



# On the legitimacy of global industrial restructuring

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# *Global industrial restructuring*

- » Global industrial restructuring is changing industries and organizations at an unprecedented pace:
  - » Layoffs, downsizing, offshoring, shutdowns
- » From a corporate perspective, such decisions involve legitimacy crises, whereas for other stakeholders the issue is corporate social responsibility



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# Legitimation

- » Various arenas:
  - » Corporate decision-making
  - » Negotiations between stakeholders
  - » The media

- » Legitimation strategies:

*Ways of establishing a sense of positive, beneficial, ethical, understandable, necessary or otherwise acceptable action*

- » Legitimation – delegitimation – relegitimation

# Case Finland: *Legitimation in the media*

- » Case Finland: Examples of unprecedented shutdowns of profitable units in several industries
- » Shutdown cases:
  - » Wärtsilä Diesel – Turku 2004
  - » Flextronics – Oulainen 2004
  - » Perlos – Ylöjärvi 2004
  - » Leaf – Turku 2005
  - » Foxxcon – Hollola and Lahti 2006
  - » UPM – Voikkaa 2006
- » 550 newspaper texts:
  - » Leading national newspaper *Helsingin Sanomat*
  - » Local paper

# *Legitimation struggles and strategies*



HANKEN

- » Struggles over economic rationality
  - Rationalizing arguments
  - Explanatory rationalizations
  
- » Struggles over moral responsibility
  - Moralization by human concerns
  - Societal moralization
  - Processual moralization
  - Responsibility shifts
  
- » Struggles over inevitability
  - Naturalization
  - Exemplification
  - Narrativization

# Struggles over economic rationality



## » Rationalizing arguments

*The electronics contract manufacturer Flextronics shuts down its factory in Oulainen because its products can be produced cheaper in Poland and China. (Flextronics 25 Sep 2004)*

*As far as we know this is not the case for Flextronics. At least during the last accounting period sales and profits improved substantially. (Flextronics 5 Oct 2004)*

# Struggles over economic rationality



## » Explanatory rationalization

- » ‘Competitiveness’, ‘economies of scale’, ‘production capacity’, ‘flexibility’, ‘labor costs’ ‘cost reductions’, ‘savings’

*According to Vuorinen, structural overcapacity has become the critical issue in the beginning of year 2005, and the future does not seem any better. (Perlos 28 Apr 2005)*

# Struggles over moral responsibility

- » Moralization by human concerns
  - » Emphasizing/downplaying of human concerns

*It is unfair that profit making companies like Wärtsilä and Leaf can make their employees redundant without having almost any responsibility towards their employees. The bitterness of the factory employees is totally understandable. (Leaf 30 May 2005)*

*The redundant employees of Perlos Ylöjärvi have been re-employed well. Furthermore, the unemployment wave has not hit Ylöjärvi although people were afraid of that. (Perlos 11 Jan 2006)*

# Struggles over moral responsibility



## » Societal moralization

*The reason for exporting jobs is not to help new target countries but their “better” competitiveness. That is nothing else but exploitation and social dumping. (Perlos 14 Jun 2005)*

*Services and maintenance are exactly the kind of high knowhow operations in which Finnish work can also in the future be competitive. (Wärtsilä 15 Jan 2004)*

# Struggles over moral responsibility

## » Processual moralization

- » Emphasizing/downplaying of processual unfairness

*According to Sauschenko [chairman of Finnish food workers' union], what makes it difficult is that “we do not even know who is behind the capital investment company which made the decision”. (Leaf HS 2 Jun 2005)*

*“These kinds of decisions are not made easily. On the contrary, they have been prepared for along time. There were only bad alternatives,” Johansson says (Wärtsilä 28 Jan 2004)*

# *Struggles over moral responsibility*



## » Responsibility shifts

*Perlos has managed its social responsibility well. The corporation has been helpful in finding new tenants [for the closed factory building]. (Perlos 11 Aug 2005)*

# Struggles over inevitability

## » Naturalization and denaturalization

- » 'Natural forces', 'imaginaries', powerlessness of the decision-makers

*It is realism to acknowledge that cases like Wärtsilä do happen and will also happen in the future. Finland cannot have an influence on globalization.*  
(Wärtsilä 28 Jan 2004)

*Faceless capital is responsible for the decision that leaves over 400 unemployed in Turku. The tsunamis of globalization have hit Turku with exceptional power. (Leaf 29 May 2005)*

# Struggles over inevitability

## » Exemplification

» Using examples to legitimate or delegitimate

*Nokia's success story would not have been possible without globalization.*  
*Now it is time for the rest of the society to adapt. (Wärtsilä 28 Jan 2004)*

*The news about Leaf unavoidably resembled the recent news about the transfer of Wärtsilä diesel motor factory to Trieste, Italy.* (Leaf 30 May 2005)

# *Struggles over inevitability*

- » Narrativization
- » Historical reconstruction

*“In Finland we have faced this challenge before. In the 1980s the industry cut down in Finland and scaled up abroad. Now we are back on this trend,” says Ylä-Anttila (Wärtsilä 15 Jan 2004)*

# Conclusion

- » Global industrial restructuring as a contested discourse - which is 'talked into being'
- » Legitimation as a discursive and ideological struggle
- » Boundaries of corporate social responsibility are defined and re-defined in these struggles