



EWC case studies

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EWC case studies are available in electronic format only.

Company profile

Swedish Match is a world leader in niche tobacco products: cigars, snuff, pipe and chewing tobacco, as well as matches and lighters. Products are manufactured in 26 plants in 15 countries and sold in some 140 countries. Annual turnover in 2000 amounted to SEK 11,533 million and the total number of employees in the group is between 13,500 and 14,000. As at 30 September 2001 the group had 102,703 shareholders, 30 per cent of whom were Swedish and 70 per cent from abroad.

The stated objectives of Swedish Match are ‘...to strengthen its position as a leading global player in the area of smokeless products (snuff, chewing tobacco), brown tobacco (cigars and pipe tobacco) and profitably develop its lights business (matches and lighters)’. In its third quarterly report for 2001, the group saw itself as an increasingly streamlined multinational with favourable growth in selected niches, in line with the strategy adopted three years previously. In terms of markets the group aims to ‘...further consolidate its position in the European and North American markets and continue developing positions in certain selected markets in the rest of the world.’ The strategy laid down by the group to meet these objectives is fourfold:

- Core growth areas of smokeless products and cigars
- Ongoing cost containment
- Prudent and profitable acquisitions
- Leverage through a broad geographic reach and a balanced product mix.

Key measures are currently under way, particularly in the snuff product area, where the focus is on continued organic growth. Corporate management are also continuously evaluating various acquisition prospects.

The production, marketing and sale of Swedish Match’s tobacco products take place through four geographical divisions: North Europe, Continental Europe, North America and Overseas. Continental Europe also accounts for the production of lighters. The Match division is responsible for the production of matches, while sales takes place in the geographical divisions. The corporate headquarters of the group is in Stockholm where departments are located for group finance, corporate affairs and group human resources. Details of the divisions are set out below:

Divisional structure of Swedish Match

Division	Activities	Headquarters
Northern Europe	Manufacturing of snuff. Marketing snuff, cigars, pipe tobacco, matches and lighters in the Nordic countries.	Stockholm, Sweden
Continental Europe	Manufacturing of cigars, pipe tobacco and lighters. Marketing products in Europe with the exception of the Nordic countries.	Valkenswaard, Netherlands
Overseas	Manufacturing cigars, pipe tobacco and snuff. Marketing the company’s products in South America, Australia, Asia and South Africa.	Rio de Janeiro, Brazil
North America	Manufacturing of cigars, pipe tobacco, snuff and chewing tobacco. Marketing the company’s products in North America.	Richmond, Virginia, USA
Match	Manufacturing of matches in Sweden, Brazil, Spain, Hungary, Turkey, Bulgaria, Indonesia and India. Matches marketed globally through the four geographic divisions	High Wycombe, UK

The basic values of the group are:

- *Communication*: a commitment to strive for an active, open and honest dialogue.
- *Teamwork*: finding better solutions through teamwork and sharing of experience.
- *Trust*: trusting that every employee speaks and acts in the best interests of Swedish Match.
- *Innovation*: creating an environment that stimulates new ideas and the desire to realise them.
- *Recognition*: taking a continuous interest in every employee's efforts and recognising potential.
- *Growth*: providing development opportunities for employees in order to create a better Swedish Match.

Swedish Match has played an important part in the industrial and commercial sector in Sweden since the early years of the twentieth century. The origins of the Group's match and disposable lighter operations can be traced back to Svenska Tändsticks AB, which was founded in 1917. Tobacco operations began in Svenska Tobaks AB, the former Swedish tobacco monopoly, which was founded in 1915. The successors of these organisations (STORA and Procordia respectively) joined forces in 1992 through the acquisition of STORA by Procordia. The key events in the recent history of the group are set out below.

Personnel employed in Europe by country

Country	Employment (EU)	Employment (non-EU)	Total
Belgium	538		538
Bulgaria		251	251
France	69		69
Germany	51		51
Hungary		295	295
Ireland	44		44
Netherlands	485		485
Portugal	28		28
Switzerland		28	28
Spain	161		161
Sweden	915		915
Turkey		212	212
UK	81		81
Total	2372	786	3158

The EWC

Setting up

The EWC agreement was signed on 9 October 1997 suggesting an Article 6 agreement. The signatories to the agreement were: the current group vice president for HR, three managers from the divisions and employee representatives from five countries, Sweden, Belgium, the Netherlands, Spain and France. Signed approval was also given by the then CEO and a national official of the Swedish Grocery Workers Union who was closely involved in the negotiations.

Employee representatives are appointed for a period of office of four years. They attend on a proportional country-by-country basis:

- more than 50 full-time employees: one member;
- more than 100 full-time employees: two members;
- more than 500 full-time employees: three members;
- more than 1,000 full-time employees: four members.

Accordingly the current composition of the employee side is as follows:

Sweden:	four members
Belgium/Netherlands:	four members
Spain:	two members
France:	one member
UK:	one member
Hungary:	one member (observer status).

Four of the members were female at the time of the study.

The *de jure* chairman is the CEO, but the *de facto* chairman is the group vice president for human resources who, in his own words, 'runs the show'. Other members of the management team may attend, depending on the agenda. For example, the president of the Match Division, normally an outsider, stated that he was present when the issue arose of rationalisation of the Match Division in Europe. He presented the background to the issue but did not argue the case for rationalisation.

The EWC meets twice a year. Around six to eight weeks before each EWC meeting a special committee meets to agree the main bulk of the agenda. The employee side of the Special Committee comprises one representative each from Spain, Belgium, the Netherlands and Sweden. The agreement allows the parties to arrange extraordinary EWC and special committee meetings. Since the commencement of the EWC in 1997, one extraordinary meeting has been held in connection with a plant closure in France

The EWC agreement specifies its scope:

...a forum for information and consultation on business matters of a strategic and transnational nature that affect Swedish Match as a European company within the EU and EEA. This shall cover questions that affect Swedish Match operations in two or more countries. Such questions include Swedish Match's structural, economic and financial situation, the likely development of operations, production and sales, the personnel situation and its likely development, as well as important changes that affect the form of the organisation, re-location of production, mergers, reduction or closing of operations, companies or important parts thereof, as well as the laying off of employees employed under collective agreements.

The agreement states the lingua franca of the EWC as being Swedish. In practice English is used in the special committee with translation into Spanish whereas the full EWC is 'a bit of a mixture' with documents being produced in Swedish, English, Spanish and Dutch.

Market trends can be said to have had a degree of influence on the content of the EWC since its inception. In particular there has been a declining demand for matches in Europe leading to excess capacity across the continent. This has necessarily meant that corporate restructuring including plant rationalisation has been a frequent topic on the EWC agenda.

EWC meetings

The full EWC meetings typically involve the following process:

1. joint determination of the EWC agenda by the special committee (6–8 weeks in advance);
2. employee-only meeting (day one);
3. presentation from management over dinner (day one);
4. employee side prepares questions arising from presentation (morning of day two);
5. formal EWC meeting with CEO answering questions (afternoon of day two);
6. drafting and circulation of minutes.

Funding

No dedicated resources are set aside for the EWC. Its costs, for example, for travel and translation, are met within the existing group HR budget and the EWC secretary is the secretary of the group vice president (HR). Likewise, on the employee side, no special office or personnel resources are set aside for EWC work. Employee representatives attend meetings of the full EWC and the special committee in company time. In general neither side draws on external resources in the form of lawyers, consultants, national union officials or employers' organisations. The exception to this was the assistance sought during the initial negotiations to establish the EWC.

Outcomes and impacts

Employees

The main benefits of the EWC for the employee side have been registered in those countries that do not already enjoy well established rights of consultation and information disclosure in their domestic arrangements. It seems reasonable to suggest that the EWC has led to a closing of the 'disclosure gap' for those in countries with weak legislation in the area, for example Spain. But the EWC does not add value for employees where information disclosure and consultation are already well established. In Sweden, where co-determination laws and the presence of union representatives on company boards are well entrenched features of the industrial relations landscape, there appears to be little added value for the union representatives.

Management

From the management perspective the EWC has had little or no impact on the way managers have approached the decision-making process on transnational matters or indeed on the content of the decisions themselves. The feeling remained that where major transnational decisions were involved it remained the right thing to do to inform those directly affected locally in the first instance. Hence the need for prior disclosure to the special committee to remain confidential. There was some difference of opinion on the management side, however, on the question of whether the EWC had had the effect of slowing down decision making.

In general, apart from the introduction of transnational information disclosure and consultation, the EWC has had a negligible impact on human resource management and industrial relations. Each country continues to conduct matters according to domestic rules, regulations and traditions and the EWC is simply an additional structure on top. On the other hand, it is acknowledged that the EWC does act as a useful learning tool that aids HR practices internationally. However, it would be an overstatement to claim that the EWC was a strategic HR forum for helping the company to achieve business objectives.

It cannot be said that the EWC has directly prompted the development of pan-European policies on employment relations or human resource management within Swedish Match. Some aspects of HR are conducted internationally, for example management development and education. But these aspects are handled on a global basis and have evolved independently of the EWC

Conclusions

The rationale of setting up an EWC for Swedish Match has been consistent with both the industrial relations practices of the group's home country and the historical traditions within the company, particularly its tobacco arm. However, the initial period of the EWC has still yielded some problems for its participants, notably on the issue of confidentiality as well as practical difficulties relating to translation.

The need for disclosure to the EWC (in practice, on sensitive matters to the special committee) has led to some tensions in the conduct of HRM/IR. Management faces a real dilemma in fulfilling its obligations to the EWC on the one hand and the need for disclosure of bad news to those directly affected in the first instance on the other. This dilemma was well illustrated by the case of the French closure.

Confidentiality has proved to be a thorny issue and was a contested area in the negotiations to set up the EWC. Eventually the following clause was drafted in the agreement (Clause 4):

Members of the European Works Council, their replacements and experts and observers that are called in, may not disclose any information that has specifically been given to them in confidence. All confidential information obtained from Swedish Match shall be treated as such in accordance with the company's routines and may not be reported or disclosed. This also includes the minutes and summaries of meetings compiled in accordance with section 5.8 of this agreement.

The Chairman, after consultation with the Vice Chairman shall determine what information is deemed confidential. The obligation not to disclose confidential information continues to apply even when the EWC member's and their replacement's mandate period has ended. This also applies to experts and observers who have been called in, once their assignments have been completed.

Despite the agreement, however, the management insider in Stockholm expressed the view that the EWC today was still spending more time on formal questions such as confidentiality and how to achieve information disclosure than on the actual substance of dialogue. A major difficulty on information disclosure, moreover, was that of abiding by stock exchange rules. The EWC cannot be described as a means for unions to have a united influence on transnational business policy or strategy. Quite possibly, the less developed the employees' domestic arrangements on information disclosure and consultation are, the greater the benefit to them of the opportunities afforded by the EWC. This, however, is a speculative conclusion which needs to be tested through interviews with employee insiders from, say, Spain. But where co-determination already exists and unions have a presence on company boards as in Sweden, then the benefits of the EWC are negligible to the employee side.

It also appears to be the case that although some forum was deemed desirable for transnational exchanges, a more appropriate arena would be a global works council. Restricting the forum to Europe was rather artificial. However, even if such a body did emerge it would not follow that there would be a coordinated transnational HR policy.

As to the substance of EWC, apart from the routine presentation of financial information and corporate strategy, most discussion has tended to be of a problem solving nature. Latterly this has been particularly noticeable in the Match Division. It certainly cannot be said that the EWC has been a forum for employees and their unions to make proactive interventions on either strategic or operational matters. In that sense the experience of the EWC has certain parallels with the co-determination laws and their subsequent codification in collective agreements in Sweden.

Most respondents seemed to see the experience of the EWC to date as a learning process, particularly on the matter of cross-cultural understanding. It would appear that this has become its primary role – it cannot be said to have replaced or altered the already existing structures and processes of human resource management. Respondents on the management side also saw the benefit of the EWC as a useful PR tool that aided good corporate governance. But the general view from both sides was that, as the EWC was still evolving, it needed more time to bed down.

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