

When Danish industry relocates – globalisation in an everyday perspective

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When Danish companies move their production abroad, it is often verbalised as a tragedy with focus on the loss of production workplaces in Denmark. This article instead examines what explicitly happens when a company relocates. Based on a study of Royal Copenhagen's relocation to Thailand as well as a study of a number of Danish companies' production units in China (Grundfos, RMG Steel, MCI and Fiberline), the focus of this article is on relocation in an everyday perspective with special emphasis on communication, transfer of competencies, company culture and differences in culture.

It is concluded – inspired by actor-network theory – that relocation is a complicated process which is not concluded with the opening of a new factory. Many different actor types play significant roles in relation to the manner in which the relocation is carried out in practice; both in the short term during the actual relocation process and in the long term when the relocation has become commonplace. Among the key actor types are human actors such as cultural bridge builders, but not least material actors such as raw materials and buildings as well as immaterial actors such as 'Danishness' and 'the history of the company'. The many actor types indicate, among other, that the dream of relocating becoming a simple process - providing working procedures and products are documented and described to an adequate degree - must be rejected.

This article draws inspiration from theories and research about knowledge (transfer), differences in culture, companies' (historical) narratives and recent materiality studies. Methodically, this article is based on two interview based contemporary documentary studies.

Introduction

When a Danish company with a long history choses to relocate its production abroad, it triggers emotions. There are people losing their jobs perhaps after working for 10-20-30 years in the same company. There is the concern for the future both for individuals and in a more general perspective as a nation. What are we going to live on in the future? Generally, the story of globalisation and relocation has had a tendency to be described as a tragedy in the media,¹ and the relocation of workplaces has often drawn headlines. As an example, on 20 March 2013, on the front page of the

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Danish newspaper Politiken, under the headline “Job abundance moving abroad”, one could read about the growing number of employees that Danish companies are hiring abroad.²

In 2011, Danish companies had 1.27 million employees in foreign subsidiary companies of which 361,457 were in Asia. Of the 1.27 million jobs, approximately a quarter were within the “Industrial, raw material extraction and utilities” industry.³ In Denmark in 2011, that very same business employed 286,028 man-years.⁴ In other words, the story about the behaviour of Danish industry abroad could be written as a more positive story as well.

Globalisation is not a new phenomenon,⁵ and business historical research has documented that relocation is not only a tragic story about something being lost but also a story about something new being created. As an example, a Ph.D. study from 2011 showed that the number of industrial workplaces in Denmark has in general gradually decreased through many decades, but it also showed that the decrease has not been as drastic as it is often presumed, and that at the same time new service companies have emerged which continually produce industrially processed products - now simply through utilization of foreign production plants. An example could be the textile trade in Denmark which has shifted its focus from production to design, distribution and sale.⁶ Another Ph.D. study from 2013 showed that several new companies have emerged in the wake of closures of Danish shipyards.⁷

Generally, much research in value chains and the pros and cons of relocating and repatriating production has been carried out, both internationally and in a Danish context, with emphasis on overall tendencies and strategies;⁸ while there has been less focus on what it actually entails to move a company and then work in a company where the head office and the production is located on opposite sides of the globe. Consequently, this article is not based on an overall strategic perspective on relocating; instead it deals with relocating in an everyday perspective with focus on the daily challenges that companies face when the strategic decisions regarding placement of production are to be implemented.

This article is based on two interview surveys which focus partly on the relocation process and partly on the time that follows when production abroad has long been established and company functions are outstretched geographically in a new manner. In both interview surveys, it was agreed in advance with the interviewed parties that they would be depersonalised with regard to publication. Unless stated otherwise, all quotes in this article are from the 70 interviews that were conducted in connection with the two studies. The vast majority of the interviews were recorded on a dictaphone and the audio files are now located at the Workers’ Museum.

The first part of the article is based on a 2013 study of Royal Copenhagen’s relocation of production from Denmark to Thailand, a process that took place during the period 2003-2013. Special emphasis is put on:

- Transfer of competencies and tacit knowledge
- Technical challenges
- Company culture and differences in culture

In this part of the article, the relocation of Royal Copenhagen’s production to Thailand is compared with the relocation of production from Smallegade in Frederiksberg to Glostrup in 2004; where the company was relocated in space but not across time zones, cultures and languages.

The relocation process is all things being equal a relatively short period in the history of a company; therefore, this article’s second part is about the everyday when companies have their head offices in Denmark and their production in Asia. This part of the article is based on a research project concerning Danish companies’ production units in China and focusses on:

- Communication with particular emphasis on the challenges associated with the separation of R&D and production
- The continued significance of differences in culture and the identity of the company

Royal Copenhagen does not have production in China and is not covered in the second part of the article. In this section, parallels will be drawn between relocating as a time-limited process and relocating as a permanent state. Finally, it will be argued how the different elements – knowledge transfer, differences in culture, material conditions etc. – interplay with one another in the practice denoted as relocation.

In the interview surveys, interviews with Chinese middle managers and Thai employees respectively are included; however, both studies, and hence this article as well, primarily look at the process of relocation from a Danish perspective. Firstly, the different culture in Asia in regards to relationship building, trust and when it comes to expressing criticism bore some methodical challenges; secondly, the language barrier limited the ability to express ourselves in a nuanced manner, even though an interpreter was employed in some cases, and thus a part of the Chinese/Thai interviews were of a limited value. A more in-depth insight into the problems seen from an Asian perspective would have required a different research design.

In relation to the question regarding knowledge, theories and research about knowledge transfer and knowledge management is drawn on, in particular the concept of tacit knowledge. In relation to culture, inspiration is drawn from research on differences of cultures and on research in the narratives of businesses and its significance for company culture, identity and lines of action; while the material dimension is discussed in relation to more recent materiality studies which point to the material ‘agency’.

As a general theoretical framework, actor-network theory is utilised because it with its focus on heterogeneous networks consisting of all sorts of actors contributes with a possibility of gathering the above-mentioned perspectives. One of the principal characters of the actor-network theory, sociologist Bruno Latour, calls it “*a very crude method to learn from the actors without imposing on them an a priori definition of their world-building capacities*”.⁹ In this context, it means that it is not a foregone conclusion that relocating is about strategic decisions regarding placement of production workplaces. Relocating is instead perceived as a complex practice characterised by many different actor types. Another advantage of the actor-network theory is its anti-essentialism and its focus on process and basic instability, which opens up for relocation being many different things – for different actors and at different points of time.¹⁰

The primary aim of this article is to contribute to Danish business history by providing an insight into the history of some specific relocation processes; however, it is naturally also the authors’ hope that practitioners will be inspired by this article when they are working with relocating in the everyday.

Royal Copenhagen

Through several years, Royal Copenhagen has moved the primary part of its production to its own Danish-led factory in Thailand. In 2013, the Workers’ Museum was invited to document the relocation process. Concept development, design, product development, quality control, marketing, sales and administration continue to take place in Denmark. The production of the Flora Danica Collection as well as the production of original moulds and models for use in Thailand is also placed in Denmark. In all, Royal Copenhagen has about 800 employees worldwide today, of these about 100 employees in Denmark.

In 2013, Royal Copenhagen was sold to the Finnish company Fiskars. At that time, Royal Copenhagen was the only remaining company in the corporation Royal Scandinavia which was owned by the equity fund Axcel.

For many years, the 238 year old company was located in Smallegade in Frederiksberg, but the Danish production was moved to an industrial district in Glostrup in 2004. In the previous year, the factory in Thailand was opened as a joint venture with the Thai porcelain manufacturer Patra Porcelain,¹¹ but prior to that the company had long made use of foreign sub-suppliers, first in Europe and later in Asia.

Originally, the plan was to only produce newly developed products in Thailand and retain the remaining production in Denmark. The effort was concentrated on not transferring the production of existing products because *“moving a product from own production to foreign production and making an identical product requires as much development effort as it does to create a new one”*, as one of the involved decision-makers explained. Royal Copenhagen had experienced this already before the relocation to Glostrup and the opening of the factory in Thailand.

With the decision that all newly developed products were to be produced in Thailand, it was in a way also decided that production in Denmark would become smaller in time. One of the involved decision-makers perceived it as follows:

The likelihood of the old collections and gifts continuing to have the same appeal isn't that big. Things have a way of going out of style. So at that time we already knew that the location in Glostrup wouldn't be with a view to expand over time, but would have a risk of continued reductions.

That came to be true, and over the nine years where Royal Copenhagen had its production in Glostrup, there were additional reductions. In 2009, the decision to transfer existing products to be produced at the Royal Copenhagen Thailand was made; but the final decision to close down production in Denmark was made much later.



Royal Copenhagen's factory in Glostrup was opened in 2004. Photo: The Workers' Museum.

The main reason for the decision to relocate was financial, while the greater closeness to the large and growing markets in Korea, Japan and Taiwan played a smaller role in the decision-making process. Apart from the financial benefits of relocating, which was widely agreed was crucial for the survival of the company, it was also perceived to be important that the relocation was to be to a country with a tradition of porcelain production where it would be possible to find a partner that produced porcelain at the same level as Royal Copenhagen. Especially the burning method was significant.

Another reason why it was important going to a country with a tradition of producing porcelain was that the company would get the opportunity to recruit people with the proper competencies instead of having to train every employee from scratch.¹² The opposite problem was also mentioned in the interviews. A manager explained that specialized painters in Denmark could have difficulties to find other jobs where they could still use their competencies. He explained:

What other opportunities are there then in Denmark, if they want to change jobs one day? There are none, not really [...] So it's a disadvantage when you remove a craft such as that from a country, then you're suddenly very vulnerable as the only company that still retains it.

Thailand was also chosen because there already were established Danish production companies and design companies, such as Pandora and Georg Jensen that were available for experience sharing; not least Georg Jensen which was part of Royal Scandinavia together with Royal Copenhagen up until 2012. Thailand was also selected because there is a relatively well-educated population where it was possible to hire painters with an artistic university education, which all things being equal would make training easier.

In the following, the focus will be on the different aspects of the specific relocation process to Thailand.

Relocating undocumented assets

Any definition of a word denoting an external thing must ultimately rely on pointing at such a thing. This naming-cum-pointing [...] conceals a gap to be bridged by an intelligent effort on the part of the person to whom we want to tell what the word means. Our message had left something behind that we could not tell, and its reception must rely on it that the person addressed will discover that which we have not been able to communicate.

This quote is from Michael Polanyi, the man behind the concept of tacit knowledge.¹³ He points out that there are non-explicit elements involved in knowledge transfer, and that "*we can know more than we can tell*".¹⁴ Polanyi's theories are often rendered in the research tradition that regards knowledge transfer, and a series of later theoreticians and practitioners have carried on his work with more or less keen distinction between tacit and explicit knowledge, organizational and individual knowledge along with 'knowing what' and 'knowing how'.¹⁵

All these conceptualisations of knowledge are relevant in relation to studies of relocation, which have shown that the planning of the physical move has a tendency to overshadow a focus on the individual and partially tacit knowledge, which for example resides in the production workers; meanwhile, there has been a tendency to focus on normal operational situations and forgetting the transfer of the knowledge that is attached to non-normal operational situations and problem solving.¹⁶ These tendencies were also present at Royal Copenhagen.

At Royal Copenhagen, the relocation of the production of existing products to Thailand was not an easy process; among other as the entities that were relocated were to a greater extend

competencies and knowledge - built up through decades at a very stable employee group - rather than well-defined and well-described processes.

It is kind of like we've been running along the beach with water in our hands, and if you go about it in this way [...] then that water will pour out if you're running for more than 5 metres. On the other hand, if you've just [...] defined it that much, then it's a jellyfish you have, and you'll get to your goal with the jellyfish. Perhaps it still needs adjusting and some work with structures etc. and it may have been done a bit better, but at least you'll have something.

The example with the jellyfish comes from one of the involved senior managers of the relocation. The person concerned elaborated further on his perception of the problems regarding a lack of documentation of the products in connection with the relocation process in this way:

Had we been more engineer minded and less arts and crafts minded, then we would have had these things in place, and a relocation would have been easier [...] Should it ever happen again that we were to move from Thailand to a different country, then we would need documentation, then we really need to go and get that. If you imagine a small container where everything is documented, where there are moulds and folders and pictures and all kinds of things, which you could set about and load up on a containership and sail for Vietnam, or wherever you want to produce next, because we simply didn't have enough of it documented.

The senior manager viewed the lack of documentation to be the biggest challenge of the relocation process, in that it first had to be defined how the products were made and then how the production could be moved.

Where the above shows a focus on making knowledge explicit through documentation of the daily production practice, putting the production on formula so to speak so that it became transportable, the concept of tacit knowledge spotlights the non-verbal practices and competencies which in practice make a complete documentation and one-to-one transfer impossible. That was also a point that many of the people involved with Royal Copenhagen's relocation were aware of. The production of the products were often described as an area where one cannot acquire the necessary competencies from a book, but as something that needs to be learned in other ways. What needed to be relocated was not only hardware and practices that could be documented, but also something more undefinable, which was not lessened by the fact that what was being moved were old traditions and complicated products, as it was expressed in an interview. In that process, Royal Copenhagen's experienced employees played a key part. A manager told:

On some of the hard-core stuff, like moving the equipment and the products, we've had some specialists, but then there are all the sensitive elements out and about. All that glue that make things fit together. I really think that has been the employees that we've had that have made this possible.

The employees also played a key part because one of the ways in which the relocation of competencies was handled was by having Danish employees in Thailand as instructors and Thai employees in Denmark for training. That required a great effort from the production workers whom in that way contributed constructively to a process that simultaneously discontinued their own work in Denmark. Naturally, this affected them. For example, one of them said that it was like "*taking a saw to the branch you were sitting on*", and she personally felt it had been difficult as there had been employees from Thailand for training; because when "*they left, it was like [...] they were taking our jobs with them*". When she later trained colleagues in Thailand, it made her feel better because "*then you kind of delivered it instead of them taking it.*"



As part of the relocation process, Royal Copenhagen had Danish employees in Thailand as instructors and Thai employees in Denmark for training. Here are two Thai employees being trained at the design room in the autumn of 2012. Photo: The Workers' Museum.

Strong emotions among the Danish employees were not only present in the final phase of the relocation process. One of the employees told us that she was thinking badly of her colleagues volunteering to travel to Thailand to train new colleagues at the time when the relocation process to Thailand started and the production in Denmark was still in Smallegade. She too used the expression that they were

kind of going out and giving our jobs away. But then it quickly became a habit. [...] Until we came here [to Glostrup]. Then they started to move out a bit, and a bit more. I think that was the point in time when you started to say, what [...] is going on here? What? They can't just move everything [...]. It's been rough.

The productions workers' active participation in regards to the relocation indicates a high degree of loyalty towards the company; and even though there was naturally some bitterness among the employees and frustration about e.g. hearing management talking about how well things were going in Thailand and for the company as a whole, while they themselves had received a dismissal notice, the general view was that the employees participated constructively in the relocation process.

Although employees made a great effort and management put much work into planning and much strenuous work was put into creating the missing documentation of production processes, there were quite a few surprises and unanticipated things along the way in the relocation process. An example was all the paperwork needed for Thai employees to be trained at the factory in Denmark. A manager explained:

That 'paper mill' one needs to go through really surprised us [...]. We knew the language barrier was there but we didn't think it would take long before we would all speak the same 'language', because it's handicraft and such. But it's just not that easy. Someone needs to interpret and that surprised us too. Then there are these low-tech things, which have surprised us a little. Because I think the big parts with moving equipment and moving productions and such that has pretty much gone according to schedule. But these more sensitive elements like transferring competencies and the training it takes [...], that has been pretty cumbersome.

The concept of tacit knowledge greatly emphasises the importance of paying attention to non-verbal practices; however the study of the relocation process also simultaneously showed that a verbalisation was a necessary prerequisite for the process of knowledge transfer. Despite the production process being characterised by crafts, it was not enough to simply show how to paint, to guide the Thai employees' hand etc. It was also necessary to have a common terminology, a common oral language. Consequently, on the initiative of the employees, one of the interpreters that were hired compiled a glossary which could be utilised in the training process.

The power of things

One thing is absent documentation of production processes, the question regarding transfer of knowledge and surprisingly low-tech problems in the process of relocation. Another problem was the technical difficulties that were a consequence of not only things such as colour, glaze and porcelain paste being different in Thailand from Denmark, but also the temperature and the water.

Where knowledge transfer and knowledge management are established research fields at the business schools, this material perspective is a more recent research area. Thus, the following is only to a lesser extent inspired by the social sciences and historical research in companies and business history and more generally inspired by materiality studies after 'the material turn', which points to the material things' often overlooked significance for practice.¹⁷

Royal Copenhagen's relocation of the production of existing products resulted in new challenges – in contrast to the first years in Thailand where only new developed products were being produced – because it was now an essential task to have the finished products made complete identical, regardless of whether they were produced in Denmark or Thailand. Here, even small material differences meant quite a lot. One challenge for example was that the porcelain paste produced in Thailand act differently than its Danish counterpart, meaning moulds etc. had to be altered in order for the end product to be even in size. The differences explicitly resulted in formulas and production methods that had been developed over many years in Denmark could not to be transferred unaltered to Thailand, and much innovation effort had to be used on the transfer of the production of existing products – exactly as the experience had been earlier in Smallegade.

Some of the technical difficulties could be foreseen, but some were never considered to become a difficulty. One example was the colour for the painting of the porcelain, which did not perform as expected. It turned out that it was due to the fact that the calcium content in the water differs from Thailand to Denmark. This difficulty was managed by adding acetic acid to the water.

The material differences meant, among other, that the Thai employees were not immediately able to transfer the knowledge they acquired in Denmark to Thailand. For instance, a correct machine setting in Denmark is not necessarily the same in Thailand due to the differences in the Danish and Thai porcelain. One of the Danish painters that trained their Thai colleagues told about one of the Thai instructors who had been trained in Denmark:

Our colour is very different. Our cages look a bit different. Our goods are different. So when she came back [to Thailand], then it was very different for her because it didn't turn out as it did here in Denmark [...]. When I came down there [to Thailand], I had to start out by figuring out how to put on the colour, spray it on, how deep, how thin, how loose it was, how firm it was and stuff like that, until we were able to say that now it is fairly okay. There are many things that are a bit different that you need to figure out before you can kind of get on with your work. So[...] even though she [the thai instructor] had been up here [in Denmark] she was starting from scratch when she started down there [in Thailand], because it was so completely different.

The challenges caused by the material differences between Denmark and Thailand were solved due to the experienced Danish employees' competencies and knowledge of material.

Can DNA be relocated?

The above was about relocating what is obviously attached to the production process itself that is to say technology and competencies. At Royal Copenhagen they also wanted to transfer an attached culture and identity, which in several interviews were referred to as the DNA of the company.

On the basis of case studies, Erik Skov Madsen, Jens O. Riis and Brian Vejrum Waehrens have compiled a model for setting up transfers and developing knowledge at a transfer of production. For them, DNA understood as comprehension of the company (products, culture, and history) is one of four competence elements, which is to be transferred in connection with the relocation of production. The other elements are general industrial knowledge and skills, specific job skills along with systemic knowledge (planning, quality, management). They noted in their research that to implant DNA in new employees, e.g. values in the manner with which employees are appreciated or a certain environmental awareness, was something companies generally emphasised.¹⁸

The expression 'DNA' appeared several times in interviews with managers and employees at Royal Copenhagen. The concept somehow revolved around the brand, the history, the company culture and being Danish; though it was not meaning the same to everybody. Among some of the employees the solidarity between colleagues was a major component of the DNA, including a tradition for labour movement commitment and labour disputes.¹⁹

One of the elements of the DNA that was obvious in the interview study was a perception of the company as being very Danish, regardless of the production moving abroad and that the company in 2013 became Finnish owned.²⁰ Thus, one of the matters that were significant in the relocation process was to create a factory that was as Danish as possible in Thailand. A manager explained:

It really is a Danish factory. It's not some sweatshop in southern China that just at all hazards has to push through with products that are fairly similar to our products at a cheap price. That's not it at all. This is a really nice factory. It is employee relations. It is the understanding of Danishness at the factory, whether it be from the Dannebrog hanging down there or be it pictures of our factory here in Denmark; in fact you can see how it looked in the past and how things were made. Everything have been Danicized as much as possible. Yes, even wall decorations etc. Kind of to instil a Danish mind-set down there.

The different departments – design room, plaque room etc. – in Thailand were to a certain extent set up as copies of the Danish ones, and a lot of tools and machinery were also moved from Denmark to Thailand. However, there were also things that were chosen to be handled differently in Thailand, but the overall image was that there was a desire to create a copy of the Danish factory, including transferring Danish values. Thus, Danes were also hired to manage the factory out of a desire to continue some of the traditions from Royal Copenhagen's Danish factory. As a manager said: "*remaining Danish [...] is incredibly important*".

Apart from the Danishness as an important component of the DNA, the company culture at Royal Copenhagen also took up a lot of space in the awareness of both management and production workers, where the arts and craft minded traditions, the pride in the products (the brand) and the long history were emphasised as important parameters. One of the ways in which they wanted to



The plaque room in Thailand closely resembles the one in Denmark. The photography is from the Danish factory in 2013. Photo: The Workers' Museum.

preserve the culture of the company was by establishing the Competence Centre in Denmark with experienced production workers hired, so they could *“be sure that the basic values concerning porcelain, they are still embedded in our own organisation”*, as one of the involved decision-makers explained. As mentioned, product development, design and production of original moulds continues to take place in Denmark.

When it came to the factory in Thailand, a company culture was viewed as being something you build up, and it meant a great deal to the Danish production workers that were involved with the relocation that they in some way were able to transfer their pride of work to the Thai colleagues. They did not only wish to transfer *“the professional qualification part”*, because *“when you make these arts and craft items – all of our items are handmade – then it’s not only the professional qualification [...] The pride around the work each employees carry out is a very important part of it,”* as a manager told. The Danish employees hoped that the blue waves, Royal Copenhagen’s famous stamp, would eventually become an intrinsic value of their Thai colleagues, but regarded it as a lengthy process because as one of them said of the Thai employees: *“they spend a lot of energy right now just understanding and making it. So the part about caring for it and thinking that this is a part of me, will probably take some time”*.

Many reflected on the fact that it might not be very easy for the Thai colleagues to gain the same pride over the product as the Danish employees had, as they would not gain the same

recognition in the surrounding community for working with that specific product. Where working for Royal Copenhagen in Denmark is perceived to be working with the Danish cultural heritage, it is not in the same way a part of the Thai cultural heritage, and Thailand is actually not a very large market for Royal Copenhagen's products contrary to e.g. Japan and Korea.

Apart from the Danishness and a distinctive company culture, quality was yet another of those elements that was verbalised as an important component of the DNA. Maintaining the quality of the products and perhaps even improving quality was regarded as a must at the relocation. A manager explained:

It's a Danish old treasure of a company, which no longer produces its product 100 % in Denmark. As an individual you take this as a small defeat. But the advantages are [...] that you can preserve the products and you can preserve the company, without having to compromise the professional quality.

But quality like DNA is not always an unambiguous concept, which a discussion about how precise a pattern should be painted and whether precision is an expression of quality showed. A manager explained:

At first, the story [among the Danish painters] was that they could not do it precisely enough [at Royal Copenhagen Thailand]. That it was too individual [...]. Then, when it was discovered that they were actually doing it very precisely that was the problem.

Another thing that took up a lot of space in the verbalisation of Royal Copenhagen's DNA was the history of the company, but in a very different way with different actors. In the management and in its closely attached functions, it was the story about working in a 238 year old company and the history of Denmark's cultural heritage dimensions that counted. In contrast to the management, where there have been relatively frequent changes in positions, the production workers had typically been at the company for a long time and it was just as much an individual story and sometimes also a family story about the everyday at the factory, right from a nap on the porcelain shelves back then in Smallegade to recollections about strikes, gags, colleagues and anniversaries that were important components of the history.

In Royal Copenhagen Thailand as well, the company's history played a big part. For one of the employees that visited Denmark, it was for instance important to have gained an insight into the history of the company by seeing the products of the first collections, but she also verbalised herself as being 'third generation' in Royal Copenhagen Thailand. Royal Copenhagen Thailand also had its own and now more than 10 year history

The fact that the history played such a major part at Royal Copenhagen is consistent with other research that shows that the past (the memory of the organisation) has great significance for companies, not least in transitional periods, where the identity is up for discussion. The memory may either be written, oral or material, and the significance of all three types of memory was evident at Royal Copenhagen.²¹ The history was especially alive orally, for example by way of stories from the company in Smallegade; the company actively used its long history in writing for instance in connection with the branding, and the company is packed with objects showing the past, e.g. painted anniversary shields on the walls and old moulds and products. The history has such great significance that relatively much effort was put into ensuring that it was not lost in connection with the relocation. For example, a large historical collection was handed over to the Ceramics Museum, and an approach was made towards the Workers' Museum with a desire to have the company documented.

Company historian Per H. Hansen has concentrated a large part of his research on showing how historical narratives can both function as a resource for organisations as well as a disadvantage

that creates path dependency²² At Royal Copenhagen, it was obvious that the company's history played a major role in framing for example what was considered acceptable actions, including the choice of setup in Thailand.

The challenges of culture encounters

Though there was a fundamental desire to transfer the company culture from Royal Copenhagen's Danish factory to its Thai counterpart, the company culture at the factory in Thailand was naturally influenced by the norm of the Thai society where the labour market is among other characterised by more hierarchy, patriarchy and longer working hours.²³

Those cultural differences that the interviewed Danes expressed regarding their working relationship with Thai colleagues were quite typical for Danes working with Asians.²⁴ The Danes generally experienced the Thai employees as less independent in their performance of assignments, less inclined to express criticism and less confrontational in their conflict management, for better or worse. As a manager expressed in a comparison of Danes and Asians:

The Danes, they always have to have the last word one way or the other. Not in that they always want to call the shots, but they always have to add what they think, and the Japanese do not, nor do the Koreans or the Taiwanese for that matter, because they are more careful with their words than we Danes are.



Royal Copenhagen started its production in Thailand in 2004. Here, a dish is being quality-tested in March 2013. Photo: The Workers' Museum.

The experienced language barriers were also typical for Danes working in or with Asia. At Royal Copenhagen the difficulty regarding language was increased by the fact that it was first after a while that the Danish painters training the Thai painting instructors were equipped with an interpreter. When interpreters were introduced it not only helped the linguistic understanding, but also the cultural. One of the Danish instructors explained:

We have a lot of laughs with them, but it was so obvious that it helped when the interpreter came along [...]. He was able to build the bridge that was missing. And we were able to say the things that needed saying, which he could then translate. That was really nice.

It was a change from before, where it in more ways than one had been difficult to understand the Thai colleagues. The employee further explained:

In the beginning, we felt it was a hard uphill battle, and we couldn't understand why they just couldn't understand us [...]. But it's not straight forward. They have a culture. They would rather not take responsibility, so if they are able to pawn it off to somebody else, then that's better. We need to teach the instructors to take responsibility, and that's been a bit difficult.

Another form of cultural bridge building was to have Danes expatriated; Danes that were well known to the people in the head office in Denmark and able to function as receivers of the production abroad. At Royal Copenhagen there were placed people in the factory's management team that knew the company in Denmark.

Separated by time and space

At Royal Copenhagen, the relocation process to Thailand was a drawn-out affair, and it was not at all the first international experiences they had. For one, the company had previous experience with production at foreign suppliers; secondly, Royal Copenhagen had for long had large markets in other parts of the world and were for example used to collaborate with the sales department in Japan. One of the involved managers explained:

There are actually a lot a practical things in that collaboration, and some of them are there by virtue of the fact that we cannot just go up to each other and tap on the shoulder by the desk and say, what are we going to do here, and then it becomes sort of a little more formalised process.

The same problems entered the relationship between product development in Denmark and the production in Thailand with the relocation of the final part of the production. Another manager explained:

When, for example, you develop new products, it's really easy for a developer to go to the production area and ask: Can we make one of these? [... To ask], can it be done and can't it be done? And suddenly we can't do that. That's when you need to get another working process, and it's clear that it takes a little getting used to so when production is 8,500 kilometres away from the people developing products. You need to have entirely different processes up and running [...] It just requires that you are ahead and that you get it defined.

Additionally, the process regarding the solution of production issues became different:

It takes quite a lot more communication. [...] That's for sure. Thailand is far away, and you don't just step into the production area and see, oh there it is, there's the problem. And go back and make a plan for how to fix it. You have to take a meeting that fits in with the time difference, which has the right people present, make sure to coordinate it in advance. It may take a day or two or three etc. before you then sit across from colleagues which may come from a different culture.

Generally, the relocation in many ways requires a discipline and planning which we in the Danish culture may not always be adept at handling. One of the involved decision-makers at Royal Copenhagen explained:

The disadvantages [of relocation] are first and foremost that it requires massive amounts of self-discipline. If you don't have processes and structures that work, it will be nothing but complaining and misery, and then it's always somebody else's fault. And that goes for the entire value chain, right from the product development and to the products on the shelves in the stores. The entire chain needs to be optimised, and the processes need to be well-defined, and people need to adhere to them. We aren't that good at that in this country because it is always more fun to do things a bit differently [...] You can't count on somebody coming along in a last-minute rescue out there, like, them thinking and saying, well this can't be on purpose [...] There, you do what you are told to do.

The last part of the quote point to the fact that there is a cultural difference between Danish culture and Thai culture when it comes to power distance and individualism to use some of the cultural dimensions in Geert Hofstede's famous model of cultural differences based on a survey of IBM.²⁵

One thing is the daily practical issues that go with the new geographical distance. Another is the more long-term consequences of the separation of production and product development, including less people in Denmark with a detailed knowledge of the production. In his study of the development of the textile industry, business historian Kristoffer Jensen pointed out that the Danish clothing industry no longer having direct touch with e.g. the development in fabric quality and production processes, as they once had when the production was located in Denmark, may eventually challenge the ability to innovate.²⁶ In a newspaper comment about Royal Copenhagen and other design companies' relocation, under the headline "Danish design – Made Somewhere Else",²⁷ that same problem was somewhat touched upon as the combination of the craft minded knowledge and the wild ideas of the designers was viewed as one of the cornerstones of the success of Danish design. As a result the newspaper comment was worrisome that design companies were relocating their production.

In the interviews at Royal Copenhagen, the challenges was not verbalised much; it was mentioned, however, but more as a problem for Denmark than for the company, because the new centre of competence is regarded as the core of the development work, and it is not expected that the factory in Thailand will have significant influence on that. A manager told:

What has been the biggest joy and of the greatest benefit to the company here, has been to meet some of the employees that have spent their working life at Royal Copenhagen [...] The people that have touched me the most and that I have learned the most from are many of the people that have put up their entire working life here. And I admire them for it, but they have also really, really moved me with their professionalism. [They] know their craft [...] That's what's a loss for Denmark. Not that it's a workplace for 6,000 people or 500, but that there's a certain critical mass of people that masters a skill, a craft, have experience, a nuanced approach, which is sublime, and which should carry on from generation to generation, and which is important for Denmark.

Not only the company's managers and employees verbalised the closure as a loss for Denmark, but also the production workers referred to their layoff as a national loss equal to a personal loss.



Royal Copenhagen Thailand, 2013. Photo: Royal Copenhagen.

The suburbs first, then Thailand

When the Workers' Museum in 2013 was present at Royal Copenhagen to document the relocation of production in Glostrup, clear parallels and differences were evident between this relocation and the relocation of production to Glostrup just under 10 years ago. For many of those employees that were interviewed, the first relocation was the biggest change in their working life. The days in Smallegade were surrounded by a certain nostalgic light, and the factory there was verbalised as cosy but old-fashioned.

In regards to the production layout, the two relocations were opposites in the way that at the first relocation focus was on fundamental change of the production layout, while at the other relocation there was a desire to maintain much of the existing and for instance set-up the production more or less the way it was in Denmark. When different solution was chosen, it was due to contextual differences such as climate. When at the first relocation, there was a desire to establish something radically different placed few kilometres away, it was on the contrary a desire at the other relocation to fundamentally create a copy thousands of kilometres away.

In connection with the relocation to Glostrup, lean principles and teamwork were introduced, and the painters went from piecework wages to hourly wages; while at the same time, a greater flexibility in production was achieved by training the employees in a wider range of duties. 'Rooms' were replaced with production halls, and the production times were reduced massively by among others introducing a higher level of automation and minimizing transport times. In short,

production equipment, forms of collaboration, organisation of work, wage structures and much else was altered; but not least there was a substantial reduction in the number of employees. Thereby a great yearly cost saving was achieved.

In connection with the relocation of production to Thailand, it was decided that the Thai employees should not be trained to be as flexible as the employees in Glostrup and be able to go from work assignment to work assignment, but instead they should be trained to be specialists. The production was once again more process divided, and thereby the production in Thailand was at that point and to a higher degree made to resemble the production in Smallegade than in Glostrup.

A parallel between the production in Smallegade and in Thailand is also the more hierarchical structure. In Glostrup, everyone “*had a say in what to do, where before [in Smallegade] everything was being told. Now you are going to do this and that*”, as a manager explained. In connection with the move to Glostrup, this actually meant that some of the employees were at first uncomfortable with having to take responsibility, because they did not believe they could when being asked for example to be team leaders. The return to a more hierarchical structure in connection with the relocation to Thailand meant that some of the Danish employees perceived the work in Thailand as being more old-fashioned than in Denmark because it is not team based but characterised by employees “*doing what they are told*”, as a manager told.

On the surface, the two relocations had similarities in the shape of layoffs; however, in connection with the relocation to Glostrup, it was only a question of reduction; in connection with the relocation to Thailand, new employees were hired, it was simply on the other side of the globe.

The comparison of the two relocations points to it not being the geographical distance between the two addresses that has the greatest significance on choosing to create a radically different production or not; specifically, a lot more people were for example laid-off at Royal Copenhagen in connection with the relocation from Smallegade to Glostrup than what was the case with the relocation to Thailand.

Further comparative studies of the industrial relocation from city centres to industrial districts compared with the relocation from industrial districts to Asia could be an exciting research area to take up, as it may contribute to point to what is distinctive to relocating in relation to other processes of change, including country internal relocations and mergers in companies; unfortunately, it is not within the framework of this article.

From relocation process to geographically distributed company

Had the Workers’ Museum in 2013 only studied an example of a relocation process as that of Royal Copenhagen, the above may have given the impression that transfer of competencies, solving of technical issues, handling of differences in culture and establishing a (new) company culture are processes that are finalised once and for all when a Danish company relocates its production to Asia. In another study with focus on Danish production units in China, it was, however, clear that the challenges continue when the relocation process itself is completed.

At the exact time of Royal Copenhagen’s relocation of its last parts of its production to Thailand, two Danish historians, Kristoffer Jensen from the Industrial Museum in Horsens and Louise Skyggebjerg from the Workers’ Museum, visited four Danish companies’ production units in China and the head offices in Denmark (Grundfos, Maersk Container Industry (MCI), RMG Steel and Fiberline). They were companies that had long ago overcome the challenges of the relocating process itself. There the act of functioning well in a geographically distributed company with a head office and perhaps also R&D in Denmark and the production in Asia had become ordinary.



At Fiberline in China photos of Queen Margrethe II of Denmark visiting the factory in Denmark is decorating the wall at the entrance. Photo: The Workers' Museum.

The project searched for differences in Danish-owned companies' production plants and technology in China and in Denmark, and it focused on the Danish companies' handling of the different framework conditions, including differences in culture. The project especially pointed to the high degree in which Danish companies aspire to establish 'Danish' production units in China.²⁸ When e.g. Grundfos sets up abroad, they go to great lengths in creating copies of existing factories:

When we set up, then we set up, like we were going to build a factory in Bjerringbro or Hungary. All the stuff about how the factory looks, you won't be able to see a lot of differences in the way the factory looks here. Thus, we're signalling much more than simply with words; that's how we want it to be, and this is something you must take care of, and it has to be to this standard. It sends a very clear signal. Buildings fill up with people, and it is clear that they can't from day one have a Grundfos culture, but in that we normally have somebody from the other Grundfos companies, then they help in creating this Grundfos culture and our values. That obviously takes time.

At Grundfos they like in other of the companies in the interview projects had pictures from the Danish factory and the companies' Danish history hanging on the walls at its Asian factory. However, not all Danish companies want to build Danish copies in Asia. As a consultant that was interviewed in connection with the China Project expressed:

There are some that so to speak says, well we're coming to China and we have the same code of conduct [...] we're taking everything with us from Denmark. That's what some companies do. And then there are the others, those that sit down and say, we are making a Chinese set-up and we want practically no interference from Denmark. They can send some financial figures, but that's it. The rest, we are handling in Chinese fashion with a Chinese management style, with Chinese working conditions etc.

The companies' choice of strategy depends, among other, on the profit margin of the products as well as some brands being more sensitive to stories about poor working conditions at an Asian factory than others. At MCI they are still deeply frustrated about the – from the company's point of view – unfair treatment in Danish media in connection with accusations regarding poor working conditions at their South China container factory in 2009; however it did not have any impact on the company's sales. Had a similar story – true or not – hit a high profile business-to-consumer company it would not only have led to frustration, it would likely have had disastrous consequences earnings-wise. A business-to-consumer company with a high profile quality brand that was asked to participate in the China study did not want to participate for example because they “[had] *predominately seen misinterpretations and misleading generalisations of both our and the general 'production state' in China.*”²⁹

Generally, the China Project showed that the competitiveness suffer when wanting to maintain Danish standards at a factory in China, but that it is something Danish companies often want to do because it is closely linked with their identity and self-image.³⁰



A container is being tested. Maersk Container Industry has their R&D department in Denmark. MCI has two factories in China. One more is opening up in Chile soon. Photo: The Workers' Museum.

Losing touch

The China Project showed that the separation of production and R&D was something that had to be constantly dealt with in the everyday, and was something that created different working conditions for the developers. At MCI, who no longer produces in Denmark, it was typical for the developers - who were used to having the production right next door - to perceive having the production on the other side of the globe much differently:

It's more abstract than if the factory was right outside my window. It has both an advantage and a disadvantage. I may lack touch; on the other hand, it may be easier for me to maintain control of the situation and concentrate on the long-term goals, as I don't need to worry about being told-off at lunch by the guy whose work assignments are being changed by my ideas.

The lack of touch could among other consist of losing the sense of what it means to have a running production. It could be a matter of it being long ago that the production was right next door; but it was an even bigger issue when dealing with completely new people not having tried to work close to a production:

There are quite a few people here in Tinglev who don't know what a production is. And you don't need that at all positions, [...] but it's healthy for an organisation with that feel that a production provides, because a production just needs to run, and I miss that feeling, even though it works without it.

The geographical separation demanded a high degree of precision and structure in the collaboration:

A thousand times we've received a drawing from Denmark, and a thousand times we responded, what is it you want? And then they sit in Tinglev and think can't you just, and no we just can't. We can't just think of something or take something from the storeroom, because we don't have a billion screws in store. When we need a screw, it's something we need to go out and buy, and when we're going to buy a screw it damn well better be the right one. Does it need to be stainless? How long does it need to be? What degree of pressure most it be able to withstand?

The challenge was not perceived as being smaller on the other side of the globe:

Perhaps because they had problems in Tinglev, where they said I would like to make some of this, and then we try this, and then we'll go talk to them in the workshop. And we'll try it and make a prototype, and then you come back with some information that you write on your drawing, so the drawing gets better and better while you go back and forth a few times. It's kind of like they've forgotten that they've gone back and forth on it four or five times before. Now they can't go back and forth, so they just send the drawing to China and they make it there. But it also has to go back and forth four times. And that takes even longer and is more complicated, and people need to correspond in English and that creates a lot of misunderstandings. And there is a sense of: Why do you have to make it so difficult for us? Why don't you just go and figure this and that out?



Grundfos has many factories around the world. The photography is from Suzhou in China. Photo: The Workers' Museum.

Cultural bridge builders

The project concerning Danish production in China showed that it continued to be typical to place people in Asia whom were known from Denmark. For example, it was typical at MCI that part of the expatriated people in China were former employees in Denmark that were personally known and therefore all thing considered were easier to communicate with.

Generally, in the China Project many pointed out the personal familiarity and meetings as a determining factor for the communication across the globe and the necessary in a relatively high travel frequency between the countries. Videoconferences, telephone and mails were frequently used, but it definitely worked better when the involved partners had met one another beforehand and when they were aware of the differences in culture, for example regarding how mails were read and understood.³¹

It's important having communication in the shape of videoconferences, in the shape of Skype conferences or just regular telephone very, very frequently all the time in order to decode [...], what is said between the lines here. And you typically can't read that in an e-mail. You can hear, or you'll learn [...], what he didn't say before. And what he didn't say is typically what you need to pay attention to in a conversation in order to figure out what's the crux of the matter.

Another challenge was tackling the constant culture encounters. Generally, the China Project showed that expatriated Danes along with people with dual cultural background played key roles as cultural bridge builders. At the same time, it was the expatriated that were facing the brunt of the challenges of the cultural encounters, and they could sometimes feel that the people in Denmark were very far away and relatively incomprehending towards some of the problems of the day-to-day situation.³²

Multiple actors

Is being actors exclusive to people? Or can things act? Those are some of the issues being discussed in academia in the wake of 'the material turn'. In actor-network theory, it is for instance normal to recognise non-human actors and on the whole not operate with a sharp divide between the non-human and the human. The above study showed that even small material differences in for example raw materials matter in the way in which a relocation is practiced, which contribute to create an unpredictability in the process and more generally points to the fact that the dream of moving a production just by having adequate documentation in a container is never going to be realised in practice.

Another way in which the material played a part was through the buildings, where especially Grundfos were aware of the buildings' framing effect.³³ Another partially material actor type that the study pointed to was the available mediums of communication. The choice of medium of communication had a vital significance in relation to the success of the communication; thus, airplanes, the Internet and telephones became particularly important actors in the geographically distributed company.

Beyond the various material actors, there was also an important human actor type in the cultural bridge builders, which for instance could be expatriated Danes and people with dual cultural background. The China Project showed how the culture at the Danish part of the company influenced the Asian part of the company, which is far from the same as the culture being transferred one-to-one from a Danish to an Asian context. In other words, the studies revealed that also national cultures that meet and the company culture are essential actor types in connection with the way in which a relocation is practiced.³⁴

Finally, the stories told in the companies were also particularly important actors. Basic narratives about a relocation of production being the only chance of survival was e.g. at several of the involved companies particularly powerful actors.

Conclusion

The inclusion of the everyday perspective on relocation as a supplement to the research dealing with the more macro-historical and strategic perspectives opens up to perceiving relocation of companies as a far more complicated process than a question of value chains and placement of production workplaces. With that, the field of significant actors in the process is also spread more wide out. The studies of relocation as a moving process and as a permanent state indicate the significance of both human actors as e.g. cultural bridge builders, material actors as raw materials and buildings as well as immaterial actors such as 'Danishness' and the history of the company. Naturally, it is only the first actor type which is able to act consciously and intentionally, though

they are all actors in the sense that they have pivotal and often unpredictable significance on the way in which companies' relocation process is practiced and can be practised.

The perspective in terms of time is also spread out when the relocation is seen from an everyday perspective. Relocation is not only a moving process that begins with a managerial decision and ends with the celebration of the opening of a new factory in Asia; it becomes a continuous process with no end but with changes along the way. For example, in the studies, there is a lot to suggest that within those companies that have decided to separate production and R&D - and where the communication between product development and production staff is already perceived as a relatively complicated process due to the distance and the involved cultural encounters - the process will be further complicated when the organisation in Denmark can no longer recall having the production close by, and no longer will be able to place know recipients on the other side of the globe. Differences in culture is a challenge in the relocation process itself but also continually, especially for the expatriates that must keep production going far from a Danish head office, which may have partially forgotten what that means, and in a society that is essentially different from the Danish.

For the involved companies in the study, it was important to maintain some form of 'Danishness' regardless of the fact that production was taking place in Asia. That applied both when Danishness was an integral part of the brand in a sensitive consumer market, and in the companies that produced less sensitive business-to-business products and could have a competitive advantage in being more Asian in the set-up. In that way, the companies' Danish roots and history had great significance for the way in which they acted. Danish values were an important identity related parameter, not only to the external brand but also to the company culture. In other words, the national cultures, the company cultures as well as the attached narratives greatly influenced the companies' action pattern.

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Notes

¹ Cf. White: *Metahistory*. According to Hayden White, history is generally written with a plot structure as comedy, tragedy, satire or romance, and in that light it is fair to say that the story of globalisation – perhaps especially by journalists – has been written as a tragedy.

² The original headline in Danish read: "Jobfesten rykker til udlandet". *Politiken*: Jobfesten 20.03.2013

³ Danmarks Statistik: *Hver femte er ansat*

⁴ Danmarks Statistik: *Flere mellemstore virksomheder*

⁵ Jones: *Globalization*

⁶ Jensen: *Da beklædningsindustri blev modeindustri*, pp. 186-188

⁷ Olesen: *Fugl Fønix?* Moreover, also cf. in *Erhvervshistorisk Årbog* 2013 (2), which was a feature issue about Danish business history after 1970.

⁸ Cf. e.g., Arlbjørn et al.: *Danske producenteres udflytning*

⁹ Latour: *On recalling ANT* p. 20

¹⁰ Cf. e.g. Mol: *The Body Multiple*. In this, Mol deals with arteriosclerosis as a multiple phenomenon.

¹¹ Patra Porcelain owns 40 % and Royal Copenhagen owns 60 % of the company Royal Copenhagen (Thailand) Ltd. Larger additions to the factory was opened in 2010 and 2012, and in 2013 there were 322 employees.

¹² Thereby, they were once again a part of a porcelain industry branch, if not a cluster in the Michael E. Porter sense.

¹³ Polanyi: *The Tacit Dimension*, p. 5-6

¹⁴ Polanyi: *The Tacit Dimension*, p. 4

¹⁵ This for instance applies to Tina Chini who has studied knowledge transfer in multinational companies. Chini: *Effective knowledge transfer*

¹⁶ Madsen et al: *Overførsel af viden*

¹⁷ Cf. e.g., Damsholt et al.: *Materialiseringer*, Orlikowski: *Material knowing*; Carlile et al.: *How Matter Matters*; Skyggebjerg: *Teknologi som forskelle*

¹⁸ Madsen et al: *Overførsel af viden*, pp. 44-47. DNA is also a typical metaphor used in branding processes (Mordhorst: *Nation-branding og nationalstaten*, p. 34)

¹⁹ The 1976 porcelain strike is a well known example. The Workers' Museum has painted paper plates which were painted on that occasion on display as part of the museum's permanent exhibition.

²⁰ A study of the Danish company Hjem IS in 2009 showed that the company was perceived Danish despite being Swedish owned since 2002 (Slyngborg: *Hjem IS i Esbjerg*).

²¹ About organisational memory and its significance for companies' identity formation, cf. Schultz and Hernes: *Et organisationsteoretisk perspektiv*

²² See, e.g., Hansen: *Organizational Culture and Organizational Change*. The approach is also utilised by others, see e.g., Sørensen: *Arbejdernes Fællesbagerier*. Per H. Hansen himself refers in his article to Karl Weick's statement that the companies develop a "trained incapacity to see the world differently" (Here quoted from Hansen: *Organizational Culture and Organizational Change* p. 924)

²³ See the labour laws of Thailand for details about working hours.

²⁴ Geert Hofstede's model of differences in culture, which was developed on the basis of his study of IBM's departments across the world, showed great differences between countries such as Denmark and Asian countries such as China, for example regarding power distance (Hofstede: *Culture's Consequences*. See also www.geert-hofstede.com). More recent research in differences in culture has nuanced the model, which among other is criticised for reducing each country to having a single culture instead of perceiving culture as "a contextually negotiated content" (Gertsen et al.: *Intercultural Experiences* p. 5).

²⁵ <http://geert-hofstede.com/thailand.html> (landesammenligning mellem Danmark og Thailand)

²⁶ Jensen: *Da beklædningsindustri blev modeindustri*, p. 188

²⁷ *Politiken*: Dansk design 18.11.2012

²⁸ Skyggebjerg and Jensen: *Dansk produktion i Kina*

²⁹ Mail sent to the researchers behind the China Project on 14/5 2013

³⁰ Skyggebjerg and Jensen: *Dansk produktion i Kina*

³¹ There is a great research tradition regarding communication and the significance of communication media. Cf. e.g., the so-called "media richness theory" (Daft og Lengel: *Information Richness*), cf. also research literature specifically about cross-cultural use of mail (cf. e.g., Ross: *Electronic Communications* and Holtbrügge et al: *Cultural determinants of email*)

³² Cf. also Stougaard: *Lokale syn på globale horisonter* and Zølner: *Dilemmas of Expatriate Managers*

³³ In that context, the anthropologist Daniel Miller talks about the humility of things: *There is a natural humility to things, in that they work best as the frame that guides our sense of what is appropriate, rather than as things we pay regard to in their own right. This tendency can make stuff quite powerful when put into the service of ideology [...] Things do things to us, and not just the things we want them to do* (Miller: *Stuff* pp. 82 and 94)

³⁴ The interaction between values also has great significance. A Danish research project focussing on multinational companies concluded that "when values are uprooted and moved to a different cultural context, they take on new meanings in interaction with local assumptions, behaviours and practices" (Gertsen and Zølner: *Reception and Recontextualization* p. 138). The values of the company are reinterpreted and given new meaning by the local employees in the local context.