The Hope for Shareholder Value

An in-depth case study on how financialization is manifested as managerial promises of future shareholder value creation, even when there is no external pressure

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Abstract:

This thesis draws upon an in-depth case study of Atlas Copco's reorganization through a demerger of its Mining and Rock Excavation Technique business area into two separately listed entities (Atlas Copco and Epiroc). Through interviews with the senior executives initiating and participating in the demerger, in combination with owner representatives, business journalists, and financial analysts following the companies, this study sought to explore how financialization is manifested in managerial promises of future shareholder value creation. The study findings nuance previous literature through the observations that the structural reorganization sought to ensure focused boards and management teams in order to maintain optimal horizontal processes in the respective firms. Thus, our findings open for debate whether the short-term shareholder value primacy emphasized in the financialization literature prevails as the focal point advocated by public corporations. We further argue for a contrast with the previous financialization domain's discourse of reactive reorganization, where companies have largely been thought to be managed by the markets, while the case study indicated how the firm rather appeared to 'instruct' external actors on how to interpret the communicated value drivers. Finally, it is suggested that the case company may have been able to utilize its historical track record of strong financial performance when it initiated a transaction largely built upon promissory aspects in the value rationales, and that this promissory decision could yield an effect on others rather than the company itself.

Keywords:

Financialization, governmentality, promissory economy, shareholder value, senior executives

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1. Introduction

The entrance of financialization and "shareholderism" during the 1980s and 1990s established a rhetoric of shareholder value and redefined the notion of what was to be considered sound corporate conduct and efficient organizational structures (Froud et al., 2006, Ch. 1 & Ch. 3; Froud et al., 2000a; Froud et al., 2000b). As a consequence, a wave of divestments followed when "non-core" businesses were to be sacrificed as managers restructured their companies for the purpose of delivering shareholder value (Ezzamel et al., 2008; Landelius & Treffner 1998; Fligstein, 1993 Ch. 8 & 9; Prahalad & Hamel, 1990). These transactions sought to realize the widely studied structural valuation discounts faced by underperforming conglomerates, inspired by the managerial self-interest expressed by agency theory (Goedhart et al., 2015, Ch. 28; Kengelbach et al., 2014; Ozbas & Scharfstein, 2010; Martin & Sayrak, 2003; Campa & Kedia, 2002; Rajan et al., 2000; Shin & Stulz, 1998 Landelius & Treffner, 1998, Ch. 8; Easterbrook & Fischel, 1989; Jensen & Meckling, 1976).

Managers and their firms had to be put under strict monitoring to ensure they engaged in the utopia of shareholder value creation. Institutional ownership grew in importance and with that, a short-term focus on financial performance was established, where business areas were obliged to contribute to the short-run share price performance or be eliminated (Goedhart et al., 2015, Ch. 28; Cushen 2013; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006; Holland, 2002; Kelly, 2001, Ch. 4; Barker, 1998; Holland, 1998a). To further facilitate the governing for shareholder value and the judgement of the public corporations as investment objects, managers were pressured to align with the division of labor amongst financial analysts, thus emphasizing the structural debate when demergers also sought to purify corporate identities and facilitate proper valuation by the capital market (Roberts et al., 2006; Gilson et al., 2001; Zuckerman, 2000; Scharfstein, 1998; Berger & Ofek, 1995).

Financialization had also transformed the role of accounting into a calculative discipline, which is able to define and measure shareholder value, exercising the demands of the external capital market audience by exporting the pressure downwards into the organization (Cushen, 2013; Kraus & Strömsten, 2012; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006; Froud et al., 2000a; Fligstein, 1993, Ch. 7), becoming a "master of the manager puppets". In addition, the disciplinary effects from financialization shaped managerial behavior to the degree where they engaged in an unattainable game of expectations (Froud et al., 2006, Ch. 4; Rappaport, 2006; Froud et al., 2000a). This created a situation where long-term ambitions were replaced with obligatory short-term targets, where meeting "the numbers" was insufficient, and where corporate restructuring became a last resort when managers desperately sought to outperform the high financial expectations set by the market (Cushen, 2013; Kraus & Strömsten, 2012; Ezzamel et al., 2008; Roberts et al., 2006; Froud et al., 2000b).

Thus, previous literature within the accounting domain on financialization and its view on organizational restructuring may be summarized into three phases: (1) complex structures translate into lagging profitability, (2) inadequate performance deprives shareholders of their justifiable residual claim and (3) public corporations are put under constant external pressure until bending and divesting themselves in order to realize the short-term values that are called upon. However, the tone in one of the most notable demerger transactions in recent years contrasted the previous divestment debates and even if shareholder value still was at the center of attention, the talk was not about short-term value realizations:

> *"This was not to be perceived as an ordinary spin-off, where companies have normally been subject to owner and stock market criticism, claiming that things can be managed better and that large amounts of value have been left on the table." (Hans-Ola Meyer)*

The nature of the Atlas Copco[1] (Atlas, the Group) demerger brings up the question of whether financialization has taken a new direction and if the short-term hunt for shareholder value through reorganization, that has been heavily emphasized by several authors in the current domain, continues to provide a fair and accurate representation on how the call for shareholder value manifests itself in managerial decision-making. Ezzamel et al. (2008) illustrated how the short-term manufacturing of shareholder value had been internalized as a *"whatever it takes"* mentality, decoupled from the long-term consequences the decisions could have. Adding to this, Kraus & Strömsten's (2012) studied how the long-term accounting commitments expressed in the prospectus of firms within IPO processes later were transformed into short-term financial targets by the financial analysts and how their impatience pushed the inexperienced firms into the direction of adhering to the "quarterly capitalism" of the stock market. In turn, Cushen (2013) and Roberts et al. (2006) outlined how various managerial corporate restructuring initiatives were applied in a desperate struggle to satiate the expectations of shareholders, built upon ever changing optimistic narratives on growth, cost cutting, and structural reorganization, providing promises of the financial values they could realize in the future.

However, we argue that the financialization domain has largely neglected the temporal aspects of decision-making that has been put forward in the literature on the promissory economy (e.g. Catasús et al., 2016 and Mouritsen & Kreiner, 2016) and how this manifests itself in the utopia of shareholder value creation. Thus, we see a need to investigate how the shareholder primacy[2] that has prevailed over the last 30+ years has evolved and whether it may be necessary to actualize temporal dimensions, where shareholder value becomes a manifestation of self-disciplined managerial promises of realizing financial value through the means of corporate restructuring. With regard to the proposed need to nuance the previous research in the area, the authors intend to approach the identified research issue by answering the following question:

"How is financialization manifested as managerial promises of future shareholder value creation, even when there is no external pressure?"

In order to answer the research question, a single in-depth qualitative case study has been carried out, and by studying the demerger of the Atlas Copco Group, we seek to investigate the expressions of unconventionality and temporal aspects of the shareholder value creation in the

[1] A large, leading industrial manufacturing company based in Sweden.
[2] Where shareholder value creation is prioritized above "everything else".

case, indicated in the quote above. The Atlas Copco Group was widely acknowledged for their decentralized organizational structure and appreciated by their shareholders through the deliverance of best-in-class profitability in all business areas, with several former Atlas executives managing sector colleagues to the company. The case study was able to look into the research issue from the inside thanks to access to the main architects behind one of the most notable demergers during the twenty-first century, along with additional perspectives of external capital markets actors, including several financial analysts and the CEO of the main shareholder. Thus, the study responds to various calls for more top-down research on how the emphasis of shareholder value is expressed by its architects within top management, how it is exported downwards in the organizations and finally, the incorporation of the view from capital market actors such as financial analysts and shareholders (Cushen, 2013; Kraus & Strömsten, 2012; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006).

The empirical findings derived from the case study were analyzed through a theoretical framework which combined "later Foucault" literature on "governmentality" (Goretzki, 2013; Mennicken & Miller, 2012; Armstrong, 1994; Miller & O'leary, 1987) along with accounting research within the "promissory economy" (Mouritsen & Kreiner, 2016; Catasús et al., 2016). The developed framework suggests that corporations may be subject to three distinct phases when responding to external, short-term shareholder value creation pressure induced by financialization: In the first phase, which aligns with the current accounting financialization domain, reactive reorganization is initiated as a direct response to the external pressure exercised by the capital market. In the second phase, the disciplinary régime of financialization becomes internalized and self-disciplined reorganization is initiated as an act to meet perceived short-term expectations in the market. In the third and final phase, the company is predicted to engage in anticipative reorganization based upon promised rationales of shareholder value creation unknown or not easily available to the external actors.

The case findings have nuanced previous literature by observing that the structural reorganization sought to ensure boards and management teams were focused in order to optimize the horizontal processes in the respective organizations. Thus, our findings open a debate on whether the short-term shareholder value primacy emphasized in the financialization literature continues to be the focal point advocated by public corporations. We further argue for a contrast to the previous financialization literature's reactive reorganization, where companies have largely been managed by the markets, while the case company rather appeared to "instruct" the external environment on how to interpret the firm's communicated value rationales. Finally, we suggest that the study indicated that the case company may have been able to utilize its strong track record for the initiation of a transaction built upon highly promissory aspects in the value creating rationales, and that this promissory decision could yield effect on others than the company itself.

2. Literature Review

In this section, a literature review will be provided, starting with a walk-through of the current financialization domain with focus on three target areas: How public corporations structure for shareholder value, how they are governed for shareholder value, and how accounting is used to measure for shareholder value. The section ends with an outline of this thesis' suggested theoretical framework.

2.1 Financialization and the Hunt for Shareholder Value

2.1.1 Financialization of Corporations - Structuring for Shareholder Value

Despite the criticism that has been put forward on agency theory concerning its far-reaching presumptions on rational human and corporate behavior (Cohen et al., 2008; McAnally et al., 2008; Bartov & Mohanram, 2004; Kunz & Pfaff, 2002; Baiman, 1990), the theorization of the corporation as a nexus of contracts (e.g. Jensen & Meckling, 1976; Easterbrook & Fischel, 1989) remains heavily influential on the accounting literature's envisage of the corporate body. In their paper, Jensen & Meckling (1976) reduced the corporation into being a *"legal fiction"*, an agent who needs to be disciplined and incentivized into the maximization of its principals' (shareholders') welfare, aligning its self-interest with that of the shareholders. Similar reasoning has been suggested by Easterbrook & Fischel (1989), stating that whoever wished to change corporate behavior had to modify the contract with the corporation through penalties, discouraging unwanted actions until the firm held the character sought by the penalizing clientele.

The utopian rhetoric and application of "shareholderism"[3] has prevailed since the entrance of financialization during the 1980s and 1990s (Froud et al., 2006, Ch. 1 & Ch. 3; Froud et al., 2000a) and the concept of the shareholder primacy may be sourced back to as early as a 1919 US Supreme Court case which concluded that:

> *"'A business corporation is organized and carried on primarily for the profit of the stockholders.'" (Kelly, 2001, Ch. 4)*

However, even though managerial embracement of financialization as a strategy, assimilating shareholder value as the primary objective of the corporation (Froud et al., 2006, Ch. 2), appears self-evident nowadays, shareholder orientation and the quest for value has varied over time. The 1960s-1970s were characterized by the rise of large diversified conglomerates, built upon growth by acquisitions, where corporations operated multi-industry business lines and power was given to the executives who were able to manage the diversified portfolios of unrelated businesses (Goedhart et al., 2015, Ch. 28; Fligstein, 1993, Ch. 8; Landelius & Treffner, 1998, Ch. 8). The 1980s-1990s were instead colored by agency theory's proclamation that if not

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[3] In Sweden, similar to many other countries, the purpose of creating shareholder value is stipulated in corporate law (Riksdagen, 2020).

governed, managers would engage in their own self-interest over the maximization of shareholder value (Jensen & Meckling, 1976), with conglomerates facing intense accusations of transferring profits to weaker business areas and neglectful treatment of the shareholders' capital (Martin & Sayrak, 2003; Ozbas & Scharfstein, 2010; Rajan et al., 2000; Shin & Stulz, 1998). The imputations of executive excesses paved the way for a wave of corporate divestments seeking to refocus the business portfolios (Goedhart et al., 2015, Ch. 28; Landelius & Treffner, 1998, Ch. 8), realizing the equity discounts that had come with the suspicions of corporate malpractices and claims that individual pieces could be managed more effectively (Campa & Kedia, 2002; Kengelbach et al., 2014; Ozbas & Scharfstein, 2010).

The introduction of financialization and the structuring for shareholder value had identified that the large conglomerates systematically failed to deliver profits and often held on to areas with unsatisfactory return rates (Froud et al., 2006, Ch. 4; Froud et al., 2000a; Fligstein, 1993, Ch. 8 & 9). Thus, an aggressive hunt for underperforming areas sought to slash costs and gear the bottom line profitability through rationalizations, outsourcing and divestments, incentivizing employees with share option schemes to ensure a direct link to shareholder value (Ezzamel et al., 2008; Landelius & Treffner, 1998, Ch. 8); whatever it took to settle with underperforming short-term acquisitive growth, a practice which had been indicated to yield a success rate fractionally better than coin flipping (Landelius & Treffner, 1998, Ch. 8).

Ezzamel et al. (2008) further described how corporate restructuring through divestment in their case company "*Conglom*" built upon differentiating the portfolio into "core" and "non-core" businesses, with the former being dependent on whether it yielded sufficient contribution to the Group's short-term shareholder value creation. Though the internal separation of the diversified corporations' portfolios into core and non-core were also thought of as a matter of concentrating efforts on exploiting core competencies for the purpose of boosting revenue growth (Landelius & Treffner, 1998, Ch. 8), built upon the framework of Prahalad & Hamel (1990). The latter described the corporation with a tree analogy; a trunk symbolizing core products, branches as business units, leaves as end products, and the root system as the core competencies which nurtured and stabilized the organization, holding it together. In consequence, portfolio decisions had to be evaluated on the basis of whether they added to or exploited existing core competencies, where the successful firm was one perceived as the holder of distinct core competencies, core products, and market-focused business units. This also marked a major shift; an acknowledgment that senior executives typically neither held the agility nor the expertise to create acceptable return rates and extract value from businesses too distant from the defined core (Goedhart et al., 2015, Ch. 25; Fligstein, 1993, Ch. 7; Landelius & Treffner, 1998, Ch. 7).

The financialization of the corporation meant a strategic refocusing on the residual claims on assets and cash flows that were to be viewed as the property of shareholders, managed by the firm's executives (Jensen & Meckling, 1976). However, Jensen & Meckling (1976) also referred to the corporation being the mere outcome of a complex process towards equilibrium, the product of many contracting relationships, with the actors in its nexus. Therefore, the next section will discuss how financialization also shaped its shareholders.

2.1.2 Financialization of Shareholders - Governing for Shareholder Value

The illustrated paradigm shift in the previous section with the financialization of the corporation came with several far-reaching implications for the corporate sphere; (1) financialization was to be incorporated as a strategy of safeguarding the deliverance of shareholder value (Froud et al., 2006, Ch. 2), (2) managers internalized a *"whatever it takes"* mentality directed towards the share price development, which had become the primary acknowledgement of managerial success (Ezzamel et al., 2008), (3) the corporation was put under continuous pressure to please its shareholders and deliver the required return rates, otherwise facing the existential threat of a share price collapse and following hostile takeover (Froud et al., 2006, Ch. 4; Landelius & Treffner, 1998, Ch. 2). The threat was far from subtle, with one-third of the companies in the Fortune 500 being targeted for hostile takeovers in 1990 (Kelly, 2001, Ch. 4). The neglect to adhere to the demands of shareholders would lead to corporate raiders "knocking on the door", requiring the divestment of underperforming businesses to secure optimized value creation (Roberts et al., 2006; Kelly, 2001, Ch. 4), effectively *"dethroning the corporate aristocracy"*, and serving as a constant reminder that best efforts were inadequate in the new economic climate (Froud et al., 2006, Ch. 4; Kelly, 2001, Ch. 4).

Increased institutional ownership further led to an expansion in corporate governance, looking to discover management malpractices unfavorable for the shareholders, addressing manager obstruction to correct deficiencies with interventions, and the potential altering of management and board structures (Holland, 2002; Holland, 1998a). The constant pressure to reorganize in order to push profits higher was typically met with resistance from senior executives, expressing reluctance to voluntarily engage in demerging the corporate body when called upon by shareholders. However, with the delay of divestments, their firms risked forgoing significant value and transforming them into promising buyout targets for the active takeover market, eventually disciplining managers into enforcement of the financialization régime if they wished to avoid discounted shares and shareholder activism (Cushen 2013; Ezzamel et al., 2008; Goedhart et al., 2015; Kelly, 2001, Ch. 4). The transition also manifested itself in the gradual diminishment of shareholder neglect as corporations underwent reorganizations when they were called upon by the market (Ezzamel et al., 2008; Froud et al., 2000a; Froud et al., 2000b).

In addition, the "intrusion" of financialization and the adamant pressure exercised by the capital market transformed the roles of CEOs and CFOs, which increasingly engaged in shareholder management, with a major emphasis on the face-to-face meetings with institutional investors. This offered a forum for addressing misunderstandings, allowing investors to put management's ability to generate satisfying financial results under intense scrutiny and hold them responsible to the promises that had been communicated to the market, ensuring the prevalence of sound corporate conduct (Kraus & Strömsten, 2012; Roberts et al., 2006; Barker, 1998; Holland, 1998a). Roberts et al. (2006) also described how managers prepared vigorously for these meetings as they sought to carefully approach the investor clientele in hope to identify perceptions and anticipations on what was expected, practicing self-discipline as the intended message had to be interpreted correctly since the market *"listens to everything."* Adding to this, the previous track record became a vital commodity in the efforts of gaining trust and support from shareholders, both when seeking to initiate future investments and ensuring a good share price development (Kraus & Strömsten, 2012; Landelius & Treffner, 1998, Ch. 8). Kraus & Strömsten (2012) further illuminated how newcomers on the stock market after an IPO felt pressured to quickly adhere to the market's advocation for short-term financial results:

> *"'[...] you need to establish a track record and show quarter after quarter that you fulfill the financial expectations, and then the stock price will eventually go up.'" (Kraus & Strömsten, 2012)*

The intense surveilling gaze from the capital market and the institutional investors thus effectively ceased the conglomeration practice of adding growth by acquisition when the strategy of short-term revenue growth failed to maximize profitability (Froud et al., 2006, Ch. 4; Fligstein, 1993, Ch. 8). Even so, the discontinuance of the short-term and unsatisfactory régime of growth by acquisition was merely replaced with another through the combination of the functioning of institutional ownership along with managers' efforts to avoid the disciplinary effects of financialization (Froud et al., 2006, Ch. 2; Froud et al., 2000a). The increased institutional dominance, especially in the US and UK, added even more capital market pressure when fund managers normally would be judged and rewarded on the basis of short-term performance, influencing their portfolio compositions, which had experienced a significant decrease in the average holding period from seven years to less than one between the 1960s to early 2000s (Froud et al., 2006, Ch. 3; Rappaport, 2006). Similar observations have been made in stock market contexts characterized by less institutional ownership, with Kraus & Lind (2010) showing how Swedish top executives felt pressured and influenced to focus on financial measures, further emphasized by Ezzamel et al.'s (2008) observation that the shedding of non-core business areas was largely determined by their ability to ensure short-term contributions to shareholder value.

The "quarterly capitalism" was further illustrated in the public disclosure of corporations' predicted performance, yielding internal pressure to meet the numbers and put executives under an increasingly impossible game of expectations when continuously pushing the bar higher and higher (Kraus & Strömsten, 2012; Kraus & Lind, 2010; Rappaport, 2006). Ezzamel et al. (2008) had also noted how a period of mediocre share price development, in their case firm *"Conglom"*, triggered a discussion of an increased need for portfolio management to raise its value, along with an analyst comment that they had failed to do more than *"meet the numbers"*. Similar matters were identified by Cushen (2013), where shareholder skepticism on the prospects for revenue growth led to volatility in the share price and pressured management to pay high dividends and give optimistic, promissory statements on future cost cuttings. The portfolio component was also recognized by Roberts et al. (2006) when managers would engage in reactive share repurchases to deal with investor pressure, buying time until a more fundamental corporate restructuring initiative could be launched.

2.1.2.1 Reorganization - Facilitating the Governing for Shareholder Value

Despite being management's focal point in order to avoid becoming targets for activism and hostile takeovers (Froud et al., 2006, Ch. 2), the structuring for shareholder value was not only a question of creating a corporate portfolio which delivered strong rates of return, it was equally much about making the value visible and sell the case to investors and financial analysts (Kraus & Strömsten, 2012; Ezzamel et al., 2008; Landelius & Treffner, 1998, Ch. 8). To begin with, the structural aspect (see section 2.1.1), built upon the recognition that diversified conglomerates had failed to create value due to an inability to deliver sustainable profitability (Froud et al., 2006, Ch. 4), had come to view corporations as participants within specific industry categories (Berger & Ofek, 1995; Gilson et al., 2001; Scharfstein, 1998):

> *"Diversified firms contradict the dominant logic of valuation, which classifies firms by industry, and the corresponding structures that rest on that framework. As a result, such corporations face pressure to align their corporate identity with one that more readily fits this system." (Zuckerman, 2000)*

This along with Jensen & Meckling's (1976) description of the firm as a product of contracting relationships with the actors in the nexus illuminated a critical aspect of the governing for shareholder value; the corporate structure had to go through two distinct optimization phases. First, the organization had to be disciplined into the manufacturing of shareholder value through the continuous identification of costs that could be eliminated via outsourcing, staff downsizing, and divestment (Cushen, 2013; Ezzamel et al., 2008; Landelius & Treffner, 1998, Ch. 8). Second, the top-tuned value machine had to align its structure with that of financial analysts (Barker, 1998; Gilson et al., 2001), re-segmenting the business areas so they would fit easily into the sectoral division of labor among financial analysts. The latter constituted an extreme managerial response to secure the visibility of what executives perceived as the company's value drivers (Roberts et al., 2006).

The next step was to market the value proposition towards the target investors and in their study, Roberts et al. (2006) encountered a metaphor of the corporation as a picture upon which investors based their investment decisions. Corresponding observations were also noted by Holland (1998b), suggesting that investors merged private and public pieces of information into a complex mosaic symbolizing the firm and its value, allowing them to penetrate deep into the heart of corporate economic behavior. Furthermore, Hägglund (2001) described how corporations were transformed into investment objects through a joint process involving both investors and analysts, creating a blueprint which could be utilized to describe what the firm *"is"* or even possibly what it *"should be"*, which then could be compared to other relevant investment objects. Roberts et al. (2006) further suggested that managers were well aware of the picture building process and that they grasped every opportunity to influence its contents and actively moderate the mobile gestalt of the firm's identity.

In spite of the importance attributed to the face-to-face meetings with investors, most of the interaction between the corporation and its stakeholders take place remotely through the medium of accounting (Roberts et al., 2006). Thus, the upcoming section will elaborate on how the financialization of accounting created a technique for measuring and exercising shareholder value creation.

2.1.3 Financialization of Accounting - Measuring for Shareholder Value

Financial accounting was heavily influenced by the shift in the 1970s when the decision-usefulness criteria emerged as the focal point of financial reporting and, even though it officially targeted the entire stakeholder clientele, it has been suggested that it rather exclusively spoke to the concerns of shareholders (Holland, 1998b; Millo & MacKenzie; 2009; Ryan et al., 2002 Ch. 5). In addition, it shared the beliefs expressed by Jensen & Meckling's (1976) agency theory (see also Easterbrook & Fischel, 1989), namely that managers and investors would act in accordance with a contractual relationship and that the former could be controlled through incentive schemes (Ezzamel et al., 2008; Ryan et al., 2002, Ch. 5). In their study of public policy, Hall & Millo (2018) proposed that when selecting accounting methods, decision-makers considered three parameters; (1) the method's ability to capture relevant activities and outcomes, (2) its representation of outcomes and the communicability of these to the target audience, and (3) whether the format aligned with the beliefs of the target audience. Though, disclosure within financial reporting has been argued to not only serve an informational role, but also as a competitive signaling device where firms can communicate superior innovation results in the hope that it would lead to an investor appreciation of the share price (Goedhart et al., 2015, Ch. 30). Furthermore, active disclosure enabled the reduction of information asymmetries, reducing investor uncertainty and potentially facilitating a lower cost of capital resulting in positive effects on the share price (Rappaport, 2006). Yekini et al. (2016) also suggested that positive narratives in the qualitative parts of financial reports[4] translated into statistically significant effects on stock prices proposing that investors were able to reveal hidden value characteristics through in-depth text analysis.

Thus, and as touched upon in section 2.1.2.1, reorganization of the presentation of accounting information served an equally important role as the organizational structuring for shareholder value when value creation had to be captured and communicated (Hall & Millo, 2018). This was emphasized through the criticism directed towards the decision-usefulness of financial reports, with investors paying limited interest to "insufficient" aggregate results in their strive to identify the positions of individual businesses (Goedhart et al., 2015, Ch. 30; Ryan et al., 2002). Holland (1998a) provided similar observations when institutional investors expressed skepticism on formal reporting procedures, as they were thought of as indigestible overloads of complex information. Furthermore, companies would typically not disclose more useful industry specific information until explicitly called upon by current or prospective shareholders, or under the external pressure from an industry pioneer (Goedhart et al., 2015, Ch. 30). Despite its communicative importance for the relation between the managers of the firm and the capital market through decision-usefulness, the introduction of financialization also converted accounting into a calculative discipline for corporations.

[4] The contents of the report that are outside the financial statements of profit and loss, balance sheets, cash flow statement, and equity statement.

2.1.3.1 The Calculative Discipline - Accounting for Shareholder Value

Whilst being the primary means of communication with shareholders, along with face-to-face meetings (Roberts et al., 2006), financialization transformed accounting into a multi-purpose technology for calculative discipline:

> *"Financialization is a performative phenomenon and accounting targets are is [sic] the starting point, the vehicle and the destination." (Cushen, 2013)*

Accounting calculations allowed for the quantification of business operations into a set of different return rates on capital, allowing capital markets to exert pressure and discipline managers into shareholder value creation (Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006; Fligstein, 1993, Ch. 7). Corporations were to be evaluated through comparing expected returns with the marginal cost of capital for the purpose of achieving welfare maximization (Landelius & Treffner, 1998, Ch. 8; Modigliani & Miller, 1958). While the conception of the firm as a portfolio of return rates made conglomeration manageable from a theoretical point of view, the already mentioned issues of lagging profitability were still of concern (Froud et al., 2006, Ch. 4; Fligstein, 1993, Ch. 7 & 8). In consequence, adherence to the capital market's constant scrutiny resulted in the initiation of various efforts to manage "the numbers" by squeezing costs out of the financial statements, occasionally via profound corporate restructurings through methods such as demergers of entire businesses, legitimized as realizations of the financial value they may yield in the future (Cushen, 2013; Ezzamel et al., 2008; Roberts et al., 2006).

As mentioned in section 2.1.3, financial accounting was a crucial tool for gaining the market's attention (Goedhart et al., 2015, Ch. 30; Rappaport, 2006) and in addition, to assist the investor and analyst clienteles in their search for prospective investment objects:

> *"Accounting is itself one way of homogenising the representation of diverse corporate activities, but then the assembly of company level information makes possible the comparison of one company against another [...]. Such processes of comparison then allow firms to be ranked and differentiated in relation to each other." (Roberts et al., 2006)*

Financialization expanded the universe of competition when corporations were to be benchmarked against all possible investments, thus making them engage in close monitoring of both direct competitors and colleagues in other sectors (Fligstein, 1993, Ch. 8). The behavior came from the pressure exercised by the stock market's scrutiny, and analysts stamping them as "buy, hold or sell" recommendations (Kraus & Lind, 2010; Roberts et al., 2006; Froud et al., 2000a). Firms would engage in further alignment with analyst expectations by internalizing their preferred financial measures such as cash flow, EBITDA or EPS, harmonizing the internal and external ratios in order to facilitate external benchmarking. In turn, calculative information was also more easily accessible, spurring the short-term behavior when the vertical pressure from the external market was internalized and exported down in the organization, where the use of accounting practices such as budgets would seek internal replication of the external prioritizations and translate them into corporate governance practices (Cushen, 2013; Kraus & Strömsten, 2012; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006).

However, the alteration of management structures and short-term gains in profits were usually not sustainable over time (Landelius & Treffner, 1998, Ch. 8). Despite management efforts to maintain capital discipline and boost earnings higher to increase ROCE[5], the ultimate measure of their effectiveness, participation in the "game of expectations" meant that beating the benchmark set by the financial market was close to unachievable (Froud et al., 2006, Ch. 4; Rappaport, 2006). Financialization had come to take the form of a non-realizable project due to the gap between expectations and promised outcomes (Froud et al., 2000a; Froud et al., 2000b), where its high standards meant that it was more of a rule than an exception to label managerial results and their firms as failures (Froud et al., 2006, Ch. 2), resulting in a paradox of financialization:

> *"restructuring is an attempt to meet the expectations of the capital market, which often disappoints because it is not easy to escape the constraints of activity and product market [...]." (Froud et al., 2000b)*

The findings of Ezzamel et al. (2008) and Roberts et al. (2006) further emphasize this aspect with their observations that meeting "the numbers" was insufficient to impress the capital market and gain their approval, along with Cushen's (2013) observation that executives managed growth prospect skepticism with promises of future realizations. Adding to this, both Ezzamel et al. (2008) and Roberts et al. (2006) illustrated how the discourse on the structuring for shareholder value through reorganization was activated when managers had exhausted alternative means for value creation and sought new ways to outperform expectations. Roberts et al. (2006) further suggested that managers even internalized the shareholder expectations put upon them, creating a permanent pressure and occasionally making them stronger advocates for the hunt for shareholder value than their owners.

In summary, the aspects that have emerged from the literature review on financialization's impact on the structuring, governing, and measuring for shareholder value suggest a few things: (1) complex organizational structures translate into lagging profitability, (2) inadequate performance deprives shareholders of their justifiable residual claim and, (3) public corporations are put under constant external pressure until bending and divesting themselves in order to realize the short-term values that are called upon. Thus, contrasting the presented financialization domain built upon reactive managerial behavior, the next section will seek to develop a theoretical framework with the purpose of suggesting how internalization of the financialization régime may lead to reorganization through corporate demerger prior to introduction of external pressure.

[5] Return on capital employed.

2.2 A Framework on Demerger Actions Without External Pressure

2.2.1 Governmentality - Internalization of Disciplinary Accounting Régimes

The proposition by Roberts et al. (2006) suggested that managerial preparations for meetings with investors aimed at identifying perceptions and anticipations in the market, allowing for responsive and self-disciplinary decision-making in order to avoid upsetting the capital market and face its judgement. This can be argued to slightly deviate from the Foucauldian utopia[6], where Foucault imagined that the continuous observational gaze of a sovereign power eventually would lead to the internalization of a disciplinary régime and transform the individual into self-regulatory behavior, making him his own overseer (Armstrong, 1994; Foucault, 1977, Parts 3 & 4), able to act without external influences. Even if internalization of a disciplinary régime does not necessarily require the presence of a prior discourse (Armstrong, 1994), financialization aligns with the Foucauldian concept (Foucault, 1977, Part 2), where failure to adhere to the short-termism of the shareholder value utopia is an offence, punished by the external pressure of the capital market.

The literature within the category of "later Foucault", however, takes a perspective which is less dominated by the Foucauldian discourse on discipline through punishment, and more directed towards governmentality and the construction of the governable person (Miller & O'Leary, 1987). Miller & O'Leary (1987) nuanced Foucault's notion on the obedient individual by suggesting that the governable person is subject to social power, acted upon by means of accounting, making him attend to his own deficiencies and by extension, be transformed into an autoregulated entity. In turn, accounting brought sense into how the individual was made governable; it was not exclusively about limiting freedom through the influence of discipline, it also enabled individuals to observe their relative performance to the standard and allowed them to reshape their own identities (Mennicken & Miller, 2012; Armstrong, 1994). Adding to this, Goretzki (2013) elaborated on what could be considered a duality paradox; on the one hand, accounting was an institutionalized apparatus exercising discipline on the firm and its employees, but on the other hand, it contained an enabling side with the practices of self-control and self-creation to influence and shape the self. Similar to the note of Mennicken & Miller (2012), Goretzki (2013) suggested that while accounting by nature lead to constraining boundaries, it simultaneously facilitates enabling elements by providing managers with techniques which can be utilized to construct and present themselves as legitimate actors. Thus, the individual is enabled to both form and subordinate itself under a régime of truth, allowing managers to develop a self-relationship, while still being subjects of a disciplinary process.

The self-regulatory aspects brought up above suggest that the external and disciplinary pressure of a sovereign power (like that of a stock market) may be internalized by the subject (corporations) and consequently, lead to a situation where the subject does not need to be overseen as it strives to legitimize itself with regard to the internalized truth. Thus, one may argue that it will increasingly engage in anticipative action built upon expectations on what needs to be done in order to align itself with the prevalent truth régime. This also adds a

[6] Where Foucault imagined Bentham's design of the Panopticon as the ideal structure.

temporal aspect to the discourse of internalization and autoregulation, when initiated actions are not necessarily called upon but rather identified as anticipative violations of expectations which must be addressed to avoid a future disciplinary debate.

2.2.2 Accounting for the Future - Promissory Decisions

Acting without external pressure brings to the forefront an important identification; it may be considered an initiative stemming from self-regulatory behavior and an internalized truth régime, while equally serving as a promise for the future. Building upon Mouritsen & Kreiner (2016), acting upon anticipation may be seen as the formulation of a régime of hope instead of strict adherence to a common truth, since the latter assumes that facts are already in place. Since a régime of truth mobilized through calculative measures reasonably cannot hold all future parameters that may be found, it establishes a context of *"what is"*, while the régime of hope adds a temporal dimension by defining how things *"could be"*. As a result of the inability to include all future parameters, the promise also requires the forgiveness from others, freeing the organization from the responsibility of effects outside of its control. Otherwise, new promises would be impossible to make, as a history of betrayal and unfulfilled promises will be unavoidable. Furthermore, a decision does not only close a process, but it also initiates many others, where some may not be known at the time:

> *"[...] the promise impacts others since it is inserted into a web of relations. The decision maker makes promises whose consequences are not only for this person to bear but are also borne by others."* (*Mouritsen & Kreiner, 2016)*

Since the decision model involves a limited number of factors taken into consideration, it also cannot claim to constitute an exhaustive response. Catasús et al. (2016) described how accounting was mobilized as a technology to modify a present but undesirable phenomenon where the perceived reality deviated from an anticipative ideal which could be reached, with a hope that accounting would enable mistakes of the past to be avoided in the future.

With this in mind, the promise becomes a commitment from the decision-making subject in relation to an external party, where the temporal and anticipative dimensions of the initiative complicate the judgement by the observer and in turn, their ability to impose external pressure on something they may be unable to predict. In a strict Foucauldian point of view, the subject engages in an act of self-regulatory discipline, but it also promises to leave a current state of mind in favor for something better and not just engaging in "more of the same", or put through an analogy built on a Steve Jobs quote, co-founder of Apple Inc: *"You can't just ask the market what they want and then try to give that to them. By the time you get it done, they'll want something new"*.

2.2.3 The Exercise of Disciplinary Financialization Without External Pressure

With regard to the self-regulatory and promissory dimensions discussed in the previous sections, the authors of this thesis intend to make a theoretical proposition for the purpose of approaching the research question on how financialization is manifested as managerial promises of future shareholder value creation, even when there is no external pressure. It may be understood as a response to the external and short-term pressure of financialization, internalized by the firm's managers and acted upon with promises of a better but anticipative future, driven by top executives' desire to avoid the active discipline of the stock market. Combining the presented accounting domain and framework literature, the theoretical framework is formulated as three distinct phases of internalization, illustrated in Figure 1 below.

	Decision Form	**Literature**	**Behavioral Effect**
Phase 1	Financialization	Cushen (2013) Kraus & Strömsten (2012) Kraus & Lind (2010) Ezzamel et al (2008) Roberts et al (2006)	Reactive reorganization upon external pressure to initiate short-term value realizations
Phase 2	Governmentality	Goretzki (2013) Mennicken & Miller (2012) Armstrong (1994) Miller & O'Leary (1987)	Internalization of the financialization régime, self-disciplined reorganization initiated to meet perceived short-term expectations of external actors
Phase 3	Promises	Catasús et al (2016) Mouritsen & Kreiner (2016)	Meeting existing expectations is insufficient, anticipative reorganization initiated based on promised rationales unknown or not easily available to the external actors

Figure 1. Theoretical framework: The three phases of internalization

3. Method

This section will present the thesis' research method and why the Atlas Copco Group was chosen as the case study object. Furthermore, it will explain the data collection process and how this data was analyzed, ending with a discussion on the quality of the data.

3.1 Methodological Traditions in Accounting Research

Accounting research traditions have historically been heavily influenced by neoclassical economics (Ryan et al., 2002, Ch. 3-5) and its three main preconditions suggesting that: (1) people have rational preferences among outcomes, (2) individuals maximize utility and firms maximize profits, (3) people act independently on the basis of full and relevant information (Lawson, 2013). Thus, and despite expressed critique on its assumptions, the dominant perspective from World War 2 (WW2) and onwards has utilized the ideas of optimizing economic agents, populating an abstract and free market (MacKenzie, 2008, Ch. 1 & 2). However, Burrell and Morgan (1979, Ch. 1) suggest that while sympathizers of the extremes do exist, the lion's share of social scientists are to be found in the space between, backed by Ryan et al. (2002, Ch. 2) stating that the endpoints have a tendency to overemphasize their respective characteristics. Similar discussions have prevailed regarding the efficiency of stock markets, with some arguing in favor of the positivistic neoclassical theorems, while some have rejected the existence of homogeneous investors (MacKenzie, 2008, Ch. 2; Zuckerman, 2004). In addition, Zuckerman (2004) suggests that the context of financial markets is characterized by investors applying multiple reference groups to decode material information, decreasing the likelihood of them holding similar views on the implications of new information.

With regard to the financial market being a clear focal point of this thesis, the above reasoning deserves some declarations. Based upon the framework of Morgan & Smircich (1980), the authors of this thesis take a stand for the description of reality as a contextual field of information, where it is promoted to study an object with regard to the holistic perspective of the context in which it operates. Moreover, humans are assumed to act like information processors, engaged in continuous interaction and exchange with their environment.

3.1.1 Abductive Research Approach

There are two primary ways of describing the interplay between previous literature and empirical findings: the inductive or the deductive approach. Inductive reasoning implies that the researcher puts the empirical findings at the center of attention, whereas a deductive procedure hypothesizes based on previous theory (Trost, 2010 Ch. 2; Alvesson & Sköldberg, 1994, Ch. 2). Thus, the appropriate approach will depend on the proclaimed ambitions of the study and whether the researchers view theory building or testing as the primary driver (Eisenhardt & Graebner, 2007). Given that this paper seeks to pursue issue-driven research to understand an observed real-world phenomenon, we believe the empirical findings should be allowed to impact the development of the study throughout the process. Therefore, instead of taking a strictly inductive or deductive approach, this thesis applies the abductive methodology, implying that the authors continuously go back and forth between theory and empirics. While starting with a preliminary theoretical framework, the knowledge from early empirical findings may affect the theory development and in consequence the theoretical framework which in turn may affect further data collection. The authors entered the process with a preliminary theoretical framework, based on the categorical imperative from Zuckerman (2000). However, as we kept an open mind during the data collection process, we realized that the chosen framework was insufficient to help us understand the case. In line with the abductive approach, we let the early findings influence the development and made a switch to a framework building upon "later Foucault" and promissory accounting.

3.2 Qualitative Method - Case Studies

Since the demerger is an event taking place within financial markets, which here is interpreted as a social system, it is influenced by the activities of its participants. In consequence, the decision of corporate divestment is highly dependent on the context which surrounds the public corporation and thus, we view it as suitable to investigate it through a qualitative approach (Ryan et al., 2002, Ch. 8; Alvesson & Sköldberg, 1994, Ch. 2). Next, we are arguing in favor of the case study approach since it enables derivation of in-depth knowledge on the important question of *"why?"* managers would engage in promises of future shareholder value creation even when there is no external pressure. In addition, it helps us understand *"how?"* this decision is affected by the history of financialization and managers internalization of the subject (Yin, 2009).

An important query which was considered following the decision to investigate the research issue through a case study related to whether it would be preferable to conduct a more classical single case study or go with a multiple case study design. The main argument against case study research, regardless of this choice, has been the challenge of making conclusions generalizable given their contextual dependency (Yin, 2009). However, it is also argued that the interaction and interrelation between observed phenomena and its context are more probable to be understood through a case study and therefore, the complexity of generalization should not be seen as a weakness of the method (Dubois & Gadde, 2002). While a multiple case design would bring advantages as facilitating cross-comparisons and enable statistical generalizations (Easton, 1995; Yin, 2009), it is important to underline that with limited time and resources, an increased amount of cases would most likely be at the cost of quality, decreasing the ability to conduct in-depth investigation, the signum of qualitative research (Yin, 2009). Therefore, the research question within this thesis will be approached solely through a single in-depth case study.

3.2.1 Case Selection - Why Atlas Copco?

Since case studies repose on a few or, as in this thesis, just one specific case, the selection process becomes important. According to Yin (2009), there are five different rationales which should be considered when choosing the specific case: (1) the critical, (2) the unique, (3) the typical, (4) the revelatory, and (5) the longitudinal case. In essence, to be able to make theoretical generalizations, the case selection should not be made at random as in most quantitative studies since it cannot build on statistical inference (Dubois & Gadde, 2002); it should rather be chosen on the basis of its possibility to illuminate and extend new relationships and logics to facilitate theory development (Eisenhardt & Graebner, 2007; Ryan et al., 2002, Ch. 8), also referred to by Maxwell (2012, Ch. 5) as purposeful sampling. The idea to study the restructuring of the Atlas Copco Group originated after two guest lectures in February 2019, one by the demerger project leader Anders Pehrsson (Atlas Copco AB) and one by Fredrik Stahl & Victoria Torell (Investor AB, main shareholder), as a part of the course *"3308 - Current Issues in Accounting"* at the Stockholm School of Economics. The Atlas Copco spin-off was believed to be able to facilitate theoretical generalization as the transaction came out as rather unconventional when launched and disclosed to the market, a view which was strengthened during participation in the guest lectures. The factors of interest in the Atlas Copco case are many from an accounting and financialization perspective: (1) the Group was widely acknowledged for its decentralized organizational structure, (2) the firm had best-in-class profitability, (3) investors were satisfied with the performance and viewed the company as shareholder friendly and (4) factors 1-3 could also be seen in that the Group continuously "produced and exported" managers which became CEOs at their public sector colleagues (including ABB, Alfa Laval and Assa Abloy). These parameters along with Atlas Copco's almost 150 years in business make them, from the author's point of view, an interesting study object.

Access to interview top management and board members of large listed organizations is a common source of constraint when seeking to investigate strategic decisions such as a demerger from the inside (Pettigrew, 1992). However, the authors gained access to the case company Atlas Copco through contacts at the Department of Accounting at the Stockholm School of Economics and were thus enabled to conduct an in-depth case study of the firm from the inside. Initial contact was initiated during early fall of 2019 with the demerger project leader Anders Pehrsson who agreed to help us with providing information and contacts to the individuals involved in the demerger project, along with its architects. In addition, we were introduced by our thesis supervisor to the CFO of Atlas Copco during an ACE[7] seminar at the Stockholm School of Economics and agreed to initiate contact during the spring 2020 for an interview.

[7] Accounting and Financial Management Center of Excellence

3.3 Data Collection

Given that the Atlas Copco demerger was initiated more than three years ago (the 16th of January 2017) it is not a directly observable event and therefore this study has to rely on the data from conducted interviews (see Appendix 1) in combination with a document study of quarterly earnings call transcripts, annual reports, and press releases, among other documents.

3.3.1 Document study

While this thesis mainly builds upon an interview study, the data collection started out with a comprehensive study of earnings call transcripts from the company's quarterly presentations, between 2009 until the fourth quarter of 2019. This data was gathered from the Bloomberg Terminal and focus was directed towards the Q&A[8] sessions with analysts, which followed the company's briefing on the general results. This provided us with an understanding on what were considered important drivers in the organization, while also giving insights about the company's relationship with its stakeholders. This document study further contributed to a solid background knowledge about Atlas Copco, crucial for the ability to identify potential topics that could ensure efficient conduction of the interviews (Bowen, 2009).

The earnings call transcripts were in turn complemented with annual reports and press releases, together with equity research reports received from some of the interviewed analysts. This was considered to be important, since it allowed the authors to verify details that the interviewees had forgotten or were unsure about. In addition, interviewees may have a preset agenda they seek to communicate and thus, it becomes important to verify their statements, if possible, with alternative data sources (Maxwell, 2012, Ch. 5). In this aspect, the document study facilitated both the gathering of additional data and the verification of the same through triangulation (Bowen, 2009).

3.3.2 Interviews

Similar to the choice of the case, the process of sampling interviewees is an important part of a case study as it aims at identifying individuals that can provide crucial insights that eventually can enable the answering of the research question (Maxwell, 2012, Ch. 5). While receiving a lot of input on identifying whom to interview, assisted by the contact person Anders Pehrsson, the authors always felt independent in the sampling process where the received help facilitated contacts rather than biased the selection. While studying the strategic decision-making of top management, it is important to also include other actors from the context in order to understand influences that affect these decisions (Pettigrew, 1992). Our ambition was to yield an ecosystem of individuals representing both internal as well as external aspects, resulting in 16 interviews. Nine interviews were from Atlas Copco and Epiroc, including the chairmen of both companies, the former CEO, and the CFOs among others. The remaining seven interviews were with external actors, including owner representatives, financial analysts, and business journalists. When interviewing experts and "elites", the experience asymmetry may affect the perceived power positions during the interview (Kvale & Brinkmann, 2009). However, this was not

[8] Questions and Answers.

something we ever felt as an issue, as we rather perceived ourselves to have the opportunity to leverage from their expertise and ask rather complex questions.

All interviews lasted between 30 and 75 minutes and were conducted in a semi-structured way. Given that internal and external actors represented different clienteles and specialties, the questions were customized for each person. However, Trost (2010, Ch. 3) argues that the conduction of semi-structured interviews can imply both structured interviews and more open questions or vice versa. The ambition was to keep questions as open as possible to facilitate good discussion and allow the interviewees to tell their story and the interview template evolved throughout the process as questions were added, tweaked, or removed depending on emerging findings as well as the development of the theoretical framework.

A challenge with open enquiries is to come up with follow-up questions while simultaneously interpreting the conversation and keeping the intended theoretical framework in mind (Marginson, 2004). In order to manage this issue, we utilized the advantage of always being two interviewers at every occasion, where one primarily focused on the pre-written interview template while the other put more emphasis on the developing dynamics of the conversation with interjections and follow-ups. Additionally, to increase our attention and facilitate an open and informative discussion forum even further, the interviews were recorded after receiving permission. While all interviews were initially planned to be made face-to-face, if geographically possible, to enable observation of the interviewees body language, the Covid-19 virus forced us to reconsider and move all remaining interviews to alternative platforms, leading to reduced ability to observe the parameters of a physical meeting. Thus, the study potentially lost possible nuances that would have been received if not because of Covid-19. Even so, we did not perceive any major differences in the interviews through digital means when compared to the face-to-face interviews, a notion also expressed by Sturges & Hanrahan (2004).

Having the ability to record all interviews also allowed for further empirical discoveries since aspects that circumvent the authors during the meeting could be discovered when listening to the interviews a second and third time. However, Hayes & Mattimoe (2004) argue that interviewees may feel uncomfortable when being recorded and therefore be more restrictive in their answers. This was never perceived as a problem since we sought to clearly explain to the interviewees why we preferred to record the conversation and it was emphasized that every citation chosen from a certain interviewee would be sent out for review to avoid the risk of misinterpretation. Overall, we did not observe any interviewee to feel restricted in their ability to speak freely, strengthened by the receipt of answers touching upon what sometimes could be considered complex and possibly controversial topics, with just one explicit comment wishing not to be cited on a specific answer. The alternative to recording the interviews would have been to take notes, suggested by Hayes & Mattimoe (2004) as a time liberator due to the less burdensome transcription. Though we claim it comes with a risk of reduced interview "presence" and thereby the ability to deepen the discussion.

3.4 Data Analysis

Analysis of qualitative data involves an aspect of clear distinction between qualitative and quantitative research (Maxwell, 2012, Ch. 5) as it is all about how to interpret the collected data. In order to actively manage incoming data and to avoid it "piling up", post-interview analysis was initiated immediately after every completed interview. This also becomes a necessity with an abductive approach as early findings serve as a source of inspiration in search of emergent topics that could be used to modify the interview templates for the upcoming interviews along with the theoretical framework. All interviews were transcribed in close connection to the completion of the interviews and whilst being a time-consuming process, doing it ourselves was part of the in-depth analysis and gave us a more comprehensive understanding of the data (Maxwell, 2012, Ch. 5; O'Dwyer, 2004).

After transcribing, we ended up with 130+ pages of raw material and to enable effective analysis, we felt a need to organize the empirics, which was done with the help of coding, the main strategy of categorizing data within qualitative research. Categorization of data is made for the purpose of facilitating comparison between and within categories, while some can be based on previous theories, others can emerge inductively, or be taken directly from the study objects, so called emic categories (Maxwell, 2012, Ch. 6). Identification of these were made through multiple readings of the transcripts by both authors with initial notes being made in the document. The analysis continued with re-reading until no new categories or subcategories emerged, reaching a point where the raw data was considered saturated. All findings were then marked under each category in an excel document with the page number of the particular transcript where the finding was observed (see Appendix 2). To further facilitate easy access to interesting parts of the transcripts when writing up the empirics, each category received a specific color code. The final step in the analysis was to contextualize the categories, i.e. not looking at each category independently but on how they relate to each other, how statements and events could be connected through the context surrounding Atlas Copco, merging everything into a coherent picture (Maxwell 2012, Ch. 6). In the contextualization analysis, all collected data from interviews and the document study was used to form a complete whole of the context.

3.5 Data Quality

As a qualitative study cannot draw upon statistical generalization from a random sample of the population, we feel that it is necessary to discuss the quality of the data we have used to answer the research question. One important aspect to consider is that our primary data rely on a relatively small number of informants providing the lion's share of the data, which may result in what Maxwell (2012, Ch. 5) refers to as *"key informant bias"*. This means that even though the interviewees have been purposefully selected, there is no guarantee that their views are representative. In order to mitigate this risk, we have actively tried to include as many different participants as possible from the company's ecosystem, which should decrease the risk for a mutual opinion among the interviewees on the demerger event. This reduces the homogeneity of the interview sample combined with maintenance of the study's focus on interviewing those with the best likelihood of possessing interesting insights.

To further enhance the quality of the data and thereby the validity of this study, we have practiced the method of triangulation through data collection from a diverse range of individuals and sources (Maxwell, 2012, Ch. 5; Yin, 2009). This was done on the one hand with the conducted interviews, and on the other hand the extensive document study, where the latter increased the number of individuals in our reach as additional analyst comments could be observed due to their participation in the quarterly earnings calls, along with additional comments from the CFO and CEO of the two companies. The quarterly earnings call transcripts were also retrieved in an unadjusted form, making them more like "raw data" in comparison to other documents such as press-releases and annual reports. However, even though we have triangulated the findings, it must yet be emphasized that it is the authors of this thesis who have interpreted and analyzed the collected empirics, leading to another risk referred to by Maxwell (2012, Ch. 6) as *"research-bias"*. This was actively managed as both authors went through all data and conducted analysis both independently and jointly, creating more dynamic discussions on the relationships drawn between different statements.

Lastly, presenting the empirics of this study is a subjective selection process, and the specific quotations and statements presented in the upcoming section have been used to represent the case based on the authors interpretation. A major flaw is that the reader of this study cannot be presented with the entirety of the collected data due to its quantity, thus complicating the possibilities to evaluate whether the interpretation of the empirics is representative of the case company. In an attempt to strengthen this and safeguard the accuracy and independence of the in-depth interviews, the authors encouraged all participants to validate the chosen quotes, confirming they were correctly interpreted and described and that they gave a correct picture of the contextual background (Johnsson, 1997). It was important for us that all interviewees felt they had been correctly interpreted in the thesis as their time made this study possible. This resulted in some small changes of the quotes, where the interviewee felt that the translation from Swedish to English could have been done in a different way or that the quote needed a clarifying comment. However, in the end the changes did not, from the authors' perspective, change the intended content of the story and there was never a situation of disagreement on the changes.

4. Empirical Findings

This part will start with a historical description of the case company Atlas Copco before presenting the data on how the split announcement took the market by surprise. Thereafter it will be shown how the entry of the business area Vacuum Technique brought added complexity to the organization and finally, it will be illustrated how the demerger constituted an act without external pressure from the capital market.

4.1 Atlas Copco and 140+ Years of Innovations and Achievements

Aktiebolaget Atlas was founded in 1873 by the railway engineer Eduard Fränckel along with financiers David Otto Francke and the banker André Oscar Wallenberg, at the time operating as an "all-type-of-equipment" provider for the Swedish railway construction. When the railway market toughened, initiatives were launched in order to improve profitability and speed up innovation, with the import of compressor technique from England, an acquisition which later on would prove to be a game changer, while pneumatic tools went from an internal "own-use" position to a state of commercialization to serve external demand (Atlas Copco AB, 2013, pp. 7-13).

The turn of the century included multiple events important for today's Atlas Copco; German-inspired air compressors were launched and later joined with the first compressed air driven rock drill (Atlas Copco, 2020) and in 1917, the Group went public and became listed on the Stockholm Stock Exchange. Following a merger between Aktiebolaget Atlas and Diesels Motorer in the 1920s, the Group changed its name to become Atlas Diesel and while the depression years during the 1920s and 1930s posed a challenge, diesel engine exports were in focus along with the development of compressed-air tools. Thanks to the excellent business senses of Atlas employees, a customer-centric business model was launched, building the foundation of customer focus as the hallmark within the company, where careful studies of customer needs opened new markets as rock and drilling equipment, along with compressed-air equipment, were facing rapid growth in demand (Atlas Copco AB, 2013, pp. 17-27).

Around the time of WW2, Atlas Diesel launched *"Den Svenska Metoden"* or *"The Swedish Method"* as a strategic competitive move to efficiently attract target customers (Atlas Copco AB, 2013, pp. 29-33), making Atlas a fierce competitor to their sector colleagues:

> *"Maybe the biggest, that also is in the literature about Atlas Copco, the biggest event or innovation was the Swedish method which enabled Atlas Copco to expand over the whole world, that is actually a tale of Epiroc today." (Anders Pehrsson)*

The Swedish Method built upon an agreement with Sandviken Jernverks AB (Sandvik) where Atlas Diesel's light pneumatic rock drills were fitted with the tungsten carbide drill bits of Sandvik, together boosting the demand for Atlas' compressed-air equipment around the world during the 1940s and 1950s. However, internal resource constraints eventually led Atlas to divest its unprofitable diesel business, refocusing on compressed-air equipment and in 1956, following the acquisition of Belgian company Arpic Engineering NV, the Group was renamed to Atlas Copco (Atlas Copco AB, 2013, pp. 35-41).

Despite the successes of The Swedish Method, the 1960s was a troublesome period for the economically sensitive mining business due to the declining mining industry, along with growth pains from the rapid increase in demand for compressed-air machinery. The fresh CEO Kurt-Allan Belfrage initiated restructuring programs seeking to increase subsidiary independence, replacing the sales-oriented business model with a product-oriented one, along with heavy R&D activities within compressed-air, as well as mining and construction. By the time of Belfrage's resignation, the Atlas Copco Group was organized into three areas: Mining and Construction Technique, Airpower, and Tools, and was characterized by continued large investments within the sales organization, high-quality service, and customer relations (Atlas Copco AB, 2013, pp. 43-49). In 1973, Atlas Copco had also presented the first heavy-duty impact hydraulic drill rig, where the new technique would make it possible to achieve considerable increases in the output for customers (Atlas Copco, 2020), while the acquisition of Arpic Engineering NV had initiated intense product development and launches of new and modern compressor products (Atlas Copco AB, 2013, pp. 51-55).

The 1970s and 1980s had brought market weaknesses in mining and construction whilst compressed-air equipment faced innovation challenges, leaving the Atlas management with the complex task of having one foot on the brake while simultaneously pursuing selective acceleration. Consequently, the product portfolios within the three business areas were expanded and in the beginning of 1980s, Atlas Copco had leading positions in rock drilling and compressed air and by the end of the 1980s, the Tools business (later Industrial Technique) had made Atlas the largest manufacturer of pneumatic tools and assembly systems. In 1989, Atlas Copco had also completed a divisionalization of its organizational structure, seeking improved growth and profitability through speed and accountability, along with a changed mindset in their employees, while also enabling for internal competence transfers through an internal job market (Atlas Copco AB, 2013, pp. 57-63).

With the new CEO Giulio Mazzalupi in 1997, customer focus was maintained as a critical philosophy along with the motto that *"There is always a better way"*, with an emphasis that Atlas Copco's customer centers (the previous sales companies) should sell and service equipment throughout its lifetime. His successor in 2002, Gunnar Brock, continued the strategy by adding more *"feet on the street"* (sales people) and launching an agenda of refocusing Atlas to the core through acquisitions and divestments, ensuring that they held or were able to reach market-leading positions, otherwise leaving the segment. Prior to the 2008 crisis, the company operated through three distinct business areas: Compressor Technique (CT), Mining Technique, and Industrial Technique (IT), who stood the test through the financial crisis even though the Group was hit particularly hard from the declining investments from mining customers (Atlas Copco AB, 2013, pp. 65-69).

In 2009, Gunnar Brock was succeeded by Ronnie Leten who initiated a push of further expanding the service scope of the Atlas Copco Group, with the aim of servicing all products and operating through comprehensive service contracts (Atlas Copco AB, 2013, pp. 71-72). In

2013, Atlas acquired the British company Edwards Group Ltd., a supplier of vacuum and abatement solutions, initially incorporated in the business area of CT until Vacuum Technique (VT) eventually became a fifth separate business area in 2016. At the time, the Group had also seen the addition of Power Technique (PT) to the three original business areas (Atlas Copco, 2016a; Atlas Copco, 2014; Atlas Copco, 2013).

However, at 11am on the 16th of January 2017, Atlas Copco's board of directors announced the company's intention to initiate a split into two separate entities, one industrial part containing four out of the five business areas, and one consisting of the MRET (Mining and Rock Excavation Technique) business focused on mining customers (Atlas Copco, 2017a). Simultaneously, Ronnie Leten announced his resignation after serving 8 years as Atlas' CEO, replaced by the Group's current CEO Mats Rahmström (Atlas Copco, 2017b). The move to spin out MRET, later named Epiroc, which once had made Atlas Copco global, initiated on the year of Atlas 100-year anniversary as a publicly listed company, was recognized as something one would lately forget:

> *"I still remember that morning, it is one of those mornings you never forget, when they announced the intention to split the company, because it was not on the map that they would do such a thing." (Anders Hägerstrand)*

4.2 The Split Announcement - Taking the Market by Surprise

Despite having been a part of Atlas Copco in close connection to its foundation and holding the position as the historical core business which took the company global, one of the interviewees referred to the remaining parts of Atlas having a label of being the *"good looking siblings"* when compared with the mining area. This was partly due to its cyclical nature which the former CEO Ronnie Leten had commented by emphasizing the need to be optimistic to ensure survival within the mining industry (Bloomberg, 2016). Though the internally varying cyclicalities were not viewed as problematic by everyone to the degree that it in itself would rationalize a demerger of the Group:

> *"I did not really see the reason for them to do this split, they had slightly different cycles but that is at the same time the whole point of having both assets, that they have different cycles." (Markus Almerud)*

On another occasion, Ronnie Leten further elaborated on the matter by describing it as a case where they sometimes enjoyed talking about the mining part and sometimes, they did not (Bloomberg, 2015). While the mining business had gone through multiple downturns during the twentieth century, they experienced a tremendous development in the first decade of the twenty-first century, initiated by a further decentralization of the structure within MRET. According to the business area president at the time, Björn Rosengren, shareholder value was created as an effect of this business model, as it facilitated the nine divisions' opportunities to satisfy their customers' needs, develop new products, make acquisitions that strengthened their market positions. This development also gave clear effect on the numbers when the mining division, further boosted by a tailwind from the mining capex cycle, went from an operating margin of 9.2% and ~7 billion SEK in revenues in 2000 (Atlas Copco, 2000), to a peak in operating margin of 24.5% and ~33 billion SEK in revenue when the mining cycle boomed in 2012 (Atlas Copco, 2012). The focus on customers' needs was further emphasized by another interviewee, who described how the overall Group's positioning model advocated focus on selected niches close to their customers, which enabled them to become an essential part of the production without becoming very capital intensive. An example referred to a pulp machine which costs billions of SEK, but where one smaller, yet essential component is compressed air. Thus, customers would seek the "Rolls Royce" and have a high willingness to pay since the compressor would be a relatively small part of the total investment but absolutely essential since the machine must work all the time.

The improved margin was followed by increasing returns on capital and the MRET business delivered profitability in line with and, at some occasions, above the remaining business areas of CT and IT. Thanks to this, the unit managed to improve its internal image and was suddenly able to attract people and competence from other parts of the Group. Even though the mining industry had gone through a severe downturn in the years following the peak of the capex cycle in 2012, it had continued to deliver solid and higher margins when compared to the situation in 2000, with profitability hitting a "floor" during 2014 when operating margins had dropped to a level of 16.7% (Atlas Copco, 2016b). The ability to deliver profitability in parity with the rest of the Atlas Copco Group was yet another factor which contributed to the market being taken by surprise when the MRET divestment was announced:

> *"We were quite surprised in January 2017 when Atlas Copco announced their breakup because both companies, both at the time, achieved more or less the same rates of return on capital employed, margin and growth and even if there were no large synergies, no negative cost effects from separating the company, it was not a classic spin-off where you have underperforming assets, like in the case of Valmet in Metso or SMT in Sandvik where you can get an increased focus as a standalone company." (Klas Bergelind)*

4.2.1 A Lively Debate with an Unexpected Protagonist

While the discourse of divesting publicly listed companies was not a newly emerged topic for the analyst collective, with already ongoing discussions within Atlas sector colleagues at the time of the announcement. According to the former Atlas Copco/Epiroc analyst Peder Frölén, there was a lively debate in Sandvik, ABB, and Volvo, but in the case of Atlas Copco, an open discussion was not as present and thus, the spin-off announcement surprised him as well. The similarities between the two parts' operational performances had established a view that there was no driving force or, for the least, no urgent reason to split the company, with most interviewees, both analysts and internals, stressing that a divestment was not to be practiced as a universal solution, emphasizing that each case must be built on its specific rationales. Related to this, the storyline of Atlas Copco included dynamic portfolio management as a part of the Group's success, with former CEO Gunnar Brock making it clear that segments had to have prospects of reaching market leadership. Even though divesting underperforming assets was already a natural part of the strategic considerations, the move to divest the mining part which held market leadership and a duopoly situation within the highly profitable underground segment (along with their main rival Sandvik) left its observers puzzled, as they had rather speculated on what would be the next upcoming acquisition than the divestment of a prosperous asset:

> *"The different parts in Atlas were very similar to each other, both in terms of profitability, market position, large aftermarket business, low capital intensity and so on, for that reason I do not believe that the stock market speculated in it to happen, especially since Atlas for a long period of time has acquired several assets, so you were anticipating what the next acquisition would be rather than if anything would be divested and distributed to the shareholders." (Olof Larshammar)*

However, the former vice president group controller Anders Pehrsson mentioned that the bulk of synergies between the mining area and industrial parts saw a step-by-step reduction during the 1980s-1990s, when the major decentralization of the organization took place. Another interviewee also pointed out a concurrent technological transition where a shift from compressed air to hydraulic systems in MRET's drill rigs happened, which led to a natural reduction in technique synergies. While the business areas had become increasingly separate, several of the interviewees mentioned how they shared competences with each other, where the mining business had benefited from the knowledge that was available within the Atlas Copco Group, in particular the experiences from CT, which had served as a role model when MRET went through the decentralization scheme early in the twenty first century. With regard to this, Atlas Copco appeared to be in a situation where it operated five, collaborative, and well-performing business legs:

> *"I do not think any of the analysts have talked about that even though they knew that there were few synergies between mining and construction and the industrial. I do not think they even had given it a thought because there were no rumors, it was a very happy and performing organization." (Ronnie Leten)*

The situation appeared not only puzzling for Atlas Copco's external stakeholders and, despite being a healthy and high performing organization, Ronnie Leten pictured the internal reaction as *"a thunderstorm with a blue sky"* (Bloomberg, 2017a). This was also partly thought of as a consequence that the split discussions had been characterized by extreme confidentiality, discussed internally in a very limited group before the proposal was brought up for discussion with the board of directors and the subsequent announcement. The confidentiality surrounding the split, the fact that the company had not used any advisory firms, and that no rumors leaked to the market, provided Atlas Copco with the opening to shock the market, to the satisfaction of the company:

> *"[...] that is something one wants to... you want it to be confidential and we were a very tight team for a very long time and then it is obvious that more got involved in the weeks before, but we managed to keep it very tight and yeah, no one knew and no one had a clue when it was announced on the 16th of January, and Ronnie [Leten] was very satisfied that it had been kept a secret." (Ken Lagerborg)*

Along with the intention to split the company in two parts, the board and CEO expressed their expectations that the transaction would create long-term value for the stockholders when the two separate businesses could benefit from a more focused management, while also utilizing their leading global positions in the respective niches. In addition, it was thought to improve the ability to continue delivering customer value, growing the operations, and making the units attractive to talented people (Atlas Copco, 2017a). However, within the seemingly confused external clientele of capital market actors, questions remained on the logic of the transaction that had been described as impeccable in a Financial Times article (2017). Several interviewees referred back to Atlas Copco being an unexpected protagonist, with some openly stating that they were not impressed or referring to the presented standalone focus arguments as *"corporate bullshit"*. Though, a recurring point in the discussions was the view that there had to be something else, some rationale or rationales that had not been outspoken; something that scuffed in the prior-split organization, something which could explain why an "unnecessary" demerger was launched to separate what the chairman Hans Stråberg had described as *"two golden nuggets"*. Many of the interviewees also continuously got back to the fact that there had been no explicit complaints put forward on what was considered successful and profitable industrial company:

> *"We bought a great deal of companies during that period, mostly adding small to middle-sized companies but also some larger ones and one of the most important acquisitions we made was the Drilling Solutions which we bought from Ingersoll Rand and that acquisition established the whole foundation for the surface mining segment where Epiroc is the world leader today. This was done in 2004-2005 and it is one of the best acquisitions that Atlas Copco has done and I think it has surely paid off and created value to the Atlas Copco Group." (Björn Rosengren)*

However, if the MRET business had gone through a tremendous journey and held the status of a golden nugget, several interviewees spoke of another journey which appeared even "shinier".

4.3 The Rise of the "Unpolished Diamond"

While MRET had clearly benefited from the Group's internal competence sharing, taking inspiration from the CT area and their success recipes, the latter would once again become a role model in 2013, triggered by the acquisition of Edwards Group Ltd., a vacuum pump supplier. In the years that followed the Edwards purchase, smaller complementary acquisitions were made along with a couple of larger deals when Atlas purchased Leybold in 2015 and CSK in 2016 (Atlas Copco, 2016c; Atlas Copco, 2015), which triggered a breakout from CT and the formation of a fifth business area in Q3 2016, VT (Atlas Copco, 2016a). The new business area was the first completely built through acquisitions and the portfolio addition was described by one of the interviewees as perhaps one of the best or even the best M&A journey within global industrials, with unlevered value being quintupled since the first acquisition in 2013. Even though the new Atlas Copco M&A journey was first initiated in 2013, vacuum technology had been in the firm's mind for a while:

"We had it [vacuum] in the pipeline within Compressor Technique because the technology is not very different even if there are large differences on the placement, if you are on the compressed air side or the vacuum side but there are certain similarities so we incubated it there. The thought was to acquire multiple companies, which we also did, and this idea, to enter the vacuum market, probably took form 10 years before its execution." (Hans Stråberg)

Technology wise, many of the interviewees put forward a simplified description of the vacuum pumps as a converted compressor pump in order to illuminate the reason for CT being its initial "home" within the Group. Whilst clearly being a technology simplification, the newly formed segment had been identified to hold significant technique and sales synergies with CT, similar to the period when MRET's mining rigs utilized compressed air technology. The vacuum market was said to consist of three distinct segments: semiconductors, industrial vacuum, and high vacuum, where Atlas was described to have created a clear leadership within semiconductors but lagging a bit on the industrial and high vacuum. Though this was brought forward as a major collaborative synergy between CT and VT given that seven out of ten industrial compressor customers also bought vacuum pumps, indicating a highly attractive competitive position by co-running the two business legs towards the same customer group. Adding to this, the clear benefit of tight collaboration was even further enhanced by the possibility of utilizing the quality of the strong Atlas Copco brand when approaching the industrial customers (Pareto Securities AB Equity Research, 2018).

Even if the big bulk of shared operational synergies appeared to be between industrial vacuum solutions and industrial compressors, the interest and emphasis that stood out was the attention put on the semiconductor part. Several of the analysts expressed that the new business area increased the complexity of researching the company when a new technology had to be understood, with one of them describing vacuum technology as a business American tech analysts know due to the hot spot with semiconductor exposure. In the early phase of constructing the VT area, significant analyst attention was directed towards understanding and interpreting the complex technology and familiarizing themselves with the more volatile cyclicality that came with the semiconductor business, highly sensitive to the capex decisions of a few large customers like South Korean Samsung Group. Even though the area initially drew attention to itself as more cyclical than the other industrial parts of Atlas, with somewhat lagging profitability in the development phase, an analysis referred to the business area as an *"unpolished diamond"* within the Atlas Copco Group (Handelsbanken Capital Markets, 2018). Similar descriptions were encountered multiple times when the outlook of the vacuum business came up during the interview sessions:

"Many of those who speculated in a large downturn for semiconductors forgot about what is currently going on within AI and artificial intelligence, what is happening with the vacuum intensity is that chips are becoming smaller and smaller because if you look at smartphones and iPads in the future, relatively soon they will be foldable and you will be able to put them in your pocket. It is a tremendous development going on within semiconductors driving a development in vacuum intensity with a need for more pumps per manufacturing hour." (Klas Bergelind)

Thus, the combination of interesting market drivers within semiconductors and clear synergies between industrial vacuum products and industrial compressors had created an attractive position with expectations of "skyrocketing" revenue development, with a previously mentioned analysis also suggesting that it would not be a surprise if vacuum sales tripled within a decade (Handelsbanken Capital Markets, 2018). With profitability on par with the Atlas average around 22-24% and prospects of reaching even higher and touching 26% (Pareto Securities AB Equity Research, 2018), VT appeared to be the focal point at the time.

4.3.1 An Increasingly Complex Organization - The M&A Dilemma

The vacuum project required considerable time from both management and board when acquisitions were to be merged and strategies to be implemented, but concurrently, MRET experienced one of the toughest downturns in the mining history. As a consequence, analysts appeared to have expected an intensified M&A agenda, allowing management to strengthen the area's long-term competitive position. Instead, speculations suggested that the area had been somewhat deprioritized and in favor of VT:

> *"What surprised me during this period, was that there were so few acquisitions. Focus during this period was to build Vacuum Technique, they bought Edwards in 2013, added Leybold in 2015 and then they bought a Korean company and focus was clearly on building Vacuum Technique. Simultaneously, however, Epiroc experienced an unbelievable pressure from the commodity market with what might have been the worst cycle ever, and within this context, Ronnie [Leten] once said 'well if there is a time when you should make mining acquisitions it is now', but he also has said at some point that 'a day only have 24 hours.'" (Markus Almerud)*

Even though an intense M&A agenda had been pursued within CT, reaching the Group's growth target of 8% per annum over a business cycle was a joint effort where all business areas had to deliver their results, which never caused any major issues as long all had equal ambitions. However, in the interview with Ronnie Leten, he emphasized that when talking about growth, what really mattered was the bottom line and nothing else:

> *"To grow topline is very easy, it is a piece of cake actually, but I am not sure that when you grow only on the top line that you create value for your shareholders. The point is how can we grow profitable in a business and that I think is always challenging." (Ronnie Leten)*

This argument was also emphasized by the CEO of Atlas key shareholder Investor, Johan Forssell, who pointed at the solid margin level of 20% in Epiroc (previous MRET) and that new acquisitions consequently should have the potential of delivering a 15% margin long-term in the future in order to be an attractive segment. Furthermore, it was stressed that when you stretch the parameters of sound M&A, you will risk making bad acquisitions.

In addition, when looking into MRET's mining segment exposure (see Appendix 3), they held what several interviewees referred to as a duopoly along with main rival Sandvik within the most profitable niches, underground and surface drilling. While analysts expected the acquisition agenda to become liberated by the split of the company (Bloomberg, 2017b), they also raised a flag of doubt and expressed skepticism over Epiroc's ambitious growth target and their ability to close any larger acquisitions within the current niches. This stemmed from the underground duopoly between Sandvik and Epiroc, which was yet another factor why they were surprised by the demerger initiative. The study of the competitive landscape (see Appendix 3) and post-split Epiroc transcripts casted even more light upon what appeared to be a complex M&A situation for the spun-off MRET business, with a peculiar limitation in the already high market concentration within the most profitable niches of the attractive underground segments:

> *"It is challenging to make acquisitions into the niches that we are, because of market share reasons and other reasons as well. And not the least, the dilution when it comes to margins from an acquisition." (Per Lindberg, Bloomberg, 2019)*

4.3.2 When Atlas Copco Decentralization is not Enough

In addition to the difficulty of adding acquisitive growth in the current mining niches, the breakout reorganization and addition of VT as a fifth business area marked a clear development from the three business areas that were in place prior to the 2008 crisis and within this context, a theme of "growth pains" emerged. While MRET outperformed its pure peer sector colleagues in terms of profitability, the even more profitable outlooks of the emerging businesses stemming from the Vacuum/Compressor Technique collaboration had made Atlas internals consider whether a split was necessary. The rationale was to avoid an unintentional restriction of MRET's M&A agenda and, according to several interviewees, enabling Atlas Copco to pursue a full-hearted focus on expanding into the high growth and high valuation multiple segments of vacuum:

> *"When we got this [Vacuum Technique] in place, Atlas became even bigger, we went from being four to five business areas and we got an even larger emphasis on the industrial part with Compressor Technique, Industrial Technique, Power Technique and then Vacuum Technique and then we started to question whether we really get enough focus. When we work in the board, every business area shall be discussed and if it is five business areas, each receive less time and in addition, you might stumble upon questions about, if we get 30% return in this but 25% in that should that really be disfavored" (Johan Forssell)*

Looking back into the company's history, a key success factor in Atlas Copco's ability to outperform competitors was derived from the structural reorganizations and far-reaching decentralization policies initiated in the 1980s, and while responsibility and focus were not apparent issues in the Group, they sought to take the philosophy one step further:

> *"Atlas Copco is 'known' for being very good at pushing responsibility and empowerment out in the organization and sometimes you feel that 'if Atlas is not able to continue to be a coherent group, who can then?' People may have seen the positive sides with splitting groups before, but Atlas Copco was known for allowing their business areas to operate independently, even within the group." (Hans-Ola Meyer)*

CFO Hans-Ola Meyer phrased it as a key driver and as a question of stretching the already independent, decentralized, and agile culture all the way up to the board of directors in order to ensure that all layers of the respective organizations both had the focus and relevant knowledge to pursue effective M&A agendas and bring the boards closer to the decision-making:

> *"I often receive that question, not so much anymore but a lot in connection to the split and the listing and even after, what is different? Having your own management and board of directors that only look to the best of Epiroc is different from having a board of directors and group executives that have five business areas, where it is probably much more fun to spend the time on what I think of as 'the good looking siblings.'" (Anders Lindén)*

Atlas Copco internals described it as an inevitable situation where one, at some point, couldn't avoid facing a scenario where business areas had to compete for attention to a degree that de-prioritization may occur which could put value creation at risk. But even with the focus rationale communicated, several interviewees had difficulties grasping how a decentralized organization like Atlas Copco, with a "trademarked" structure, could have trouble operating with necessary speed and results. This once again elevated the proposition that *"there had to be something else"* which could provide additional insights to the market actors in their strive to assess what was still viewed as a largely surprising demerger initiative. Related to this, one of the internals acknowledged that the healthy performance of the organization in relation to its peers surely contributed to the external surprise, with no reason to point fingers at those who did not see the transaction coming. However, the interviewee added that he was not surprised about their reactions and that one must remember that companies always occupy thoughts and insights internally that others are not and should not be aware of. Despite continued reflections on the logics of the split, the initiative was picked up in the financial press as an act which would add additional pressure on Atlas Copco's sector colleagues or *"whichever company which could be considered as a conglomerate"* (Dagens Industri, 2017a; Dagens Industri, 2017b; Privata Affärer, 2017; Svenska Dagbladet, 2017).

4.4 An Act Without External Pressure

With a proven business model, best-in-class sector profitability, and happy investors, some interviewees admitted that while a company's structure should always be an ongoing discussion, Atlas Copco's decision to "close the deal" already on January 16th, 2017, left multiple questions on the table. Even if Atlas definitely had seen large growth with the addition of VT, it appeared as if external observers were not of the opinion that the suit called for customization. However, the internal discussions between the tight core of executives that formulated and launched the idea looked further into the future:

> *"It [the Group] became too diverse and if we want to do something more in the future for both areas we need to keep it lean, mean and fast and I felt that if we keep it like it is today, we will eventually slow down the growth. Was anyone asking for it? No! Were there complaints? No! 'Ronnie, why looking for a problem? You come with a solution*

but there is no problem.' Yes correct, but let's have a look around in 5 years from now, how will it look then?" (Ronnie Leten)

Historically, demerger transactions have commonly been heavily characterized by a precedent period of shareholder and stock market criticism, usually with strong opinions that performance could or should be much better and that management left significant value on the table. The former business area president Björn Rosengren said that he often was asked by investors why Atlas pushed an initiative at this point in time when no one was calling upon it to take place. With this remark, the Atlas Copco demerger seemed quite unconventional given the absence of such discussions, though CFO Hans-Ola stated that this was their intention; the proposed spin-off was not to be perceived as an ordinary spin-off with regard to the history of corporate separations. Instead, Atlas internals spoke about an internally identified puzzle, with management expressing feelings that the external perception of the company's operations might be somewhat over-tilted towards the MRET business:

"Everytime when I was going to meet the investment market I... 90% of the questions were about mining, although we had fantastic jewels in our industrial platform and I never understood why the analysts only talked about mining and that was of course because that was the most cyclical part, they wanted to have insight on that business." (Ronnie Leten)

Both internal and external interviewees described mining as a "natural" focal point due to its status as the most cyclical and volatile business area within the Group, with years where it delivered fantastic results, followed by rapid downturns. This gave rise to what was internally perceived as a peculiar situation, where the economic cycle was of less importance since much attention was directed towards interpreting the status of the MRET business.

However, the question of "disproportionate" mining focus was thought to be a more complex matter than just limited to a discussion regarding the questions from investors seeking to be on their toes and closely studying a cyclical business. Epiroc's CFO Anders Lindén suggested that the general picture of Atlas Copco was easily associated with the photos of big drilling rigs when Swedish media illustrated news on Atlas, potentially missing out on the many other products of the Group. This was further elaborated upon by business journalist Anders Hägerstrand, suggesting a journalistic perspective where the other parts of the Group might have been somewhat harder to interpret and explain when in a hurry, meaning that news articles tended to end up with a mining and MRET focus. One interviewee also provided an everyday example of a construction site, where the common observer would be likely to observe the large Atlas Copco drilling rig and a small portable compressor standing in the corner, creating an external simulacrum of the company's identity that had not been present internally for a long time. Whilst not being the perceived corporate identity internally, an interviewee also indicated that the removal of mining artifacts from the Group's headquarters in relation to the split had revealed that 50% of them were mining related. The potential discussion and possibly biased external picture of the company as a mining-oriented company was considered incorrect given the aggregate fundamentals of the Group profile:

"Anyone who closely looked into the numbers of the Atlas Copco Group would not describe it as a 'mining giant' or anything like that, like the media often did, but only the risk of that perception being present, may affect the valuation. And then we are back into one of the key arguments on why we thought the split was a good idea. With this insight and with regard to what would be the best solution for the respective business areas, we believed that the effect from a split would be a 'win-win' for both parties." (Hans-Ola Meyer)

4.4.1 An Intra-Industry Demerger in a Multi-Industry Discourse

Even though the Atlas Copco Group lacked a demerger debate, the question of what they were viewed as and wanted to be seen as emerged as an explicit discussion topic in the interviews with internals. When asked about their thoughts on whether a split debate had been live prior to the announcement, one of the interviewees initially said no, but then added that certain M&A cases might have been cut off by the board out of worry that the Group would have faced a risk of being reclassified into a mining equipment company rather than industrials. However, even though the Group clearly appeared to view itself as a holder of two golden nuggets, one within mining and one within industrials, the index situation did not appear to signal a distinct reclassification risk. Studying the landscape illustrated in Appendix 4 of the Group's MRET and Compressor/Vacuum legs, one can observe that the spun-off MRET (Epiroc) and previous parent Atlas Copco on the one hand do differentiate on sub-industry level (Construction and Mining Machinery/Flow Control Equipment) but on the other hand, they are both classified into the category of industrial machinery. In contrast, the CT/VT landscape comes out as more diverse when put next to the one for MRET. When also looking into the two standalone companies' analyst coverage lists, one can observe that out of the 20 brokers shared by both entities, 17 analysts, or 85%, cover both Atlas and Epiroc (see Appendix 5). Furthermore, it appeared as if analyst categorization ended at industrial machinery and did not stretch down into sub-industry classification (Handelsbanken Capital markets, 2018).

While no obvious structural or categorization discourse was active, one of the Atlas internals flipped the argumentation and proposed that:

"One thing I wrote is that if the businesses would have been separate as Atlas and one more entity, no one would come up with the idea of merging them, that was my entry point, it would not be viewed as logical." (Ken Lagerborg)

In addition, while the profile perception was seen as a mix of two distinct categories, the primary variables in the arguments were not related to whether the organizations were unrelated, but rather, as highlighted by chairman Hans Stråberg on the announcement, a matter of two different customer groups (Bloomberg, 2017b). With Epiroc (former MRET) primarily serving mining customers and Atlas Copco being focused on industrial customers, and exposure to two different cycles: mining capex and industrial capex. While none of the interviewees explicitly suggested that analysts or other observers had issues making a fair assessment of the company, there was an uneasiness that even a small profile perception ambiguity might become problematic:

"It would not have been a positive situation if we [Atlas Copco], through an acquisition for example, would have become 60% Mining and Rock Excavation as a publicly listed company. We would rather maintain a better balance between the different business areas within the Group. But this was just a theoretical observation because that kind of situation never came up. But I'm convinced that even these type of small perception ambiguities that did exist on the drivers of the old Atlas Copco Group, was not positive for the total Group valuation." (Hans-Ola Meyer)

Though the internal worry of a potential perception risk did not seem to take the form in any major shareholder rotation, where 13 out of the 15 largest stockholders still hold both firms almost two years after the completion of the split (see Appendix 6). This once again sheds light upon Ronnie Leten's description of Atlas Copco as a *"happy and performing organization"*, along with chairman Stråberg's comment in relation to the split announcement that they were so happy with Atlas Copco that it would be fantastic to have two of them.

4.4.2 "There Is Always A Better Way"

Even if no clear structure debate was prevalent for Atlas Copco, internals were clear on their view that the firm faced a future risk of becoming too diverse and losing focus, thus feeling, using Ronnie Leten's words, a need to act proactively to ensure that Atlas remained *"lean, mean, and fast"*. In relation to the demerger announcement, a handful of capital market actors raised the question that the move might have been a strategic thought to avoid a conglomeration discussion forming in the market and when asked, the former CEO mentioned it as one parameter that had been taken into consideration:

"Yeah correct, I am sure if we would not have done that within 4 or 5 years that would have been one of the debates, I fully share that opinion and there is nothing against conglomerates as long as the conglomerate is fast, is competitive, is successful. The day I think we will be little bit slower and this can be for whatever reason, you never know why sometimes an organization becomes slower or pushed back, we would have that debate I am sure and that was the reason why, I do not like problem solving, I like to anticipate to avoid problems, I think that is a much better leadership style, anticipate always." (Ronnie Leten)

Ronnie Leten further developed his reasoning with a football analogy, where it is not necessarily about being the fastest runner, because then you could use a sprinter. Instead, one of the major qualities of a great player is the ability to anticipate where the ball is going and always be one or even just a half step ahead of the adversaries and the same line of argument goes for leadership in general. A similar line of thought brought up by another internal who referred to the initiation as a response to an internally observed "character", which at the time had not but could have generated an external discourse in the future which would not have been beneficial for the company. The interviewee continued by emphasizing that the initiation was not to be seen as a *"quick fix"* to influence the short-term share price but rather as an act legitimized by the value it would yield within a time horizon of five to ten years.

In consequence, and despite no urgent issue at hand, Atlas executives were clear on the future risk that they might become too complex and lose speed and therefore wanted to set the ball in motion and act before any "negativity" had developed and affected the discourse of the firm's performance.

> *"If you are looking into the history one should probably say that it has often been so that when companies have been divested, it has been due to poor performance and where there has been pressure from the market that something has to be done to realize the underlying values. In this case we had an extremely well-functioning corporation which went on really well and I would guess that made no one even consider the thought, but sometimes things must be done proactively if one believes it is the right thing to do. (Johan Forssell)*

However, several of the interviewees emphasized that launching and closing a divestment transaction of this caliber is not a risk free project, as it typically incurs large separation costs (taxes, advisory, etc.) in addition to the need to set up dual administrative structures for what is to become two separate entities, not to mention the resources required during the 18-month separation period. Another risk brought forward was the fact that the Group was about to interfere with a structure of an already well-functioning organization, where internals stressed multiple times that a key philosophy during the project was to ensure minimal impact on the daily operations. One interviewee also added that under normal circumstances, it would be natural to only pursue small modifications and no sharp turns when operating a business with Atlas Copco's excellent results.

Despite conglomeration being a present thought amongst Atlas executives, they sharply denied the legitimacy of any discourse that sought to stamp the demerger initiative as a way to seek even further improvement of the their financials, an argument deriving from the, at the time, somewhat lower MRET margins when compared to Atlas' industrial parts. Previous CEO Ronnie Leten had also denied the existence of such a debate multiple times as well as the idea that Atlas engaged in a *"hunt for margin records"* (Bloomberg, 2010; Bloomberg, 2012). Even so, one of the interviewees expressed that there was a constant ongoing strive for higher margins within Atlas Copco and continued the reasoning by suggesting that the demerger provided Atlas Copco with the side-effect of *"realizing the potential in MRET/Epiroc, while also allowing for 'cleaning' the numbers of the remaining industrial part"*. The Group's numbers were also touched upon by the CFO, though from a different perspective, as he turned to the Group's motto and argued for long-term value identification being a continuous process:

> *"It comes back to a motto which is very strong within Atlas Copco: 'There is always a better way'. When looking into things, one might say: 'It's not that many companies who earn between 20 and 25% margins…so relax it's not bad, so why change?' Yes of course it is good, but why be satisfied if there are things that could be done even better? This split was a bit of the same, value creation could become even better going forward and when put in relation to the costs it would incur, the idea was worth acting upon." (Hans-Ola Meyer)*

When asked about the proactiveness of the demerger decision, several interviewees referred to the debate which had surrounded several of Atlas Copco's sector colleagues for many years (ABB, Sandvik, and Volvo, among others) and one emphasized that one should not underestimate the *"it was not invented here mentality"*. Another interviewee also brought up that the structural debate is very temporal in its nature, referring to the storyline of General Electric, where their ability to deliver shareholder value and being seen as a safe investment by investors worked extremely well until they began to underperform, immediately leading to external pressure and the formation of a structural debate which called for refocusing initiatives. At the same time, the interviewee also emphasized that the uniqueness of Atlas Copco's decentralized governance structure had enabled their different business areas to be heavily focused and effectively push for continuous development, proving their ability to deliver shareholder value over and over again.

Acting in advance and before any external pressure had the chance to form was to be seen as what Ronnie Leten had described as a practice of anticipative leadership, also adding that the demerger was perceived well by the market since they continued to perform as *"[...] results give freedom so fight for your freedom!"* and *"[...] at the end of the day, the market is always right."* A Financial Times article in connection to the decision announcement had asked the question why management had not initiated the demerger earlier, and when asked, Ronnie Leten reasoned on the matter by stating that if the initiative had been launched 20 years ago, the organizations would have been too small and lacked *"critical mass"* to be able to compete efficiently. Adding to that, he asked a rhetorical question on why they were spending money on solving a problem even though it was not *"raining"*, followed by an analogy elaborating upon a quote from the former US president John F. Kennedy: *"You need to change your roof when the sun is shining, even if the roof can still function"*.

5. Analysis

In this part of the thesis, we will present an analysis of the empirical findings with the ambition to answer the formulated research question. The analysis is structured in accordance with the outlined theoretical framework, starting with a phase one discussion of financialization's presence with a new essence in the case company. Thereafter, the second phase discusses the empirical findings through the theoretical lens of governmentality, finalized with the third phase and the application of a promissory economy perspective.

5.1 Financialization Presence with New Essence

The literature review illustrated how the entry of financialization into the financial markets implied a need to refocus complex business portfolios as it was the perception that senior executives typically did not have the expertise to create acceptable return rates nor the required agility to stay competitive, where conglomerates systematically held on to underachievers (Goedhart et al., 2015, Ch. 25; Froud et al., 2006, Ch. 4; Froud et al., 2000a; Fligstein, 1993, Ch. 7, 8 & 9; Landelius & Treffner, 1998, Ch. 7). Divestment practices were accordingly applied to eliminate the widespread equity discounts through the shedding of business units with inadequate prospects of contributing to short-term shareholder value creation (Campa & Kedia, 2002; Ezzamel et al., 2008; Kengelbach et al., 2014; Ozbas & Scharfstein, 2010).

Together, these historical aspects form what we defined as the first phase of decision-making under the influence of financialization, where restructuring initiatives originate from external pressure exercised by the capital market upon the firm to discipline it into short-term value creation (see Figure 2 below).

	Decision Form	**Literature**	**Behavioral Effect**
Phase 1	Financialization	Cushen (2013) Kraus & Strömsten (2012) Kraus & Lind (2010) Ezzamel et al (2008) Roberts et al (2006)	Reactive reorganization upon external pressure to initiate short-term value realizations

Figure 2. Phase 1 internalization

At first glance, the Atlas Copco case appeared to align with the characteristics of the first phase and its discourse oriented towards shareholder value creation, along with the role of corporate restructuring through demerger as a calculative technique to manage the numbers. The Group's historical M&A strategy corresponds well with this notion, divesting underperforming segments if they were to be recognized as unable to yield satisfying results in terms of profits, adding further ammunition to the external expectation bar through the statement that market leading positions implied being the no. one or the no. two. The portfolio management philosophy was also commented with an ascertainment by the former CEO, stating that growth by acquisition must be treated carefully, accentuated through the statement that topline focused growth is treacherous, as growing the bottom line profitability was what mattered in the end, a seemingly clear reference to the tainted growth by acquisition strategy once practiced by the large conglomerates. The phrases "*results give freedom so fight for your freedom!*" and *"the market is always right"* added to the impression of a prevailing shareholder supremacy and financialization's orientation towards shareholder value through the focus on financial measures.

However, the MRET spin-off came out as rather profound with the many indications that it was something new, it was not on the map, *"a thunderstorm with a blue sky"*. The discussions with financial analysts confirmed and emphasized the obscurity regarding the logics of the split even further. They expressed amazement, derived from the background of Atlas' strong operational performance with more or less equal rates of return in all business areas along with the proven ability to create shareholder value, thus a clear contrast to the historical candidates which left significant values on the table. In this light, the divestment decision to separate a world leading business provided dual contradictions, both with the firm's own history of portfolio management and with regard to the previous literature domain. The capital market surprise adds yet another interesting element of contrast to the domain, being the focal point of the theoretical frameworks' first financialization phase, where demerger initiation is conditional on the appearance of external pressure, i.e. reactive reorganizations in response to an externally formed structural discourse. The case findings further indicated that the emergence of VT claimed much of the top management and board's attention, actualizing an internal debate on whether enough focus could be dedicated to all five business areas, a common feature with regard to the previous literature. However, even if analysts had raised questions of deprioritized M&A in MRET, no linkages were made to the organizational structure. On the contrary, the "known" and decentralized business model was regarded as viable and the managerial comment that focus had to be safeguarded was discarded as "corporate bullshit", once again contrasting the characteristics of the theoretical framework's first phase when analysts did not question the firm's ability to create value within the current structure. This becomes even more relevant when considering that the financialization advocation of divestment as a universal solution to create shareholder value was played down with a strong emphasis, as it is a case by case application with unique rationales.

While the analysts appeared to question the structural aspects expressed by the firm's senior executives, the empirical findings also included a statement suggesting that the latter group had observed a perceived risk of becoming too dominant within MRET, which could have actualized a reclassification procedure into a mining-oriented company. Even so, the studies of the post-merger companies were unable to observe that any major analyst swaps had taken place (see Appendix 5). A classificatory difference was however found at the sub-industry level (see Appendix 4) but taking into account that the division of labor among analysts commonly is organized at a sectoral and industrial level (Roberts et al., 2006; Zuckerman, 2000), the deviation should be of questionable importance. Hence, neither analyst coverage nor peer analysis yield strong indications of a reclassification risk. On the contrary, the picture which emerged suggested that the landscapes of CT and VT were more diverse from a classificatory point of view when put in comparison to the one faced by MRET/Epiroc. This impression was further emphasized by analyst statements that the entry of VT added complexity to the research process, with one even expressing that vacuum technology was a business known and normally addressed by another analyst clientele (Technology analysts rather than Industrial Machinery). In consequence, the VT addition to the firm's business portfolio seems to contrast the financialization logic, which promoted re-segmentation to align the structure with that of financial analysts (Barker, 1998; Roberts et al., 2006; Gilson, 2001), with the alignment referred to by Roberts et al. (2006) as a managerial technique to optimize the visibility on what was internally viewed to be the value drivers, facilitating proper valuation. Thus, the profile of a happy and performing organization along with the somewhat contradictory classificatory indications did not suggest a structural ambiguity of the nature that Atlas Copco and MRET faced a conventional Phase 1 debate on whether they were structured for shareholder value, leaving the questions of what values management sought to make visible through the demerger initiative and why this circumvented the market.

5.1.1 Customer Orientation for Shareholder Value

In spite of the skepticism faced by analysts on the demerger press release's emphasis on the differences in demand drivers and characteristics between MRET and the other business areas, the internal expressions that there may have been external perception ambiguities which appeared as obvious clues in search for the rationale which had been applied to legitimize the action. The reasoning on the drivers suggested that the capital market might have been unable to conduct a fair assessment of the business drivers, or at least that such a risk was present, with a concern that it could yield unwanted effects on the Group's valuation. While the view of the corporate portfolio as two distinct customer groups, industrials and mining, with two separate demand cycles, emerged several times during the interviews, the analysts still did not think of this as an issue. On the contrary, the interviewees continued to signal that they did not fully understand the presented logics or did not see the underlying rationale on why it was necessary to initiate the transaction at this specific point in time, with one of the analysts adding that the cycle difference between MRET and the industrial businesses was one of the very logics of holding both assets.

The question arose whether the demerger sought an optimization of the structuring for shareholder value through a different approach compared to the Phase 1 rationales in the theoretical framework. The impression was strengthened when considering the former MRET president's emphasis of the customer-oriented and decentralized business model as a large contributor to the creation of shareholder value. Thus, the managerial accentuation that the demerger sought long-term shareholder value along with the explicit link to their customer centrism as the utmost value driver of the Group's successes made the short-term behavior in the framework's first phase appear as increasingly far-fetched. In consequence, whilst previous literature showed how short-term behavior and value realizations through downsizing, and analyst and sectoral alignment were pushed downwards into the organizations via calculative accounting régimes (Cushen, 2013; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006), the case findings told a different story. Despite its reputation of effectively operating a decentralized and customer-oriented business model, internal expressions were observed, suggesting that there was more to be done when the already far-reaching customer-centrism could be even further streamlined. In this aspect, the demerger sought to boost value creation by adding a customized board and management team in each of the two separate entities, allowing senior executives and board members to come even closer to crucial decision-making. The internals reasoned that operating five business areas, by its very nature, actualized a discourse about focus and complexity, creating an inevitable risk that they at some point could encounter a context where it may have led to unintentional restriction of a business area, e.g. in MRET. The discourse becomes interesting given the financial analysts' comments proposing that the MRET's M&A activities may have been deprioritized, while not suggesting that there was a structural mismatch which interfered with the Group's value creation. These aspects were further illuminated by the suggested comment from the former CEO that the hours of the day are limited, and the argument that the reorganization sought to assure that the company remained *"lean, mean, and fast"*.

The impression at this point was that the case findings had provided several indications of unconventionality with regard to the first phase of the theoretical framework: (1) the case company initiated a divestment from an acknowledged position of strength, (2) the action was not called upon by the market, who in turn questioned its necessity, (3) the firm's executives legitimized the demerger with an assurance that it was necessary in order to safeguard the continued effectiveness of the business model, with promises of the long-term value it would yield in the future. Thus, the demerger may be interpreted as a top down push to streamline the organization, from the board of directors to the customer-centric business operations, ensuring that the operational branches (*"the feet on the street"*) had the full attention of their board and management team in the pursuit of customer satisfaction, translating into long-term shareholder value. In addition, the diverging opinions between the demerger architects and the external capital market actors on the transaction's necessity illuminated that the perception deficiency seen by the firm's managers built on a logic not easily observable by the market. For this reason, it is suggested that it may be read as an elementary development and managerial attempt to "instruct" the capital market how the end goal of shareholder value is achieved, more in line with the Phase 2 behavioral implications stated in the theoretical framework.

5.2 A 'Cure' without 'Illness' - Autoregulation for Shareholder Value

The previous section sought to illustrate how the Atlas Copco executives pushed for and legitimized a structural alignment when the "horizontal processes" were to be optimized, from the board to the *"feet on the street"*, in order to facilitate long-term shareholder value creation. The expressions from financial analysts and other external actors that the transaction was unexpected made it appear as if the company presented a solution without a problem being present. The unconventionality amplifies when also taking into account the parameters stated in the introduction; that financialization historically served as an exercise of disciplinary power on corporations which deprived dissatisfied shareholders of their residual claim. In addition, the structural reorganization was not directed towards the market to make any hidden values visible or satisfy a short-term debate. Building on the outlined theoretical framework, it is therefore suggested that with regard to the demerger characteristics of the Atlas Copco case, it should not be interpreted as a Phase 1 reactive reorganization, which then brings forth the question whether the behavior aligns with the outlined Phase 2, internalization. The second phase in the internalization framework, as seen below in Figure 3, suggests that corporations may internalize the financialization debate to a degree where they become self-regulated entities, where self-disciplined reorganization becomes an event to meet the short-term expectations perceived to prevail in the capital market.

	Decision Form	Literature	Behavioral Effect
Phase 2	Governmentality	Goretzki (2013) Mennicken & Miller (2012) Armstrong (1994) Miller & O'Leary (1987)	Internalization of the financialization régime, self-disciplined reorganization initiated to meet perceived short-term expectations of external actors

Figure 3. Phase 2 internalization

The empirical findings also indicated that this may have been the case and if looking into Figure 4 below, this line of thought is presented. The financialization literature, corresponding to the previous literature domain within Phase 1, took a perspective where structural alignment with the analyst division of labor was a mean to facilitate proper valuation and make perceived value drivers visual, along with the acknowledgement that board and management expertise should align with the core competencies of the firm. This "vertical dimension" is then complemented and nuanced with a "horizontal dimension" representing the focal points expressed by the case firm and the study.

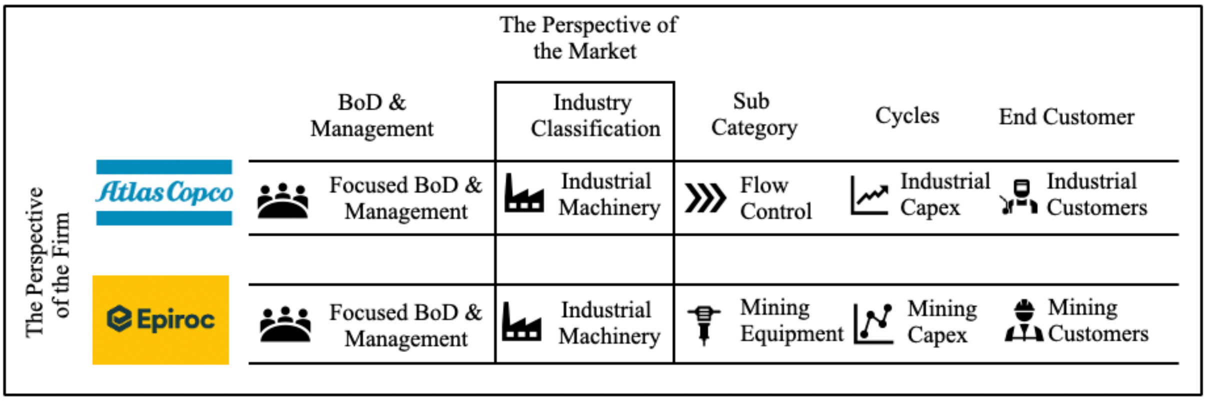

Figure 4. The vertical and horizontal dimensions of shareholder value creation

While the capital market historically has been suggested to discipline public corporations into responsiveness and the creation of reactive shareholder value by orienting managerial focus towards the market, meeting the classic Foucauldian elements of a discipline and punishment discourse, Atlas Copco, on the other hand, emphasized the perspective of the end customer as the key driver of shareholder value. In this sense, the demerger could be argued to address a deeper "structural mismatch" outside the scope of the external audience when the top of the organization was to be aligned with the bottom. The identified aspects also nuance previous literature's notions on the top down push for shareholder value through the export of capital market pressure downwards into the organizations (Cushen, 2013; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006). The demerger did not appear to be a reactive reorganization and did not seek short-term value realization, along with the managerial recognition that the top was to be optimized in order to facilitate continued value creation in the operating branches. This further differentiates from previous literature when structural realignment is not made at the industrial level but at the end customer level; where it is not a matter of the industries operated by the firm, but the ones operated by its customers (mining and industrials). Another aspect related to the horizontal dimension may be noticed in the case of VT. Despite explicitly stated technique and sales synergies with the sister area CT, implying additions to or exploitations of core competencies in accordance with the Prahalad and Hamel's (1990) framework, the peer analysis (see Appendix 4) and analyst comments also pointed at how the semiconductor exposure added complexity from a "vertical perspective".

Along with the references to the demerger as unexpected, the above reasoning supports the notion of a Phase 2 demerger through the element of surprise given that the case company was not subject to a structural discourse as outlined for the Phase 1 financialization behavior, further emphasized by the many interviewees pointing at the structural debates of the firm's sector colleagues. The latter was also commented on with a historical example on how the General Electric conglomerate initially delivered solid performance and was perceived by the market as a "safe haven", just to rapidly turn their backs towards the firm when it started to underperform, questioning its structure. The former CEO of Atlas Copco also reasoned on the matter with the statement that this was just the kind of debate they did not want, indicating that the company was aware both of the current debates in its sector colleagues and the historical context of tainted conglomerates. Adding to this, it may be proposed that the absence of capital market pressure and an external structural discourse within the case company facilitated the initiative despite its seemingly unconventional character. In this sense, the company may have taken advantage of the situation by exploiting a sort of relative "freedom" to look beyond the short-term and engage in long-term shareholder value creation, enabled by the firm not being the protagonist in the existing structural debates. Thus, the demerger does not take the shape of a tool to *"meet the numbers"*, but rather as a managerial self-perceived reorganization to signal to the external environment how the drivers of the business should be understood, promising that more can be done and that additional values will be realized in the future.

The Phase 2 internalization continued to manifest itself in the internal comments that this was not to be perceived as an ordinary demerger, with explicit references to historical cases, along with a rhetoric that if they thought value creation could become better, even if there was no one calling for it, then why would they not act and initiate improvements? This thought was further expressed through a reference to the Group motto *"There is always a better way"*. There was also an internal satisfaction to be seen among the demerger architects in the surprise that followed the demerger announcement, and in that they were able to act before being called upon. In addition, the separation was legitimized by flipping the argumentation, stating that no one would come up with the idea of merging these two entities if they had been separate. While this was used as an argument to legitimize the split, it was still an "instruction to the market", the manifestation of the firm's anticipation of what the market was expecting from the Atlas Copco Group since an explicit structural discourse was not present. Atlas executives made theoretical observations on a scenario where they expected the market to react negatively from becoming too large on the mining side, while the analysts appeared to have anticipated a more intense M&A agenda within MRET. The firm's anticipation of what the market "truly" wanted, which manifested in the "instructional behavior" when seeking to legitimize the split, is therefore proposed to align with the predictions of the theoretical framework and the Phase 2 internalization of the financialization régime.

The many expressions of financialization support the notion that the case company had been subject to governmentality and undergone a process of internalizing the common truth of financialization. The recurring topic of the prosperous but forecasted VT margins, with the potential to outperform the Atlas Copco average, adds another interesting element to the story. The managerial signals of a need to increase focus aligned with the behavior observed by Roberts et al. (2006), where managers sought to show the market what they considered to be the main value drivers of the Group. In turn, it also actualizes the Ezzamel et al. (2008) proposition of "relative underperformers", where businesses were shedded merely on the basis of their relative contribution to the shareholder value creation. However, as this was not perceived as a present scenario at the time, it is an anticipative future risk and as the case firm has, proposedly, internalized the financialization régime, it acts before the facts. This further implies that the active exercise of power no longer is required since the firm as a governable entity has been transformed into its own overseer, in line with the reasoning of "later Foucault" literature (Armstrong, 1994; Miller & O'leary, 1987). The act without external pressure was commented as "proactive" by its architects, but if interpreted through the theoretical lens applied in the second phase of the theoretical framework, it becomes an action of self-regulation; an attempt by the case subject to attend to its own deficiencies by anticipating what the market wants. This aspect also supports the enabling sides of the calculative discipline of accounting suggested by Goretzki (2013) and Mennicken & Miller (2012) as the firm observes the violations its sector colleagues are punished for by the capital market and internalize them as the defined boundaries of sound corporate conduct. Thereby, it allowed a relative "freedom" to act upon a self-perceived deviation from an anticipative ideal, simultaneously making itself obedient to the coercive laws of the financialization régime, while enabled to act in advance and through its own means to avoid crossing the boundaries.

However, while the case company appeared to align nicely with the Phase 2 behavior predicted by the theoretical framework, certain elements of the event must yet be elaborated upon. Management delivered a solution to an internally perceived problem not observed externally, where the many reactions stressed that the addressed issue did not have to be managed at this point in time. This was further emphasized with the statement from the former CEO that *"You need to change your roof when the sun is shining, even if the roof can still function"*, with previous comments that the addressed issue would surely be actualized within four to five years, along with another internal comment that the initiative did not seek a higher stock price within the short-term, but rather looked into the values that could be realized within a time horizon of five to ten years. With regard to this, it is therefore suggested that the demerger characteristics of the Atlas Copco case should not be exhaustively interpreted as a Phase 2 self-disciplined reorganization, potentially also taking the form of anticipative reorganization as defined by the third and final phase of the framework.

5.3 The Promise of a Better Way - The Hope for Shareholder Value

Another interesting aspect which emerged from the empirical findings was the temporal dimension encompassing the decision, where both the managerial and the external comments continuously referred back to the timing of the demerger. Analysts talked about a solution to a non-existent problem, and managers referred to an imminent risk of becoming too complex, a situation where the external perception on its value drivers could yield unwanted misinterpretations, thus launching a restructuring with promises of values to be realized in the future. To begin, these elements shed light upon a significant time lag with regard to the short-term mindset advocated in the financialization domain and the first phase of the theoretical framework. Second, the observation that external actors in the capital market neither saw the split coming, nor found its rationales easily observable, adds contrast to the second phase, where governmentality was predicted to influence the firm into self-disciplinary behavior by adhering to the perceived short-term expectations prevailing in the market. Thus, it is suggested that the case company actualize the third and final phase of the outlined theoretical framework (Figure 5) and that the demerger may be interpreted as an act of anticipative reorganization, supported by the duality of the unconventionality in rationales along with the uncomprehending external reactions.

	Decision Form	Literature	Behavioral Effect
Phase 3	Promises	Catasús et al (2016) Mouritsen & Kreiner (2016)	Meeting existing expectations is insufficient, anticipative reorganization initiated based on promised rationales unkown or not easily available to the external actors

Figure 5. Phase 3 internalization

The implications of Phase 3 internalization may be seen as an evolution of the governmentality concept, where the addition of a temporal aspect transforms the previous régime of truth into a régime of hope. Whilst the former builds upon an already existing set of facts (or truths), the latter was argued by Mouritsen & Kreiner (2016) to constitute a manifestation of how things could be, contrasting the calculative accounting régimes, which were tools to establish the what "is", constrained in their ability to take all future parameters into consideration. Catasús et al. (2016) further referred to accounting as the technology of managing the undesirable, when the perceived reality deviates from the anticipative ideal. The self-regulation argument in the previous section was built upon the notion that the case company had internalized the existing financialization régime, illustrated in the first phase of the theoretical framework, along with the previous discussion of how the financialization mindset in turn was interpreted to have played an important role in the realization of the self-disciplined demerger. In the outline of the theoretical framework, it was suggested that rather than to view the act of self-regulation as a strict adherence to the prevailing facts of a disciplinary régime, it also allows for the interpretation as a promise of leaving something undesirable in favor of something that is perceived to be better. The Steve Jobs analogy, that *"You can't just ask the market what they want and then try to give that to them. By the time you get it done, they'll want something new"*, sought to illustrate this, responding to the notions in the financialization domain where it often was made clear that meeting "the numbers" and that more of the same was insufficient to impress.

The time horizon, with promised effects several years after initiation, creates interesting dynamics with regard to the theoretical framework, because acting upon promised rationales implies that they are not yet rationales; they are conjectures of a future scenario. Some of the financial analysts reasoned that the demerger was a way for the case firm to forego a structural debate, whilst adding that they did not see it as necessary. Even so, the executives of the firm engaged in an anticipative reorganization to address this scenario, seeking to eliminate the very source from which it could emerge and in doing so, foregoing the end product of Phase 1 financialization behavior predicted in the framework. The demerger, which was launched under the umbrella *"There is always a better way"*, becomes "a promise of a better way", a hope for shareholder value. The issue it manifests is something that is new and not perceived to exist, but anticipated to take place in the foreseeable future. Thus, the high expectations in the capital market manifest themselves in the company's promises of future value realizations, where the effects of financialization do not stop at satisfying the current demands; they exercise their power by encouraging the firm to engage in self-disciplinary behavior on all future deficiencies they may identify, without having to interfere in the corporate decision-making. In this matter, the public corporation is also "freed" from some of the boundaries it is subject to under Phase 1 and Phase 2 behavior, as it becomes equipped with a tool to address abnormalities even before they have taken place and made possible for a discourse to form. This further actualize another notion of the promissory economy, the one of forgiveness, because if the company cannot deliver on its promises, the discipline of the market cannot point at the structure in the same way as a Phase 1 situation, since a profound modification has already taken place, leaving a debate on whether too much was done and forgiveness as the remaining option. In consequence, the question may be raised of whether this was what the company sought, an act in advance of a perceived ambiguity, an anticipative future problem, reasoning that it is *"better to ask for forgiveness than permission"*. In this sense, the company utilizes its good and 100-year-old relation with the capital market, along with the fact that they had proven their ability to create value over and over again, to create a temporal distance to the Phase 1 discourse, while also illustrating the behavioral dynamics in the theoretical framework.

In addition, Mouritsen & Kreiner (2016) also said that *"[...] the promise impacts others since it is inserted into a web of relations. The decision maker makes promises whose consequences are not only for this person to bear but are also borne by others."* The financialization domain illustrated how a part of the Phase 1 behavior involved the close monitoring of competitors and the empirical findings illustrated how the financial press seemingly had observed the unconventionality, with a known activist fund manager stating that the future would be merciless to *"whichever company which could be considered as a conglomerate"*. Thus, an interesting aspect of the promissory decision-making may be suggested, namely whether the anticipative action of the company yields real consequences upon others. It appears as if the enabling parts of governmentality to form and subordinate the subject under a régime of truth (Phase 2) (Goretzki, 2013; Mennicken & Miller, 2012), accompanied by a promissory aspect (Phase 3), is not only an internal initiative in isolation, but an act with external consequences, manifested in an emphasis of external structural discourses (Phase 1). From a Foucauldian perspective, the company does in some sense transform itself into a disciplinary mechanism, lending itself to the sovereign power of the capital market to be exercised upon the actors in its public environment. This occurred since the firm sought to influence what was to be perceived as the anticipative ideal (Catasús et al., 2016), a promissory statement to the market that they can rest assured that the company will not engage in a future violation of the financialization régime. Whilst being a highly theoretical observation, the Atlas Copco demerger highlights an interesting phenomenon, whether the promissory dimension of future shareholder value creation through corporate restructuring translates into external Phase 1 effects for others, illustrated in the CFO comment that *"if Atlas is not able to continue to be a coherent group, who can then?"*.

6. Conclusions

The present study sought to investigate how the influences of financialization are manifested as managerial promises of future shareholder value creation, even when there is no external pressure. Based on this, the authors applied a three-tiered theoretical lens on how financialization is internalized by public corporations, where the first phase represented the current financialization domain and the focus on the short-term hunt for shareholder value, brought by the capital market's active exercise of pressure (Cushen, 2013; Kraus & Strömsten, 2012; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006). It was then complemented with a second phase by studying the case findings through a "later Foucauldian" perspective of governmentality (Goretzki, 2013; Mennicken & Miller, 2012; Armstrong, 1994; Miller & O'Leary, 1987), ending with a third phase which sought to address the perceived gap regarding the temporal dimensions of shareholder value in the name of financialization (Catasús et al., 2016; Mouritsen & Kreiner, 2016).

The study responds to various calls for more top-down research on how the emphasis of shareholder value is expressed by its architects within top management and how it is exported downwards in the organization (Cushen, 2013; Kraus & Strömsten, 2012; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006). In addition, the incorporation of the external perspectives of capital market actors such as financial analysts and shareholders along with the in-depth access to top management at the case company further adds to the understanding of corporate behavior in a stock market context.

The analysis of the empirical findings showed that financialization characteristics were present in the case company, with shareholder value being an important aspect of the restructuring, however, with different essences when compared to the financialization domain. The transaction was initiated from a position of strength, it was not called upon by the capital market, who even questioned its necessity, and the senior executives of the firm communicated the demerger as an action to safeguard the effectiveness of the customer-centric business model, legitimized through promised long-term value creation in the future. In consequence, the case findings nuance previous literature with the observation that the structural reorganization sought to ensure focused boards and management teams to optimize the horizontal processes in the respective organizations. This contrasts with the historical focus which has been on cost-cutting initiatives to downsize the horizontal processes for the purpose of short-term manufacturing of shareholder value. Thus, our findings open for debate whether the short-term shareholder value primacy emphasized in the financialization literature continues to be the focal point advocated by public corporations.

The analysis further illustrated how the case company appeared to "instruct" the market that something was insufficient with the current state of the organization, with explicit statements suggesting that no one would have come up with the idea of merging the entities today. The case company's managers emphasized that the demerger was not to be seen as an ordinary event with regard to history, that things could be even better if acted upon despite not being called for by the external market. The "instructive" behavior of presenting the modified corporate self as what the capital market wanted actualized the Foucauldian governmentality literature and suggested that the company may have internalized the logics of the financialization régime, thus making the initiative a self-regulated demerger, a realization of disciplinary power before its active exercise by the market. This once again contrasts with the previous financialization literature's reactive reorganization, with companies being managed by the markets rather than trying to "instruct" them.

Finally, the temporal dimensions of the case findings address an aspect that has been overlooked in the current literature. The analysis revealed how the demerger decision largely built on promised rationales that were not present facts but merely conjectures of a future context. By foregoing an active structural discourse, the anticipative reorganization took the form of a promise of a better way, a pledge to deliver long-term value realizations in the future. In addition, it was proposed that the promissory aspects of the decision could yield external discourse effects on its competitors by actualizing an "if we can't, who can then?" debate. This is suggested to add nuance to the Foucauldian literature when the self-disciplinary actions of a firm who has internalized a certain truth régime, with a "known" business model, coupled with a temporal dimension, is able to transform itself into a disciplinary mechanism to be utilized by the sovereign power of the stock market. In addition, the seemingly unconventional behavior, along with the organization's long history on the stock market, adds to our knowledge of the internalization process of logics of financialization. The study indicates that the case company may have been able to utilize its track record for the initiation of a transaction built upon highly promissory aspects in the value creating rationales. Thus, this nuances the previous propositions that public firms institutionalize a short-term financial behavior, gaining the market's trust by building a track record of meeting the expectations set in by quarterly capitalism (Kraus & Strömsten, 2012; Kraus & Lind, 2010; Ezzamel et al., 2008; Roberts et al., 2006).

In summary, we believe that this case study complements and nuances the existing financialization literature on how shareholder value is advocated by the capital market and how this is internalized into the minds of top executives. The hope for shareholder value implicates that the adamant exercise of discipline from the capital market may manifest itself differently from case to case in comparison to what is known from previous research, where the certain characteristics of some firms may suggest that sometimes it is *"better to ask for forgiveness than permission"*.

6.1 Limitations and Suggestions for Future Research

While this study received access to several senior executives, the architects behind the notable demerger transaction of Atlas Copco, in combination with financial analysts, it should be acknowledged that we still had limited insights from the owner sphere. While we got the opportunity to interview the CEO of the major shareholder Investor, it is important to mention that he also holds a seat on the board at both Atlas Copco and Epiroc, and as a result becomes a representative of the company whilst at the same time taking the role as shareholder. The interviewee has therefore been handled as both an internal and external actor depending on the perspectives that was addressed in different contexts. However, we believe that future research in the area could benefit from including several owner representatives in order to get a better view of the different aspects, preferably through actors that are not part of the board of directors in order to get a cleaner external shareholder perspective. In addition, as we only had access to senior executives, we believe that it would be of interest for future research to incorporate aspects further down in the organization by including how the managerial promises of future shareholder value is pushed down and how it is expressed in the lower levels of the organization.

Furthermore, we believe that self-disciplined restructuring and promises of future shareholder value creation also could be of interest for future studies. The fact that the phenomenon is not extensively elaborated upon in earlier research from the perspective of the promissory economy opens possibilities for additional studies within the area. It would be of interest with further understanding how a firm's historical track record influences the ability to initiate a promissory restructuring. The reason behind this was that the single case study was only able to indicate that the market needs to have a belief in the organization and its management in order to let it restructure a functioning organization in the strive to find something that is internally perceived to be even better.

Lastly, the conclusions of this thesis build upon a single in-depth case study and as such the findings might be highly dependent on the context surrounding the case organization Atlas Copco. Therefore, future research could benefit from including several cases in a similar study in order to explore if the conclusions drawn here is applicable in other cases or if they are specific for the case presented here. Furthermore, the indication that Atlas Copco’s promise of future shareholder value creation affects the discourses in its sector colleagues cannot be confirmed based upon a single case study, as we had no ability to make in-depth studies of these. Thus, it would be interesting for future research to take a multiple case design in order to better understand how firms are affected by the promissory decisions made by others.

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8. Appendix

8.1 Appendix 1: Details of the Interview Sample

APPENDIX TABLE 1
The Interview Context

Organization	**The interviewed**	**Title**	**Date of Interview**	**Method**
Atlas Copco	Anders Pehrsson	Former Head of Group Controlling	2020-01-26	Face-to-Face
Atlas Copco	Anders Pehrsson	Former Head of Group Controlling	2020-02-18	Face-to-Face
Citi Group	Klas Bergelind	Atlas Copco & Epiroc Analyst	2020-02-18	Telephone
Atlas Copco	Ken Lagerborg	Head of Group Treasury	2020-02-26	Face-to-Face
Epiroc	Anders Lindén	Chief Financial Officer	2020-02-26	Face-to-Face
Epiroc	Jörgen Ekelöw	Head of Legal	2020-02-26	Face-to-Face
Atlas Copco	Hans Stråberg	Chairman of the Board Atlas Copco	2020-03-04	Face-to-Face
Investor	Johan Forssell	Chief Executive Officer	2020-03-09	Face-to-Face
Board Advisory Services	Peder Frölén	Former Atlas Copco & Epiroc Analyst	2020-03-20	Telephone
ABB	Björn Rosengren	Chief Executive Officer ABB, Former Business Area President at Atlas Copco Mining and Rock Excavation	2020-03-24	Skype
Pareto Securities	Anders Roslund	Atlas Copco & Epiroc Analyst	2020-03-25	Telephone
DNB	Olof Larshammar	Atlas Copco & Epiroc Analyst	2020-03-27	Telephone
Dagens Industri	Anders Hägerstrand	Business Journalist	2020-03-31	Google Hangouts
Atlas Copco	Hans Ola Meyer	Chief Financial Officer	2020-04-02	Microsoft Teams
Kepler Cheuvreux	Markus Almerud	Atlas Copco & Epiroc Analyst	2020-04-02	Telephone
Epiroc	Ronnie Leten	Former Chief Executive Officer Atlas Copco, Chairman of the board Epiroc	2020-04-14	Skype

8.2 Appendix 2: Excerpt from Coding Document

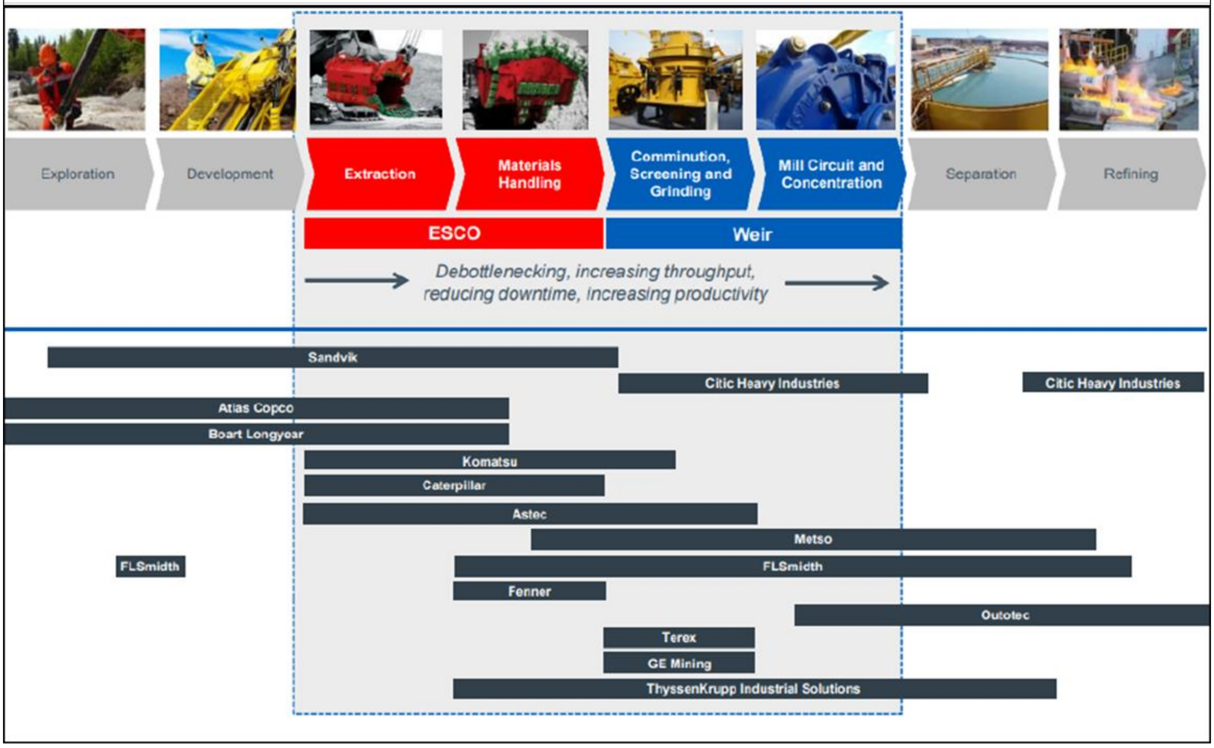
APPENDIX TABLE 2
Excerpt From Coding Document

	Atlas Copco's Decision						
Interviewee	A/S	A/C	A/V	A/M	A/P	A/FM	A/DC
Interviwee 1	13	12	10			9, 11	2, 3, 5, 12
Interviwee 2	2	4	3	2	6	3	
Interviwee 3	2		2, 6, 7, 8		2, 3, 5, 6	7	4, 5
Interviwee 4	1, 3	4	5	1	1, 2, 3, 6		
Interviwee 5	2, 5	2, 5, 7	5, 6	1	2, 3, 5, 7		
Interviwee 6	1	2, 5			1, 7	3, 4	5
Interviwee 7	1, 9		4, 1	5	2	7, 7	
Interviwee 8	1	1, 4	2	4	5	2	
…							

A/S Decision perceived as surprising
A/C Different cyclicalities in the two parts
A/V The rise of VT
A/M Differences in margins in the two parts
A/P Good performance prior to the split
A/FM External focus on mining
A/DC Different customers between the two parts

8.3 Appendix 3: Competitive Landscape in Mining

APPENDIX TABLE 3
The Mining Landscape and Exposure by Company



Source: Weir Group

8.4 Appendix 4: Peers, Sector and Industrial Categorization

APPENDIX TABLE 4
Atlas Copco Sectoral and Industrial Categorization Analysis*

Data Retreived From:
**** Bloomberg***
**** Handelsbanken Capital Markets***
**** Pareto Securities Equity Research***

		Atlas Copco	*Boart Longyear BV*	*Caterpillar Inc*	*Epiroc*	*FLSmidth & Co A/S*	*Komatsu Ltd*	*Metso Oyj*	*Outotech Oyj*	*Sandvik Sweden AB*	*ASML Holding NV*	*Ebara Corp*	*Ingersoll Rand Inc*	*Pfeiffer Vacuum Technology AG*	*Shimadzu Corp*	*VAT Group AG*
Business Area			*Mining and Rock Excavation Technique*								*Compressor and Vacuum Technique*					
Sector	*Industrials*	■	■	■	■	■	■	■	■	■		■	■	■		■
	Health														■	
	Tech										■					
Industry	*Machinery*	■	■	■	■	■	■	■	■	■		■	■	■		
	Manufactured Goods															■
	Medical Equipment and Devices														■	
	Semiconductors										■					
Sub-Industry	*Construction and Mining Machinery*		■	■	■	■	■	■	■	■						
	Fabricated Metal & Hardware															■
	Flow Control Equipment	■										■	■	■		
	Life Science Equipment														■	
	Semiconductor Mfg										■					

8.5 Appendix 5: Analyst Coverage

APPENDIX TABLE 5
Analyst Coverage Mismatch - Atlas Copco and Epiroc*

ATLAS COPCO		EPIROC	
Broker	**Analyst**	**Broker**	**Analyst**
ABG Sundal Collier	Anders Idborg	ABG Sundal Collier	Anders Idborg
AlphaValue	Fabrice Farigoule	**N/A**	**N/A**
Bank of America	Alexander Virgo	Bank of America	Alexander Virgo
Barclays Capital	Lars Brorson	Barclays Capital	Lars Brorson
Berenberg	Joel Spungin	**N/A**	**N/A**
Carnegie	Johan Wettergren	Carnegie	Johan Wettergren
Citi	Klas Bergelind	Citi	Klas Bergelind
Credit Suisse	Max R Yates	Credit Suisse	Max R Yates
Danske Bank	Johan Sjöberg	Danske Bank	Johan Sjöberg
Deutsche Bank	Gael de-Brey	Deutsche Bank	Vivek Midha
DnB Nor	Olof Larshammar	DnB Nor	Olof Larshammar
Exane	Matthew Spurr	Exane	Matthew Spurr
N/A	**N/A**	Handelsbanken	Hampus Engellau
N/A	**N/A**	HSBC	Edward Perry
Goldman Sachs	Jack O'Brien	**N/A**	**N/A**
Jefferies	Rizk Maidi	Jefferies	Rizk Maidi
JP Morgan Cazenove	Andrew J Wilson	JP Morgan Cazenove	Andrew J Wilson
Kepler Cheuvreux	Markus Almerud	Kepler Cheuvreux	Markus Almerud
Liberum	Daniel Cunliffe	**N/A**	**N/A**
Morgan Stanley	Ben Uglow	Morgan Stanley	Robert J Davies
Morningstar	Denise Molina	**N/A**	**N/A**
Nordea	Andreas Koski	Nordea	Andreas Koski
Pareto Securities	Anders Roslund	Pareto Securities	Anders Roslund
RBC Capital	Sebastian Kuenne	**N/A**	**N/A**
Redburn	Sebastien Gruter	Redburn	Sebastien Gruter
SEB Enskilda	Fredrik Agardh	SEB Enskilda	Fredrik Agardh
Societe Generale	Leslie Alasdair	**N/A**	**N/A**
UBS	Guillermo Peigneux	UBS	Guillermo Peigneux
William Blair	Lawrence de Maria	**N/A**	**N/A**
Broker Count = 27	**Analyst Count = 27**	**Broker Count = 21**	**Analyst Count = 21**

Shared Brokers	**20**
Shared Analysts	**17**
Shared Level of Coverage	**85%**

*** Atlas Copco & Epiroc Webpages, as of March 26 (2020)**

8.6 Appendix 6: Main Owners

APPENDIX TABLE 6 **Main Owners***			
Atlas Copco		**Epiroc**	
Owner	% of CSO	Owner	% of CSO
Investor AB (publ) (OM:INVE A)	17,07	Investor AB (publ) (OM:INVE A)	17,271
Alecta Pensionsförsäkring AB, Asset Management Arm	4,443	Alecta Pensionsförsäkring AB, Asset Management Arm	5,832
Swedbank Robur Fonder AB	4,333	Swedbank Robur Fonder AB	2,961
The Vanguard Group, Inc.	2,546	The Vanguard Group, Inc.	2,576
Baillie Gifford & Co.	2,004	Norges Bank Investment Management	2,017
BlackRock, Inc. (NYSE:BLK)	1,979	BlackRock, Inc. (NYSE:BLK)	1,956
Norges Bank Investment Management	1,472	Didner & Gerge Fonder	1,58
SEB Investment Management AB	1,153	AMF Fonder AB	1,562
Folksam Kapitalforvaltning	1,131	Capital Research and Management Company	1,555
Invesco Ltd. (NYSE:IVZ)	1,073	Invesco Ltd. (NYSE:IVZ)	1,318
Harding Loevner LP	1,036	Harding Loevner LP	1,219
AP Fonden 4	1,0	Folksam Kapitalforvaltning	1,112
FMR LLC	0,999	FMR LLC	1,111
AMF Fonder AB	0,846	Baillie Gifford & Co.	1,09
WCM Investment Management	0,788	SEB Investment Management AB	1,085
Number of Shared Owners		13	
Shared Owners in percent		87%	
*Source: Capital IQ, as of April 18 (2020)			