

# Exploring Union Organising During Corporate Mergers

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## Abstract

This paper explores local union organising in the context of corporate mergers which have become increasingly common. Through a multiple case study of 14 cases between 1995 and 2002, we find that unions in eleven cases organise themselves unilaterally, locally and mainly around strategic and advisory activities during corporate mergers. Thus, unions seem reluctant to adapt their own formal structures to the corporate changes. Our study reveals that most unions are dissatisfied with the effects of the corporate merger as a result of losing formal representation as well as perceived influence. In three of our cases, unions have been able to maintain or increase formal representation as well as perceived influence and are consequently satisfied with the merger. In each of these three cases, the unions chose to cooperate and integrative forms of organising. One preliminary conclusion of this study is that unions suffer from corporate mergers partly as a result of organising ineffectively during these mergers. As national and institutional differences are found insufficient to fully explain these findings, further studies are needed to explain why unions organise themselves in any given way during corporate mergers.

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# Exploring Union Organising During Corporate Mergers – 14 Swedish Cases Between 1995 and 2002

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## INTRODUCTION

During the 20th century, unions have achieved a strong position not only towards corporations but also inside corporations. Through the different enforced acts of co-determination during the 1970s, the unions' role in corporate decision-making structures was established as well as formalised. One consequence of this development was the emergence of so called local union structures, that is formal union organisations at the corporate level as distinct from the traditional union organisations at the industry or national level. These local union structures are formally a part of some industry level union, however they often have an autonomous hierarchy. As local unions was expected to take an active part in the internal development of corporations, these developments can be expected to have an effect on the way local unions, and thus unions in general, organise.

One major such form of corporate development is corporate mergers. By mergers we mean within the context of this paper 'mergers-of-equals'. In the 20th century, the frequency of corporate mergers has increased. During the 1990s, the last and greatest of four so called merger waves during the 20th century took place with an annual merger volume in terms of capital value of around 1200 billion US dollars (Larsson & Wallentin, 2001). Corporate mergers are relevant to unions for a number of different reasons. Primarily though, mergers are often decided on with a purpose of realising economies of scale. This often involves significant cost reducing measures which more often than not means reducing the number of employees.

In this context, questions arise whether or not local unions from the two different merging companies should cooperate during and after the corporate merger process. Cooperation is made difficult as the interests of the local unions involved may be mutually exclusive. One other factor making cooperation difficult appears during so called cross-border corporate mergers when cultural and institutional differences complicate negotiations. On the other hand, unions not cooperating may be played out against each other by the management, thereby losing even more in terms of influence and subsequent benefits for its members. These issues have seldom been explored and even less so from an organisational perspective. Thus, knowledge in this area is limited, a condition which this paper is making a first preliminary attempt to remedy.

This paper attempts to describe how local unions organise themselves during corporate mergers as well as the effects of these ways of organising. No previous research on the subject has been found. We use a multiple case study in order for us to be able to answer the first research question of this working paper.

The study consisted of 14 cases of corporate mergers. The 14 case studies spanned a range of industry sectors. They include three pharmaceutical company mergers, three mergers between financial services firms, two mergers between firms in the ICT and telecom sector, two mergers within the food and beverages industry as well as four additional mergers within the forest, steel, energy and building/contractor industries respectively. This paints a broad overall picture of union organising in various settings.

The multiple case study was conducted during the spring of 2003. The selection of cases was made from Affärsvärldens annual compilation of corporate mergers and acquisitions in Sweden. A search was made for the period between the start of 1995 and the end of 2002. First we eliminated internal group transactions. Second, we chose to focus on larger corporations with the criteria that the corporation should be noted on the A-list of the Stockholm Stock Exchange. This procedure left us with 130 cases. Our second criteria was that it should be a merger between equals, otherwise it is not a merger but rather an acquisition. We decided that the smallest part in a corporate merger should be at least 2/3 the size of the larger part. This left us with 15 cases. We approached each of these 15 cases, where 14 of them chose to participate in our study. Data was collected through the use of formal, structured interviews. We interviewed the president of each of the local unions involved in the corporate merger process, when necessary we interviewed a second representative. In all, 19 interviews were conducted. Of these, eleven was conducted over telephone for reasons of geographical distance. From these interviews, we categorised each case on a number of different variables. These variables was generated from our empirical data. Each case was commented upon and verified by the different interviewees.

**RESEARCH MODEL**

In order to be able to cross-compare the data and reach some preliminary findings to the research questions, we have constructed a specific research model. Working backwards, we identified five relevant categories of data with a number of variables in each category. We labeled these categories ‘structural contingencies’, ‘cognitive contingencies’, ‘union operating responses’, ‘union organising outcomes’ and ‘effects of union organising’. These categories relate to each other in the following way:

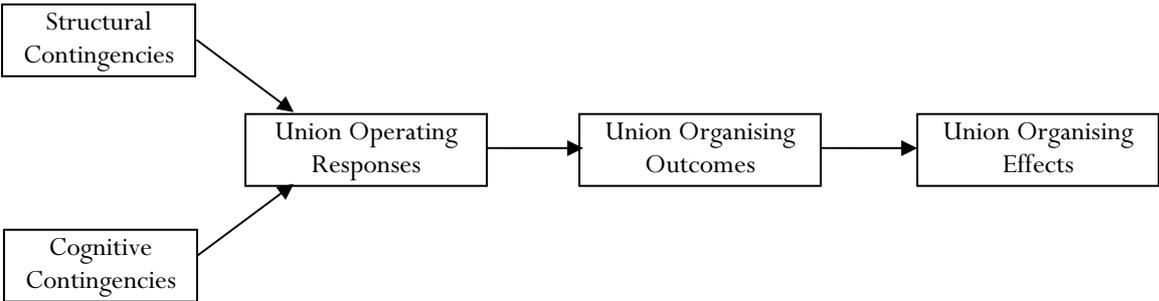


Figure 1: Research Model for Union Organising During Corporate Mergers

In the category ‘structural contingencies’, we list a number of ‘objective’, measurable, and exogenous contingencies for union organising. Three main variables are identified within this category: a) is the merger cross-border?, b) number of unions involved, and c) existing arenas of formal representation. The first variable, cross-border, is relevant as we include some cases which are not cross-border. This is necessary in order to evaluate the importance of national systems. The last variable, arenas of formal representation, is necessary in order to evaluate effects on formal representation by the corporate merger.

'Cognitive contingencies' includes variables of a more subjective or endogenous character, based on the notion that union officials' attitudes and preconceptions are likely to have an effect on the way unions choose to organise themselves. Three variables are identified within this category: d) view on relationship, e) view on cooperation, and f) view on corporate merger. The variables are increasingly specific. The first variable defines the respondents' view on union-corporation relationships in general in terms of three generic forms of such relationship: conflict, negotiation and partnership. The second variable positions the respondents' view on the nature of the specific cooperation within each case on a continuous scale from 'very negative' (1) to 'very positive' (5). This scale is used for the last variable as well, describing the respondents' view on the corporate merger itself.

The following category, 'union operating responses', attempts to identify what, if any, operational union responses corporate mergers actually do initiate during the merger process. This is based on the assumption that structure is not independent of the tasks performed within the organisation nor the people performing these tasks. We identify three variables within this category: g) involved actors, h) union activity level, and i) degree of union cooperation. The first variable charts whether or not the primary union actors involved are local or central, or both. From this variable we will learn whether or not corporate mergers are constructed as a local or a central union issue primarily, as well as get an idea as to the nature of the relationship between local and central union structures. The second variable, union activity level, depicts on what levels (strategic, advisory, operational and/or medial) unions participate during the merger process. A strategic activity level in this study implies representation on the corporate board while operational activity implies participation in specific committees or task forces used to integrate the two companies. The last variable uses three degrees of union cooperation during the merger process (action, interaction and co-action) to establish whether or not local unions cooperate during merger processes and, consequently, if such cooperation have any impact on union organising subsequent to the merger.

The fourth category, 'union organising outcomes', uses three variables to define the outcomes on union organising by corporate mergers. These three variables are: j) union integration, k) hierarchical levels, and l) union identity. The variable of union integration is the main variable in this category as it defines four generic and increasingly substantial forms of union integration: network, cooperation, federation and integration. Network is the most loose form of union integration involving no new or additional formal union structures, and no new formal association between the participating unions beyond personal contacts. The second form, cooperation, implies the existence of a new forum for inter-union discussions, though a forum without any decision-making authority over each respective union. Federation, the third form, on the other hand means the establishing of a formal, central union structure with some decision-making authority in joint matters. However, the former unions still exist as formal organisations and retain a significant degree of autonomy. This is not the case for the fourth form, integration. Here the participating unions are formally integrated into one new and common union structure and thus integrated at all hierarchical levels. We also try to define whether or not the number of hierarchical levels increase or decrease, variable k), as a response to corporate mergers. The last variable in the category, union identity, show whether the local union has shifted in the focus of organisational point-of-reference as a result from the corporate merger from the union to the company. We have defined this variable as previous research

indicate that the way in which unions identify themselves matters as to how they are able to maintain efficiency, as discussed in the article's introduction.

Lastly, the category 'effects of union organising' defines three variables that all can be viewed as bottom-line effect variables as each focus on actual influence, either from an objective or a more subjective point-of-view. As we are focusing on the effects of internationalisation on unions' abilities to influence corporate decision-making, variables measuring influence thus need to be defined. Influence is however an eluding concept as it is virtually impossible to find any objective way of measuring it. We deal with this dilemma by splitting influence into two variables: m) arenas of formal representation, and n) perceived union influence. The first variable sees actual representation as necessary for influence and, when comparing it to the corresponding variable c), measures the effect on formal representation by the corporate merger. In disregarding other more informal arenas for union influence, as well as equating representation with influence, this variable is however not fully sufficient. The second variable, perceived union influence, introduces a more subjective measure on union influence as interviewees are asked to state whether or not they perceive union influence to have increased or decreased as a result of the corporate merger. This variable has the advantage of incorporating all aspects of influence, its disadvantages are that it opens up subjective judgments that may be both uninformed and unsubstantiated as well as politically motivated. Added to these two variables is a third variable: o) view on corporate merger, which corresponds to variable f) earlier. By comparing these two variables to see if the view on the merger has changed for better or for worse, we achieve a measure of union satisfaction with the outcome of the corporate merger process from a union perspective. All variables in this category is measured on a scale of three; increase (+), no change (0) or decrease (-).

### *Interpretation of Results*

The study we have conducted is an exploratory study, and as such its results are to be viewed as preliminary and as a starting point for future research. This is especially the case regarding the links between specific ways of union organising with efficiency. Results related to this issue will be presented as propositions, indicating the tentative nature of the article's findings.

Some other notes are important to make regarding the interpretation of the results in this study. First, as the variables are constructed by the authors, albeit through interaction with the empirical material, a certain degree of subjectivity must be observed. Second, what is measured is not necessarily a factual reality but rather the interviewees' description or interpretation of reality. For instance, when a union official describes the cooperation with the company as positive it means that he perceives it to be positive, not that it *de facto* is positive.

## **RESULTS**

The results from the survey is presented in Figure 2. All cases have been anonymized for reasons of non-disclosure. All data is presented variable by variable, according to the categories and scales described above.

	Case A	Case B	Case C	Case D	Case E	Case F	Case G	Case H	Case I	Case J	Case K	Case L	Case M	Case N
<b>Structural Contingencies</b>														
a) Cross-border Merger	x			x		x	x		x	x	x	x	x	x
b) Number of Unions	2	2	2	2	4	2	5	3	5	3	2	2	2	4
c) Arenas of Formal Union Representation														
<i>Strategic</i>	x	x	x	x	x	x	x	x	x	x	x	x	x	x
<i>Advisory</i>	x	x	x	x	x	x	x		x		x	x		x
<i>Operational</i>			x		x									x
<b>Cognitive Contingencies</b>														
d) Relationship View														
<i>Conflict</i>				x		x								
<i>Negotiation</i>	x	x	x				x	x	x	x	x	x	x	x
<i>Partnership</i>	x	x	x	x	x	x	x	x	x	x	x	x		x
e) Partner View	3	4	4	4	4	3	3	3	4	3	3	3	3	4
f) Merger View	3	4	4+	4+	2+	2	4	3	4	4	4	3	4	4+
<b>Union Operating Responses</b>														
g) Involved Actors														
<i>Local</i>	x	x	x	x	x	x	x	x	x	x	x	x	x	x
<i>Central</i>				x	x	x								x
h) Union Activity Level														
<i>Strategic</i>	x	x	x	x	x		x	x	x	x	x		x	x
<i>Advisory</i>		x	x	x	x	x	x	x	x		x	x	x	x
<i>Operational</i>	x		x	x	x		x		x					x
<i>Medial</i>							x							
i) Union Cooperation														
<i>Action</i>		x				x		x		x	x	x	x	
<i>Interaction</i>	x								x					
<i>Co-action</i>			x	x	x		x							x
<b>Union Organising Outcomes</b>														
j) Union Integration														
<i>Network</i>	x	x				x		x	x	x	x	x	x	
<i>Cooperation</i>							x							x

<i>Federation</i>				x										
<i>Integration</i>			x		x									
k) Hierarchical Levels	-	0	0	+	+	0	0	0	0	0	+	0	-	0
l) Union Identity														
<i>Union</i>	x					x	x				x	x	x	
<i>Company</i>		x	x	x	x			x	x	x				x
<b><i>Effects of Union Organising</i></b>														
m) Effect on Formal Union Representation	-	-	0	+	0	-	-	0	0	0	0	-	-	0
n) Effect on Union Perceived Influence	-	-	+	+	+	-	-	0	0	0	-	-	-	0
o) Effect on Merger View	-	-	+	+	+	-	-	0	0	0	-	-	-	0

Figure 2: Results from Multiple Case Study on Union Organising During Corporate Mergers

The data highlight certain specific structural contingencies for the 14 cases. Ten of the cases are cross-border mergers, whereas four of them are domestic in character. In ten of the cases the number of unions involved range between two and three, in no case does the number of unions involved exceed five. In every case, unions are represented in the strategic arena of formal representation, the corporate board. This is to be expected, as each case has at least one Swedish part and Swedish legislation specify the formal right for union representation on each corporate board. In many cases, eleven out of 14, unions are also represented in the advisory arena of formal representation; for example on group councils, works councils etc. However, only in three cases – Case C, Case E and Case N – are the local unions represented in the operational arena of formal representation.

A number of specific cognitive contingencies are also highlighted in the data. It is notable that a partnership view on labor-company relations are prevalent in all cases except one, combined with primarily a negotiation view. Only in two cases – Case D and Case F – there existed a conflict relational view from the point-of-view of one of the involved unions. This is consistent with the dominant Swedish industrial regime, focusing on collaboration, partnership and a mutual understanding of each others' goals and objectives. The other data show that the view of the relationship with each specific corporate partner was consistently positive, in all cases the union representatives signified their specific relationship as favorable (3) or highly favorable (4). The unions' specific view on the corporate merger itself was almost equally positive. In twelve of the cases local unions indicated a favorable view on the corporate merger. Only in two cases – Case E and Case F – the view were less than favorable.

### *Union Operating Responses*

Focusing on union operating responses to the corporate merger, we first find that the merger is primarily constructed as a local union issue. Local unions are involved in each of the 14 cases.

Central unions are involved only in four of the cases, in conjunction with local unions, in which cases their role were limited to providing legal assistance.

Second, data show that local unions are active on several levels during the corporate merger where activities on the strategic (the corporate board) and advisory levels are the most commonly used tools in order to respond to the corporate merger; in twelve of the 14 cases local unions were activated in one or both of these levels. Union activity on operational levels on the other hand are observed only in half of the cases while union activity in the media is restricted to only one case.

Thirdly it can be observed that some degree of union cooperation during the corporate merger is featured in only half of the cases. In two of the cases – Case A and Case I – the local unions involved chose to interact with each other; i.e. establish formal communication between them, informing each other of their respective position. In five cases, unions instead opted for a co-action response to the corporate merger, actively coordinating their representative efforts and policy positions towards their corporate counterparts. In the remaining seven cases, local unions made no observable effort to interact with their respective union partners.

### *Union Organising Outcomes*

Looking instead at union organising outcomes of the corporate merger, we find that union integration as a result of the merger is even more uncommon than union cooperation during the merger process. Only in three cases – Case C, Case D and Case E – have the unions chosen two of the higher degrees of union integration; federation or integration. Two of these – Case C and Case E – have chosen integration as their form of union integration. In another two cases – Case G and Case N – union integration has reached the degree of cooperation, i.e. a formal forum for discussion and exchange of information. In the rest of the nine cases, union integration has been non-existent beyond the point of personal contacts, choosing the network form of union integration.

The number of union hierarchical levels remain mostly unchanged. In three cases the number of levels increase while in two cases, the number of union hierarchical levels decrease after the corporate merger. In the rest of the cases, the corporate merger has no effect on the number of hierarchical levels within the local union. Analysing in turn the effect on the union point-of-identity of the corporate merger we find that in eight cases the local union to a higher degree tend to organise themselves with the corporation rather than the central union organisation as the point of reference. This illustrates that corporate mergers have a tangible effect on the mindset of the local union officials.

### *Effects of Union Organising*

Studying the data, we find a number of effects of union organising as a result of corporate mergers. For instance, it can be noted that in six of the cases local unions loose access to certain formal arenas of representation, more specifically the corporate board, whereas they gain access to formal arenas in only two cases. In the rest of the cases, the access to formal arenas remain unchanged. In seven cases, the effect on unions' perceived influence is negative while the effect

is perceived as positive in only two cases; Case D and Case E. In five cases, the effect on perceived influence is dismissable. The data for the last variable, the union view of the corporate merger after the merger process, show a distinctly more negative view of the merger than before. In seven cases the unions were displeased of the way in which the corporate merger had been conducted and its subsequent effects on union interests. Only in two cases were the view of the merger made more positive by the merger process, whereas in the rest of the cases the view of the merger remain unchanged.

### *How do local unions organise themselves during corporate mergers?*

Going back to the first research question of this article – in what ways do local unions organise themselves during corporate mergers? – we find that our survey allows an initial answer to the question. The first part of the answer is that unions organise themselves *locally* at the workplace as a response to the corporate merger. The corporate merger is constructed as a local union issue rather than a central one. A second part of the answer will be that unions have a tendency to organise themselves *unilaterally* both during and after the merger. During the merger, unions choose interactive forms of organising in no more than half of the cases. This ratio decreases further if you consider union integration after the merger where a higher degree of integration was chosen in just three out of 14 cases. Lastly, unions organise themselves mainly around *strategic and advisory activities*, but decidedly less so around operational issues and forums. Indirectly, this choice may be a result of lacking the sufficient resources due to their local and unilateral way of organising. A tempting albeit not altogether justified answer to our first research question would thus be: not at all, or, at least, as usual according to existing and prevailing local union practices.

So cooperation and integration between local unions during and after corporate mergers is scant. From previous studies (Looise & Drucker, 2002; Gennard & Newsome, 2005), we might deduct that this would have negative effects on union efficiency and satisfaction. Our results support this idea as local unions have lost formal representation in six cases, lost in perceived influence in seven cases as well as being generally less positive towards the merger in seven cases. This means that corporate mergers as often as not is bad news for local unions. Still however, we can not make any argument as to if and how local union organising is in any way connected to union efficiency. To be able to do so, we need to cross-relate our different variables searching for patterns and interrelations. This will be done in the following part of the article.

## **ANALYSIS**

One starting point for this article was the idea that the different ways in which the local unions organise themselves influence to what degree the unions are able to remain efficient and influential in the face of internationalisation. This implies that differences in national legislation cannot fully explain differences in outcomes and effects of union organising during corporate mergers. The findings of our study support this assumption. Of course, national differences do matter. We find that in domestic corporate mergers, local unions are able to maintain their formal representation in three out of four cases. In cross-border corporate mergers, local unions were only able to maintain or increase their formal representation in five out of ten cases. The

same goes for the effect on unions' perceived influence as well as union satisfaction; cross-border mergers rate favorably in only four out of ten cases for these variables however. This said, it should be noted that several cases of cross-border union organising reveal that it is possible to find efficient ways of co-organising. Also, in a number of domestic corporate mergers, unions have failed to create more substantial forms of cooperation. Thus, factors at an organisational level are needed to provide a more distinct explanation as to why unions organise differently and with different results during corporate mergers. The following analysis will through a number of propositions outline a set of such organisational factors.

*Proposition 1: Union satisfaction with corporate mergers is positively related to whether unions are able to maintain or increase union influence*

In all cases but one, union satisfaction with the corporate merger corresponded exactly with the change in unions' perceived influence after the merger. The same holds for the relationship with changes in formal union representation after the corporate merger, although only in eleven cases instead of 13. There exist a positive relationship between the different variables as less satisfaction is derived from reductions in formal representation and perceived union influence. It can be argued that the reason for this connection between influence and satisfaction is the rationality of the union as a political or idea based organisation whose main objective is to promote certain beliefs and values as well as influence decision-making. Thus, its main measure of success lies rather in the impact of its ideas on corporate or political decision-making pertaining to its area of interest.

*Proposition 2: Union influence is positively related with unions using the company as the organising point-of-identification*

In all eight cases where the local union's point-of-identification is the company, the local unions are able maintain or improve their access to formal arenas of union representation. Whereas they are only able to do this in one out of the six cases where the local union's point-of-identification is the central union structure. One way of understanding this relationship is by emphasizing the importance of a common mindset and a shared understanding regarding the nature and objectives of the corporation. Communication between union and management is facilitated if both parties have a relatively similar view of the corporation and it is reasonable to assume that influence is more likely to follow from a good rather than a bad communication. There may also arise a conflict in corporate and union priorities, as local unions need to negotiate the priorities of the corporation and the central union simultaneously.

*Proposition 3: Union influence is positively related with high degrees of union integration*

In each of the three cases where the local unions adopt one of the higher degrees of union integration (federation or integration) after the corporate merger, the unions are able to maintain or increase their perceived influence as well as their formal representation. The other eleven cases in which the unions realise one of the lower forms of integration (network or cooperation), unions loose in perceived influence as well as formal representation. The benefits of an integrated and coordinated unions when negotiating with a corporate counterpart have

been listed a number of times in previous research. Integrated unions are less likely to be subject of corporate strategies designed to play out the different unions against each other. Thus, a coordinated union response increase overall union bargaining power vis-à-vis management.

*Proposition 4: Union integration is positively related with high degrees of union cooperation during the corporate merger process*

In all three cases of high forms of local union integration (federation or integration), local unions display a high degree of union cooperation as they co-act closely throughout the corporate merger process. In seven out of the nine cases in which the local unions choose not to integrate at all, using the network mode of integration, local unions do not cooperate during the merger process. One could argue that for two separate local unions to integrate their operations, a relationship and a necessary level of trust need to be established between the local unions. From this perspective, the merger process could be viewed as a trial period or a way of establishing such a trust before having to make the decision to formally integrate or not.

*Proposition 5: Union integration and cooperation is positively related with both strategic as well as operational levels of union activity during the corporate merger process*

In all of the five cases in which local unions show any form of union integration (cooperation, federation or integration), local unions are active at the operational level during the corporate merger. When they are not active at the operational level, as is the situation in seven of the cases, local unions have each time chosen the network mode of union integration. Correspondingly, the local unions have in each of these seven cases chosen the lowest degree of union cooperation during the merger, 'action'. In the seven cases where unions in fact are active at the operational level they have chosen one of the higher degrees of union cooperation; 'interaction' or 'co-action'. One way of explaining this relationship would be to say the local unions' understanding of the change process, the implication of the merger on the corporation as well as its effects on union operations and interests is enhanced when participating at an operational level as the discussions become less abstract and the effects become localised and easier to grasp. The need for the local unions to cooperate and subsequently integrate may thus be better illustrated through a more comprehensive understanding of the merger and its effects. Also, participating in operational arenas constitute another arena in which local unions meet and interact, creating a relationship between them and possibly a better understanding of each other's values and interests.

The results also suggest a list of different possible interrelationships between the different variables. These relationships, however, do not possess the empirical strength to merit a proposition. We choose to view these connections as tendencies worth noting. This mainly concern two contingencies to union organising, one structural and one cognitive: Existing Arenas of Formal Representation and Partner View respectively. These show that the levels on which the unions choose to activate themselves during corporate mergers are dependent upon their access to arenas of formal representation as well as a perceived positive relationship between the union and its corporate counterpart. Unions activating themselves at an operational level during the corporate merger tend to presuppose that unions have access to arenas at the

operative level prior to the corporate merger. Also, unions are rarely operationally active during the merger process if their relationship with management is weak.

## CONCLUSIONS

Our results suggest that corporate mergers generally mean bad news for unions. In five of the cases, unions lose their representation on corporate boards, while in a number of cases they experience a formalised relationship with management leading to a reduction in their perceived influence.

We performed a number of comparisons between our studied variables of union organising, attempting to see if we could thereby come closer to explaining union organising. We found that there are certain ways of union organising that appear as more effective than others during corporate mergers, yet these ways of organising are chosen in only a few of our studied cases. A number of questions is raised by this insight. Most notably, why do unions organise themselves in a given way during corporate mergers? As shown, our multiple case study has been unable to provide any “rational” answers to this question.

By studying structural contingencies, we have been able to demonstrate that while national differences explain some of these discrepancies, they are unable to provide a full explanation of our findings. Unions within one nation organise themselves differently in spite of identical national preconditions. Simultaneously, it is obvious that it is possible for unions to organise themselves effectively across national borders (compare for example MeritaNordbanken and TeliaSonera). However, in several cases of cross-border union organising, union organising was found to be ineffective.

Wanting to learn more about the answer to the question of why unions organise themselves in a given way during corporate mergers, we are forced to proceed with further studies more distinctly approaching this question. Efforts to explain union organising during corporate mergers are made in a second paper following this one.

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