The impact of the global financial crisis on employee participation – two German case studies

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Abstract

Purpose – The article aims to explore the link between corporate crises and decisions about employee participation in the context of the global financial crisis (GFC).

Design/methodology/approach – The authors complement Weick's sensemaking perspective with some distinctions taken from social systems theory. The paper examines the influence of a communicated corporate crisis on decisions regarding employee participation in two German companies over a two-year period immediately following the outbreak of the GFC.

Findings – The meaning of a communicated and enacted corporate crisis sets a company in a state of alert and provokes some distinctive reactions. These include an accentuation of a traditional hierarchical style of decision making and an authoritarian leadership style, some distinctive key personnel changes, and a strong orientation towards senior management. Any reforms of immaterial employee participation are rejected and the institutions that represent employees engage in a passive co-management.

Practical implications – The authors' findings highlight the importance for companies of introducing a formal crisis management system before a crisis occurs, which provides the chance to safeguard a balance of centralization and decentralization in the decision-making process during crises.

Originality/value – The study offers some novel insights about the meaning of crisis and of employee participation as well as about how these meanings affect decision-making processes.

Keywords Corporate crisis, Employees participation, Case studies, Sensemaking, Social system theory

Paper type Research paper

1. Introduction

The recent global financial crisis (GFC) provides us with the opportunity to more deeply examine and to enrich our understanding of the nature of management decisions about employee participation during times of corporate crisis. Traditionally, management was perceived to opportunistically grant or cut back employee participation with every crisis cycle of managerial authority in order to ensure some kind of enterprise consciousness among the workforce and, by this, to endow their decisions with greater legitimacy (Ramsay, 1977). Against the background of the pressures of globalization, several authors have argued that employee participation has something more to offer management than just greater legitimacy for their decisions (Boxall and Purcell, 2008; Budd *et al.*, 2010). With respect to the management of corporate crises, employee participation was particularly considered a means to positively impact the discovery, the process, and the overcoming of corporate crises as well as the learning processes that lead to better crisis resilience (Weick and Sutcliffe, 2001). During the GFC, the introduction or enlargement of employee participation rights in the middle of the crisis was even identified to help companies to emerge from the crisis stronger than before, because greater participation was assumed to lead to better conditions for creativity, and thus to marketable innovations (Kluge and Vitols, 2010).

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Introducing (or enlarging) employee participation as an organizational reform to overcome crisis implies that the relationship between crisis and participation is conceptualized as a circle: the introduction of participatory elements is motivated by the very crisis that these elements should help to overcome. However, this circle contains at least three problematic aspects. First, any organizational reforms, such as the introduction of employee participation, must be perceived as an innovation with uncertain prospects and outcomes. Second, decisions about employee participation may depend on the meaning of the term "crisis" used by the corporate actors. And third, decisions about reforms of employee participation may not be taken and realized in the course of an enacted corporate crisis. Overall, there is a lack of knowledge about how the communication and enactment of a corporate crisis impact on sensemaking and decision making regarding employee participation.

The novel constellation of corporate crisis and employee participation brought about by the GFC gives us the opportunity to reduce this knowledge gap through empirical investigation. More concretely, we can observe companies in which some reforms regarding employee participation have been planned in order to meet the challenges of globalization but had not been implemented when the GFC broke out. Thus, we can examine how the enactment of a corporate crisis in the context of the GFC changes the conditions for decisions about the very reforms of employee participation which is recommended by management literature (e.g. Thornhill and Saunders, 1998; Ordiz-Fuertes and Fernandez-Sanchez, 2003) as a suitable means to cope and overcome the crisis. The study examines the following research questions:

(1) What exactly is the meaning of "crisis" and of "participation" used in practice by the corporate actors?
(2) How does the awareness of corporate actors of their being in a corporate crisis impact on decisions about employee participation, namely on:
    - Reforms regarding employee participation which have been planned before the crisis?
    - Other organizational reforms?
    - Decisions made within the net of existing structures of employee participation?

We theoretically base our analysis on a sensemaking approach (Weick, 1988, 2010) complementing it with some important distinctions provided by social systems theory (Luhmann, 2000). Case studies from two German companies provide the empirical basis of our analysis. The findings should improve our knowledge about how corporate crises (against the background of the GFC) unfolded in companies and what impact this had on decision making, especially in relation to employee participation.

In Section 2, the literature review is presented as is the theoretical approach taken. Subsequently, we present our methods (section three) and provide a "thick description" of the two case studies (section four). In section five, our findings are critically discussed and step by step summarized. In the conclusions, we provide some theoretical as well as practical implications.

2. Literature review

In management literature, corporate crises, and coping with them are long-established research topics (e.g. Hamblin, 1958; Hermann, 1963). A corporate crisis can be perceived as a low probability/high consequence event that is unexpected, unfamiliar, and threatens the most fundamental goals of an organization (Weick, 1988). There is consensus that crisis management usually comprises all measures the company management intentionally takes to positively impact on the prevention, discovery, outbreak, containment, recovery, end of a crisis as well as learning from it (Runyan, 2006; Mitroff, 2005). This body of literature is dominated by financial or organizational perspectives (e.g. change management – Müller, 1985; Elliott *et al.*, 2005) often comprising a rather normative orientation (e.g. Dunn, 1991; Robinson, 2005). The descriptive studies with a human resource management (HRM) perspective mainly focus on layoffs (Greenhalgh *et al.*, 1986), HR development (Kamoche, 2003; Wang *et al.*, 2009), and motivation (Lane and McGurk, 2009). Meanwhile, little attention has been paid to the topics of employee participation and sensemaking.

2.1 Corporate crises and employee participation

The many ways to define employee participation (Heller *et al.*, 1998) have in common that they are descriptive rather than conceptual. They describe factual changes in the constellation "where employees are involved in the life of the enterprise above and beyond their direct job duties" (Globerson, 1970, p. 252). According to Marchington and Wilkinson (2005) we can differentiate between material and non-material forms of employee participation. The former usually comprises a greater share in the equity of the company or its revenues, the latter designates either various forms to influence directly task-related decisions at workplace level or more representative forms to collectively influence working conditions or the running of the firm (Budd *et al.*, 2010; Poutsma *et al.*, 2003).

The few studies dealing with employee participation in times of corporate crisis use some rather different concepts of participation or of corporate crisis at different levels of analysis, mostly employing a power approach of antagonistic interests between capital and labor. In his analysis of participation schemes in the UK since 1860, Ramsay (1977) describes and discusses four "waves of enthusiasm for participation schemes" (p. 496) that have appeared cyclically in correspondence to periods when management authority was challenged. The usual end result for those schemes is characterized as "triviality" or "instability" (p. 497) due to disappointed hopes and rapid decline into disinterest of management and of employees rooted in "contradictory interpretations held by the two sides of this notion of participation" (p. 498), which are caused by some antagonistic conflicts of interest, while any underlying processes of sensemaking are neglected.

Several recent studies have shown that at least a fifth cycle – which goes beyond a mere renaissance of an antagonistic constellation – must be considered (Abel *et al.*, 2005; Dörre, 2002; Gollan and Wilkinson, 2007). This cycle is mainly connected to the pressures of globalization, which have led "to a greater focus on the link between employee participation practices and business strategy and organizational performance in search of an elusive (or illusory) fit" (Gollan and Wilkinson, 2007, p. 1,145). More concretely, authors have highlighted the importance of participative structures to enable and facilitate changes in work organizations, such as decentralization of decision making (Sako, 1998), the spread of team work (Lovelace *et al.*, 2001) and of knowledge workers (Abel *et al.*, 2005), or the introduction of new technologies (Fernie and Metcalf, 1995) and modern management concepts (Dörre, 2002; Collings *et al.*, 2008). However, there is a scarcity of empirical studies that focus on the question what happens to those new forms of participation during corporate crises at the firm level.

We can identify different forms of participation. First, there is material participation, and it is often asked whether there are any opportunities to share anything in times of crisis. Several authors rather discuss some negative forms of participation (e.g. "solidarity pacts" to reduce costs) requiring some severe material concessions from the workforce (Dunn, 1991). Moreover, the idea to raise some new financial capital by introducing some employee ownership concepts has to be noted (Gilbert *et al.*, 2009).

Second, for representative forms of participation, we can observe a dominance of studies that focus on regional or national structural crises rather than on corporate crises. In recent years, there has been a broad debate about whether and how far globalization and structural crises might have had a (negative) impact on social partnerships and employee participation, and how those institutions could be safeguarded (Kluge and Vitols, 2010). It is important to note that the German system of industrial relations is particularly characterized by a strong representative participation at industry and corporate level, e.g. a works council has to be established in companies with more than five permanent employees (Klikauer, 2002). The debate, however, has mainly focused on the erosion of institutions with representative participation as a result of numerous similar decisions taken by anonymous companies rather than to inquire about what really happened and how those decisions were taken inside particular corporations.

Third, for direct forms of participation, there are a broad number of approaches that should help companies to overcome some acute corporate crises. Those approaches comprise instruments ranging from employee information (Pincus and Acharya, 1988), employee involvement in problem solving and decision making (Thornhill and Saunders, 1998) as well as the design of participative workplaces and autonomous work units (Ordiz-Fuertes and Fernandez-Sanchez, 2003). However, the limits of those approaches are also discussed, for instance with respect to conflicts between participative concepts and traditional cultural expectations and practices (Kamoche, 2003). Some others even identify the tendency in times of crisis to take back formerly agreed opportunities for direct participation (Kühl, 2001).

However, empirical studies have mainly focused on forms of employee participation that have already been introduced as an instrument to help overcoming some structural crises. Thereby they have usually treated "crisis" as well as "participation" as objective entities and given facts. The following question has remained unanswered: what decisions are made regarding participation when there is an unexpected crisis that changes the conditions of sensemaking and decision making? We now turn to the issue of sensemaking and its relevance to crisis.

2.2 Corporate crisis and employee participation – a sensemaking approach

By the term sensemaking we refer to the ways in which individuals recognize and understand their actions as well as the situations in which they are acting thereby enacting the very environmental conditions that constrain their action at the same time. At the heart of Weick's (1995) work on sensemaking there are two assumptions. First, people find themselves thrown into ever-changing situations where they have to make sense out of ambiguous cues in order to gain an orientation for their actions. Meanwhile, their actions constitute an important part of the situations they are in and they are trying to make sense of. Second, contrary to everyday common sense and assumptions of rationality, the relationship between cognition and action is not progressive-linear but rather retrospective-circular in nature. People act first and then select, in retrospective attention to their own actions, the meaning of their actions. Moreover, "people generate what they interpret" (Weick, 1995, p. 13) which orients our attention beyond the mere existence of facts to how they are constructed and provided with meaning and relevance at the same time.

The few studies about crisis management with a distinctive sensemaking perspective (e.g. Weick, 1988, 2010; Weick and Sutcliffe, 2001) have made some interesting contributions to the understanding of crisis as well as to the role of employee participation in crisis management. First, Weick (1993) emphasized that during crises it becomes obvious that any decision making presupposes sensemaking. Thus, crises give us the opportunity to observe that "(b)y the time a decision needs to be made, sensemaking processes have already determined its outcome" (Weick, 1996, p. 148). Beyond that, a "crisis" is not an obvious or objective fact but instead has to be "enacted" (Weick, 1979, p. 159): actors need to make sense of certain ambiguous cues in order to be able to determine whether there is a "crisis" at all, and if so, what its "nature" is (Weick, 1988, 2010). Second, the sensemaking perspective holds that non-material employee participation may be a critical resource in order to avoid organizational crises before they occur (Weick and Roberts, 1993; Weick *et al.*, 1999). "Mindfulness," i.e. the increased attention of all persons involved towards critical events, small deviations, and potential failures, implies a mode of employee participation that goes far beyond the usual "zone of indifference" (Barnard, 1968, p. 167) of formal organizational membership. In fact, decentralization of decision making and under-specification of structures should help to discover and to determine a crisis event and to take the necessary decisions in critical situations (Weick and Sutcliffe, 2001).

Unfortunately, the sensemaking literature suffers from a lack of studies that have applied the concept of mindfulness to companies. Instead, they have explored how an organizational design of high-reliability organizations could look like and how it could be helpful in avoiding crises under conditions of tightly coupled and interactive complex technologies (Weick *et al.*, 1999; Weick and Sutcliffe, 2001). Moreover, in those studies sensemaking predominantly figures as a retrospective process of diagnosing whether or not a crisis event is present thereby facing "a delicate tradeoff between dangerous action which produces understanding and safe inaction which produces confusion" (Weick, 1988, p. 305). This approach bypasses the question about how (economic and financial) crises are perceived and conceived in companies and how the enacted and communicated meaning of such a crisis affects crisis management (Herbane, 2010). Thus, the question about how does an enacted crisis – which is treated as an objective and unquestionable fact – change the conditions of sensemaking and decision making remains unanswered.

In order to overcome this deficit, we suggest to complement the sensemaking perspective with the term "cognitive routines" taken from social system theory and developed by the German sociologist Niklas Luhmann (2000, p. 250ff). His approach is commensurate with Weick's approach since he also focuses on how decisions are socially constructed and communicated within organizations. Without going into the details of Luhmann's theory of organized systems, the important point for our argument is that the construction process of decision alternatives depends on the so called "decision premises" (Luhmann, 2000, p. 222), which have the potential to guide a certain number of decisions. Luhmann (2000, p. 230ff) identifies several categories of decision premises, especially cognitive routines which can direct our conceptual attention towards "identifications that are semantically stored for multiple uses and that can be called upon by requirement" (Luhmann, 2000, p. 250).

Cognitive routines, as a meaningful semantic concept, are culturally typified and socially generalized and can therefore be easily accessed and routinely used in many situations by different actors. When members of an organization apply some cognitive routines, they can identify some typical situations, interpret some environmental conditions, attribute some causes to effects, and assume the appropriateness of means to ends – in short: the environment can reliably be "enacted." We assume that both the meaning of "crisis" and of "participation" belong to the reservoir of cognitive routines used within organizations and, if actualized, may influence the social construction of a certain number of decisions. This conceptualization allows us to ask more concisely: what happens with decisions regarding employee participation when a corporate crisis is already enacted and communicated on the basis of the culturally typified and socially generalized meaning of "crisis" within the context of the GFC?

3. Methods

Our two exploratory case studies have been conducted on an ongoing basis since 2008 in the context of a larger research project dealing with the interrelationship of corporate innovativeness and employee participation. This long time period as well as a strong commitment of the two companies involved allowed the reform processes to be studied continuously and in-depth. Commitments to confidentiality require that the two companies be referred to as A and B. The data collection was guided by a qualitative approach (Strauss and Corbin, 1990) which is mirrored by a flexible use of various instruments:

- We conducted a total of 37 semi-structured interviews (A: 15, B: 22) on different topics (e.g. employee ownership, work processes) with employees and executives of different hierarchical levels and departments as well as with selected stakeholder representatives (e.g. from unions, banks). Individuals who are central to the research topic (e.g. CEO, HR manager, head of works council) were interviewed several times. All interviews, lasting between 30 and 90 minutes each, have been tape-recorded and transcribed.
- We undertook some participatory observation. This was related to participation at several internal workshops and employee meetings in both companies. Some of them were guided by us (e.g. feedback workshops), in others we attended as active participants (e.g. works council meetings), in some as mere observers (e.g. general meeting of the company staff). Moreover, we conducted some concrete workplace analyses, i.e. mapping work processes in which we conducted interviews with employees about the content and conditions of work.
- Furthermore, in the spirit of ethnographic fieldwork, we considered each contact with company representatives as a data collection situation which was recorded in diaries. This included a multitude of one-on-one talks and group discussions as well as some regular project meetings or telephone calls.
- Last but not least, we had access to internal documents (e.g. company agreements, planning documentation).

The interpretation process of the heterogeneous data was also characterized by a mix of methods guided by the idea of triangulation (Denzin, 1989): minutes of workshops and meetings, interview transcripts as well as company artifacts (e.g. language, rituals, decoration) were analyzed by the authors, alone or jointly, following standards of sequential content analysis (Psathas, 1995; Have, 1999). Afterwards the findings were continuously validated through numerous group discussions and feedback-loops with different persons involved in the project (e.g. company representatives, research colleagues). This enables us to profit from the very strength of the case study methodology (Eisenhardt, 1989): although exploratory in nature, it provides a distinctive path with a theoretical fundament and with some sincere analyses both within cases and across cases in order to end up with some in-depth knowledge that may be applied beyond our limited empirical framework.

In presenting our case studies as a kind of "thick description" we follow Gartner's plea (2010, p. 14): "Other researchers must have the opportunity to undertake their own analyses of this data and make their own judgments regarding a researcher's findings and insights."

4. Two case studies

We now describe and elaborate two case studies. They demonstrate how in the context of a communicated corporate crisis decisions regarding corporate participation were taken (or not). We are particularly interested in reforms of corporate participation previously established as a potential answer to the challenge of structural crisis as well as in decisions taken in the existing framework of industrial relations.

4.1 Company A

Company A manufactures some relatively simple tools for metalworking for the world market with intense competition. Innovative advantages are rather quickly imitated. With a core workforce of 150 employees and a flexible staff of between 10 and 30 contract workers A achieved a sales volume of €21 million in 2007.

A's organization is functionally structured and Tayloristic in nature. The daily routine can be characterized by several ambiguities: while the CEO is perceived by his subordinates to practice a paternalistic-authoritarian leadership style, the middle managers are able to bypass it thanks to leeway for creativity and decisions. While remuneration for blue-collar workers is still below industry level, the salaries for white-collar employees have been considerably improved during the past two years. While the works council's formal participation rights are regularly disregarded by the management there is much informal leeway at the workplace level that enables employees to ignore management decisions without negative consequences. While there is traditional distrust between management and works council as well as distinctive conflict lines between management and workforce and between blue- and white-collar workers, a stable implicit job-saving coalition, at the expense of the contract workers, and widespread communitarian rhetoric can be found.

The start of the crisis was perceived within A as an external shock with a sales fall of about 40 percent in November 2008, "as if somebody had opened up a trapdoor without warning" (Head of supply chain management). Subsequently, the company laid off all contract workers and introduced short-time work. A's head of project also immediately cancelled all fixed dates for the study project and stopped all project activities at once, while explicitly committing himself to the project. He perceived this to be a signal to the workforce that the management "believes in a successful overcoming of the crisis" (Head of project).

The phase of short-time work was used neither for employee qualifications nor for process restructuring but just for some very limited measures regarding technology rationalization, sales re-organization, and cost reductions in the purchasing department. In March 2009, A experienced another shock: the CEO was dismissed overnight and replaced by a member of the middle management who enjoyed only limited confidence from his. In the following weeks we could observe during our company visits and through several talks a considerable depression among the middle management. The company activities seemed to become strongly internally oriented, mainly to clarify the different expectations of the new CEO (with respect to his crisis management) and the (re-)adjustment of the middle management's leeway. Shortly afterwards, the head of the HR department expressed himself cautiously positive: "Now he is even stating his own ideas about how to improve several aspects. I had not attributed this to him. [...] I am curious how he will develop as CEO. We all are." The head of project even supported the new CEO's authoritarian leadership style: "There are situations when it is necessary to do so."

In June 2009, during a workshop we presented a large empirically based picture of how others perceive the company to the CEO, the whole middle management and several works council members. Although this event provoked genuine irritation within the company it did not lead to concrete decisions. Some cautious attempts of A's head of project failed due to a sudden increase in orders leading to a reappointment of contract workers. Moreover, the middle management proved to be resilient as they widely ignored the decisions of the CEO without letting their subordinates participate in this new leeway. "There is no reaction in the different departments. You just do not manage to catch the middle managers here" (Head of project).

Regarding representative participation there were hardly any changes. The works council was not involved in decision making, not even when it was legally regulated, but it did not protest. Consultations between management and works council took place "via informal channels" (Head of works council).

Although, in the first months of 2010 sales were about 50 percent above the average of the previous year, "the liquidity situation is still very problematic. Due to orders that were highly short-term, we still have to live from hand to mouth" (CEO). Nevertheless, several accounts made by different managers during those days mentioned some delay regarding the aims of the research project caused by the crisis and the need to speed up those activities. In February, a company-wide employee survey was announced, exactly one year after it was cancelled right before its start. The company rhetoric more and more perceived crisis as an event in the past: "We can say that we have overcome the crisis with our core workforce relatively well. Now we are looking ahead" (CEO).

4.2 Company B

Company B is a manufacturer of machine tools. It employs 180 employees (of which about 20 contract workers) and had a sales volume of €34 mio in 2008. The company had been saved from bankruptcy by an employee buy-out in the mid-1990s and had been run as a 100 percent employee-owned company. All employee shares were pooled in an employee-shareholding company (ESC) that was granted two seats on B's consulting board. At the end of 2006, under pressure from its house bank and in order to realize a necessary increase in capital, B accepted a foreign private-equity company as a new majority owner. Consequently, the employee-owners were left with a blocking minority. The share of employee-owners among the workforce declined in the late 2000s, as many of them retired and newly hired employees did not buy the company shares. In the context of the research project, the main aim was to revitalize and to develop employee ownership further. Moreover, it was intended to design an individualized incentive system for the employees to support organizational change.

In the past years, B had achieved growth rates considerably below the industry average. Several strategic decisions, e.g. regarding market re-orientation, investments, or product development, were taken late or not at all. The CEO acted cautiously while the middle managers used their leeway for decisions to develop their own power positions and independence.

Until the beginning of the crisis B belonged to a seller-dominated market: "The market has absorbed everything. At almost any price" (Head of sales department). In October 2008 B had orders in hand that stretched until the second-quarter of 2010. Then incoming orders suddenly stopped. As a reaction, early in 2009, the CEO reported: "We are a company that, in a situation of full order books, prepares itself for half of the sales of 2010, at prices that are 20% lower within a market with high cut-throat competition."

At the same time, the post of the second CEO was filled again. The new boss presented himself as a "restructuring expert." At the end of February 2009, the old CEO was dismissed overnight. "The disruption we experience through the crisis and through the CEO change is considerable and all-embracing" (Head of HR department).

From the beginning, the new CEO aimed at buying out employee ownership, while he agreed with the majority owner about his remuneration package that included company shares. His perception of participation was limited to the motivation of employees through information and to a "family"-rhetoric defining his position as the *patriarch* (CEO). Moreover, he expected the works council to be a "social supporter" but not "an arrogant co-management that just overburdens people."

The majority owner initiated a consultancy project in January 2009 to realize some radical cost cuts throughout the company. It identified potential savings of €6 mio. With respect to the workforce €1 mio could be saved by laying off contract workers, non-extension of temporary contracts, and several dismissals. The latter point mainly affected employee-owners. This sharply highlighted the differences between shareholder agreement and working contract which was also broadly discussed among the workforce as well as in the works council.

In parallel, the CEO tried to break the power of the middle management by restructuring several departments and hiring new managers. Moreover, he stopped all ongoing projects and demanded they demonstrate their benefit prior to approval. In March 2009, a range of group discussions started at the workplace level. This instrument should proceed as a "valve function," while participative aspects were explicitly excluded. "What we actually need is to put the workforce under pressure and to make them take part in a discussion and in the conflict culture that is dominated by the patriarch." Moreover, "it was the CEO's authoritarian leadership-style that enabled us to react to the crisis. Well, this might have affected the company climate. But if you had discussed all those things first, you would not have achieved much" (Head of HR department). Those processes also affected middle management: "There is no enlarged top management any more as under the old CEO but only the Sun King and his vassals" (Head of HR department).

Meanwhile, the departing employee-owners provoked a severe liquidity problem for the ESC since it had to reimburse them. Faced with a lack of financial resources and a lack of interested employees to acquire the shares, the ESC risked becoming insolvent. In July 2009, the majority owner offered to buy the shares of all employee-owners. The offer looked rather attractive although it was below the "real" value estimated by several insiders. In a climate of fear of losing their jobs and considering the fact that the ESC had hardly any influence on company decisions any more almost all employee-owners agreed to sell their shares and to liquidate the ESC. This indirectly enabled the CEO to increase his ownership share to 20 percent.

The end of the ESC led to a vacuum regarding non-material participation which was also explicitly remarked by several interviewees. The works council, as viewed by its members and by many employees, was limited to some symbolic acts and rhetorical accounts. The CEO disregarded the participation rights of both the employee members on the consulting board as well as the works council. Indeed, both tacitly tolerated this as needed measures in a crisis situation. Together with the authoritarian management style this resulted in a veritable implosion of the traditional participation culture. "Culture? I would not dare to speak about culture anymore" (Union representative).

The end of employee ownership also actualized the traditional separation of the workforce regarding capital-labor opposition. The CEO considered himself to "have freed B from a two-class society" (i.e. owners vs non-owners) and to have "transformed B from a job-securing association into a normal profit-oriented company." Meanwhile, many employees and old-established executives spoke about a rather different two-class society that was established: "The new guys behave as if they have invented B. However, they sit at a set table without having contributed anything at all" (Foreman). Several employees have already mentally resigned: "Without the crisis, our high potential staff would all have left" (Foreman). The CEO, in particular, is widely considered an old-fashioned capitalist insofar the end of the employee-ownership has been experienced as some kind of actively promoted expropriation: "If I had not been bound by the shareholder agreement, I would not have sold my shares. This guy? He would have received nothing from me" (anonymous).

The works council started to re-define its own role: "We need to go back to the point where we were before the employee ownership and continue from there. We have two clear-cut parties now, employer and employees. We have to fight now with all the instruments provided by law" (Works council member). However, at the same time, the works council perceived itself still as co-management, considering all its activities against the background of the company's well-being and, if necessary, tacitly tolerating some decisions assumed necessary during corporate crisis.

In spite of some massive price reductions B suffered a 30 percent drop in orders in 2009. This situation continued in 2010 when orders were about 75 percent below the company's forecast. "2011 will be a hard year for us. There is a merciless struggle for survival" (Head of project). In autumn 2010, B planned to introduce short-time working, but did not have to implement it since orders started to come in again.

5. Discussion

5.1 The meaning of "crisis" and "participation" as a cognitive routine in practice

The meaning of "crisis" understood as a cognitive routine plays a crucial role in the decision-making process about employee participation during the GFC-induced corporate crises. In both case studies the term "crisis" has been adopted in the company vocabulary during the GFC in order to observe and describe not only their economic environment but the company itself: a company-in-crisis in an economy-in-crisis in which, if not all, most companies find themselves in a crisis. The reference to the GFC is underlined in case A by sudden and dramatic losses in orders, i.e. the crisis has been triggered by events connected to flows of payments or non-payments. However, as case B suggests, it is not necessary that companies undergo the experience of such actual payment-related crisis triggering events to describe themselves as a company-in-crisis. The ubiquitous addressing of the GFC in the mass media worked as an event that led company B to perceive itself to be right in the middle of a crisis or to need to guard itself against a lurking crisis.

In both cases "crisis" denoted the advent of some unexpected events that frustrated hitherto held expectations and discontinued formerly valid routines (e.g. the strong inclusion of the works council in management decision making at B). Both companies became alarmed about actual problems that put the existence of the whole company or of important structures at risk (Sayegha *et al.*, 2004). This, in turn, highlighted the impression that the future is uncertain whereas it was conceived as being controllable by strategic plans and goals and the daily routine of related performance programs before. In both cases, the experience of an unexpected change of key personnel even worsened the impression of being in a severe crisis (e.g. the CEOs of A and B were both fired more or less overnight).

However, the self-description as a company-in-crisis induced at the same time a notion of some viable parts of the company that will help to solve the existing crisis situation. At the same time, the communication of a corporate crisis stimulated explanations that tried to trace the crisis-condition back to certain problematic structures (e.g. the time-consuming project work and the overhead costs at A and B, the structure of the sales organization at A) which can be and ought to be changed. "Crisis" denoted a condition characterized by unusual uncertainty and by decisions that have to be taken under time pressure with incalculable consequences which would have been avoided under normal circumstances (Baecker, 2009). Thus, neither of the companies comprehended "crisis" to be a permanent or an apocalyptic state. They rather pictured a "crisis" as a distinct period of time in which many conflicts occur at once. These conflicts, on the one hand, threaten the equilibrium of the system, but, on the other hand, they can be overcome through significant changes (e.g. the cost-cutting program of B, the re-organization of the sales department and the technological rationalization at A) that will lead to a new equilibrium at an elevated level of productivity after the crisis (Koselleck, 2006).

Consequently, all members of the organization are expected to center their attention towards the topic of the company being acutely endangered (Hermann, 1963) which puts distinctive constraints on the decision-making process (e.g. to accept the CEO's authoritarian leadership style at A and B). Any decision had to be legitimated with respect to how it could contribute to the tasks of containing, and mastering the crisis (e.g. as executed with the ongoing projects at A and B). Thus, the meaning of a "crisis" enacted spanned from endangered existence to hope and bright prospects. It contained some ambivalent clues for decisions as it called for immediate action and motivated organizational change, but left the content of these decisions open.

On this basis, we can conclude that the communication and enactment of a corporate crisis in our two cases put into question the validity of both the actual self-description of the company and its definition of the situation and forced to re-describe and re-define them. Thus, "crisis" itself acted as an extraordinary cognitive routine. Moreover, some well-approved cognitive routines became abruptly questioned and an alternative set of cognitive routines was actualized which may influence any further decision making as long as the situation is defined as "crisis."

In both companies we observed some aspects of a shared understanding regarding employee participation. First, employee participation is limited to employees without formal decision competencies and managerial responsibility. Second, participation is perceived as rather one-dimensional, either as passively possessing a share in the company gains (material participation) or as actively taking part in the decision-making process (non-material participation). Third, when material participation is considered, it is conceived as an instrument within a functional frame of reference, i.e. more material participation will lead to an enhanced motivational structure and better job satisfaction resulting in higher performance or in performance of a different type (e.g. innovative contributions) (e.g. as propagated by the head of HR department of B). Fourth, when non-material participation is considered, it is not regarded as being an instrumental solution to organizational problems but rather depicted as a delay factor and as an obstacle to centralization, speed and flexibility in decision making, even in non-crisis times (e.g. the traditional handling of the works council at A). Consequently, organizational reforms concerning non-material employee participation in the decision-making process count as efforts designed to better adapt reality to ideas motivated by political principles, such as industrial democracy, rather than by real business problems (Luhmann, 2005, p. 400). Surprisingly, as our cases made clear, these aspects in the perception of participation cannot only be found among management but among works council representatives too (e.g. the tacit compliance of its relatively limited power by the works council of A).

Accordingly, we can state that the concept of "participation" showed some aspects of shared meaning between management and labor which becomes especially obvious during times of corporate crises.

Let us now turn from these cognitive routines to the actual decisions made about reforms of employee participation and to decisions within the already established framework of industrial relations.

5.2 The influence of an enacted corporate "crisis" on decisions about employee participation

5.2.1 Reforms concerning employee participation planned before the crisis. In both case studies, we observed an abrupt change of attitudes towards employee participation once a corporate crisis was communicated. Even if oriented mainly to material aspects of participation, the planned reforms (e.g. the reform of the remuneration system at A) were rhetorically rejected and blamed for being dysfunctional for crisis management by both management and works council representatives. They unanimously took the decision not to decide on the planned reforms of employee participation under the condition of crisis. At the same time, any possible adjustments of the reforms towards non-material forms of participation were strictly ruled out (e.g. the refusal of A to conduct an intervention-oriented employee survey).

We recognize at least two reasons for that: on the one hand, in the context of the GFC the communicated corporate "crisis" has been defined as cash flow related. So, in the absence of any formal crisis management system, managers of both companies immediately took some traditional measures (e.g. a cost-cutting project with B) in order to preserve solvency and liquidity. Reforms directly depending on payments are possible only if they promise to enhance solvency and liquidity. Moreover, since from the perspective of management an elevated employee motivation is taken for granted during an all encompassing economic crisis like the GFC, because of a general fear of job loss, the initial legitimation of the reform of material employee participation is rendered obsolete.

On the other hand, reforms with respect to non-material forms of participation are not deemed to be an alternative. No reforms regarding decision competences, formally prescribed communication channels or standard operating procedures have been undertaken at all in the face of some very short-time horizons, unknown costs and uncertain chances of success. The management rather took consciously a "wait-and-see" attitude which relied on the emergence of some obviously evident solutions for the crisis in the course of events. This attitude bonded with the explicit assumption that when the required solution occurs, top management has to decide ad hoc very quickly on the basis of far-reaching and centralized decision competences (Luhmann, 1999, p. 328). So, the communication of a crisis led to hierarchization and centralization of decision-making processes and to an increased focus on persons at the top of the company hierarchy (e.g. the focus of the middle management on the development of the new CEO of A who had been a colleague before and the new CEO of B as the "Sun King").

This also accentuated an authoritarian leadership style perceived as a measure of crisis management in a situation of emergency. In the context of this crisis-enacted set of cognitive routines, it seems unavoidable that any decisions about reforms of employee participation became scrutinized and were immediately abandoned (e.g. the idea to revitalize the idea of employee share ownership with B) since they could neither be portrayed as an alternative solution to the problems that have caused the crisis nor as an organizational resource that can help to overcome it.

Based on our two cases, we can conclude that in a situation conceived as a "crisis," a reform of employee participation became highly unlikely due to the alternative set of cognitive routines the term crisis had invoked. In more specific terms, the companies employed some radical simplifications comprising enforced orientation towards hierarchy, centralization of decision making, authoritarian leadership, and a strong focus on persons in top positions. By this, some alternative security measures were enacted which replaced those securities that are felt to have been lost due to the crisis.

5.2.2 Other reforms. Ad hoc crisis management in companies tends to rely on a "wait-and-see" attitude rather than on some scheduled reforms in order to enable quick decision making in a centralized style regarding solutions expected to emerge in the course of events. This is mirrored in our case studies not only by the change of decision-making style but also by the replacement of the CEOs. Those measures also constitute a certain contrast to the observed tendency to refrain from organizational reforms during times of crisis. Persons, like cognitive routines, communication channels, or performance programs, can be conceptualized as compact decision premises too. However, in the case of changing these premises an organization does not usually think of a personnel change as a reform (Luhmann, 2000, p. 337). It merely points to a perceived need for change at the level of persons and the characteristics ascribed to them which promise quick success (e.g. the decisive new CEO vs the hesitating old CEO at B).

In summary, the communication of a "crisis" in our companies led to an accentuation of the importance of persons in top positions in general and of leader figures in particular. Although the change of key personnel affected the mode in which organizational members contributed to decision making, these changes were neither observed nor described as reforms of employee participation.

5.2.3 Decisions within the net of the existing structures of employee participation. As case B demonstrates, the refraining from any reform could not preclude that the structure of employee participation has become the subject of crisis-induced organizational change. The abandonment of employee ownership and the self-liquidation of the employee shareholder-company (ESC) in case B have caused a far-reaching change of both the corporate governance structures and the company culture. These developments that amount to a non-scheduled change in organizational structures of employee participation were indeed triggered by several positive decisions about a "negative" reform of this particular institutionalized form of employee participation involving decisions made by the CEO, the private-equity company and the ESC.

We can conclude that in our two cases the alternative set of cognitive routines triggered by an enacted crisis, together with the changes in key personnel and with the staff reactions to these changes, affected the mode in which organizational members contributed to decision making. These changes amounted to a crisis-induced structural change of organizations which, though, was neither observed nor described by the company as reform or as change in the mode of employee participation.

Regarding the alternatives for decision making and their cognitive construction, it becomes particularly obvious that this process does not only depend on the meaning of "crisis" and "participation" among management but also on the orientations found among employees and their representatives. In both case studies, the works councils accepted the decision not to decide on the scheduled reform of employee participation without protesting (e.g. B's traditionally powerful works council tolerated the self-liquidation of the ESC). They rather appreciated the rhetorical enforcement of the centralized decision-making structure as a suitable measure of crisis management. Impressed by the enactment of a severe corporate crisis they even renounced some legally guaranteed rights to participate in the decision-making process and took on a passive role.

Shared meaning in the form of cognitive routines presupposes both conflicts of interest and co-management between management and labor in as far as they nourish the process of the cognitive construction of alternatives for decision making as well as co-operation in decision making itself. In particular, the meaning of participation limits the range of thinkable options right from the beginning and it implies which options are out of the question once a crisis has been enacted (e.g. participation in decision making has traditionally not been a subject of the works council of A, non-material employee participation is rather seen as interfering with necessary centralization in B).

Accordingly, we can conclude that on the basis of a shared perception of "crisis" and "participation" among management and employees of our two companies, the communication of a corporate crisis led to a passive co-management on the side of the institutions of employee representation. An authoritarian leadership style as well as the enforcement of hierarchy rested on a consensus not to articulate dissent or to actualize some alternative means of influence on the labor side.

6. Conclusions

Our paper has explored the link between corporate crises in two German companies in the context of the GFC and decisions about employee participation. We treated this relation as a particular case of the more general relationship between sensemaking and decision making and complemented this perspective with the concept of cognitive routines taken from Luhmann's social system theory. This resulted in some in-depth-knowledge concerning the particular empirical relationship in question as well as in some more general theoretical implications.

We show that the enactment of an economic and cash flow related crisis massively changes the conditions under which decisions in corporations are made, even when the enactment is due to a merely rhetoric reference to a globally synchronized economic crisis, like the GFC, that may affect the company in the future but does not currently impact on the company cash flow. Our findings suggest that the exceptional cognitive routine "crisis" seduces companies to invoke the classic organizational script of instrumental rationality guaranteed by hierarchy and authoritarian leadership style. The resulting preferences towards centralization, hierarchization, and persons at the top are accompanied by an explicit rejection of decentralization and consensus-oriented decision making, thus directly influencing decisions concerning employee participation. Furthermore, while refraining from any formal reform of organizational structures during an enacted crisis, on the one hand, personnel changes in top positions are likely and, on the other hand, one can observe a non-scheduled crisis-induced structural change, both of which influence the way in which employees participate in the decision-making process. Moreover, on the basis of a shared understanding of some aspects of the meaning of "participation" institutions of representative participation are likely to co-operate and to demonstrate some kind of passive co-management.

In more general terms, it is important to note that the functions of the term "crisis" are twofold. It can be considered a cognitive routine itself that has the power to re-describe the company itself and to re-define its situation instantaneously. So, a crisis is not an event with an unquestionable ontological status by the occurrence of which the conditions of decision making automatically change. It is rather a description for a company's system-environment-relationship that has to be enacted but maybe without much sensemaking going on. Moreover, when enacted, the description "crisis" acts in goal-oriented companies as an initial condition which actualizes a set of alternative and closely related cognitive routines, but without giving an adequately defined orientation or instructions about which performance programs should be initiated once the crisis condition has occurred. While the cognitive routine "crisis" in fact alerts the company it may deteriorate the conditions for awareness and sensemaking that underlie decision making as it tends to replace deference to expertise by deference to authority (Tjosvold, 1984; Weick, 2010).

We would also like to stress that our studies can demonstrate that in the case of participation, where traditionally approaches of power prevail, both conflicts of interest and co-operation between management and labor presuppose sensemaking. In other words: any power game or any sequence of co-operation in organizations is based on processes of sensemaking in which organizationally employed cognitive routines play a crucial role.

Our findings go beyond a narrow understanding of employee participation and point to a conception of organizations in which one important question is how alternatives for decisions are cognitively constructed within the established network of decisions and decision premises. It is in this context that the questions about how and how far different membership groups can participate in the process of constructing alternatives as well as in the process of decision making become important. This perspective particularly highlights changes regarding the decision-making style during crisis and puts particular emphasis on the increasing relevance of persons in top positions. Moreover, it puts in the foreground the reactions of organizational members to those changes. This leads us to the more general question whether there has been a non-scheduled and unintended crisis-induced structural change of the companies (Luhmann, 2000, p. 330ff) which points to some limitations of our paper. To determine the scope of our findings in terms of its generalizability and representativeness it would be necessary to develop a typology of crisis-induced structural change of decision making in companies. This is not feasible on the basis of two case studies and would require a larger sample including examples of maximal contrast (eventually also from different national contexts). Another limitation concerns the question whether the period of time observed is long enough to capture an episode of such a structural change. Follow-up studies in both companies could focus on the long-term consequences of the hierarchization of the decision-making style or the change of CEO on organizational structures. As our findings indicate, the middle management plays a crucial role in these processes. Hence, another focus should be on the question which strategies or tactics middle management takes in reacting to the imposition of a sudden change in leadership style (Caspi, 1988).

Last but not least, our paper also includes some practical implications. Indeed, we cannot answer the question whether reforms of employee participation introduced in times of corporate crisis will definitively enhance the company's crisis resilience, as many authors have argued (e.g. Kluge and Vitols, 2010). Our results rather suggest that reforms in this regard are unlikely during an acute corporate crisis. Nevertheless, on the basis of the results of crisis management and high-reliability-organization research (e.g., Weick and Sutcliffe, 2001) as well as on our own findings, companies in crisis are well advised to look for an intelligent balance of centralization and decentralization in the decision-making process. Moreover, a formal crisis management system would provide them with the chance to safeguard the very same flexibility that can help in resolving the crisis but that is endangered by the crisis-induced tendency to retreat to an inflexible way of organizing. Thus, understanding the functionality of employee participation in this context would require a change in perspective: instead of viewing reforms of participation as intended to adapt the company to certain ideas or principles one should stress their potential to develop and cultivate a resource for organizing that can contribute to problem-solution and crisis management.

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