stays after hours or during lunch to discuss the plant's products and how they are produced. A group consists of employees such as factory workers, engineers, office clerks, sales reps and executives, organized according to the norm from five to ten persons who directly cooperate with one another. The diversity within those groups is strong, and they do not have a formal head, so meetings can be called from whoever thinks it is necessary. There are no special rewards for new ideas, and what the groups decide stays decided. No mandatory presence is requested and people participate only if they want to.

The managers work as facilitators, providing workers with the tools they need to make informed decisions. Managers provides training, information (financial and operational), and all other necessary support for workers to perform their jobs more effectively.

Size and cells

According to CEO Ricardo Semler, size, hierarchy, and insufficient flow of information are the main obstacles of effective participatory management. For him size can be counterproductive; it creates alienation among employees, making it impossible for everyone

in a plant to feel like they are a part of something. Bureaucracy in work process leads to communication problems between departments, making the company to act more as a government agency. Those issues were the main reasons to break Semco in small units. The small units would ensure employees to be more participative in debates, plans, strategies, and to feel involved. Making people understand what was happening inside the company and to be able to contribute accordingly. The small units are a replication of Semco's main structure, policies and values. They are fully autonomous; managers are free to manage as they pleased, always according to Semco- style. The centralized corporate staff provides support in such areas as accounting and human resource, and when asked they also offer opinions on strategy.

For Semler, people will perform at their potential only when they know almost everyone around them, which are no more than 150 employees in a unit. The criteria to division can be by product, by market or by machine, making always sure that there are different people responsible for areas such as sales, marketing, production, finance, and human resources in each unit. The idea was to have, at each of these clusters, a team whose member would fashion a product from the beginning to end, giving accountability for the product quality. The goal was to have the workers operating all the machines in their cluster, and do whatever else was needed. This type of organization is known as a manufacturing cell. In this system all fragmentation would be taken away and the driving force of productivity is motivation and interest. One advantage with cells according to Semco is that inventory levels fall down to lower level because employees do not take consideration to economy of scale, besides been expensive it has the advantage to not tie up capital, and delivery times to be shorten up. The disadvantage is that it takes longer to make a product than it would on a traditional assembly line.

Control and rules

At Semco there is no department, no rules and no audit that can govern how much a person can spend. Thrusting and giving responsibility to its employees is the way Semco found to build credibility among its employees. Consequently, workers exercise more control over their jobs and assume more voice in the company's policy. As result, the need of supervisors diminished. Everyone is responsible for his or her own work, so that no quality control department is needed. Every group does budgeting and every six months they get together to compile their figures. If they need help, they can easily get it from the economists.

Flexible time

The factory workers have a flexible time to start their work, which extends from 7 am and 9 am. For not disrupt the production the workers co-ordinate their schedule among each other.

Job rotation

Semco has a job rotation program in which 20 to 25 per cent of their managers make a shift with each other in any given year. There is no job security at Semco. An employee has a minimum of two years and a maximum of five years in the same job before he or she is challenge to rotate, but it is up to the employee to take the initiative.

4.1.2 Decision-Making (Vote and Participation)

According to Semco's CEO, rules and regulations divert attention from a company's objectives, and provide a false sense of security for executives. The banishing of rule books leads people to make decisions on their own, decisions that employees are more qualified to make than supervisors. Semco's most important standpoint is to strength their credibility with co-workers and never overrides the workers' decision, leaving the decision to those who will be living with the consequences. Semler is the majority shareholder at Semco and has the right to interfere in or abolish employees' self-government. What prevents him from doing it is his understanding of the advantages of the system. He says that if he vote no to a popular decision, people will loose faith in the democracy at Semco, and all he has worked for will disappear.

Semco has 3000 employees and each one of them has a vote that can be used for important decisions as: merger or acquisition of another company or plant relocations. For others not so important decisions, the employees have two open sits on Board meetings, as it mentioned before. The democracy at Semco is of representative character through factory committees. Every business unit has a committee made by representatives from every part of the operation; the union also has a seat on each of that committee. The committees meet regularly with the top managers at each plant, and have a board mandate. There are nine seats in the Board of members which is distributed among presidents of all the business units, and two employees from any level or area (on a first-come first-served basis). Everyone has the same vote, indifferent if employees are executives or door attendants.

Yes/No meeting

Once a month Semco holds a meeting where people get together to listen to new ideas. After all the ideas are expressed and the session is over, everyone lays a vote for or against possible investments. This means that employees that want to start a project must be able to present a concept and start the activity. Everyone with control over the budget, that has an idea, who is searching for a new project, is free to attend the meeting where everyone has a vote.

4.1.3 Information and Communication

Free flow of information

Semco has a free flow of information. The exact information is available for everybody, from the workers on the shop floor to the highest bosses. Employees are told they have the right to be well informed, and information is presented to them by e-mail and on democratic meetings. All meetings, including those of the Counsellors in the inner circle, are open to all employees who wish to attend. There is an editor who lists in a short e-mail all the bigger companies' events and development, which can affect the company or any of its business units; in every business unit there are a couple of persons designated to collect business information according to a rotation system. Moreover, all financial information at Semco is openly discussed and all the workers have unlimited access to the company's books. To give the workers the opportunity to discuss about figures and to be involved in profit sharing and investments, Semco together with workers' labour union, developed a course to teach everyone to read balance sheets and cash-flow statements. There is only one budget: a six month report, which gives an operational view. Information about salaries at all levels of the company is available, and details in pay negotiations are sent out by mail. The free flow of information serves two purposes. It gives associates the information necessary to make informed decisions, and reinforces the democratic nature of the decision-making process.

Communication

To ensure that communication flows, two or three times a year the employees receive a questionnaire called 'What does the company think?' This questionnaire gives the worker another chance to tell if they are satisfied with their salaries, if they have any reason to leave the company, if they would ever support a strike, and have confidence in management. The results are published for all to see, giving Semco the opportunity to monitor its credibility and the employees concerns.

The Survival Manual

Semco advocates an open communication and freedom for employees to have different opinions and to question in the workplace. These and other values are communicated to new Semco employees through the Survival Manual, a twenty-page booklet filled with short texts and cartoons that explains the culture of Semco. The Survival Manual is the only policy manual that the company has.

Factory committees

At each Semco business unit there is a factory committee comprised of representatives from every part of the operation but management. Machinists, office personnel, maintenance workers, stockroom personnel, draftsmen and other groups elects representatives to serve on the factory committees. These committees meet regularly with the top managers at each unit to discuss all work place issues and policies. They are empowered to declare strikes, audit the books, and question all aspects of management. Members in the committees have time off, with pay, to dedicate themselves to their committee work. The members also have job security in the meaning that they cannot be fired while they serve on the committee and fore one year afterwards. To show that the committees are not designed to replace the unions, the unions have a seat on each committee as well.

Union

At Semco, employees are free to join the union. The CEO together with Counsellors is always trying to bring the union closer to the company giving the union a seat at each committee. The factory workers' union is a strong union that is always engaged in the market changes and employees' work conditions.

4.1.4 Employees

Profit sharing

A new kind of profit sharing was introduced in the company, the ambition was that the profit sharing program would be fully comprehensible to the workers and controlled by them. SemcoPar (Semco Profit-Sharing Programme) is formulated in the way that each quarter, the profit made by each autonomous business unit is calculated and 23 per cent of that sum is divided among the employees of that unit in equal amount. The remaining 77 per cent of the profit is deducted for taxes, dividends to shareholders and reinvestments. If there is a year without profit, logically there will be no profit to share. The employees then hold assemblies

to decide how to share the profit. Most of the times employees have decided to share the money so that everyone gets the same amount, regardless of its post. Given Semco's rapid growth, these distributions can easily double or triple a worker's salary.

Salaries

Employees' salaries and wage in most Brazilian companies are determined by referring to salary models developed in United States and Europe. The statistical models used are impersonal because they are set by people (experts) that never been in the company or in contact with companies' employees. For Semco it was important to have the employees' opinion and involvement in the salary process. Their salary plan was an average of what a worker thought he should receive and what a company could afford to pay. All employees collected information on every job at Semco from general to janitor to compare with factory and office employees from other manufacturing companies that where the same size as Semco. Within the manufacturing cells it was created a salary program called "Basket of jobs" approach, where every year workers reflect on their various duties and the approximate time they spend doing each of them. Then, a salary survey is consulted and the numbers are given. As jobs and activities change, their individual formula also changes. Everyone is paid by month.

Semco has another salary program called *Risk Salary*. About a third of the employees have the option of taking a pay cut of up to 25 per cent and then receiving a supplement raise of 125 per cent of normal salary if the company has a good year. If the company has a bad year, the employees remain with 75 per cent of their salary.

Rewards

In the Survival Manual it says that Semco doesn't believe in giving prizes for suggestions. It is made clear that everyone's opinion is welcome, but not rewarded with money. However, Semler writes that there are 11 ways of getting rewarded for work: stipend, bonus, profit sharing, commission, royalty on sales, on profit, commission on gross margin, shares, options, IPO or sale (which require that a boss makes a profit when a business unit is introduced on the stock market or is sold), compensation for self decided yearly goals (where a boss get paid for having met the objectives he/she has decided for him/herself) or more value, a commission on the difference between the current and the coming three year value of the company. The choices can be combined in different ways. Semler says that the flexible reward system reflects his idea of that people should be inventive in their work.

Training

When Semco decided to open the books for the employees, a need for training in bookkeeping procedures became obvious. A simpler accounting system was constructed at Semco and approved by the union. The union also accepted the invitation to hold classes for Semco employees in how to read the balance sheets. Only a few people didn't attend the course. The company's accounts are reported and discussed at monthly meetings. Semco also have a policy to respond when employees ask for a chance to develop new skills. The employees are asked to think about what they would like to be doing in five years and then request training that takes them there. The expenses of the training are approved at the weekly meetings of the business units.

Equality and fairness

According to Semler, hiring or promotion has to depend on merit; otherwise, credibility will be jeopardized. The Semco Woman is a program that gives the female employees an opportunity to aspire more than the traditional possibilities. The program started by forming groups of women at each business unit, and giving them the opportunity to express their view on issues related to discrimination at workplace, lack of opportunity, relationship with colleagues, etc.

According to Brazilian law, mothers are entitled to extra money for day care until children are six months old. The women at Semco came up with an idea that has been introduced in Semco's policy. Semco now pays all day care costs in a child's first year, a little less in the second year, still less in the third, and so on until the sixth year, when the child are in school full time.

Satellite Program

Semco helps its employees to set up their own companies, transforming them from employees to partners. The production machines are leased at favourable rates and offer them advice such as: pricing, quality and taxes. The employees are free to sell their service to everyone including competitors, for Semco they sell their services with rebate.

Recruiting and evaluating (Salaries- individual)

People that are to be hired or promoted to leadership position are interviewed and approved by all who he or she will be working with. Twice a year the subordinates receive a questionnaire that enables them to anonymously say what they think about their boss and

evaluate their performance. The results are posted for everyone to see. Anyone that consistently gets bad grades at the evaluation usually leaves Semco (the average is between 80 out of 100 points). Results from the managers evaluation has been asked for by the authors, but the Semco stated that the information was only to be used within the company.

Today, anyone who applies to be a machinist at Semco will be interviewed by a group of machinists and not an executive. If the group agrees the person has the job. The program Family Treasure is Semco intern recruiting program. This program gives preference to Semco employees, giving to the person a rebate of 30 per cent for the score that it is needed to be hired. Preference is also given to friends and acquaintances of employees, but no family member is considered for a job at Semco. If all those ways fail to find a candidate, then they turn to head-hunters and newspapers

4.2 Results from Questionnaire given to the Employees at Semco

4.2.1 Structure

Of the three questions in this section, two were aimed to verify the control and formalization in the tasks given to employees. The third and last question focused on the employees' perception of their freedom and restrains according to their posts and tasks. The employees at Semco experienced that their work was rarely controlled by rules. However, a small amount of employees experienced that their work were controlled by rules from time to time. The second answer shows a divided conclusion about coordination of work, the scale ranges from occasionally to no coordination coming from the bosses. At last, the employees expressed a good understanding of the restrains and freedom that come with their work.

1. *Do you think your work is controlled by norms and rules?*
2. *Are your tasks coordinated by your boss*
3. *Are you aware of what you may or may not do according to your work?*

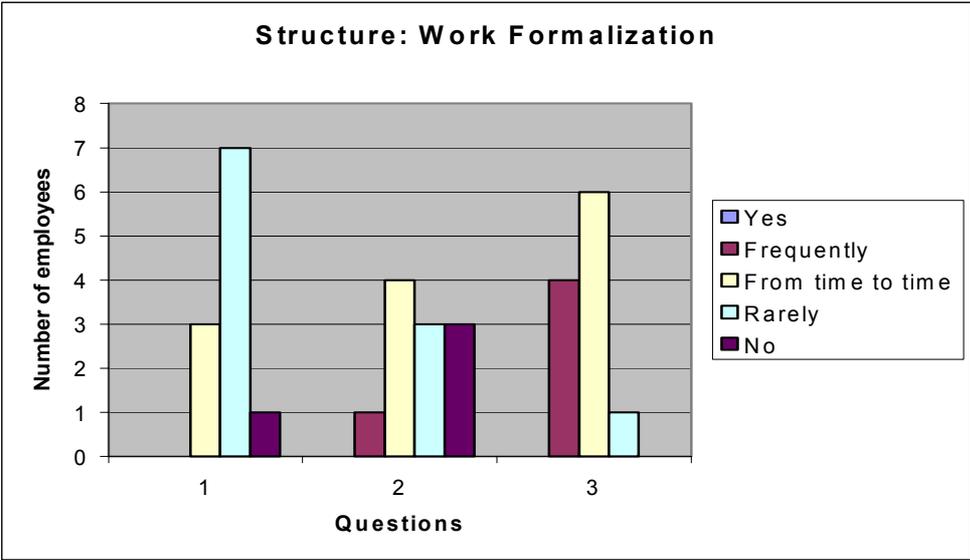


Figure 2. Semco employees answers to questions addressing work formalization

Source: authors'

4.2.2 Decision-making

For this part, three questions were made in order to confirm employees' participation in decision-making, if they have access to necessary information to be able vote and if the employees see that their resolutions are put in practice. The answers express that not all the employees can participate in the all resolutions at Semco. However, there is no employee that answered no; this implies that democracy is applied at Semco regardless of its form. Further, more than half of the employees experienced not having enough information to be able to participate and vote. Finally, the majority of the employees normally see their resolutions to be put in practice at Semco.

1. *Can you participate and vote in all resolutions at your company?*
2. *Do you have enough information to be able to participate and vote in all resolutions at your company?*
3. *Do you see a clear connection between your vote and the changes at your company?*

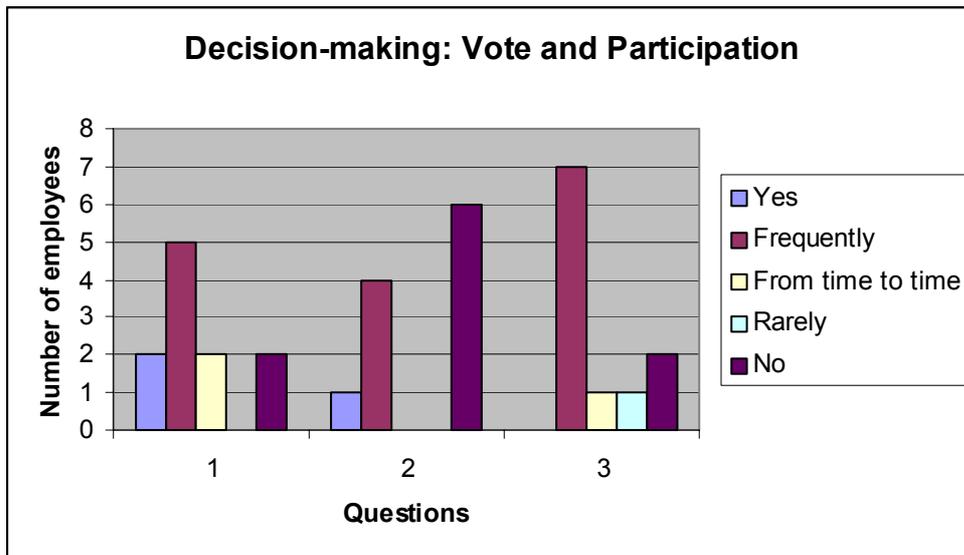


Figure 3. Semco employees answers to questions about participation and vote

Source: authors'

4.2.3 Communication - Information

Here, the two first questions have the purpose to check if employees have a healthy communication with their bosses, where their opinion is always taken in consideration in all circumstances. The last question aims to state a broader view of communication between employees and the company. All the employees at Semco have an acceptable communication with their bosses most of the time. The employees were also pleased with bosses frequently taking consideration to their opinion. They also have a good understanding of the Semco's culture, goals and work.

1. *Is the communication between you and your boss satisfactory?*
2. *Does your boss consider your opinion in a discussion?*
3. *Do you have a clear understanding of the values, goals, and work activities at your workplace?*

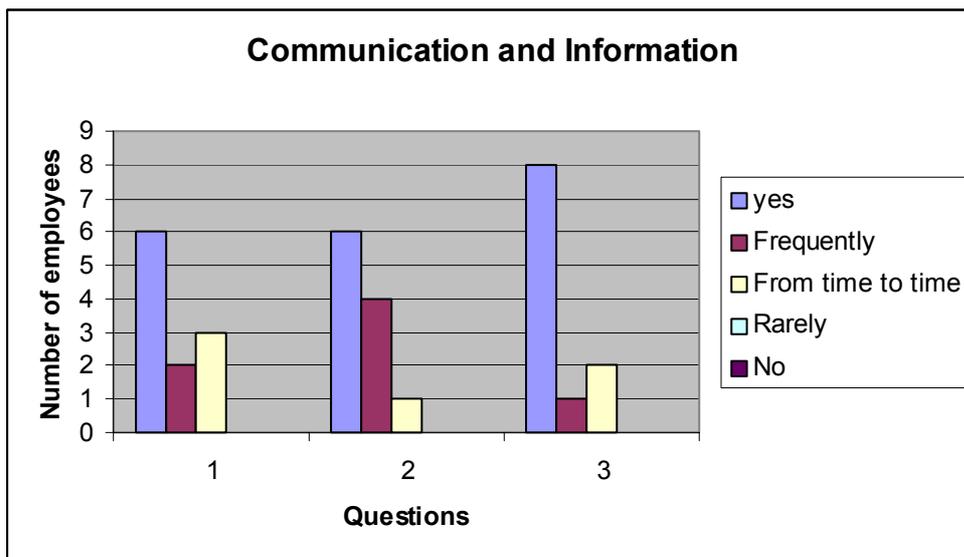


Figure 4. Semco employees answers to questions addressing communication

Source: authors'

4.2.4 Individual - empowerment

This section aims to verify the managerial approach used at Semco in order to confirm if employees feel full field with their work, and if they are satisfied with their posts and their jobs at Semco. There was no negative answer. The conclusion is that employees at Semco feel full field with their work, proving that what they do is meaningful to them. In the second question, two employees express their dissatisfaction towards their work and post, while the majority is very satisfied with their work at Semco

1. *Do you feel full field in relation to your work?*
2. *Are you satisfied with your work and your post?*

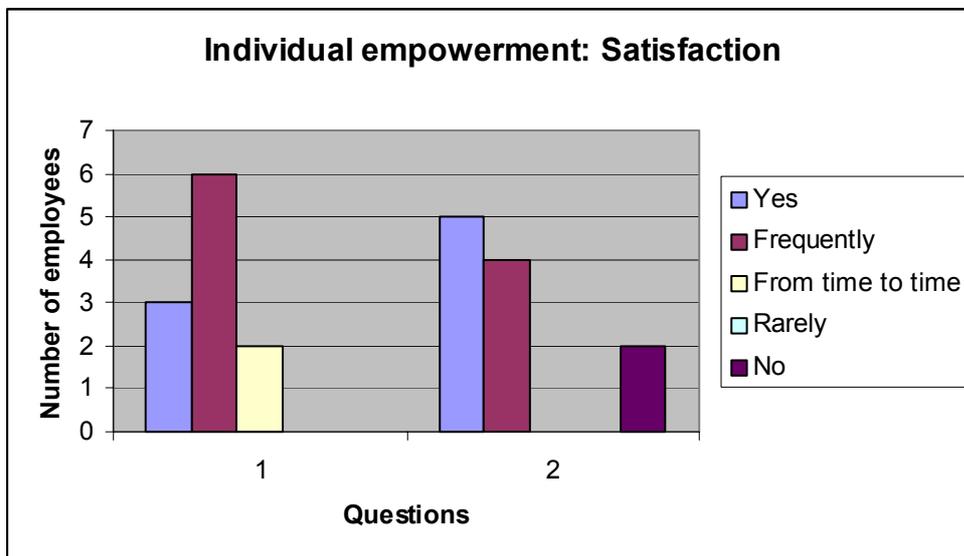


Figure 5. Semco employees answers to questions about work satisfaction

Source: authors'

As it shows, the questions about individual was divided in three parts. This second part aims to conclude if Semco has a challenging and inspiring working climate, where employees are not only concerned with their own work, but also with the work of their colleagues. Further it is aimed to confirm if the bosses were also supportive in order to the employees accomplish their tasks in an effective way. The answers collected in this part shows that the majority of the employees experience Semco as a creative and inspiring workplace. The employees also express having the support of their colleagues and bosses in order to do their job in an efficient way.

1. *Does your company have a culture that inspires creativity?*
2. *Do you have the support of your boss and co-workers to do your job efficiently?*

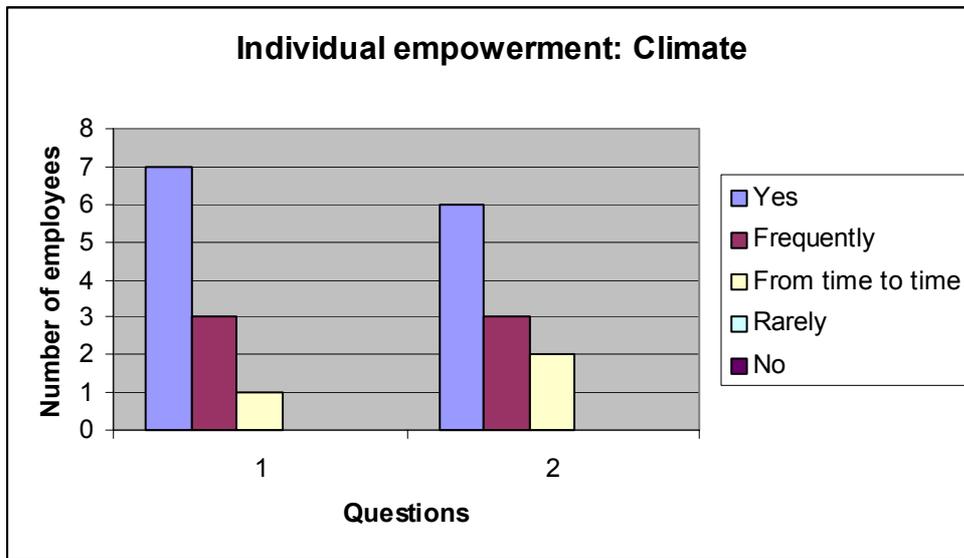


Figure 6. Semco employees answers to questions about working climate

Source: authors'

This third part was brought about to compare the competence level among the employees in accordance with the tasks given to them. The diagram reveals a large quantity of employees frequently having tasks that go beyond their competences.

1. *Do you have tasks that sometimes go beyond your competence?*

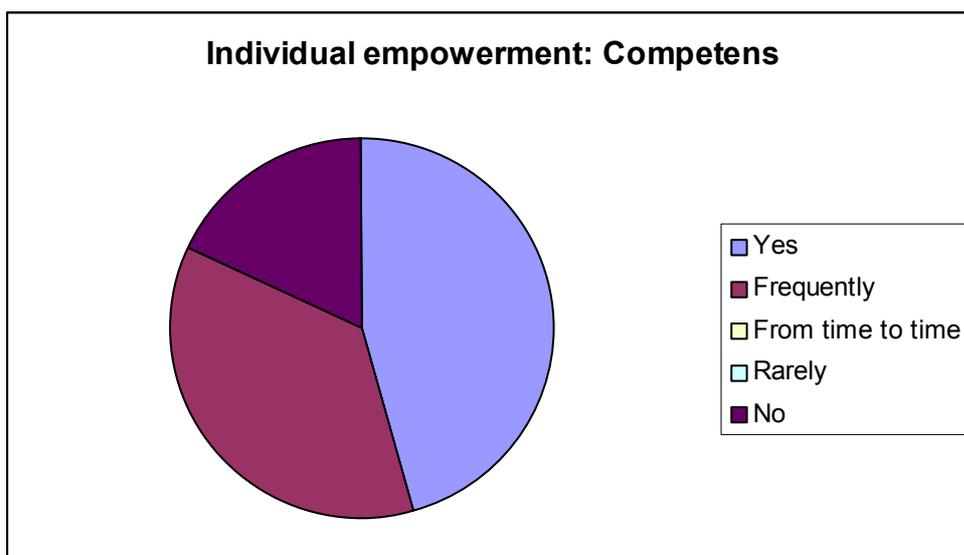


Figure 7. Semco employees answers to questions about work tasks and competence

Source: authors'

4.3 Case 2: Freys hotels

The managerial perspective on Freys is formed by data from the interview with the hotel coordinator Anna-Karin Neuman. A company presentation of Freys and a country presentation of Sweden can be found in appendix 6 respectively appendix 7.

4.3.1 Structure

The company Freys hotels has two hotels, Freys hotel and Lilla Rådsmannen. There are 15 fulltime employees, and about 15 extra workers. All permanent employees are managers of one or more responsibility areas and therefore they are all members of the management group. Errands that fall outside the responsibility areas or lead to a cost higher than 10 000 SEK, need a consensus decision by the management group.

Freys hotels is one company in a concern, Freys förvaltning AB. Among others there are one Limousine Company and one travel agency in the concern as well. This case study only comprises the hotel business, which was transformed with inspiration from Semco. The Board of Freys förvaltning AB includes three persons from the hotel business: the owner Anders Läck, his son Niklas Läck and the CEO of Freys Annika Tell.

Development areas

The first step in the change that started in 1999 was to list all the tasks needed in the hotel. Then everyone chose which tasks they wanted to perform. In that way everyone became the manager of his/her area, or development area as they are called at Freys. Anna-Karin Neuman, who today is hotel coordinator, says that she chose almost the same tasks as she had done before, but that the thought that she had chosen them was uplifting and made a huge difference. Another move was that everyone could choose their own title, after what they felt inspired by or what they saw as a challenge. Anna-Karin, who was booking manager before took the title “space manager”, and felt that everything became more exiting. In the beginning the titles felt important, but not any more. Today the staffs have taken up the traditional titles like financial manager and receptionist again. A problem with the creative titles had been that foreign guests sometimes got confused. However, new employees still make their own work description. Job rotation is not used at Freys.

A new phase

Today the organization is in a new stage. During the last year the work force has experienced stress, and a feeling of insecurity. Some new persons have joined the work force, while the

key person Anna-Karin has been on maternity leave. When she came back she felt that it was hard to be a part of the group in the same way as she had been before, when Freys hotels was like a first home for her. Anna-Karin believes that the stress comes from that each person is 100 per cent responsible for the management of the hotel, and worries about if everyone does what he or she is supposed to do. To deal with the stress, two new posts called hotel coordinators have been created, and Anna-Karin is one of the coordinators. Her role is to look for what is needed to restore the security in the group and what is needed for managing the hotel. The idea is that some type of instruction is needed. People at the hotel have missed control, says Anna-Karin. It is easy that people thinks that it doesn't matter what I do if no one controls it. The hotel coordinators' task is to give pep talks, support and to "see". The decision to establish the new posts was made by Annika alone, who felt that the new posts were needed. The decision was followed by discussions where the employees expressed their feelings. They felt disappointed and confused since the decision was not made by consensus, and was against what they had striven for since 1999.

4.3.2 Decision-making

History

In the beginning Annika was taking part in the decisions that was going to be made in consensus. But after a while the staff asked her not to participate in the meetings, since everybody turned to Annika the former manager, who also is a person that takes a lot of space. This was a though request, both for the staff to take and for Annika, who felt redundant. After 6 months the new flat hotel organization was evaluated, and the staff voted for continuing with it or for re-establishing the hierarchy again. Everyone voted for the flat model.

Current meetings

Today the staffs has week meetings for about an hour every fortnight, where they discuss practical matters and if there are any decisions that have to be taken. Every month there is a month meeting that takes about four hours, when they discuss if there is something they have to train on, for example feedback, sail etc. For the moment they are looking at their vision and how they are going to make it living again. The meetings are open for all employees, but most of the time only full time employees show up. All the meetings are optional. If a very delicate question is to be addressed, the extra workers are not allowed to be present. If someone can't

be present at a meeting where a certain decision is to be made, he/she can ask a colleague to bring his/her voice to the meeting.

Agenda collected from staff

The agenda for the meetings can be seen in the data program used by the hotel. People who have something they want to discuss at the meeting can write their point in the system, and how long time it will take. If the agenda is full and an issue is not urgent, a person will have to wait to the next meeting. The protocols from the meetings are available at the data system, and printed exemplars are put in a map at the office.

Concordance decisions

Decisions are not made by consensus any longer. Instead Freys hotels have adopted another method called concordance. Decisions are then made “concordance”, which means with the heart. Anna-Karin explains that using the concordance method requires much more openness, and ability to say that this doesn’t feel right without having any actual facts or evidence. You have to feel safe in the group. The groups are also smaller. They consist of the people who are concerned, interested and competent to make a decision. Decisions concerning for example the vision are still made by all employees, and everyone has veto right.

4.3.3 Communication

Free flow of information

Freys hotel has an open information flow, and once a month they go through the result of the business together. The employees’ pay is open for everyone to see, a consensus decision, which took one year to make. The staff on Freys works a lot with the communication and to say the things that are to be said. They have an agreement not to buy in to each other’s excuse. They have to be direct and honest with each other. If there is a conflict between two persons in the staff and they can’t work out a solution on their own, they can get the support from a third person that they trust.

Feedback

On Frey they had a “buddy system”, where each person graded him/herself on a number of skills. Then the buddy also put grades on that person. In that way the staff got feedback. One year the “buddy system” was the basis for the bonus.

Communicating the vision

New employees get a long introduction, where reading the books about Freys and Semco is one part. Talking and letting the newly employed ask questions is another part.

The union

At Freys Anna- Karin Neuman and Maria Ek are the two union responsible persons at Freys. They supervise that the rules are followed. The first contact with the union after the change in 1999 took place some weeks before the end of 2005.

4.3.4 Individuals

Training

10 000 SEK per person and year is apportioned for an optional training. Anna-Karin is the person who exchange ideas with regarding the training. Her development area includes staff, training and competence. She is also instructor in the human element, which are theories used by Freys. The theories talk a lot about one's needs as a person. According to the founder of the school those needs are: to feel competent, important, and popular.

Salaries

In 2001 the staff at Freys decided to have a joint salary meeting each year. The first meeting was held in March the same year. All employees wrote a note about how much money their colleges should get considering certain criteria such as service, sales, initiatives, responsibilities etc. For each employee an average pay was calculated from the suggestions and presented on an overhead next to the current salary of that person. Then everyone was going to say how much he/she wanted to get paid and justify why. All employees got a pay rise of approximately 1000 SEK more per month.

Bonus

Freys has a bonus system with different ways to share out the profit. The first year after the organizational change the bonus was 10 per cent of what exceeded the previous year's result, and the money was divided equally among the staff. The second year the buddy system was used as a basis for splitting a part of the bonus. This year the bonus is based on the turnover each month.

The recruiting process

Anna-Karin has staff responsibilities and she manages the recruiting process together with one or two other concerned individuals. First of all they look for a person that have the right competence and can fill the gap after the person that has left the group. They usually elect about three candidates, which get to meet the rest of the staff. The concordance group, which has got the mandate to employ, then decides which of the candidates that will get the job.

Turnover

The turnover at Freys has been low comparing with the rest of the hotel sector, says Anna-Karin. She believes that the reason for people staying is that they feel competent, important and popular. She also mentions that many of the extra workers used to be full time employees.

4.4 Results from Questionnaire given to the Employees at Freys

4.4.1 Structure

The employees at Freys experienced that their work sometimes or rarely was controlled by rules. They sometimes or rarely had tasks coordinated by their boss. They were aware of what they may or may not do according to their work.

1. *Do you think your work is controlled by norms and rules?*
2. *Are your tasks coordinated by your boss*
3. *Are you aware of what you may or may not do according to your work?*

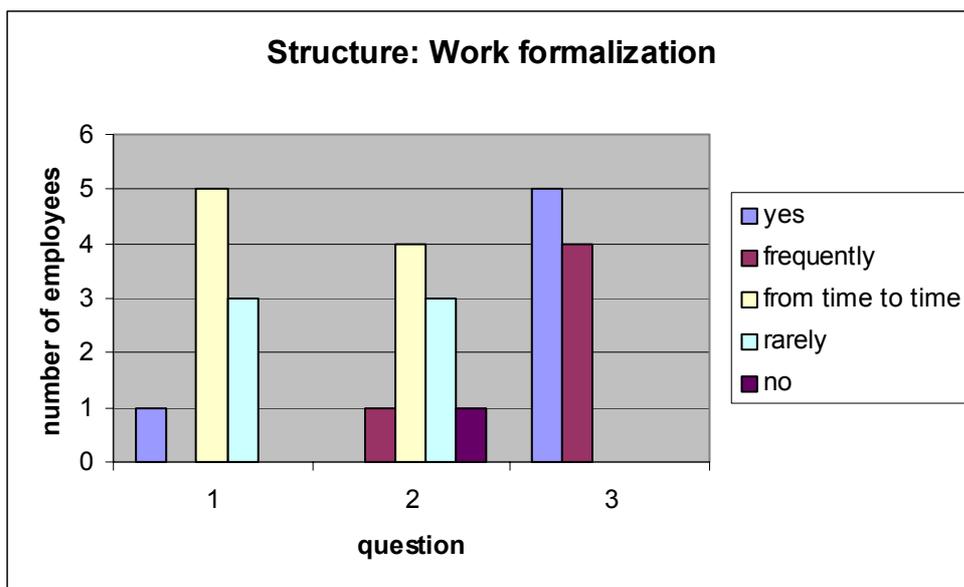


Figure 8. Freys employees answers to questions addressing work formalization

Source: authors'

4.4.2 Decision-making

Three individuals perceived that they could participate and vote in all resolutions at Freys. Four said frequently and two said that they sometimes could participate and vote. Everyone said that they had enough information to participate and vote in the resolutions. At the question if they could see a connection between their vote and the changes taking place in their company, some two employees said rarely and one said yes. The rest frequently or sometimes saw a connection.

1. *Can you participate and vote in all resolutions at your company?*
2. *Do you have enough information to be able to participate and vote in all resolutions at your company?*
3. *Do you see a clear connection between your vote and the changes at your company?*

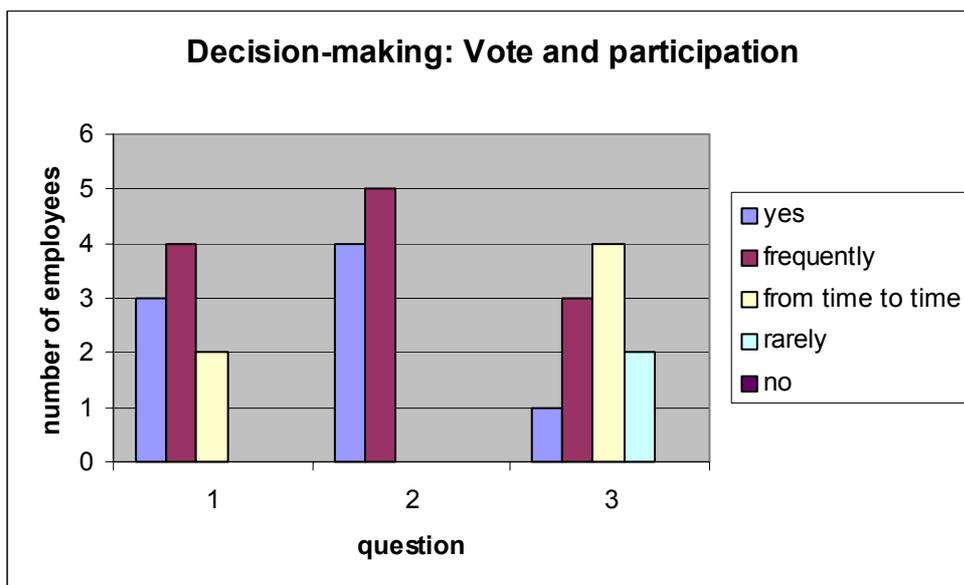


Figure 9. Freys employees answers to questions about participation and vote

Source: authors'

4.4.3 Communication - Information

Sometimes or more often the communication between the boss and the workers was satisfactory. The boss considered the opinions of the subordinates. All employees at Freys have a clear understanding of the values goals and work activities of their workplace. In other words the vertical communication seems good, but not always. There is an open climate for different opinions. The hotel has managed to communicate the objectives of the activity to the employees.

1. *Is the communication between you and your boss satisfactory?*
2. *Does your boss consider your opinion in a discussion?*
3. *Do you have a clear understanding of the values, goals, and work activities at your workplace?*

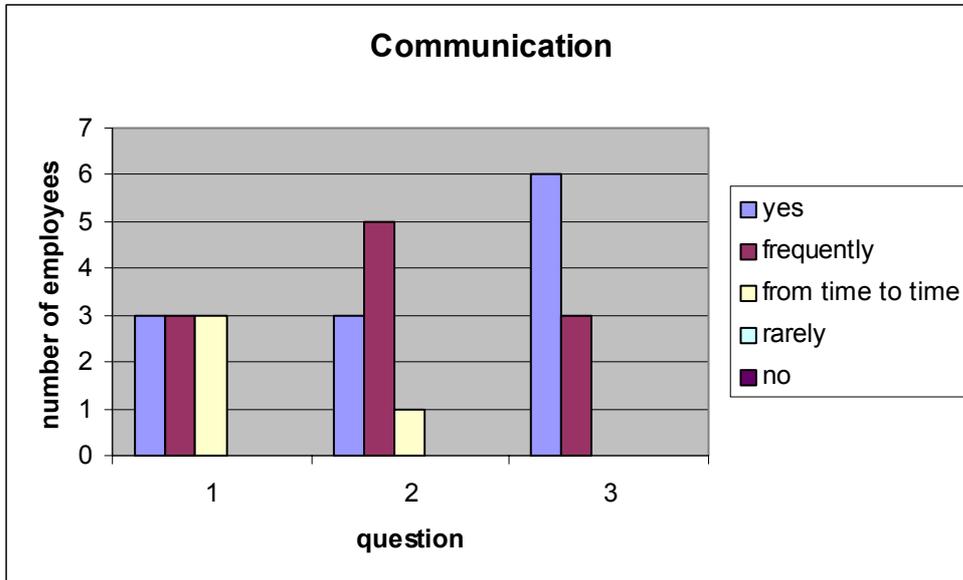


Figure 10. Freys employees answers to questions addressing communication
Source: authors'

4.4.4 Individual - empowerment

The majority of the respondents frequently or sometimes felt fulfilled in relation to their work, and were frequently or sometimes satisfied with their work and post.

1. *Do you feel full field in relation to your work?*
2. *Are you satisfied with your work and your post?*

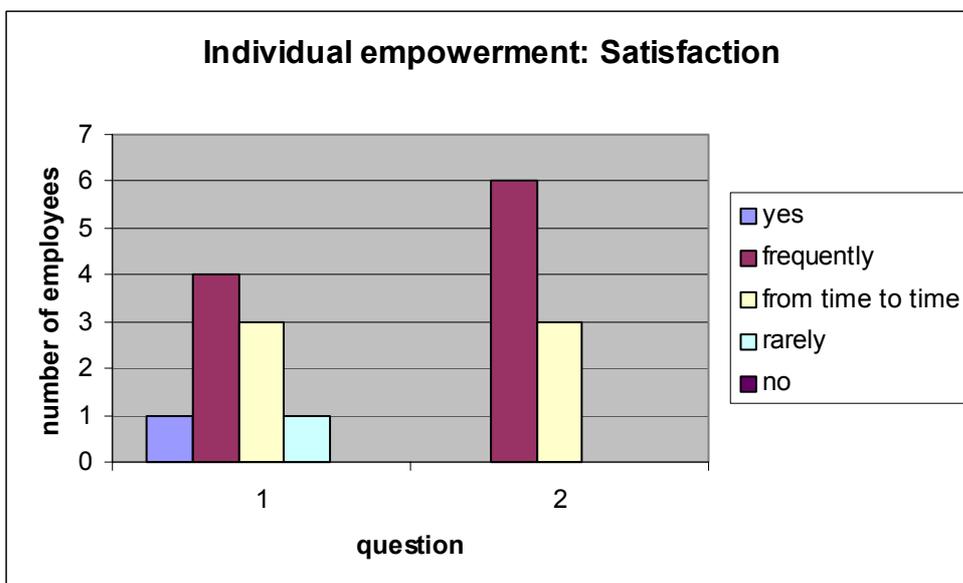


Figure 11. Freys employees answers to questions about work satisfaction. Source: authors'

According to five of the staff the culture inspired to creativity. Three agreed on frequently and two said sometimes. All employees felt they had the support needed to do an efficient job. In general everyone seemed positive about the climate at the workplace.

1. *Does your company have a culture that inspires creativity?*
2. *Do you have the support of your boss and co-workers to do your job efficiently*

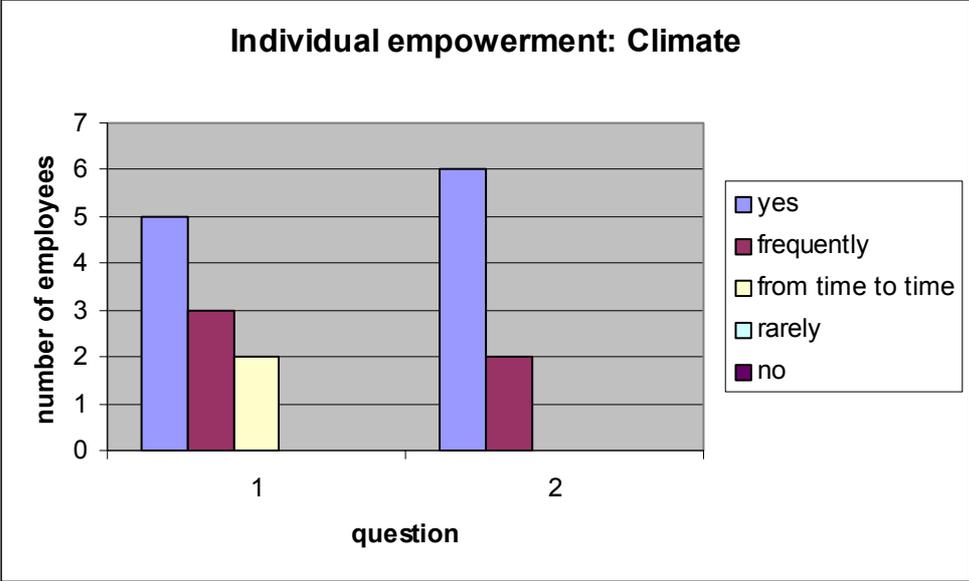


Figure 12. Freys employees answers to questions about working climate
Source: authors'

The staff felt they had the competence that their work tasks demanded. Only one person felt that the work tasks frequently exceeded his/her competence.

1. *Do you have tasks that sometimes go beyond your competence?*

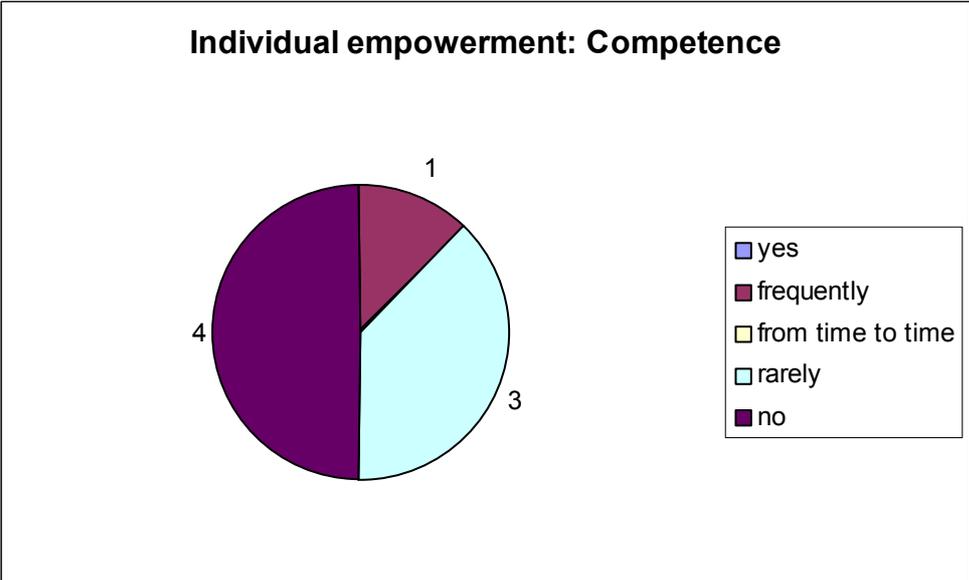


Figure 13. Freys employees answers to questions about work tasks and competence
Source: authors'

4.5 Interview with Casten von Otter

Casten von Otter is a professor in sociology at the National Institute for Working Life. The interview with him contributes with a wider picture of what democracy means in companies, and in the society as a whole⁵. In both spheres democracy means individuals' equal worth and individuals' equal possibilities to decide and realize their ideals. For natural reasons the democracy in companies is subordinated to the democracy of the society. Von Otter also says that within a market economy you can not achieve democracy, only move in a more democratic direction, which implies a combination between legislation, union agreements and a civilized form of management.

Students: What characterize a democratic company?

Professor: A democratic company should be characterized by an equal exercise of power, and this implies that ownership has to be part of the employment.

What is the difference between a democratic country and a democratic workplace?

The country will work if the people want to achieve something together, are able to cooperate and take care of each others. Companies, on the other hand, have demands on themselves to adjust to the market and change quickly.

Is there a linkage between democracy and yield?

I would guess that democratically companies in the long run are not as efficient as patriarchal companies.

What can be negative with workplace democracy?

Many of the positive ideas of democratic corporations can lead to increased stress, especially in when things are very unclear. One thought behind a democratic work organization was to get a goal and then be free to solve the task the way one wants.

What does democracy signify in a company?

The democratic systems can be seen as different layers which lay on top of each other, and sometimes next to each other. Therefore, of natural reasons, the democracy of the company is subordinated to the democracy of the society.

⁵ A longer version of the interview is presented in appendix 8

What does a democratic company look like, structure, decision-making processes etc?

In the working life you want to take part in the overriding decisions, and you want to have an own free space. Therefore the bureaucratic form of democracy doesn't work so well in the working life. The creativity and motivation that are expected from the workers are hard to develop in an organization where decisions always have to be made in a formal order. Only very important decisions should be made in a formal way.

What role does the union play in a democratic company?

The unions can help the workers to get an effective policy through canalising their voice. Self-government in a company shouldn't go so far so that the workers can decide to lower their wages if they are afraid to lose their jobs. There has to be a union agreement that hinders the workers from lowering their wages. Companies will go bankrupt, but instead the labour-market policy will help the workers to get a new job.

How does the globalization effect the democratization of workplaces?

The consequences in the West will probably go in a less democratic direction. The workers will lose power since the companies can threaten to move their businesses abroad. The multinational companies working in countries like China and India hopefully make the working places in those countries more democratic, or at least they bring some human rights there. Multinational companies are sensitive to consumer reactions, and they probably also know that people work better if they are treated with respect. Further, multinational companies work within structures which are influenced by powerful organizations like the International Labour Organization (ILO)⁶ and the United Nations (UN).

⁶ See appendix 9. Fundamental ILO Conventions

5 Analysis

5.1 Case 1

5.1.1 Structure

H₂: A democratic company has a flat structure where the business units have the freedom to manage themselves.

The point in having a flat structure is to let decisions be made near employees, who are affected by them. Semco has a flat structure, in the sense that they do not have as many levels as they had before. However, the three levels means that hierarchy is needed to coordinate the activities inside each business unit and manage the units as a whole company. Figure number 14 shows the three levels of Semco.

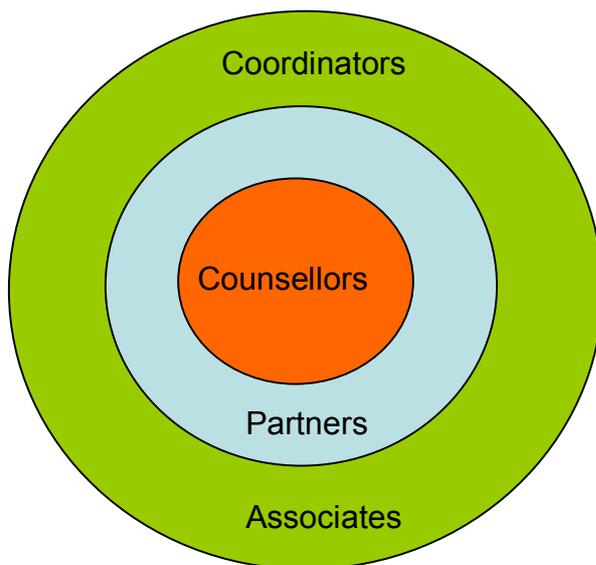


Figure 14. Three concentric circles of Semco

Source: authors

The nine business units, which can be seen in figure 15, are driven autonomously. They have decision-making power over their capital investments, income distribution, production process, strategies, and can choose their own business partners. However, they are tied up to the core values, norms, and structure and management approach of Semco. The survival manual is an example on how Semco communicates the rules to be followed by the whole corporation. To make sure the units follow policies, twice a year each unit is audited through

questionnaires to evaluate its performance. So since the units are controlled by Semco's culture, their freedom can be questioned.

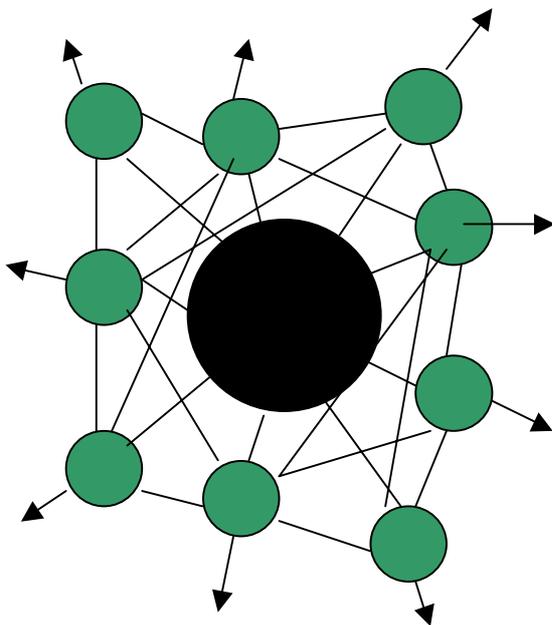


Figure 15. The nine business units of Semco

Source: authors

As rules and norms limit the employee's freedom to manage how his/her work should be done, there should be few working rules in a democratic company. According to employees at Semco, there are rarely any rules that must be followed, reinforcing their freedom to be creative and to develop their way of working. In this case management and employees perspective coincide. Although, there are few rules, every function is well designated inside a team so that employees know what they are allowed and not allowed to do in relation to their work. Consequently, it leads to a low role ambiguity inside a unit.

Someone has to have the control so the goals set by democratic decisions are met. At Semco, there is a tendency of managers coordinating the work. For that reason, managers may lead the teams in a certain direction controlling workers' performance in order to reach the goals set by the units. This may indicate that managers obstruct the freedom of the workers by giving them orders as a way of coordinating them. The freedom of the individual worker becomes limited by the will of the group.

H₃: Democracy assumes rotation of posts among employees, to spread the knowledge/power and prevent dependency on key employees.

Semco applies job rotation as a way to enhance the knowledge of its employees. Unfortunately, the rotational program includes only managers, letting out all other employees

that could be beneficiary with the program. The rotation of tasks among managers may prevent the monopoly of power to one single person, shifting the authority of a post to others. It increases the managers' skills and awareness of the operational process and of the company as a whole, and creates an understanding for the work performed by colleagues.

In addition, job rotation takes away the concentration of knowledge and information a person collected during the years he or she worked in the same post, passing it forward to the next person who will take charge of the task. In other words, job rotation takes away the monopoly over a needed resource and information. As Semco only rotates the tasks among its managers, the distribution of power within a unit is never equally shared; the authority of the managers' post always remains on the hands of another manager from other divisions. The opportunity to enhance the knowledge and commitment of others employees is never actual because their tasks environment never changes. Semco become a beneficiary of having managers with various skills, erasing its dependency on one single manager to coordinate a group, and making all the managers within a unit available to all employees. However, employees in a team may feel that the company is limiting their learning capacity and work variation, since they are still operating and being assigned to a task in the same environment under the authority of a manager.

5.1.2 Decision-making

H₄: In a democratic corporation, the employees are offered a “voice” in all decisions.

Through the factory committees, employees are offered a voice in policy decisions of the units. Those committees and the seats offered to the employees in Board meetings characterize the representative workplace democracy of Semco. This indirect form of participation is truly democratizing, while the direct participation in the task environment mostly is a way of getting employees motivated. The team environment is good though, since employees are educated in making democratic decisions within the group. This may make them more interested in having a voice at a higher level. In other words, the direct mode of participation at Semco can be seen as supporting the representative democracy in policy decisions.

The employee perspective on participation indicates the intensity and quality of participation. In general, the employees felt that they could participate in all decisions. Two persons said that they could not take part in all decisions, which indicates that the voices might be unequally distributed in the company. On the other hand, no employee can vote in all decisions in a representative workplace democracy. The individual employee will have to

trust the employees who have mandate. Contrary to the management perspective that says that the company has a free flow of information, the majority of the employees think that they do not have enough information. A problem with information is that it can be available without people knowing about it. Employees frequently saw a connection between their vote and changes in the organization, which indicate that they have an impact in the business activity. Again, two individuals gave a negative answer to the question. Nevertheless, since many individuals felt they had an impact, the quality of the participation is not only cosmetic. Semco has a distributive form of participation.

5.1.3 Communication and information

H₅: A democratic company has a free flow of information, which demands organizational transparency.

In order to prevent one person to hold information Semco became transparent. Transparency makes possible for employees not question Semco's credibility. With available financial information, it became easily for each unit to discuss openly with its members about possible investments and changes, enhancing the democratic process among employees. Moreover, open flow of information served as tool to support self-management, where employees felt more committed toward democratic responsibility. The use of job rotation may also have contributed to free flow of information, as the power over information was shared among others who took over the task; consequently, it became more difficult for one person to hold information as confidential. Open information may also lead to the enrichment of political discussion among employees at Semco. Once everyone had access to information, it became more difficult to spread a specific idea in an attempt to build opinion and manipulate the group.

On the other hand, as it was mentioned before, diffusion of information to everyone in the company has to be improved. When Semco spreads the same information to all employees in the company, they have to be cautious so employees do not run the risk to misunderstand the information. It is crucial that the information spread talks everyone's language, so that employees who experience the lack of knowledge in a certain area do not think; they did not have access to important information to build upon their decisions.

H₆: Communication channels must to support employees' participation in the decision-making.

Semco has communication channels to update its employees on what happen within the company. However, the union and factory committees are two channels that have a two-way

communication that support employees' participation in the decision-making. While the others channels within the company work as information flows. The committees hold debates and meetings where employees can participate and speak their minds, getting feedback from what is happening in the company. The union works as a legal channel; they support employees' participation empowering them with knowledge about the law and agreements that are valid.

At Semco, the majority of the employees see the communication with their bosses as satisfactory. They also are pleased with managers considering their opinion in a conflict. Since communication with managers is also important to support the employees' participation in the democratic process. The managers are the first ones to have the responsibility to reinforce the company's credibility and reassure the company's intentions towards its employees. They are also responsible to create a healthful communication with employees so they feel participative in the work process and in the decision made by the whole group.

Almost all employees have a clear understanding of the goals, values and work activities in their workplace, which expresses that Semco has effective communication channels. To be sure if channels work effectively, Semco evaluate its communication channels thorough a questionnaire that is given to each employee three times a year. The evaluation can be seen as an attempt to monitor the employees instead of monitoring the company's credibility. Since the questions has an individual character of employees' attitude.

5.1.4 Individual

H₆: Employees participate in the decisions about their salaries and rewards.

Employees at Semco have the possibility to be involved in setting their salaries. By giving opinion and deciding on their salaries, employees feel a commitment to engage in all other decisions as well. Moreover, it enhances their perception of being empowered and participative. On the other hand, for not differ from their colleagues, employees set their salaries under what the company expected them to do. Since all the salaries are exposed for all too see, the employees do not set their salaries, as they would like to. This form of control makes employees think twice before setting their salaries and turns self-set paying in a good strategy for the company and a bad deal to employees.

H₇: Employees are satisfied with their work and working climate

The management at Semco is interested in the work climate of the business units and sends out questionnaires to be filled in by the employees every six months. Management wants to get a picture of the co-workers' feeling of empowerment, which is an essential management tool for applying self-management. According to the employee perspective of the study there is a permissive culture at Semco which facilitate for the employees to be creative. Supportive colleges and bosses help the individual to be efficient in his/her job. These data suggest that parts of Semco's work context facilitate empowerment, which is crucial for a democracy to work. As previous research suggest without empowerment democratic structures are meaningless. The culture must be supportive and permissive so that the workers feel confident to participate in decision-making. Empowerment is also about employees having an active orientation toward their work role. At Semco this may be achieved since the individuals that answered the questionnaire felt fulfilled in relation to their work, and everyone except two felt satisfied with their work. If the tasks go beyond the competence of the employee his/her self-confidence may diminish, leading to a feeling of powerlessness. Most of the employees at Semco felt that they had tasks that exceeded their competence. They sometimes experience the work tasks requesting more than they can possibly give. This can lead to stress among employees and feelings of apathy towards learning something new. In sum, Semco have some elements that empower employees, but there is a risk that the tasks are too complicated.

5.2 Case 2

5.2.1 Structure

H₂: A democratic company has a flat structure where the business units have the freedom to manage themselves.

Freys has a flat structure. The hierarchy within the company has two levels, managers coordinate the work of the 15 temporarily employees and the workers at the reception. Since there are 15 permanent employees responsible for 15 divisions, everyone acts as manager of his/her division. The employees feel their works are occasionally controlled by norms and rules, showing that work have a flexible coordination and control at Freys. The employees are aware of what they may or may not do according to their work, which is maybe due to the work description used for each permanent employee at the Hotel. The work description can also be seen as a tool to diminish role ambiguity among the employees.

Since the only boss to the managers is the CEO, and she stopped giving orders to the managers and started acting more as a coach, the employees seldom feel that their work are coordinate by their boss. The lack of coordination may have led the employees to decide on having two work coordinators in order to give them a clear direction and re-create a sense of control. The employees at Frey say “they miss control”. However, the lack of direction within the Hotel can easily have made the 15 managers feel, as they did not have control of their results in order to drive the Hotel toward to its mission.

Figure number 16 shows the structure of Freys. The CEO is in the middle together with the hotel coordinators. In the circle outside are the rest of the staff, full time and extra workers.



Figure 16. The structure of Freys

Source: authors

On the Board of meeting, the workers chose themselves their new occupation, this event is not consistent with the democratic process in a democratic company, where the employees has the decision to choose their manager. The employees’ decision on removing the CEO from the meetings is also inconsistent with a democratic company, where everyone has the right to participate.

H₃: Democracy assumes rotation of posts among employees, to spread the knowledge/power and prevent dependency on key employees.

At Freys Hotels, job rotation is not used. Consequently, the company depends on key employees since the knowledge does not spread among other employees. Power is concentrated on the hands of those who hold the information on how the work is done. The interview respondent expressed that insecurity toward to job security is huge. However, as employee has the need to be absent from his/her work, his/her tasks will be shifted to others,

the information and knowledge that once was only hers/his, become shared among others employees. Consequently, her/his power inside the group diminishes, raising her/his insecurity of keeping her work and making herself needed as she was once before.

5.2.2 Decision-making

H₄: In a democratic corporation, the employees are offered a “voice” in all decisions.

Freys hotels has a participative democracy. The democracy has a direct form in the meetings where everyone has a vote in each specific issue. This is possible due to the small number of employees at the company. As in the representative work place democracy the employees of a direct workplace democracy has a say even in decisions that have more of a policy character. For example, at Freys all employees are welcome to participate in the discussion about the vision. However, the workplace democracy is limited to the hotel business. Another issue is the intensity of the participation at Freys. The extra workers are rarely present at the meetings. The inclusiveness of the direct democracy of Freys is in other word is poor. Excluding the former boss from the meetings is also against the inclusiveness criteria of a democracy.

The change of Freys hotel is ambivalent. The books written by Annika claims that Freys chose to manage without a boss. However, in the years that followed the initial change, the traditional titles were reintroduced and Annika became CEO again, leaving the coach title behind. The decision to establish two new posts called hotel coordinators is the most obvious sign of the doubtful nature of the workplace democracy at Freys. Annika made the decision by herself without offering a voice to the employees.

Nevertheless, the employees perspective on their participation is that they can participate in all decisions and that they have enough information to do so. Data also show that Freys hotels have an agenda collected by staff and that everyone has a voice. Information is spread in monthly meetings where the business result is presented to all employees. In other words, there is a good possibility for employees to make well informed decisions. When it comes to the question if the individuals see a clear connection between their voice and the changes taking place at the hotel they are a little more hesitating. That some employees rarely see a connection between their voice and changes taking place at the hotel strengthens the statement of a reduced workplace democracy. Some changes take place without employees having a say in the decision to make.

5.2.3 Communication and information

H₅: A democratic company has a free flow of information, which demands organizational transparency.

Frey has an open free flow of information. The Hotel has their financial results open to its permanent employees presupposing that transparency occurs. The diffusion of information is effective since information spreads mostly at their meetings. Another example of Freys effective information flow is that the majority of the employees have a clear understanding of the values, goals and work activities at their work.

H6: Communication channels must to support employees' participation in the decision-making.

Communication channels at Freys are very effective due to meetings and agenda collected by the staff. However, the employees do not have the support of their union to consult on legal issues before decisions are made. Since meetings works as communication channel, it concurrently supports the employees' participation in the decision-making. To be able to get feedback the employees relay on each other, evaluating one another. Here, it is also valid to highlight the employees' need of a coordinator to give the feedback they so much need.

Since communication with the bosses is an added channel to support employees 'participation. The employees at Freys are positive in relation to the communication with their bosses and how the bosses consider their opinion in a conflict.

5.2.4 Individual

H₆: Employees participate in the decisions about their salaries and rewards

If employees are to be involved in making decisions they also need to take part in salary negotiations. Employees know best what their work demand of them, and with open information they are also informed about how much the company can afford. If managers would decide which salary an employee should have it would be against the idea of empowerment and participation. At Freys the staff is involved in salary decisions and that reinforces their sense of empowerment. They also have a bonus system that they discuss and decide together. This bonus system is changed every year, reminding the employees that they are empowered and get rewarded for their work. The difference with bonus systems decided by managers are that those show that it is the managers that decide what the employees will and will not get.

H₇: Employees are satisfied with their work and working climate.

Employees at Freys seem to feel empowered thanks to support from colleges, inspiring climate and not having troubles handling their tasks. They also feel fulfilled in relation to their work, and quite satisfied with their post. The feeling of self-fulfilment indicates that the staff

at Freys has succeeded in finding a higher meaning in their work, and this is important for feeling empowered. Having meaningless tasks is damaging for self-government. It may lead to employees having a feeling of apathy towards participation. In the high competition of today's markets the participation of employees is needed. It results in better service in the meeting with the customers and in higher quality decisions that will be implemented easier since everyone has taken part in the debate.

5.3 Analyzing the interview with Casten von Otter

Workplace democracy, which is the field of this thesis, encompasses only participation and representation. Ownership is not discussed. Therefore there is no hypothesis that says that a democratic company should be owned by the workers. However, according to Casten von Otter ownership has to be part of the employment if the exercise of power is to be equal. A democratic company must therefore be not only managed but also owned by its workers.

According to von Otter, more equal exercise of power can be striven for by legislation, for example in Sweden the Codetermination Act gives the employees an insight in changes taking place in the company and the right to participate in important decisions. Von Otter explained that the role of the union is to canalise the voice of the workers, because if everyone has an own opinion the workers won't be as powerful.

Von Otter believes that traditional companies are more efficient than democratic companies. This is because a business has to respond to the changes in the market, not to the will of its workers. If employers are of the same opinion as Von Otter, the tools used by companies to apply democracy do not aim at making a company truly democratic. This is also true according to the critical perspective on empowerment, which says that empowerment practices are disempowering if employees are not given direct ownership and representation. From this point of view workplace democracy is not enough to make a company truly democratic since it in the best cases only give representation and not ownership.

6 Results

Both cases have a flat structure where the business units have the freedom to manage themselves. At Semco there are three hierarchy levels in comparison with Freys that has only two. In both Companies there was a need of coordinating the activities. However, at Semco the managers have the freedom use their resources as they please. While at Freys the managers need a consensus decision for big investments. At Freys the employees' creativity is limited by a work description, while at Semco all employees have freedom to choose develop their work in a creative way. Contrary to Semco's democratic process of electing the managers, the managers at Freys nominate themselves. This reduces the credibility of the Freys in applying democracy on the workplace. Another difference between the two cases is the use of work rotation. Only Semco applies rotation, but restricts the system to include only its managers, as has been mentioned before. The consequences of having or not having work rotation have been described before and will not be discussed here.

The mode of workplace democracy is participative on Freys and representative on Semco. However Semco also applies participative democracy in the groups within each unit. Freys participative democracy is used in all decisions, both in small and major issues. The democracy at Freys is ambivalent because not everyone has the right to participate in the meetings, for example the CEO is excluded. On the other hand she made a decision on her own excluding everyone else. Consequently, the transparency within the company suffers, and information may not flow as it should. Therefore conflicts can occur making the workplace democracy difficult to apply. Nevertheless, due to the small number of employees, Freys has a better ability to diffuse information. In a large company as Semco, the diffusion of information is more dependable on formal communication channels. The communication channels at Freys do not support employees' participation in decision-making. Since the union is not interested in giving legal support to the employees, they are on their own in getting information about their rights to make a beneficial decision.

At both companies employees are involved in setting their salaries. They also have a voice in how profits should be shared among them. The open information about salaries in both cases implies peer pressure on employees, creating a natural control system for setting salaries. At both Semco and Freys self-management enhances the workers feeling of satisfaction towards their work. The work climate at the companies is permissive towards employee participation and creativeness.

7 Discussion and conclusions

The characterization of democracy in the workplace has its support in the hypotheses. To summarize, the structure should be flat, with few hierarchy levels, where the business units or responsibility areas have the freedom to manage themselves. The parts should be managed autonomously, and there should be a consensus between all areas regarding the overall mission and goals of the company. A democratic company should also apply a rotation of posts among employees, to spread the knowledge/power and prevent dependency on key employees. Further, the corporation should offer a “voice” in all decisions to its employees. This can be done by having a participative or representative workplace democracy. In small companies, all employees can directly participate in all resolutions. While in the large companies, the representative should carry the voice of the workers. To be able to participate in all decisions, the employees need to have an insight in the company and in its business. Therefore free flow of information and transparency are important in order for a company to be democratic. To reinforce democracy, communication channels should support employees’ participation in the decision-making. The company should open its doors to the union, and the employees’ right to unionize should not be questioned. The new types of communication channels should not exclude the union, since the individual voice is weaker than the joint voice of all workers. In a democratic company workers should be able to participate in the decisions regarding their own salaries and rewards. Unions should defend the interest of the workers, being a support when employees negotiate their salaries and rewards, as well as other benefits.

Although the characterization of a democratic company has its support in the hypotheses, there is one exception. The last hypothesis about employees’ satisfaction with their work and working climate has a management perspective. In this paper, participative management and empowerment were the tools used to apply democracy in the workplace. They aim at making employees feel involved in all processes of the company. They assure employee participation in decisions taken at the company, empowering them with knowledge, information and power. However, these tools also give managers the possibility to control the amount of participation and empowerment given to employees. Therefore, these tools are not sufficient for creating a democratic workplace. In order to be sufficient the tools should not give managers the power to restrict the democracy. Equal power should be a right for all employees. Participation and involvement should be the basic idea that comes with employment.

Workplace democracy may differ between countries due to the dependency of what democracy means for each single country. For countries as Brazil, democracy means mandatory vote for each single citizen, where the voice of the minority are rarely spoken or taken in consideration. Comparing with Sweden, democracy means to have the freedom to refrain from the right to vote without being punished, considering the voice of the minority, and giving them the same right to be represented as the majority has. Further, the national context, where democratic companies exist, usually determines the way to do business and how to lead a company. The institutional legislation in each country can restrain, support or encourage democracy at workplace. Law, religion and culture in general can strongly oppose to democracy and its principles, making it very difficult for a company to introduce democracy in the workplace. Yet, workplace democracy has more chances to succeed in a country that has democracy as governance criteria, which encourages its citizens in the participation of the democratic process and uses its legislation as a way of fighting corruption, fighting the lack of transparency and other practices that undermine democracy. In the democratic countries, governments should be the role model to all companies in the country. Transparency, accountability and openness should be reinforced by legislation in order to be applied in all markets. In Brazil, the democratization of workplaces implicate in the government applying its legislation. Transparency and openness has never been mandatory, besides many companies in Brazil suffer extortion from employees at the state government. But it is not only the government employees that are bad guys, many companies also pay its way out of the law and work hard in trying to find a let-out clause.

The union plays an important part in support the democratization of the workplace. In Sweden the Codetermination Act gives the employees an insight in changes taking place in the company and the right to participate in important decisions⁷. In Brazil workers are generally not organized at company level, except from the most modern parts of the economy⁸.

7.1 Criticism

The criticism that can be raised towards the result of the study is that Semco and Freys have used almost the same theories as the authors have used to study them. For example Semco's organization is built upon three core values, namely employee participation, profit sharing and

⁷ See appendix 10. Employment and labour laws in Sweden

⁸ See appendix 11. Employment and labour laws in Brazil

free flow of information. These core values are in line with the variables of the social-structural model of empowerment which are power, information, knowledge and rewards. Therefore, the hypotheses, which were derived from the authors' understanding of the theories, were easily verified. Nevertheless, in addition to the management theories, a political framework to analyze the participation was used. The use of both a management and political perspective gives more credibility to the study than if only management theories had been used. Another criticism towards the reliability of the study is that the articles and books about Semco may have given a false description of the company. An interview with someone at the company could have given another result. Important to notice is also that the results from these case studies do not have universal validity. It is not possible to generalise from a case study. Other companies may have achieved workplace democracy in other ways.

7.2 Suggestion to further research

Semco has received a lot of attention from media, other companies and scholars. However, many of the articles present the management view, either by citing the books written by Semler or by interviewing key persons at the company. For further research the authors suggest to make an anthropologic study at Semco in order to reveal the meaning employees ascribe their workplace. A researcher should spend some months in the company and study the culture of the organization and the way power is exercised. The researcher should not have any preconceived opinions, but should learn from the everyday culture.

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Appendix 1. Questions regarding Semco and its employees

- 1) What was the purpose with the transformation from traditional hierarchy to Semco's structure today?
- 2) Can you describe Semco's philosophy?
- 3) Can you describe Semco's identity?
- 4) Which norms and values are common at Semco? And how are they spread among employees?
- 5) Is it important that the employees have common values or is it more important that they have different opinions?
- 6) According to Mr. Semler: "*..... There are risks with the company growing too fast and that the culture will be diluted.....*"
Can you explain those risks or what does he mean by that?
- 7) Which tools were used to facilitate employees' commitment?
- 8) What kind of educational programs do you offer to your employees?
- 9) How big is employees' turnover today? And do you have any data on employees' absence?
- 10) How does information reach employees at Semco?
- 11) Which types of meetings do you have at Semco? And who participates in these meetings?
- 12) Who decides the agenda for the meetings?
- 13) Can you describe the decision process?
- 14) Does everyone at Semco have a vote in all decisions or are people represented in some way?
- 15) Are all parts of Semco characterized by self-government or does any division have a more authoritarian management?
- 16) What does democracy stand for, according to you?
- 17) In your opinion, which risks does democracy bring when it is applied to a company?
- 18) Do you see a connection between democracy and Semco's growth and success? Can you explain the connection?
- 19) Which changes would you like to see at Semco?
- 20) Do you think that you some time in the future could withdraw the advantages that you have given to your employees? And can you explain your answer?

We from the International Economy course at the South of Stockholm University want to thank you for your cooperation and for your time.

*Best Regards
Mary Petersson and Anna Spängs*

Appendix 2. Example on questions to Anna-Karin Neuman

What has happen in the company since the first period of changes?

How big is the staff? How many are managers?

Who decides the agenda in the meetings?

How does the company recruit?

Do the employees rotate their posts?

Which post does Annika Tells have today?

Does the receptionist have less responsibility than the financial manager?

How does the financial manager share his or hers knowledge among others employees?

Who has a place at the Board?

Is the union present and active?

Does the relation between the company and Union change?

Are the whole staffs present at the meetings?

Who is the chairperson?

How does decision-making occur?

How is the profit shared in the company?

Who decides on salaries?

What kind of competes is demanded in the company?

How is the manager evaluated? Does the company apply Semco methods? Can a manager be fired by his subordinates?

Have you read Ricardo Semler's book "Maverick"? What kind of inspiration did you get? Which methods did you used from the book? What did you choose not to use and why?

Appendix 3. Questionnaire for employees at Semco and Freys Hotel

1- *Yes* 2- *Frequently* 3- *from time to time* 4- *rarely* 5- *no*

1. Do you think your work is controlled by norms and rules?
1 2 3 4 5
2. Can you participate and vote in all resolutions at your company?
1 2 3 4 5
3. Do you have enough information to be able to participate and vote in all resolutions at your company?
1 2 3 4 5
4. Do you see a clear connection between your vote and the changes at your company?
1 2 3 4 5
5. Are your tasks coordinated by your boss?
1 2 3 4 5
6. Is the communication between you and your boss satisfactory?
1 2 3 4 5
7. Do you feel fulfilled in relation to your work?
1 2 3 4 5
8. Do you have the support of your boss and co-workers to do your job efficiently?
1 2 3 4 5
9. Does your company have a culture that inspires creativity?
1 2 3 4 5
10. Are you aware of what you may or may not do according to your work?
1 2 3 4 5
11. Do you have tasks that sometimes go beyond your competence?
1 2 3 4 5
12. Are you satisfied with your work and your post?
1 2 3 4 5
13. Does your boss consider your opinion in a discussion?
1 2 3 4 5
14. Do you have a clear understanding of the values, goals, and work activities at your workplace?
1 2 3 4 5

Appendix 4. Company Presentation – Semco

History

Semco is a Brazilian company best known for its radical form of industrial democracy and corporate re-engineering. The company was founded in 1953 by Antonio Curt Semler, an Austrian born engineer. Its objective was to manufacture a centrifuge to use in the vegetable oils industry. From 1960 to 1980 Semco equipped 70% of the national shipping industry in Brazil. The company was a typical South American company characterized by pyramidal hierarchy led by an autocratic boss. In 1982 Antonio Semler's son, Ricardo Semler at age 21 year, took over the roll as CEO of the family business. For five to six years Ricardo Semler continued to manage the company in the traditional way. Then he realized that the old approach to management culture was unsatisfying and unproductive. People didn't enjoy working and companies seemed to be unable to make long term decisions that would work. In the beginning of 1980, Ricardo Semler began to look for alternative approaches to management and urgent diversification was made in their business areas. He slowly transformed the classical company into a flexible organization, and starts to manufacture mixers for chemical, pharmaceutical, food and mining industries. The diversification of the company's business involved acquisition of a range of companies and manufacturing licenses. In 1984 Semco started to manufacture equipments of industrial refrigeration, air conditioning systems, and food processors. The company's revenue grew from \$4 million US in 1982 to \$212 million in 2003. The progress of the company was remarkable, especially since Brazil during this time endured four currency devaluations, record unemployment, hyperinflation and a near closure of all industrial production.

Strategy and Identity

Semco's strategy is to use democracy and diversification of its market as guarantors of sustainability. Sustainability for Semco means: growth, unique niche on the market, growing profit, motivated workers, low staff turnover, scattered field for products and services. To be able to reinforce the democratically process in the workplace, Semco based its culture on three interdependent core values: employee participation, profit sharing, and the free flow of information. Semco's identity is formed by employee's individually achievement, their contribution and initiative.

2005

Semco provides an array of products and services from air conditioning components for companies to environmental projects in three different countries. Semco has near 2500 employees and nine business units, administrated by a team of corporate directors and a lead of executive of each business unit. The business units are:

Semco Industrial Equipments

- Mixture systems and equipment
- Equipments for refrigeration

Pitney Bowes Semco

- Specialized in marketing equipment

ERM Brazil

- Environment consultants

Pitney Bowes Semco

- Specialized in marketing equipments

Semco RGIS

- Computerized inventory services

Cushman & Wakefield Semco

- Integrated real estates solution Semco RGIS
- Computerized inventory services

Semco Manutenção Volante

- Maintenance of facilities

Semco Integrated Systems

- Management consultants

Semco Ventures

- Provision of services
- Development of businesses for the Brazilian market

Appendix 5. Country facts – Brazil

Land	Facts
Land area (sq km)	8.46 million
Population	Facts
Adult illiteracy rate (% of people ages 15 and above)	12.7
Life expectancy at birth (years)	68.31
Infant mortality rate (per 1,000 live births)	31
Population growth (annual %)	1.21
Population	173 million
Poverty headcount (% of population living below the national poverty line)	17.4
Ethnic breakdown	Portuguese, Italian, German, Spanish, Japanese, Arab, African, and indigenous people
Religious breakdown	Roman Catholic (80%)
Languages	Portuguese
Murder rate (per 100,000)	22.98
Political	Facts
Capital city	Brasilia
Character of government	Republic; current constitution in effect since 1988
Current president/prime minister	Luiz Inacio Lula da Silva
Executive branch description	The president is directly elected for a four-year term. In 1997 an amendment was ratified to authorize re-election of the president, state governors and mayors.
Legislative branch description	Bicameral legislature, consisting of the Federal Senate (Senado Federal) and a Chamber of Deputies (Câmara dos Deputados). The Senate consists of 81 members elected for eight-year terms. The Chamber of Deputies seats are allocated based on population, with the members serving four-year terms.
Judicial branch description	The Supreme Court is the head of the judicial system, which is comprised of federal courts in the state capitals, a Federal Court of Appeals, and special courts to deal with military, labour and electoral issues.
Percentage of women in legislature	9

Economics	Facts
Aid (% of central government expenditures)	0.16
Aid per capita (current U.S.\$)	2.02
Net foreign direct investment (current US\$)	24.90 billion
GDP growth (annual %)	1.5
GDP per capita (constant 1995 U.S.\$)	4,600
Consumer prices inflation (annual %)	6.86
Military expenditure (% of central government expenditure)	5.2
Military expenditure (% of GDP)	1.5
Tax revenue (% of GDP)	20.63
Exchange rate to U.S.\$1 (as of January, 2004)	2.84
Currency	Real
Public spending on education (% of GDP)	4.72
Public health expenditure (% of GDP)	3.39
Main exports	Manufactured goods, iron ore, coffee, oranges, other agricultural produce
Unemployment (% of total labour force)	9.6
External debt (current U.S.\$)	226.36 billion
Information/Technology	Facts
<i>Radio:</i>	
Radio broadcast stations	3,000
Radios (per 1,000 people)	433
<i>Telephone:</i>	
Telephone mainlines (per 1,000 people)	218
Mobile phones (per 1,000 people)	167
<i>Television:</i>	
Television sets (per 1,000 people)	349

Television broadcast stations 260

Other Media:

Daily newspapers (published at least four times a week) in circulation per 1,000 people 43

Internet users 8 million

Appendix 6. Company Presentation – Freys hotels

In 1999 the manager of Freys hotels Annika Tell, who had been on the company since the start 1989, felt tired and a need for something new. Therefore she contacted her friend and consultant Karin Tenelius. Together they arranged a service course for the staff. But that was not what the workforce needed. It was then Karin Tenelius gave Annika Tell the book about Semco, written by Ricardo Semler. Annika felt that this was what they were going to do, and therefore the rest of the staff also read the book. A time of chaos followed. Because no one knew how the change should be carried out. They didn't want to ask for help since they wanted to prove their self efficiency. Annika had taken the role as a coach and didn't give any orders. Instead Karin was a great help as an extern consultant. There were a lot of meetings, where everything should be equal and just. The staff had the opinion that they didn't need a chairman. It was a lot of talking and not very efficient. But there have been many changes after the initial one. The work force have though that sometimes there have been too many changes. At some points they have said stop to new project ideas because they have felt a need for some peace and quite and time for work only.

The following part is taken from the homepage of Freys hotels, where it is explained how the organization wants to distinguish itself.

“We focus on the team spirit - if this is good, the details tend to sort themselves out automatically. All staff is allowed to choose their own titles and change these when they feel they have "grown out of them". All staff strives to do what inspires them. Each and every member of staff has a coach group within the team from which they can get support. Each and every member of staff is responsible for one or more areas of development. We make our decisions using concordance, which is an advanced form of consensus. Everyone concerned and/or who has competence in the matter make the decision. Openness is crucial and respect is taken to both sense and feelings. All staff takes responsibility for arranging stand-in staff when they are away from work.”

Appendix 7. Country facts – Sweden

Kingdom of Sweden

National name: Konungariket Sverige

Sovereign: King Carl XVI Gustaf (1973)

Prime Minister: Göran Persson (1996)

Area: 173,731 sq mi (449,964 sq km)

Population (2005 est.): 9,001,774 (growth rate: 0.2%); birth rate: 10.4/1000; infant mortality rate: 2.8/1000; life expectancy: 80.4; density per sq mi: 52

Capital and largest city (2003 est.): Stockholm, 1,622,300 (metro. area), 1,251,900 (city proper)

Other large cities: Göteborg, 506,600; Malmö, 245,300; Uppsala, 127,300

Monetary unit: Krona

Language: Swedish, small Sami- and Finnish-speaking minorities

Ethnicity/race: indigenous population: Swedes and Finnish and Sami minorities; foreign-born or first-generation immigrants: Finns, Yugoslavs, Danes, Norwegians, Greeks, Turks

Religions: Lutheran 87%, Roman Catholic, Orthodox, Baptist, Muslim, Jewish, Buddhist

Literacy rate: 99% (1979 est.)

Economic summary: GDP/PPP (2004 est.): \$255.4 billion; per capita \$28,400.

Real growth rate: 3.6%.

Inflation: 0.7%.

Unemployment: 5.6%.

Arable land: 7%.

Agriculture: barley, wheat, sugar beets; meat, milk.

Labour force: 4.46 million; agriculture 2%, industry 24%, services 74% (2000 est.).

Industries: iron and steel, precision equipment (bearings, radio and telephone parts, armaments), wood pulp and paper products, processed foods, motor vehicles.

Natural resources: zinc, iron ore, lead, copper, silver, timber, uranium, hydropower.

Exports: \$121.7 billion (f.o.b., 2004 est.): machinery 35%, motor vehicles, paper products, pulp and wood, iron and steel products, chemicals.

Imports: \$97.97 billion (f.o.b., 2004 est.): machinery, petroleum and petroleum products, chemicals, motor vehicles, iron and steel; foodstuffs, clothing.

Major trading partners: U.S., Germany, Norway, UK, Denmark, Finland, Netherlands, France, Belgium (2003).

Communications: Telephones: main lines in use: 6.017 million (Dec. 1998); mobile cellular: 3.835 million (Oct. 1998).

Radio broadcast stations: AM 1, FM 265, shortwave 1 (1998). Radios: 8.25 million (1997).

Television broadcast stations: 169 (plus 1,299 repeaters) (1995). Televisions: 4.6 million (1997).

Internet Service Providers (ISPs): 29 (2000). Internet users: 6.02 million (2002).

Transportation: Railways: total: 11,481 km (2002).

Highways: total: 210,402 km; paved: 166,523 km (including 1,499 km of expressways); unpaved: 45,879 km (2000).

Waterways: 2,052 km navigable for small steamers and barges.

Ports and harbours: Gavle, Goteborg, Halmstad, Helsingborg, Hudiksvall, Kalmar, Karlshamn, Malmo, Solvesborg, Stockholm, Sundsvall. Airports: 245 (2002).

Appendix 8. Interview with Casten von Otter

What characterize a democratic company?

A democratic company should be characterized by an equal exercise of power, and this implies that ownership has to be part of the employment. A partnership owned firm, for example an architect bureau or a lawyer's office, is democratic in the sense that everyone has quite the same influence and quite equal pay. On the other hand, the receptionist or the attendant doesn't have the same influence as the partners. Within a market economy you can not achieve democracy, only move in a more democratic direction, which implies a combination between legislation, union agreements and a civilized form of management.

What is the difference between a democratic country and a democratic workplace?

Basically there shouldn't be a difference if you by democracy mean individuals' equal worth, individuals' equal possibilities to decide and realize their ideals. There is no difference in the democracy, but there is a difference in the organization. The problem to democratically govern a state is different from the problem to democratically govern an organization. The country will work if the people want to achieve something together, are able to cooperate and take care of each others. Companies, on the other hand, have demands on themselves to adjust to the market and change quickly. The market processes are very efficient to make companies do something new and give a good return. The Yugoslav experience was that the employee managed companies worked well in good times, and bad in bad times. Applying democracy on a company might work if the company existed without owners.

Is there a linkage between democracy and yield?

I would guess that democratically companies in the long run are not as efficient as patriarchal companies. You should respect people and give them influence, but when problems occur it is effective if there is a person with great power who can decide over others. On the one hand there are those decisions about cut downs, on the other there are social conflict problems. In a democratic company there might be more positive values that do the society good, but that may not be favourable for the business.

What can be negative with workplace democracy?

Many of the positive ideas of democratic corporations can lead to increased stress. Especially when things are very unclear. One thought behind a democratic work organization was to get a goal and then be free to solve the task the way one wants. That sounded good from the beginning. But it was stressful for an employee who got an impossible goal but no support from management. Social conflicts can also be hard to solve democratically. If there is a group with ten persons that are supposed to be self-managing and one of them cause trouble, it is easier to have a boss who tells that person that he doesn't fit in the group and has to be moved.

What does democracy signify in a company?

The power in a company is unequally distributed and to govern a company takes a lot of competence. Distributing the power without thinking of the competence is to risk the whole company. Democracy means equal influence in a certain number of questions. There is a limit for what is decided democratically, and what is decided in another way, which might be a democratic decision within another group. It is not given that the employees just because that they work in the company shall have rights that the capital owners don't have. The owner might be a very rich person with a lot of shares in different companies, but it may also be a pension fund for sailor widows and they might have just as strong social interests as the

workers. And then there are the customers who also have certain rights. Therefore, of natural reasons, the democracy of the company is subordinated to the democracy of the society. The democratic systems can be seen as different layers which lay on top of each other, and sometimes next to each other.

What does a democratic company look like, structure, decision-making processes etc?

In the working life you want to take part in the overriding decisions, and you want to have an own free space. Therefore the bureaucratic form of democracy doesn't work so well in the working life. The creativity and motivation that are expected from the workers are hard to develop in an organization where decisions always have to be made in a formal order. Only very important decisions should be made in a formal way.

What role does the union play in a democratic company?

One reason for that the unions don't like corporate democracy is that they may loose importance. Are they going to negotiate with themselves, the workers? In Soviet and Yugoslavia the unions became social organizations where workers came with their problems. However, the unions can help the workers to get an effective policy through canalizing their voice. If everyone has an own opinion the workers won't be as powerful. According to Beatrice Webb, who wrote the book "Industrial Democracy" the role of the unions were "to take wages out of the system". Self-government in a company shouldn't go so far so that the workers can decide to lower their wages if they are afraid to loose their jobs. Then the workers in another company would have to follow. There has to be a union agreement that hinders the workers from lowering their wages. Companies will go bankrupt, but instead the labour-market policy will help the workers to get a new job.

How does the globalization effect the democratization of workplaces?

The consequences in the West will probably go in a less democratic direction. The workers will loose power since the companies can threat to move their businesses abroad. The multinational companies working in countries like China and India hopefully make the working places in those countries more democratic, or at least they bring some human rights there. Multinational companies are sensitive to consumer reactions, and they probably also know that people work better if they are treated with respect. Further, multinational companies work within structures which are influenced by powerful organizations like the International Labour Organization (ILO) and the United Nations (UN).

Appendix 9. Fundamental ILO Conventions

Eight ILO Conventions have been identified by the ILO's Governing Body as being fundamental to the rights of human beings at work, irrespective of levels of development of individual member States. These rights are a precondition for all the others in that they provide for the necessary implements to strive freely for the improvement of individual and collective conditions of work

Freedom of association

Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)
Right to Organize and Collective Bargaining Convention, 1949 (No. 98)

The abolition of forced labour

Forced Labour Convention, 1930 (No. 29)
Abolition of Forced Labour Convention, 1957 (No. 105)

Equality

Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
Equal Remuneration Convention, 1951 (No. 100)

The elimination of child labour

Minimum Age Convention, 1973 (No. 138)
Worst Forms of Child Labour Convention, 1999 (No. 182)

(<http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm>)

Appendix 10. Employment and labour laws in Sweden

For employers in Sweden there are a great number of laws and rules that have to be followed. Much of the content in the laws is non-compulsory, which means that it is possible to negotiate about better rules, mostly through collective agreements. What is described in a law is then the minimum level beneath which an agreement can not be made.

The law about employment security

The law regulates form and time of employment, the employment agreement, that notice has to be based on objective facts, the length of the period of notice, that dismissal only can be applied at severe neglect and rule of priority at notice due to lack of work.

The codetermination act

The codetermination act (Medbestämmandelagen, MBL) was established in the 1970s at the same time as other employment and labour laws. In the MBL previous laws about collective agreements and right of association were included. The new part of the law was that the employers were bound to negotiate with the unions before decisions about the relationship between employers and employees. When the employer is to decide about important changes he has to negotiate with the unions. It can be about organizational changes, reductions, new work tasks or redeployments. The employer is also obliged to inform about his business. In addition the unions can demand negotiation in a question that concerns the workplace and then the employer has to agree to the negotiation. The purpose with the MBL negotiations is to give influence to the employees, but the decision is always made by the employer after the negotiation. Most of the times, the negotiations take place with the local union representatives at workplace. In the MBL it is mentioned that MBL-agreements should be covenanted at the companies. There are several of those central and local agreements that contain the rules of the game between the parts locally and in which questions and how negotiations/influence shall happen.

Other employment and labour laws are: legislation on working hours, legislation on vacation, the equal opportunities at work act, legislation on parental leave, legislation on study leave, the working environment act, and the legislation on union trustee's position at the workplace.

Appendix 11. Employment and labour laws in Brazil

CLL

The most important part of the labour market legislation is a compendium (CLL) from 1943, a collection of laws that were introduced by the then president Getulio Vargas, and articles that were introduced by the federal constitution in 1988. Since then single articles or parts of CLL have been changed, in order to be in line with current political trends.

One organization system

The constitution gives all employees the right to union representation, with exception from the military, the uniformed police and the fire-fighters. Only one union organization is allowed per economical or profession category in each geographical area.

Union tax

According to the law every wage earner has to pay a union tax corresponding one day's pay. The money is divided to the union organizations in proportion to the number of wage earners that are represented in the legislated way.

Collective bargaining

Collective bargaining is only permitted in a small number of questions, which is due to that the CLL is extremely detailed. Collective agreements immediately come into force.

Strikes

The constitution of 1988 permits unlimited right to strike for wage earners in general, with exception from the police and the military. According to the legislation from 1989 there are stronger limitations on the right to strike within indispensable activity than what ILO permits.

Reforms in line with international norms

In the end of 2002 the former union leader Luis Ignacio Lula da Silva was elected to president. His government announced that the labour market legislation was going to be changed in order to bring it in agreement with international norms, especially ILO's Convention number 87. In July 2003 the government appointed a national labour market forum with representation for the three parts. In the report of the forum in 2004 a number of priorities were mentioned, including ratification of convention 87, an inspection of the system of economical support to the union, new frames for union organization and representation (replacing the one organization system), stronger rights for collective bargaining etc. With the conclusions from the forum as starting point the government prepared a bill that was handed to the congress. The revision of the proposition is expected to be finished in 2006.

Fundamental ILO Conventions that have been ratified by Brazil: 29-98-100-105-111-138-182

(From the report about violation of union rights 2005, The LO-TCO Secretariat of International Trade Union Development Co-operation)