

Strategy Formation and Managerial Agency

A Socio-Cognitive Perspective



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Johan Stein





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To My Parents and Sister

Preface

This report is a result of a research project carried out at the department for Management and Organization at the Economic Research Institute at the Stockholm School of Economics. Thematically, it is a part of a larger research program carried out at this department addressing the area of strategic management in large Swedish business organizations.

This volume is submitted as a doctor's thesis at the Stockholm School of Economics.

As usual at the Economic Research Institute, the author has been entirely free to conduct and present his research in his own ways as an expression of his own ideas.

The Institute is grateful for the financial support provided, notably by SKF AB, which considerably facilitated the realization of this research effort.

The present volume would not have been possible without the cooperation with the firms and individuals around which much of the empirical work has been conducted. The Economic Research Institute wishes to warmly thank all involved for their generosity and openness.

Claes-Robert Julander
Professor,
Director of the Economic
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the Stockholm School of Economics

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Foreword and acknowledgements

The initial inspiration for embarking on this venture came during my final year as an MBA student at the Stockholm School of Economics. Reflecting over theories and learning more were some themes of this inspiration. Curiosity has remained the single most guiding principle until the completion of this venture.

As a manifestation of curiosity, the present project represents a modest effort to make contributions to existing knowledge by addressing several theoretical, empirical and methodological issues that seem important to the study of the formation of corporate strategies and, in this respect, the roles and influences of managers (i.e. managerial agency). The research purpose and questions have been defined in order to account for the complexity of the strategy formation phenomenon, thereby avoiding intra-paradigmatic restrictions. An interdisciplinary search in the richness of theories is used as a route to capture this complexity. Even so, the result of this study does not make any pretension to be a full-blown synthesis. Nor is the emerging framework claimed to be the way for the future.

Many people have contributed to this thesis in one way or another, and in particular, I wish to express my sincere gratitude to a number of colleagues and friends, listed below, who have helped and encouraged me in its completion.

I am greatly indebted to Professor Sven-Erik Sjöstrand at the Stockholm School of Economics. He has been an important source of inspiration in writing this thesis. During critical moments, Professor Sjöstrand provided me with the confidence necessary to continue with my ideas.

I have the good fortune of having had Professor Leif Melin at Linköping University as a member of the thesis committee. Professor Melin often raised pertinent questions, although always in a constructive way. Without his comments I would never have attained the same degree of awareness of my own research. The committee member Associate Professor Dag Björkegren's interest, especially in the methodological parts of the thesis, has been valuable.

During the year my doctoral studies were situated at Stanford University, I met a number of doctoral students and faculty members in a variety of academic disciplines. Since I had the room next to Professor James March, I was placed in the centerfield of a highly enlightening and stimulating research environment. I am deeply indebted to Professor March for having afforded me so many opportunities to discuss my research

project. I can only hope that this thesis does some justice to the knowledge given to me at these occasions.

It has been a privilege to be a participant of the team constituting the Department for Management and Organization at the Stockholm School of Economics. The research atmosphere involved both pleasures and demands in a highly satisfactory combination. My thanks goes to: Anna, Annelie, Birgitta, Emma, Erik, Filip, Gunnar, Ingalill, Johan, Lars, Maria, Mats, Mona, Peter, and Pia. My friend and research colleague, Jonas Ridderstråle, enjoys my warmest gratitude for his role as a “devil’s attorney”. My thanks are also directed to guest researchers at the department with whom I have discussed this project, and in particular Professor Charles Perrow and Professor Charles Stubbart.

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Many thanks are due to all interviewees subject to this study. I am further indebted to the personnel at the Financial Supervisory Authority in that they supplied me with so (too) much data and allowed me access to their archives. Indispensable research funding has been provided by SKF AB. The Sweden-America Foundation made my stay at Stanford financially possible. I am deeply grateful.

My close life companion, Eva Wikner, has along the entire period of this venture supported me in all ways thinkable. I just do not know how to express my appreciation.

In an effort to acknowledge all these people, the story will henceforth be told by “us”.

Stockholm in October, 1993.

Johan Stein

TABLE OF CONTENTS

page

Chapter 1 Setting the Frame

1.1	Introduction	1
1.2	The problem area	2
1.2.1	An area of theoretical pluralism	2
1.2.2	The need to go beyond objectivism and subjectivism	3
1.2.3	Quests for interdisciplinary and longitudinal research	4
1.2.4	The call for considering several levels of analysis	6
1.2.5	The actors and the levels of analysis to be studied	8
1.2.6	Structures and processes revisited	9
1.3	The research purpose and related research questions	11
1.4	Conceptualizations	12
1.4.1	The concept of strategy	12
1.4.2	The formation of strategies and the defining of a strategy	14
1.4.3	The relation between interaction processes and strategies	15
1.4.4	Objectivism and subjectivism	16
1.5	The levels to be analyzed	18
1.6	The structure of the study	20

Chapter 2 Methodology

2.1	Introduction	23
2.2	Beyond objectivism	23
2.3	On hermeneutics and the construction of interpretations	25
2.4	An interdisciplinary approach	29
2.5	The logic used to analyze theoretical and empirical texts	31
2.5.1	Theory construction as a two-stage process of creating knowledge	32
2.5.2	The thematic analysis	34
2.6	The case study approach used	36
2.6.1	The case study design	36
2.6.2	The process of the empirical inquiry	37
2.7	Validity, reliability and applicability as criteria of plausibility	41
2.7.1	The intersubjective plausibility criteria of validity	42
2.7.2	The intersubjective plausibility criteria of reliability	44
2.7.3	The intersubjective plausibility criteria of applicability	46

Chapter 3 The Theoretical Analysis - The Foundations

3.1	Introduction	47
3.2	Structures, agents and processes of interaction	47
3.2.1	Processes of interaction	47
3.2.2	Processes of interaction and corresponding structures	49
3.2.3	Individuals as focal actors in processes of structuration	51
3.3	Cognitive processes and social embeddedness	52
3.3.1	Cognitive psychology - a background	53
3.3.2	Cognitive structures	53
3.3.3	Social influences on cognitive processes	55
3.3.4	A “private sense” versus a “common sense”	57
3.4	Structures and corresponding processes of interaction	60
3.4.1	Physical interactions and corresponding social structures	60
3.4.2	Psychical interactions and corresponding cultural structures	64
3.4.3	The interrelation between structures	65
3.5	Institutions as systems of interaction	66
3.5.1	Institutionalization - the secondary socialization	69
3.5.2	A socio-cognitive view on institutionalization and physical processes	71
3.5.3	Institutions and societal stratification	73
3.5.4.	On the boundary of social systems	76
3.5.5	Summing up the relationship between institutions and structures	77
3.6	Evolutionary processes	78
3.6.1	Individuals’ physical and psychical freedom of action as structuration agents	81
3.6.2	Evolutionary processes in sum	84
3.7	The themes of an emerging socio-cognitive frame of analysis	85

Chapter 4 The Theoretical Analysis - Retentions and Extensions

4.1	Introduction	87
4.2	Strategy formation as a process of structuration	88
4.2.1	The linear view	89
4.2.2	The adaptive view	90
4.2.3	The interpretive view	95
4.2.4	A socio-cognitive view	98
4.2.5	Some empirical observations	102
4.2.6	Structural principles and strategic levels	106
4.2.7	Some concluding remarks on strategy formation and structural principles	107
4.3	Managerial roles and influences in strategy formation	109
4.3.1	Managerial roles in the process of structuration	109
4.3.2	Examples of managerial activities	111
4.3.3	Managerial influences on strategy formation	115
4.3.4	The managerial influence from the socio-cognitive view	122

4.4	Strategy formation from an intercontextual dimension	123
4.4.1	Technostructures and associated resource dependencies	124
4.4.2	Sociostructures and associated asymmetrical dependencies	125
4.4.3	Cultural structures and associated normative dependencies	126
4.4.4	Some concluding remarks from a socio-cognitive perspective	129
4.5	Concluding the theoretical analysis	130

Chapter 5 The General Analysis

5.1	Introduction	133
5.2	Strategy formation and structural properties	135
5.2.1	Organizational technostructures	135
5.2.2	Intercontextual technostructures	140
5.2.3	The evolution of technostructures	144
5.2.4	Technostructures as structural properties in sum	155
5.2.5	Organizational sociostructures	157
5.2.6	Intercontextual sociostructures	160
5.2.7	The evolution of sociostructures	164
5.2.8	Sociostructures as structural properties in sum	170
5.2.9	Cultural structures within the contexts of the life insurance companies	171
5.2.10	Intercontextual cultural structures	172
5.2.11	The evolution of cultural structures	174
5.2.12	Cultural structures as structural properties in sum	177
5.3	Strategy formation and structural principles	177
5.3.1	The structural principles of the life insurance companies	178
5.3.2	Intercontextual structural principles	184
5.3.3	The evolution of structural principles	190
5.3.4	Strategy formation and structural principles in sum	194
5.4	Strategy formation and the coupling of structural properties and structural principles	195
5.5	Strategy formation and managerial agency	200
5.5.1	Managerial agency and organizational structural properties	200
5.5.2	Managerial agency and intercontextual structural properties	204
5.5.3	Managerial agency and structural properties from the evolutionary dimension	208
5.5.4	Managerial agency and structural properties in sum	212
5.5.5	Managerial agency and structural principles from the context specific dimension	213
5.5.6	Managerial agency and structural principles from the intercontextual dimension	214
5.5.7	Managerial agency and structural principles from the evolutionary dimension	215
5.5.8	Managerial agency and structural principles in sum	217
5.6	Strategy formation and the interrelationship between managerial agency and the coupling of structural properties and structural principles	217

Chapter 6 The Synthesis

6.1	Introduction	225
6.2	Structures and processes involved in the strategy formation of firms	226
6.2.1	Structural principles as systems integrating modes of governance	229
6.2.2	Structural properties and structural principles from an evolutionary perspective	231
6.2.3	On the tightening and loosening of the coupling in social systems	232
6.2.4	An <i>a priori</i> versus an <i>ex post</i> definition of social systems	233
6.2.5	Strategy formation in retrospect	235
6.3	Strategy formation and managerial agency	236
6.3.1	Managerial roles and influences in relation to structures and processes	237
6.3.2	The managerial role of exerting influence through coupling structures and processes	241
6.4	Strategy formation of firms	243

Chapter 7 Discussion

7.1	Introduction	249
7.2	A methodological comparison	249
7.3	An empirical comparison	251
7.4	A theoretical comparison	254
7.5	Suggestions for future research	257

SOURCES

1	Introduction	259
2	Table of references	259
3	Primary empirical sources	284
4	Secondary empirical sources	288

APPENDICES

Appendix A

1	Introduction	291
2	Selecting the firms	291
3	A background to life insurance	294
3.1	Unit-linked life insurance	296
4	The regulatory and supervisory framework	296

4.1	A historical background	297
4.2	Central legislative principles	300
4.3	Associative forms	302
4.4	Deregulation and other adjustments of the financial system	304
5	The life insurance companies	306
5.1	A historical account of cooperative alignments among firms before 1986	313

Appendix B

1	Introduction	315
2	Premiums and technical reserves from 1986 to 1991	315
3	Dividends from 1986 to 1991	319
4	Investments from 1986 to 1991	321

Appendix C

1	Introduction	327
2	Questionnaire - sector-related organizations and government offices	327
3	Questionnaire - the life insurance companies	328
4	Operationalizations	331

Author Index	333
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TABLE OF FIGURES

	<u>page</u>
Figure 1.1: Types of strategy	14
Figure 2.1: The semi-deductive structure of the analysis	33
Figure 2.2: Secondary sources - documentation and archival records	40
Figure 2.3: Validity construction	42
Figure 2.4: The quality of the data	43
Figure 2.5: The reliability of the empirical data	45
Figure 3.1: Structural interdependencies	65
Figure 3.2: The basic position of socio-economics	74
Figure 3.3: The basic kinds of relationships in human interaction and exchange	74
Figure 3.4: The structural embeddedness of an institution	77
Figure 3.5: Circuits of reproduction	78
Figure 3.6: Reproduction and change	83
Figure 4.1: The adaptive cycle	91
Figure 4.2: The McKinsey 7-S Framework	97
Figure 4.3: The cultural web of an organization	99
Figure 4.4: Strategy formation as a process of structuration	108
Figure 4.5: Managing change for competitive success: the five central factors	113
Figure 4.6: Strategic problem comprehension	116
Figure 4.7: Model of organizational interpretation modes	118
Figure 4.8: Overlap in strategic concepts	123
Figure 5.1: The structure of the analysis	134
Figure 6.1: Loosening and tightening of the coupling in social systems from interpreted feedback	233
Figure 6.2: Structures and processes involved in the strategy formation of firms	235
Figure 6.3: Managerial agency in the strategy formation of firms	238
Figure 6.4: Expansion and contraction of the scope of managerial influence	241
Figure 6.5: Strategy formation of firms	243

Chapter 1

SETTING THE FRAME

1.1 Introduction

The main concern of this study is strategy formation of firms as it unfolds over time and in context. In recent years we have witnessed a state of turmoil in several industries. This turbulence has not only been characterized by the magnitude of industrial transformations, but also by the short period of time during which these transformations have taken place. Given the development of control and demand from regulators, consumers and other interest groups, the period since the beginning of the 1980's has, in many respects, been an era of extensive pressure on firms. In addition, the competition for available business has become stronger in those industries that have reached maturity in terms of little or no market growth. For many companies, the internationalization of their respective business has imposed even greater competitive challenges. One route to competitiveness for the individual company is argued to be the development of a strategy differentiated from the strategies of competitors (e.g. Porter, 1980; Scherer, 1980; Caves, 1987). Moreover, there is an underlying need for all firms to become responsive to the range of pressures and demands facing them (Powell, 1987). Companies are, however, embedded in social contexts that may hamper or facilitate such differentiated strategies and prompt responses (e.g. Porter, 1980, 1990; Hannan & Freeman, 1984; Granovetter, 1985; Hinings & Greenwood, 1988). For the management of the individual firm, the issues related to strategic maneuverability are even more complex, as the organizational domains must be considered.

A central premise in this study is, accordingly, that strategies are formed by processes of social interaction within as well as across organizational settings.¹ Strategy formation is then broadly defined to encapsulate a multilevel and continuous process of interaction in a chronological and social context.² In order to reduce the risk of overemphasizing influences from the organizational realm, this project will empirically make allowance for the sectorial level of analysis by focusing on the life insurance sector in Sweden during a specific period, 1986 to 1991.³ Our interest will be

¹ A strategy is defined here as a pattern in a stream of enacted actions - see page 16.

² This is a broad definition which, as will be revealed, embodies definable structures and processes.

³ Two levels will be analyzed in the study: the organizational, and the sectorial level - see page 20. The notion of "sector" is here more broadly defined than "industry" - see page 19.

centered on distinguishing structures and processes of interaction which exist in the context of a sector so as to explicate strategy formation of firms over time.⁴

The basis of our empirical exploration of strategy formation will follow from the study of managerial interactions as well as the social embeddedness of these interactions. The roles and influences of managers as agents in the formation of strategies will, thereby, be accentuated.

The particular sector has been chosen because it meets our research demands as well as our methodological requirements.⁵ Among the choice criteria we can assert that the sector's nine to eighteen firms over the years help us avoid monopolistic concerns and at the same time establish a so-called multiple unit design of the case study. Further, the sector provided a unique possibility in that it was going through a period of major legislative changes - see appendix A. During such periods of instability, we believe that the phenomenon of strategy formation becomes more articulated empirically so that its complexity emerges.

1.2 The problem area

A crucial question is whether there is a demand for research related to the area of interest. Two methods will be used in an attempt to answer this question. Firstly, we will critically examine parts of the existing literature, and secondly, we will consider suggestions for future studies. The research purpose and questions will be derived on the basis of these findings. The purpose of this section is not only to investigate the need for research related to the formation of strategies, but also to elucidate how this study can contribute to existing knowledge.

1.2.1 An area of theoretical pluralism

Ever since the days of Sun-Tzu, 500 B.C., the field of strategy research has, even though the actors and the scene have changed over the centuries, attracted a large number of scholars and practitioners. Today, the main interest is not focused on nations and battlefields, but on organizations and business arenas. However, the results of these efforts have not given rise to a coherent theory (e.g. Hambrick, 1980; Schwenk, 1989; Zan, 1990). Hardly surprising, there have been several attempts to classify the

⁴ The firms have been selected on the basis of the SIC (i.e. Standard Industrial Classification) code that defines the life insurance companies on the Swedish market - see chapter two, "Methodology".

⁵ A discussion of the criteria for selecting the specific sector can be seen on pages 36-37.

literature on strategy (e.g. Mintzberg, 1973b, 1988, 1990; Bourgeois, 1980; Miller et al, 1982; Astley & Van de Ven, 1983; Burgelman, 1983; Hrebiniak & Joyce, 1985; Chaffee, 1985; Johnson, 1987). These comparisons elicit divergencies in a variety of respects such as methodological assumptions, research techniques, conceptualizations and empirical focus. As a result, conclusions and findings are often somewhat inconsistent.

1.2.2 The need to go beyond objectivism and subjectivism

An often-quoted controversy in the typified literature concerns the extent to which management of firms has an influence over organizational outcomes (e.g. Huff, 1982; Astley & Van de Ven, 1983; Bourgeois, 1984; Hrebiniak & Joyce, 1985; Corwin, 1987; Romanelli & Tushman, 1988; Whittington, 1988). This debate essentially pertains to the dichotomizing on whether human influence is a consequence of objective factors or subjective thoughts. In the former case, which is usually referred to as determinism, a multitude of “exogenous” mechanisms are depicted to impose a control over outcomes that in the long run are beyond the influence of single individuals in particular, but also single organizations. This view then explains a kind of “*reactive-adaptive prison*” (Bourgeois, 1984:586) in that organizations that do not comply to such externalities are not likely to survive. This is reflected by the notion of “*natural selection*” among population ecologists (e.g. Aldrich, 1979; Hannan & Freeman, 1989). Even though researchers have found that organizations do not follow the selecting forces, they argue that such deviations function as “*inertia*”, like a misfit or a drift, which has to be by-passed if organizations are to survive. Another school of thought, representative of determinism, is the industrial organization economics of the Bain-Mason tradition in which industry structure is explained in order to determine organizational conduct and performance (e.g. Bain, 1966; Scherer, 1980; Shepherd, 1985; Caves, 1987). The guarantee of long term survival is a result of the adoption of “*generic strategies*” (Porter, 1980). Porter also refers to “*product life cycles*” as if there was a rational way to adapt to a changing industry structure. Among other deterministic theories, contingency theorists can be distinguished (e.g. Lawrence & Lorsch, 1967; Galbraith, 1973; Pennings, 1977).

In the “pure” forms of subjectivism, the choice of individuals is seen as nothing but the utilitarian pursuit of self-interest (Granovetter, 1985), or the results of private cognitions (Smircich & Stubbart, 1985). In both perspectives, it is assumed that there is a clear cut causality between individuals’ intentions and actions. Cognitive mapping or the search for utility functions are approaches used to uncover such causalities.

Substantial amounts of criticism have been raised regarding both objectivism and subjectivism. The theoretical standpoint of subjectivism is here generally abridged as being “*undersocialized*” as it fails to give due attention to the social influences on human thought and action (Granovetter, 1985:485). These arguments stress that individuals do not think and act autonomously of their social exposure. The critique of objectivism is quite similar as it accounts for the reciprocity and indeterminacy of social relations (Bourgeois, 1984). The environment is not to be viewed as an empty uninhabited space outside the possible control of actors like individuals and organizations.

In this research project we will move away from the belief in single-sided causalities that infuses the theories of objectivism and subjectivism. Instead, the reciprocal exchanges and influences will be focused on. This “socio-cognitive” perspective, as we would like to call it, opens up for interpretations of actions as being the dual satisfying of various social and individual rationales. The ontological premise of this perspective is, as will be disclosed later, grounded on social constructivism. Deterministic or voluntaristic findings from such an approach are not set *a priori* due to any ontological premises as in objectivism and subjectivism. This does not mean that the research may not entail a relatively strong influence from various sources like history, technology or individual interpretations. In order to avoid the narrowing of the study to certain influences, certain methodological prerequisites need to be met.

1.2.3 Quests for interdisciplinary and longitudinal research

The mentioned risks of *a priori* restricting a study like this raise the question of which theories to address. The single-minded focus on a certain theory, like an undersocialized one, can then be questioned. Recent contributions in the field of strategic management research unfold this necessity of intertwining theoretical lines of thought (e.g. Child & Smith, 1987; Johnson, 1987; Hinings & Greenwood, 1988; Melin, 1989; Pettigrew & Whipp, 1991; Hellgren & Melin, 1992). In these studies, theories have been bridged in an interdisciplinary effort to increase the understanding of the formation of organizational strategies. The socio-cognitive complexity of such phenomena, as described above, appears to have driven these researchers to use an interdisciplinary approach.

Heretical voices tell us that the methodological pursuits of positivism are to be avoided as the inherent research objective is to define causalities (Bourgeois, 1984). In a critical review of this predominating positivistic posture in literature devoted to problems and issues faced by managers, Daft & Buenger (1990:100) conclude:

"Dominance of method and dominance of performance orientation drive out theoretical understanding even more and make it hard for new knowledge to accumulate in strategic management."

Hence, a research approach that engages theories, irrespective of origin, to digest the complexity of an empirical phenomenon, needs to further develop existing theories which are associated with the strategic management literature.⁶ One example of such a cross-fertilizing effect is given by Oliver (1991:145):

"Notably lacking from this literature, however, is the explicit attention to the strategic behaviours that organizations employ in direct response to the institutional processes that affect them."

When referring to institutional processes, Oliver (1991) includes the processes that arise from shared norms and values among individuals irrespective of their belonging to various organizations. This, once again, implies a lack of research that gives due consideration to the structural and processual interrelations within as well as across firms in the field of strategy.

Further implications for both theoretical and empirical studying can be found in the processual aspects. Without due regard to the temporal extension of social influences, institutional sociologists, such as Selznick (1957) and Meyer & Rowan (1977), remind us that we may end up with findings that were earlier described as undersocialized. Bowman (1990:34) notifies this as a forgotten insight in strategic management research:

"I argue for the inclusion of the historian, the institutionalist, and the empiricist, rather than for their exclusion."

The underlying theme is that actions are decided upon and pursued by actors who interact within not only a spatial frame, but also a historical, present, and future setting of norms and physical resources. Child & Smith (1987), for instance, present the benefits of conducting a thorough historical investigation in order to interpret more fully the processes of interaction involved in the strategy-making of firms. Despite this, Pettigrew (1987a:4) reflects that "... *longitudinal research on the transformation of firms, industries and markets is not yet well established.*"

In this project we will follow the promising interdisciplinary research approach, without failing to give recognition to longitudinal aspects in both theories and empirical observations. Yet, additional methodological requisites need to be met.

⁶ The notion of a "strategic management literature" is used to signify the broad scope of literature devoted to problem areas faced by managers in general.

1.2.4 The call for considering several levels of analysis

Throughout the decades, researchers have been puzzled by the question of the interrelation between micro- and macro levels in society (Collins, 1988). This call for a multilevel concern implicates the breadth of social exchanges and influences. As previously noted, *a priori* set determinations on where to inquire reciprocal relations can have an affect on the resulting conclusions. If, for example, only an organizational domain is examined, the freedom of managerial choice and action can easily be over-emphasized. It is scarcely surprising that scholars within the field of strategic management have started to accentuate the importance of considering the social interrelationships within and across levels of analysis to more fully capture the phenomenon of strategy formation. (e.g. Melin, 1985, 1989; Pettigrew, 1987b; Whipp et al, 1987, 1989). Pettigrew (1987a:6) acknowledges:

"... a key and as yet unresolved problem in this area of enquiry is creating the theoretical apparatus to link levels of analysis."

Benson (1977:6) recognizes the complexities such multilevel research has to cope with:

"Analysis must deal with the complex interlocking through which components are built into each other... The principle of totality, then, expresses a commitment to study social arrangements as complex, interrelated wholes with partially autonomous parts."

A central thought when entailing the linkages of levels then follows from the assertion that no spatial contexts, like environments, are to be seen as black boxes - i.e. immutable givens that impose certain contingencies in accordance with which the managers of firms have to act. Benson (1977:6) further suggests that researchers who invoke the coupling within and between social systems ought to analyze the duality of the relative dependence and independence of elements and events.

A particularly overlooked aspect when studying linkages between different levels of analysis pertains to the psychological couplings of norms and values. Those that document the existence of, for example, "*industry wide conventional practices*" (Cyert & March, 1963), "*frames of reference*" (Hambrick, 1980), "*industry recipes*" (Spender, 1989), "*consensual beliefs*" (Porac et al, 1989), "*rules of the game*" (Whitley, 1990) and "*industrial wisdoms*" (Hellgren & Melin, 1992) all illustrate the sharing of normatively infused knowledge that results from interactions arching across organizational boundaries within defined industries. Those that capture the existence of "*strategic groups*" depict the sharing of knowledge infused with norms (Porac et al, 1989). It is even argued that individuals can share norms on even more aggregated levels, like

nations (e.g. Berger & Luckmann, 1966; Giddens, 1984; Sjöstrand, 1985, 1992). By the same token, researchers describe the formation of unique organizational “ideologies” (Rhenman, 1968), “paradigms” (e.g. Gouldner, 1976; Brown, 1978), “theories in use” (Argyris & Schön, 1978), “emotional structures” (Berg, 1979), “logics of action” (Karpik, 1978; Eriksson, 1991), “rationalities of action” (Crozier & Friedberg, 1980), “cultures” (e.g. Smircich, 1983; Jelinek et al, 1983; Pettigrew, 1985) and “visions” (Normann, 1975). Here, it is the sharing of normative knowledge, often comprising cathectic modes of orientation such as values and feelings among individuals within organizations, that is being stressed.

As researchers convey these examples, the interconnectedness between levels is most often only horizontally linked, in that each level is considered to be a relatively autonomous unit. For instance, studies that portray the norms shared on the organizational or the industrial level often disregard the couplings of norms on other levels of analysis. Without considering the full embeddedness of these norms, the findings could illustrate too much voluntarism.

Due to the importance of cognitive structures, an increasing number of scholars have begun to examine the differences and commonalities in what managers internalize and externalize from the social realms to which they are exposed (cf. Dutton, 1986; Dutton & Jackson, 1987; Starbuck & Milliken, 1988; Stubbart & Ramaprasad, 1988; Falkenberg & Gronhaug, 1989; Laukannen, 1989). In these studies, we can trace an implicit assumption that organizational action is to be seen as a function of a certain management collective’s cognitive beliefs. This individually-oriented perspective can be criticized by those who belabor the often separate relations between managerial intentions and organizational outcomes (Orton & Weick, 1990). We must then consider the fact that individuals are, in their cognitions as well as in their actions, governed by social structures of various forms. To analyze only the cognitions *per se* does not provide much information unless we objectify their thoughts by analyzing the social contexts in which they are embedded.

This review of exemplifications does not indicate a clear underlying controversy since it is difficult to compare studies with dissimilar research focuses. Rather, the review portrays a lack of effort to combine studies of the social interaction processes taking place within and across organizations in a broader setting. Due to the social embeddedness, consideration needs to be given to how and to which extent both the physical and psychical structures and processes governing interactions are related to one another without *a priori* set attention to certain social domains.

1.2.5 The actors and the levels of analysis to be studied

It has been argued that the individual organization is a too restricted level of analysis (e.g. Grant, 1987; McGee & Thomas, 1986). According to Drazin & Sandelands (1989:464), the organization-oriented studies easily end up with “*endogenetically*” biased empirical data, as the causes behind actions undertaken are located within the organizations *a priori*. The microanalytical notion that individuals are embedded in organizations and organizations into environments is being questioned. This dichotomic assumption of an internal/external boundary setting of individuals into an organizational realm can be traced back to the efforts of vertically integrating levels of analysis in the field of structural functionalism (e.g. Parsons, 1940, 1960). In the literature addressing strategic issues, this perspective can, for instance, be found in the works of the systems theorists (e.g. Katz & Kahn, 1966; Churchman, 1968; Stymne, 1970). In contrast to these views which set boundaries on individuals, Weick concludes (1977a:273):

“While the categories external/internal or outside/inside exist logically, they do not exist empirically. There is no methodological process by which we can confirm the existence of an object independent of the confirmatory process involving oneself.”

The dichotomy between internal and external is for Weick problematic from the viewpoint of the individual (cf. Weick, 1977b; Gunz & Whitley, 1985; Drazin & Sandelands, 1989). When Weick (1979) takes bearing from a cognitive perspective to analyze the phenomenon of “*organizing*”, he observes that reality cannot be explained as objective entities that are separable, and as such only functionally interrelated, from individuals. Weick, as well as, for instance, Silverman (1970), then uses a perspective in which reality is apprehended from individuals’ cognitions of it. Such an approach is tempting as it opens up for the socio-cognitive interest in uniting individual and social influences on thoughts and actions. It is not only the extent to which knowledge is shared among individuals, but also the knowledge of structures and processes of a physical nature that is of interest. The physical structures imposing themselves on organizations can then be evoked from the intersubjectivity of individuals’ enactments.

Since it is from the knowledge of individuals that we can interpret both the psychical and physical structures and processes of interaction, it becomes crucial not to delimit the research *a priori*. The spatial scope of relevance results from the knowledge of the individuals studied. This knowledge can then function as a directory for background descriptions from secondary data sources. This *ex post* definition of spatial extensions will, as later described, be applied to this project so as to avoid the exclusion of possible influences on the strategy formation of firms.

Apparently, it is necessary to delimit a study like this to a specific group of firms so as to encapsulate the strategy formation of, and not within, organizations. Some guidance is therefore needed. In the strategic management literature in general, the industrial context is conceived to be an important analytical level (e.g. Porter, 1980; Scherer, 1980; Hambrick, 1982; Huff, 1982; Spender, 1989). Here, Melin (1985:1-2) summarizes his own and several other opinions regarding the need for further research by stating:

“The time has come to build a more holistic and theoretical frame of reference for understanding development over time in industrial organizations... The result must be a theory of social action, but within a special context: industry.”

Melin’s argument is that actions of firms can only be understood in a context that encompasses not merely the competing firms within an industry *per se*, but also, for example, customers, suppliers and other actors and activities that are related to the industry. Even though Melin, in contrast to the discussion above, makes an *a priori* assumption concerning the context to be incorporated in a theory, he underlines the importance of the industrial setting.

In sum, the empirical study of this project will take into account those firms that, according to the SIC (i.e. Standard Industrial Classification) code, supply a specific kind of service - i.e. life insurance in the Swedish market. It is the management collectives of these firms that will constitute the primary sources. When considering the social embeddedness of the firms with associated management collectives, an *a priori* set spatial restriction to the realms of the firms will be balanced with the inclusion of the *ex post* depiction of a sector so as to avoid an endogenetic view.⁷

1.2.6 Structures and processes revisited

It is now possible to analyze the central topics that have been addressed when undertaking the assessment of the literature related to strategy formation of firms. The argument will be made that what seems to be a fragmented debate can be reduced to some few crucial questions.

One of the classical debates among strategists concerns the relation between organizational structures and strategies. Chandler’s (1962) finding that organizational structure follows strategy is, for instance, made under the assumption that corporate leaders have the freedom and possibility to use structures of authority and

⁷ See pages 19-20 for a more thorough discussion on the spatial extension of this study.

communication as tools to implement a strategic plan. However, the contingency theorists, as well as the scholars of industrial organization, point to the existence of structural variables in the organizational context that determine the strategy making of the single firms (e.g. Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Porter, 1980; Scherer, 1980). The importance of these structural relations is also put forth by, for instance, Thompson (1967) and Pfeffer & Salancik (1978) when they stress the impact of a variety of resource interdependencies. The situation is even more complex if cognitive (i.e. psychical) structures of shared norms and values, as illustrated above, are considered. In Fombrun's (1986) terms, these are the "*superstructures*" that prevail within and across different levels of analysis, and likewise Wallace (1983) refers to "*cultural structures*". From these insights it is possible to conclude that structures with related processes ought to be defined from a broader perspective which incorporates both the physical and psychical dimensions (e.g. Weber, 1947; Parsons, 1960; Berger & Luckmann, 1966).

If the complexity of strategy formation and the roles and influences of managers is included herein, a focus on either physical or psychical structures can result in too fragmentary abstractions. For instance, as Hall & Saias (1980) question Chandler's "structure follows strategy" assumption, by arguing that the formation of strategic plans and intentions are often results of shared norms and values, they are referring to another type of structure - i.e. a kind of psychical structure. Chandler's theory may then be criticized, for example by Fligstein (1985), as overly voluntaristic since it does not take into account that managers may follow or adapt to shared norms and values. The limits of a historical setting as a set of institutionally shared meanings, as a balance to observations of personal motives and reflections, is disregarded by Chandler.

Company managers are often regarded as the ones who have the most extensive knowledge of the strategy formation phenomenon due to their active roles as authoritative leaders within the companies (e.g. Smircich & Stubbart, 1985; Starbuck & Milliken, 1988; Ericson, 1991). More than fifty years ago, Parsons (1940) claimed that managers at the top, "*the institutional level*", are the key interacting actors between organizations and environments. Additionally, Selznick (1957) argues that top executives, "*the institutional leaders*", on the basis of organizational and environmental interactions are the main actors undertaking organizational "*policy formation*". The managers are, thereby, presumably the key interacting agents in the formation of organizational strategies. This means that it is managerial knowledge of their interactions, and the social embeddedness of these interactions, that ought to be the primary source in a study of strategy formation.

The analysis of this section brings forth the insight that strategy formation cannot be studied as a managerial activity without including the dimensions of social structures and processes which in a variety of respects influence managerial activities. As suggested above, it is a prerequisite that structures and processes are defined intra- as well as an intercontextually so that they are applicable to the analysis of social relations irrespective of specific *a priori* set belonging. By avoiding an overly organization (i.e. endogenetic) oriented focus it may even be possible to link levels of analysis. That is, in the essence of our definition of structures and processes is the premise that these do not only refer to one specific level such as organization or industry. Given this comparative nature of structures and processes, the organization should not be studied as an autonomous unit of analysis. Instead, it is the phenomenon of strategy formation of, rather than within, organizations which is of interest to us.

In this project we will, accordingly, use the discerned notions of structures and processes as the basis for interpreting the strategy formation of firms. As the managers have an active role, they are the focal actors that will help us explore the structures and processes of interaction that are involved in the formation of strategies. The pivotal questions this assessment has led us to, are thus related to the interrelationship between structures and processes that are not defined from boundary-specific contexts like organizations. The roles and influences of managers as interacting agents in this interrelationship are primary concerns in this study.

1.3 The research purpose and related research questions

After having made a critical evaluation of the literature and an examination of the quests for research, we can now state the purpose of this study.

The purpose of this research project is to construct a theory of the strategy formation of firms.

From this broad research purpose which aim is to construct a theory, two interrelated questions can be specified:

- *What structures and processes of interaction are involved in the strategy formation of firms?*
- *What roles and influences do managers have in relation to the structures and processes of interaction involved in the strategy formation of firms?*

We would like to re-emphasize that our primary focus on the interaction processes in which the management of the firms has taken an active and leading part, does not mean to assume that it is only the managers who form strategies.⁸ On the contrary, we underscore that strategy formation is a social process in which managers are the key interacting actors, and the social embeddedness of the managerial interactions is thereby an important part of the study.

1.4 Conceptualizations

There is a discernible need for tracking down the meaning of the phrase “formation of strategies” or “strategy formation”. Let us undertake an elucidation of the concept “strategy”. The notion of strategy formation will only be given a tentative and broad meaning in this section. The purpose is to assert the interpretation that initially guided the research. The more well-defined interpretation resulting from the study will be fully stated in the chapter called “the Synthesis”. Other constructs used in the research purpose -i.e. “structures”, “processes of interaction”, “roles and influences of managers” - are also too complex and multi-faceted to be discussed as concepts *per se*. These will be thoroughly dealt with in the following chapters.

1.4.1 The concept of strategy

Luttwak (1987) observes that the word “strategy” can be derived, even though no direct connotation exists, from the Greek equivalent “*strategike episteme*”, which means a general’s knowledge, or “*strategon sophia*” (a general’s wisdom). This Greek definition still prevails today in the sense that strategic activities are often associated with managerial work (Ericson, 1991).

In a review of the definition of strategy, Hofer and Schendel (1978) recall thirteen conceptual divergencies among theorists. Chaffee (1985) makes a broader categorization of the existing concepts, creating three separate classifications. In Mintzberg’s work, we can trace an increasing ambiguity in the field of strategic management research. In 1973 he delineates three conceptual typifications (Mintzberg, 1973b), five in 1988 (Mintzberg, 1988), and finally, in 1990, he makes a distinction between ten theoretical views based upon the concept of strategy (Mintzberg, 1990). Mintzberg (1988:13) acknowledges in relation to this development:

⁸ The selection of managers follows from the discussion of methodology on page 38.

“Human nature is such that we tend to insist on a definition for every concept. But perhaps we fool ourselves, pretending that concepts such as strategy can be reduced to a single definition. In fact, the word is generally used in different ways, meaning that we implicitly accept various definitions even though we tend formally to quote only one.”

It is interesting to deduce themes from this quoted passage as to what are the commonly held associations with strategy. These themes can be seen as complementary extensions of the more specific definition of strategy that is thereafter presented. An organizational strategy is then likely to incorporate the following concerns:

- Scope of organizational activities: A strategy tells us something about “*the concept of the firm’s business*” (Ansoff, 1965:103). Chaffee (1985:89) observes that several scholars agree that the strategy of a firm involves a “*corporate strategy*” - i.e. what business to be in - as well as a “*business strategy*” - i.e. how to compete in each business.⁹ Hence, scope has “*to do with the boundaries the organization places on itself*” (Johnson, 1987:4). The relationship between organizations and contexts are underlined, and thereby the position of the single firm, in relation to competitors, on a certain market (Mintzberg, 1988). This dimension is, for example, thoroughly examined by the disciples of industrial organization (e.g. Porter, 1980; Scherer, 1980; Caves, 1987) and among network theorists (e.g. Lincoln, 1982; Mattsson, 1987; Johanson & Mattsson, 1988).

- Mobilization of organizational resources: In most cases, strategy has a significant impact on the allocation of resources within an organization (cf. Pettigrew, 1985; Johnson, 1987). In this respect, a strategy can be associated with relatively extensive organizational resource mobilizations. This extraordinary capability of strategy is also valid when it comes to decision-making, since strategic decisions are likely to involve a relatively high degree of analytical work and uncertainty (e.g. Johnson, 1987).

- Normative character: Strategy has a normative character as it is meant to govern and coordinate individuals towards certain actions. Mintzberg’s (1988) typification of strategy as a “*perspective*”, in which values and norms are incorporated, points out the mental nature of a strategy. The normative element can be viewed as something of a collective frame of reference that is shared within a societal setting (Chaffee, 1985).

⁹ In addition to these types of strategies, Hofer & Schendel (1979:12-13) also refer to “*enterprise strategy*” and “*functional area strategy*”.

1.4.2 The formation of strategies and the defining of a strategy

Having outlined some major themes related to the concept of strategy, we will now in more depth describe the processual nature of strategy.¹⁰

Mintzberg (1978) argues that an organizational strategy is the result of a formation process over time. The underlying thesis is that a strategy cannot be comprehended by the sequential dividing of activities like strategy formulation and implementation, even though these activities are parts of the formation process. Instead, strategies are formed in a continuous and iterative process of social interactions involving various activities and actors (Mintzberg, 1978, 1988; Mintzberg & Waters, 1982, 1985). In a similar vein, Pettigrew (1985:438) suggests that the constitution of strategy can be described from processual changes *“as streams of activity involving at various times the differential attention of individuals and groups”*. Moreover, Mintzberg & Waters (1985) make a distinction between types of strategies:

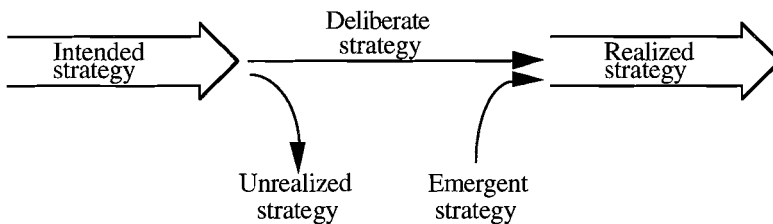


Figure 1.1: *“Types of strategy”* (Mintzberg & Waters, 1985:258).

With this illustration, the two scholars posit that a *“realized strategy”* of an organization is composed of both intended and emergent actions which are formed, not only formulated, over time. The pure forms of either intended or emergent strategies are regarded as *“unlikely”*, even though the relative presence of the two forms can vary. Even though the authors do not provide us with a definition or crystallization of the meaning of *“intended”*, they view emergent actions as *“realized despite, or in the absence of, intentions”* (Mintzberg & Waters, 1985:257). The result of the formation, the *“realized strategy”*, is thereby the relative weight between these intended and emergent actions. The *“realized strategy”* is defined as a *“pattern in a stream of actions”* (Mintzberg, 1988:14; Mintzberg, 1990:5). For the purpose of this project we will adopt this definition as a base for further conceptualization.

¹⁰ However, we will only discuss the methodological assumption to regard an organizational strategy as a processual phenomenon.

1.4.3 The relation between interaction processes and strategies

The chosen definition of strategy enables a description of a certain firm's strategy over time (cf. Mintzberg, 1978; Miles & Snow, 1978; Miller & Friesen, 1984; Pettigrew, 1985, 1987b; Whipp et al, 1987, 1989; Pettigrew & Whipp, 1991). That is, on the basis of the streams of actions (i.e. outcomes) of the firms, we can relate the strategy of an organization to: a) the actions of other companies during the same period (cf. Miles & Snow, 1978; Miles & Cameron, 1982; Johnson, 1987; Pettigrew, 1987b; Pettigrew & Whipp, 1991); and b) the actions undertaken during specific periods in the history of the single organization (cf. Mintzberg, 1978; Pettigrew, 1985; Ericson, 1991). In this project we will use both the spatial and the temporal dimension when analyzing the social embeddedness of actions so as to reveal the structural and processual influences on the formation of strategies of single firms.

From the chosen perspective, the methodology used by Pettigrew and colleagues to explore processes of strategic change can, in our view, be applied to analyze strategy formation. According to these so-called contextualists, strategic change is namely defined as a *"multilevel and continuous process in context"* (Pettigrew, 1987b:658), which resembles Mintzberg & Water's view on strategy formation. A strategic action is acknowledged to always imply some degree of change. In this contextual approach, a main line of argument is that the phenomenon of strategic change needs to be analyzed by virtue of three dimensions: the *"inner"* (i.e. organizational) and the *"outer"* (i.e. environmental) *"context"*; the *"content"* of actions that constitute a strategy; and the *"process"* of actions over time (e.g. Pettigrew, 1985, 1987b; Whipp et al, 1987, 1989; Pettigrew & Whipp, 1991). Pettigrew (1987b) observes that the *"how"* of strategic change can be interpreted from the study processes whereas the *"why"* is foremost captured by the two spatial dimensions of inner and outer context. The *"what"* of change is enclosed by the notion of content. A core idea in this triangulation is that organizational strategies cannot be interpreted unless due attention is given to the temporal and spatial circumstances from which the actions amounting to strategies emerge (Whipp et al, 1987, 1989).¹¹ In conjunction with our earlier observation, the contextualists posit the importance of considering both the physical and the psychical content of actions.

In addition to Mintzberg & Water's view of strategy formation, the contextualists emphasize the content dimension. They further help us to more clearly elucidate the link between processes of interaction and organizational strategies. That is, the phenomenon of strategy formation has a spatial stretch that goes beyond the organizational

¹¹ In the theoretical frame of reference, we will discuss the findings made by the use of this processual and contextual approach.

boundaries as well as a temporal stretch that goes beyond the present. This broad perspective on strategy formation will be used as the point of departure in this study. Somewhat in divergence with the contextualists' posture, we will, as noted above, make a demarcation between intra- and intercontexts instead of between internal and external contexts as a way of bridging social realms, and, in turn, levels of analysis. Grounded on cognitive theory, criticism was also raised about the stationing of individuals into *a priori* determined social settings. An *ex post* depiction of which structures and processes individuals are active in was advocated as a complementary perspective. This may lead to findings that individuals are active in interacting collectives which span organizational domains without being specifically influenced by distinctive organizational (i.e. internal) structures and processes. An individual can then potentially be an interacting member in both internal and external contexts at the same time. An *ex post* deduction of the intercontextuality in which individuals participate can enable us to more fully interpret their actions than if we make the *a priori* assumption that they are solely organizational participants.¹²

In the present project a strategy is, in Pettigrew's (1985) terms, seen as the recognition of the "*second order effects*". Like a realized action, as referred to by Mintzberg & Waters, Pettigrew indicates that the actions composing a strategy are enacted by individuals. Hence, individuals' intentions, from a cognitive standpoint, are not included unless enacted through actions.¹³ Accordingly, a central premise is that organizational strategy in this study will be defined as a pattern in the stream of enacted actions. This raises the question of whose enactments should define the strategy. As we will see, this is an important analytical aspect that needs to be clarified. In the empirical project of this study, it is the intersubjective enactments of managers in defined social settings that will be considered.¹⁴ By applying this view, we maintain our ontological adherence to social constructivism. We will therefore discuss this briefly before further elaboration in the next chapter.

1.4.4 Objectivism and subjectivism

Since the beginning of this chapter we have maintained that strategy formation ought to be explored by analyzing contextual structures and processes of interaction. Some implicit arguments have revealed the denial of such things as objective truths or realities. We have here touched upon a classical debate in the social sciences - i.e. objectivism versus subjectivism. As we took a stand in a socio-cognitive perspective based on social constructivism, the discussion will now centre on how this approach

¹² See pages 19-20 for a discussion on the spatial extension of this study.

¹³ See page 56 for a discussion on the notion of enactments from a cognitive stance.

¹⁴ See chapter two, "Methodology", for a discussion.

can work as a bridge between two seemingly opposing views. It is worth noting that the belief in such a bridging may be criticised from either of the two opposing views.

The root of the dispute between objectivism and subjectivism can be found in the ontological assumptions that are being addressed. In the former tradition, there is an underlying premise of the existence of a reality external to the single individuals' cognitions (e.g. Collins, 1988; Månson, 1990). For the subjectivists, on the other hand, society is relativistic since it is interpreted from the thought structures of individuals (Burell & Morgan, 1979).

These fundamental ontological divergencies are reflected in epistemological issues. In the research of objectivists, following the positivistic tradition, scholars search for the causal relations and regularities from the standpoint of observers. In contrast, as Burell & Morgan (1979) recognize, the subjectivists argue that our knowledge of a certain activity must be based upon the knowledge of the individuals involved in that activity. Let us illustrate the discussion with some examples from the often quoted separation between an organizational and an environmental setting.

In the biological metaphor of systems theory, a central notion is that organizations are accepted as open systems that relate to more general systems (cf. Katz & Kahn, 1966; Churchman, 1968; Emery, 1969). In this open systems analogy, an objective view of environments is pursued (Smircich & Stubbart, 1985). Here, one of the pioneering works follows from the categorization of Emery & Trist (1965) in which the dimensions stability, concentration and turbulence are used to portray four types of environments.¹⁵ Previously, we discussed those industrial organization economists who regard environments as objective entities that can be classified into specific structural elements (cf. Bain, 1966; Scherer, 1980; Shepherd, 1985; Caves, 1987). Among the disciples of network theories there is a common view that a network, disregarding the dichotomy between organizations and environments, can be objectively defined from the quantitative measuring of network exchanges (cf. Aldrich & Whetten, 1981; Burt, 1983; Lincoln, 1982).

The studies of Dill (1962), Aguilar (1967) and Lawrence & Lorsch (1967) are some earlier works in which the perceptions and interpretations of the studied actors, especially managers, are the foundations on which to study organizational environments. As we have documented, there seems to exist an increasing interest in undertaking such cognitive mappings to grasp the notion of environments.

¹⁵ These environments are, with increasing complexity: "*placid - randomized*", "*placid - clustered*", "*disturbed - reactive*", and "*turbulent*".

It is not until relatively recently that researchers have begun to intertwine these objective and subjective measurements of not only environments, but organizations and reality as a whole (cf. Miles & Snow, 1978; Miles & Cameron, 1982; Johnson, 1987; Child & Smith, 1987; Whipp et al, 1987; Melin, 1989; Pettigrew & Whipp, 1991; Hellgren et al, 1992). When studying a phenomenon, such as an organization or an environment, both subjective meanings from the relevant actors as well as the researcher's own objectifying, and not objective, descriptions are used. The empirical data that is selected by the researcher is used to intersubjectively compare - i.e. objectify - the subjective meanings regarding the specific phenomenon being explored. As revealed in chapter two, this project will draw upon this approach in order to enable an intersubjective interpretation of the structures and the social processes involved in the strategy formation of firms. This is supported by Giddens (1984:26) when he notes:

"Structure has no existence independent of the knowledge that agents have about what they do in their day-to-day activity."

In the works of, for example, Berger & Luckmann (1966), Goffman (1974), Giddens (1976, 1979, 1984), Bourdieu (1977), Benson (1977) and DiMaggio (1991) we can identify this complementarity between subjective meanings and objectifying (i.e. intersubjective) descriptions so as to evoke intersubjective interpretations. This approach of conducting research follows suit with the bridging of subjectivism and objectivism as captured by Berger & Luckmann (1966:79):

"Society is a human product. Society is an objective reality. Man is a social product."

By objective, the authors mean phenomena that are intersubjectively taken as objective - i.e. *"man is capable of producing a world that he then experiences as something other than a human product"* (Berger & Luckmann, 1966:78). In agreement with the two authors, this project will be based on the assumption that reality is socially constructed. The notion of objectification is then to be used as an intersubjective comparison to assert social constructions without falling into either objectivism - i.e. the belief in absolute truths - or subjectivism - i.e. the disbelief in socially constructed "truths" that are intersubjectively shared.

1.5 The levels to be analyzed

Given the research purpose, to explore the strategy formation of firms, the organizational level becomes one of the levels that should be compared with other

relevant levels. Earlier, we noted that strategy researchers in general make explicit the need to study the industrial level of analysis (e.g. Grinyer & Spender, 1979; Porter, 1981; Hambrick, 1982; Huff, 1982; Spender, 1989). Even though scholars often refer to industries, they assume a wider concept than what follows from the use of the SIC (i.e. Standard Industrial Classification) code. The argument is that the strategies of firms can only be interpreted in a context that incorporates not only the competing firms *per se*, but also, for example, customers, suppliers and other actors and activities that are related to the industry studied. Hence, recent developments in the literature devoted to interorganizational studies strongly argue that the use of the SIC code delimits the analysis of organizational conduct in that contextual conditions, outside the classified industry, are ignored (e.g. Pettigrew & Whipp, 1991; Scott & Meyer, 1991). For instance, Melin (1985) notes that too many industry-related studies only include the interplay among competitors, while other actors of importance are most often excluded. On the other hand, it is impossible for the researcher to know, *a priori*, where the influences on organizational strategies come from (e.g. Johnson, 1987).

The sector concept, as developed by among others Scott and Meyer (e.g. Meyer & Scott, 1988; Scott, 1983), embodies the thought of not delimiting the spatial extension of a study *a priori*. Thus, a sector includes, for example, major suppliers, customers, potential competitors, owners and regulators (Scott & Meyer, 1991). In divergence with the SIC code, the sector concept is thereby not restricted to those firms supplying a specific product or service. Instead, the emphasis is on the providing of a function. This implies that actors with roles in the functional conduct as to supply a certain product or service are encapsulated in a sector (Scott & Meyer, 1991). Moreover, Warren's (1967) definition of "*interorganizational fields*", Hirsch's (1985) documentation of "*industrial systems*", Lincoln's (1982) illustrations of "*interorganizational networks*", and Melin's (1985) metaphor of "*industrial fields*" all have a high degree of resemblance with the sector concept. As is the case with these concepts, the sector concept will be defined *ex post*. It is then the empirical information that allows a depiction of the sectorial level.

This study will consider the organizational level and the sectorial level when addressing the research purpose. The industry level - i.e. those firms that supply life insurance to the Swedish market - will be used to delineate the sectorial level. The concept of intercontextuality is here applied to relations between an organization and possible other socially definable systems. These latter systems are, in accordance with the sector concept, specified *ex post* - i.e. from the relations to an *a priori* defined organization. The search for such other systems can then be categorized as infinite in that no outer boundary is set to restrict the search.

1.6 The structure of the study

The following structure is employed to fulfill the research purpose and to answer the research questions. Even though the chapters are highly interdependent, it is the combination of the frame of reference and the empirical findings in chapter five that constitute the core of this project.

The first chapter is an introduction to the subject of the study. On the basis of a critical evaluation of existing literature and consideration of the quests for research in the area of interest, the research purpose and questions are presented. The relevant concepts, as well as some of the main underlying ontological and epistemological assumptions, are then made explicit.

The second chapter discusses the methodological grounds of hermeneutics as the search for thematic representations of texts. More specifically, a “semi-deductive” research logic that takes on theory construction as a two-stage process of knowledge creation is introduced. The first of these steps involves a thematic analysis of theoretical texts based on the phenomena addressed by the research questions. An interdisciplinary approach is here pursued as a means of reaching higher degrees of intersubjectivity. In the second step, the derived themes are used to bridge theoretical and empirical texts in order to attain a state of knowledge saturation. A specific section is devoted to describe the logic used to select, collect and analyze empirical data. The construction of plausibility from validity and reliability criterias is accentuated.

The third chapter forms the first part of the thematic analysis of theoretical texts. In the interdisciplinary vein, the concepts of structures and processes of interaction are unfolded thematically. The basics of the cognitive theory are outlined in order to capture the roles and influences of individuals in relation to socially constructed structures and processes. The coupling of both physical and psychical structures is discussed from an evolutionary perspective so as to take into account the individuals’ freedom of interpretation and action.

The fourth chapter is inextricably linked to the third chapter in that the foundations of an emerging socio-cognitive frame are now substantiated by the inclusion of further theoretical insights. There is a twofold reason for this. Firstly, the methodological ideal of thematically analyzing theoretical texts is contingent on the repetitiveness of texts in order to deduce themes. The two theoretical chapters are then highly interrelated since they together, not separately, constitute the state of knowledge saturation that functions as the initializing *ex ante* process of the hermeneutical circle that will further guide the knowledge creation process in chapter five. Secondly, it is not only the strengthening

of tentative themes that will be disclosed in this chapter, but also “extensions” of the informative content of these themes.

The fifth chapter contains the saturation of knowledge received from the second stage of the knowledge creation process as to construct theory. This stage began with an initializing search for themes based on the theoretically-deduced themes. Here, the inclusion of the empirical texts fulfills, as did the theoretical texts in the fourth chapter, the function of reinforcing the informative content of the themes and possibly adding to this knowledge. Consequently, the knowledge from the theoretical analysis is allowed to develop by virtue of empirical texts. Two dimensions, a spatial and a temporal, are used in the analysis. In order to avoid endogenetic-oriented findings that strategy formation is only subject to structures and processes that are grounded on interactions within the specific predetermined realms of the life insurance organizations, an intercontextual dimension defines structures and processes in the social context of the inquired sector. The temporal dimension interrelates the empirical findings by a chronological ordering as to encounter evolutionary aspects. “Illustrations” will be brought in throughout the analysis in order to signify empirical convergencies and divergencies of the informative content being associated with a retrieved theme.

The sixth chapter, the synthesis, brings about findings which have, in accordance with the set logic of analysis, been given an empirical ground in the fifth chapter. This implies that both the empirical retentions and extensions of the theoretically derived themes are revealed. First, the two research questions are uncovered, and subsequently the synthesis turns to the research purpose.

The seventh chapter should be seen as a discussion free from methodological techniques and requirements. Rather, our own values and thoughts are used to locate the present study in relation to other research. It is the methodological, empirical and theoretical insights of this study that constitute the locus of comparison. Finally, suggestions for future research are presented.

Chapter 2

METHODOLOGY

2.1 Introduction

A scientific undertaking is always subject to the methodology in use. It is, therefore, crucial to follow those methods that correspond to the research purpose and questions at hand. This methodological consistency can be seen as a prerequisite for a compatibility between ongoing research and prior knowledge. In order to maintain this consistency, we would like to emphasize the need for making ontological and epistemological assumptions explicit, and first thereafter turn to the logic used to select, collect and analyze theoretical and empirical data. The objective of this chapter is then not only to describe how the research has been conducted, but also why we have chosen specific procedures in the effort to give answers to our research questions.

2.2 Beyond objectivism

In our previous discussion the existence of an objective (i.e. external) reality was strongly questioned, and consequently the study was positioned in accordance with the ontological premise that the reality is to be accepted as socially constructed. Methodologically, this implies a rejection of a posture in which we would have searched for determining “truths” so as to predict empirical observations. This is not to say, as will be shown, that we assume the existence of an empirical reality of which all interpretations are equally tolerated. In order to distinguish objectivism from other ontological views, a broad categorization is often made between quantitatively and qualitatively oriented research. Despite this distinction, we will discuss the possibility of incorporating quantitatively collected data into an overall qualitative analysis.

More specifically, the quantitative tradition stems from the logical positivism in which knowledge is supposed to be reached by an inductive method. Hence, the scientific investigation begins with an unprejudiced observation of empirical phenomenon, and proceeds by inductive inference to the formulation of universal laws based on causality, and by further induction finally arrives at a theory (Blaug, 1980).

Theories must then be grounded on empirical observations. A version of positivism follows from Carnap's logical empiricism as he replaces the notion of verification as the establishing of truths by degrees of confirmation (Anderson, 1983). The inductive school is not the only one that can be included in the quantitative tradition. Hempel and Oppenheim propose a hypothetic-deductive model in which the only difference between an explanation and a prediction is time; predictions come before events and explanations afterwards. In the case of a prediction, a universal law and a set of initial conditions form the base from which a statement is deduced (Blaug, 1980). Criticism has been raised regarding Hempel and Oppenheim's belief that a symmetrical logic exists among explanations and predictions. It is observed that predictions need not connote explanations, and explanations do not have to imply predictions (Blaug, 1980).

The techniques used in the quantitative approach are mainly statistical, and relatively high degrees of intersubjectivity can thereby often be achieved. Among the main problems with these techniques is the lack of depth in the studies (Lindholm, 1979). A further criticism, which is also valid for some hermeneutical traditions, follows from Popper, who simply observes that scientists never use inductive logic (Miller, 1983). In opposition to this mono-methodologism and the reduction of explanations and understandings to causalist patterns in positivism, we arrive at what is often named qualitative research. This practice seems to cover an array of interpretive methods which attempt to come to terms with the meaning, not the causal frequency, of socially occurring phenomena. We will here focus on the discourses that are associated with hermeneutics, which is traditionally described as the art of interpreting texts (Howard, 1982). The objective is to reach higher states of knowledge by the use of a reciprocal process in which various texts assemble in a part-whole-part relation - i.e. the hermeneutic circle (e.g. Lindholm, 1979; Bernstein, 1983). Besides this more generally accepted principle, several discourses can be linked to hermeneutics.

Notably, a striving towards objectivity is shared by both quantitative and qualitative approaches, but in differing respects (Helenius, 1990). A central divergence seems to concern the notion of "*theoretical validity*" - i.e. the correspondence between an empirical phenomenon and the theory representing it (Kirk & Miller, 1986). In the former approach, the scholars search for objective causalities within the frames of a certain scientific paradigm, which, then, subvert a validity control of that particular paradigm (Bauman, 1978). The qualitative view negates such a narrow focus on the ontological assumption that there are no metaphysical explanations of reality, and intersubjectivity is generally seen as a replacement (Ormiston & Schrift, 1990). In order to give due account for the socio-cognitive complexity of the phenomena of interest to this study, it would, as observed, be problematic to rely on one theoretical standpoint.

From the above theoretical analysis we can conclude that a focus on a specific theory would probably lead to a relatively low theoretical validity - i.e. difficulties in bridging the complex phenomena of interest with a specific theory. To allow for this need for interdisciplinarity, and at the same time reject the ideal to construct causality-like laws, this project will follow the ontological premises of hermeneutics.

2.3 On hermeneutics and the construction of interpretations

For a long time, hermeneutics was mainly an ancillary discipline of theology which enabled the interpreting of theoretical texts (Hoy, 1978). It is largely the works of Ast, Schleiermacher and Dilthey which mark the early entries of hermeneutics into other fields of the social and the human sciences (Ormiston & Schrifft, 1990). Today, the practitioners of hermeneutics embrace most fields using qualitative research methods (Helenius, 1990).

In hermeneutics, the concepts of explanation and understanding, and the distinctions between them, are essential. Hirsch puts forth that "*subtilitas intelligendi*" is to be separated from "*subtilitas explicandi*" (Howard, 1982). The former phrase captures the construction of a text's meaning in its own terms - an internal logic (i.e. understanding), while the latter conveys an external logic (i.e. explanation) of the text's meaning. Even though Hirsch does not distinguish between explanations and interpretations, we will later observe that interpretation can be viewed as a reciprocal process (i.e. a hermeneutic circle) that encompasses them both. Before commencing a more detailed elaboration on this issue, we would like to take note of some of the main views regarding the notions of interpretation and understanding. In an effort to categorize these hermeneutical discourses, Howard (1982) renders "*analytical hermeneutics*", "*psychosocial hermeneutics*" and "*ontological hermeneutics*".

The proponents of analytical hermeneutics advocate formal or logical ways to eschew the researcher's subjective influence on the reaching of understanding (Howard, 1982). Apart from this consensus, scholars have different views on appropriate ways of reducing this subjectivity. Here, both Von Wright and Winch stress the naivité of over-emphasizing the role of causal regularities without considering the varying aspects affecting the creation of understanding. Winch adds that our interests are active elements in the interpretation process towards understanding, which, in turn, implies that understanding and interest become intertwined (Howard, 1982).

Jurgen Habermas is an influential writer in psychosocial hermeneutics, and a member of the strongly empiricist Frankfurt school. Habermas is, in accordance with Winch, concerned with the question of interest, not only from a micro but also from a macro perspective. At the macro level, he points to the need for critical reflection since language is influenced by metaphysical interests, such as domination and power, which are supported by social structures. The critical reflection is essential in order to attain an awareness of the macro structures which systematically influence communication. The individuals' interest in emancipation, in which s/he wants to identify and test cognitive patterns, is also crucial in the attaining of awareness. For Habermas, the interpreter can only reach (create) a state of understanding by participating in an intersubjective dialogue (i.e. critical reflection) at the macro level (Howard, 1982).

The works of Gadamer make up the core of ontological hermeneutics. For Gadamer there is no such thing as one single correct interpretation, even though we can be molded by our prejudice to believe that (Howard, 1982). Since understanding is thought to be realized only through the medium of language, interpretation is seen as a "*mode or realization of language*" (Gadamer, 1975:350). The main task of hermeneutics is, thereby, to convey "*the phenomenon of understanding and of the correct interpretation of what has been understood*" (Gadamer, 1975:263). What refers to an understanding or a correct interpretation then belongs "*to the being of that which is understood*" (Gadamer as cited in Ormiston & Schrift, 1990:21). Gadamer then defines understanding on the basis of a reciprocal process in which the subject's (i.e. researcher's) interpretations are continuously objectified towards a state of understanding where the text's underlying meaning is uncovered by the researcher (i.e. understanding is obtained by the researcher's activity in the hermeneutical circle).

In something of a complementary vein, Ricoeur has been devoted to the construction of a "*hermeneutics of texts*" that combines the views of Gadamer and Habermas (Ormiston & Schrift, 1990:24). Ricoeur criticizes Habermas for having followed Dilthey's argument that understanding emerges as an individual reconstructs the meanings of another (Howard, 1982). Using this approach, one can never, according to Ricoeur, succeed in obtaining a critical assessment of a text. Instead, Ricoeur draws attention to the creation of a meaning that belongs neither to the sender (author/speaker) nor to the receiver (interpreter). Thereby, the text is the embodiment of the meaning itself - i.e. "*la chose du texte*" (Ricoeur, 1981:209).

In the light of hermeneutic views, this study will apply somewhat different approaches in the analysis of the theoretical and the empirical texts, respectively. Ricoeur's ideal will be utilized for the analysis of the theoretical texts. Herein, the disassociation from the single sender's intentions or the interpreter's preconceptions will be the guiding

principle in order to reach a higher degree of intersubjectivity among theoretical texts, via the use of a thematic analysis (see below). In contrast to Gadamer's, and especially Habermas's, interest in the universality of hermeneutics, Ricoeur posits the plurality of meaning structures (i.e. discourses). By relating these discourses to one another, a text can become more objectified as intersubjectivity is reached by a kind of inter-textuality. We can denote that Ricoeur is relating Gadamer's hermeneutics of tradition to Habermas's critical reflection on various (technical, practical and emancipatory) interests of language from the standpoint of "*regional hermeneutics*" (Ormiston & Schrift, 1990).¹ It is worth remarking that the analysis of the texts *per se*, as proposed by Ricoeur, ought to be seen as an aspiration rather than something fully achievable, since we believe that the influences from senders and interpreters only can be reduced but never completely avoided.

The analysis of the empirical texts will, on the other hand, take into consideration the spatial and temporal embeddedness - i.e. the how, where and when - of the texts. The spatial and temporal dimensions will be used as grounds on which to identify themes - see below. Implicitly, this means that concern will be given to the single senders as well as to the intersubjectivity between senders, which we regard as not having the same objectivity to reconstruct the single senders' subjective meanings of their respective texts. Compared to the analysis of the theoretical texts, the empirical text will thereby not exclusively be analyzed on its own terms. It is necessary for us to re-emphasize that the empirical texts are regarded as interpretations rather than objective explanations of socially constructed reality.

In connection with the embeddedness of the empirical texts, a certain fixation of meaning - i.e. a discourse or a "*paradigm of reading*" (Ricoeur, 1981:209) - will be used to interpret empirical texts. Ricoeur (1981:210) describes this fixation of meaning as the "*sphere of signs in which the process of objectification takes place and gives rise to explanatory procedures*". The subjective interpretations of the social reality, represented by empirical texts, should therefore be related to another world of "*sphere of signs*" that is anchored in theoretical discourses.² It is this dialogue between the empirical and the theoretical texts which will open up for critical reflections.

Ricoeur (1978) acknowledges that we ought to apply a method in which the explanation and understanding of a text are not seen as two extreme positions, but as being inextricably related in the process of interpretation. Agreeing with Ast and Betti, to mention but a few, Ricoeur observes that the reciprocal unfolding of understanding is entailed by the relationship among parts, as well as the relationship among parts and the

¹ Ormiston and Schrift (1990) use the concept of "*regional hermeneutics*" to describe Ricoeur's critique of Habermas's ideal of a total or universal reflection/awareness by individuals.

² This research logic is more comprehensively discussed on the pages 31-34.

whole of a constructed text. In Ricoeur's (1981: 211) words, the parts and the whole are inseparable linked:

"The reconstruction of the text as a whole necessarily has a circular character, in the sense that the presupposition of a certain kind of whole is implied in the recognition of the parts."

In this hermeneutical circle, understanding constitutes the explanation of the whole. The way towards understanding is seen as a "*cumulative, holistic process*" (Ricoeur, 1981:212). Here, he provides us with the observation that the whole can be crystallized from the parts and that the accumulation of explained parts fosters intersubjectivity, and, subsequently, a reaching of increased understanding.

The researcher's active role in the hermeneutic circle may lead to high degrees of subjectivism. Different validity and reliability criteria - see below - will in this study be applied to reduce the influence of the individual researcher. For Ricoeur (1981:212) validation is the route "*to give a scientific knowledge of the text*". To construct validity and reliability in the scientific undertaking will, thereby, be practised when reducing the researcher's subjectivism through what we have called objectification, which is not to be confused with an ontological belief in objective truths. The relatedness between objectification (i.e. "*reference to reality*") and the researcher's subjectivity (i.e. "*self-reference*"), is captured by Ricoeur (1981:213) as follows:

"In conclusion, if it is true that there is always more than one way of construing a text, it is not true that all interpretations are equal and may be assimilated to so-called rules of thumb. The text is a limited field of possible constructions. The logic of validation allows us to move between the two limits of dogmatism and scepticism."

The insight that there is no such thing as a true understanding of a text is presented in this statement. Rather, Ricoeur refers to interpretations as notions that link possible explanations with possible understandings of the whole. In his terms, "... *explanation (erklären) requires understanding (verstehen) and brings forth in a new way the inner dialectic which constitutes interpretation as a whole.*" (Ricoeur, 1981:217). It is this reciprocal relation that is displayed when analyzing a text. The main theme is that there is no absolute understanding of a text. Accordingly, this study will unfold interpretations which contain both explanations and degrees of understanding.

Since interpretations involve degrees of understanding, it becomes relevant to recall the distinction between courses of understanding. In a simplified sense, a demarcation can

be made between “subjective” (i.e. the sender’s) and “objectified” (i.e. intersubjective) understandings. Rather than neglecting the importance of either of the two perspectives, we have shed light on the need for a complementary view. We will then put an emphasis on intersubjectivity in order to avoid both the ontological premise of objectivism and the undersocialized view of subjectivism. This concern for individuals as acting subjects, as well as social contexts in which individuals are embedded is in the essence of “*double hermeneutics*” (e.g. Giddens, 1984; Helenius, 1990). It is this reciprocity between individual and social influences that can help us uncover the constitution of socio-cognitive phenomena.

This project will take double hermeneutics as the ontological basis. By doing this, we move away from preconceived assumptions regarding the research purpose and questions.³ It is noteworthy that this position differs from, for instance, “*phenomenology*”, “*symbolic interactionism*” and “*ethnomethodology*” with their respective interest in subjective understanding (Helenius, 1990). Neither do hermeneutic views such as “*marxism*”, “*critical theory*” and “*history research*”, that focus more on the intersubjective understanding of reality, comply with double hermeneutics (Helenius, 1990).

To sum up, the construction of the fixation of meaning will follow the ideal of an interdisciplinary (i.e. inter-textual) interpretation of texts *per se*. The analysis of the empirical texts, related to the inquiry of this project, will take into account the spatial and the temporal embeddedness of the texts as well as the relation to a fixation of meaning. The empirical texts will be objectified by two forms of inter-textuality; between themselves and in relation to theoretical texts. The ontological assumption underlying the analysis will follow suit with that of double hermeneutics.

2.4 An interdisciplinary approach

The connotation of interdisciplinarity can seem somewhat vague and diffuse. Nevertheless, Klein (1990:21-22) asserts that the evolution of modern society has led to an increasing “*scientification*” or “*professionalization*” of knowledge which has become institutionalized at schools and universities of today. This means that a social phenomenon can potentially be interpreted from several disciplinary viewpoints. Naturally, none of these disciplines have the hegemony to draw interpretations. Instead, scholars have come to underline, as with our epistemological premises, the

³ In double hermeneutics there are, accordingly, no preconceptions of voluntarism in which individuals are viewed as subjects acting more or less freely from social influences. Nor is determinism, with the emphasis on causalities outside the reach of human influence, an ontological posture of double hermeneutics.

pluralistic use of disciplines which can help us to capture the whole of social phenomena (Klein, 1990).⁴ An interdisciplinary vein can further help us objectify theoretical texts in order to reach a critical awareness and intersubjective interpretations.

Several examples of interdisciplinarity are referred to as the assimilation of disciplines through the interaction (i.e. communication) of ideas (e.g. Piaget, 1977, Klein, 1990). In more specific terms, Klein (1990:64) notes four types of interdisciplinarity on the basis of practical use: a) borrowing among disciplines; b) joint problem solving; c) increased consistency of subjects or methods; and d) the emergence of an interdiscipline. In order to comprehend these approaches, there is a need to elucidate the meaning of discipline.

From Kuhn (1970), a "*paradigm*" can be regarded as a certain knowledge base that provides a scientific community with a model of problems and solutions.⁵ Kuhn (1970) suggests that it is "*incommensurability*" (i.e. it is not feasible of being judged, measured, or considered comparatively) that indicates the border between disciplines. Törnebohm (1981) makes a more precise elucidation as he distinguishes a paradigm I from a paradigm II. From the viewpoint of the single researcher, the former concept includes "*a complex composed of his world picture and his view on science.*" (Törnebohm, 1981:11). The notion of "*world picture*" is here seen as the scholar's "*general opinions*", "*evaluations*" and "*wishes*" in his/her field of research. Paradigm II incorporates paradigm I as well as the researcher's interests and competence. Törnebohm further believes that it is the individuals who share a paradigm II in combination with the exposed sanctions within this community that define a discipline, which together regulate research and the growth of knowledge. Törnebohm then lets us believe that theoretical texts are likely to be infused with norms and values shared in scientific communities.

Lakatos (1970) also addresses the meaning of discipline as he introduces the notion of "*research programs*". In contrast to Popper's theory of falsification, but differing somewhat from Kuhn, Lakatos proposes the existence of a core knowledge which is relatively more static within a scientific community. The main argument of Lakatos is that new knowledge is built on existing knowledge bases. Even though the new knowledge subverts a predominant corpus of knowledge, as in the case of a paradigm shift or falsification, the new knowledge is always, to some extent, deduced from an earlier corpus of knowledge.

⁴ An early example of an interdisciplinary research in the social sciences stems from scholars, like Veblen and Mead, at the University of Chicago, who disagreed with the specialization of knowledge.

⁵ See page 81 in chapter three for Kuhn's definition of a paradigm.

From the examples given it is possible to refer to a discipline of a shared corpus of knowledge, often infused with norms, within a specific collective of researcher, whose single interests and knowledge also have to be considered. This finding can be related to Ricoeur (1981:136) and his discussion on a “discourse” as “*the object of a praxis and a techne*”. Here, Ricoeur uses the word “*praxis*” to reveal an activity that is given meaning in a certain social setting, whereas “*techne*” abridges the structure of the praxis (i.e. “*practical activity objectifying itself in works*” (Ricoeur, 1981:136)). Accordingly, in social and humanistic research there are several interpretational approaches, which then give rise to “discourses” (Ricoeur, 1981). Ricoeur believes that language is crucial when demarcating discourses.⁶ In conclusion, this study will define a discipline or discourse as an intersubjectively shared interpretation within the frame of a certain community of language. When reading texts, which represent shared interpretations, critical awareness must be given to individual interests and interpretations.

Remarkably, Ricoeur not only rejects the relevance of the search for true knowledge, but he also advocates the intertwining of discourses in order to move away from those norms that may infuse interpretations - i.e. to obtain a critical awareness (Ormiston & Schrift, 1990). Ricoeur is also sceptical as to whether epistemological foundations need to follow either empiricism or theoreticism. Theory and practice are taken to be inextricably linked so as to further objectify texts.

Since this study will follow an interdisciplinary vein, the generated interpretation will represent a juxtaposition of several theoretical discourses. Interdisciplinarity is then taken as inseparable from multidisciplinary. Thereby, an emergent interpretation will always involve some “uniqueness” in relation to the underlying texts. The use of interdisciplinarity in constructing the interpretation will thus foster some degree of “uniqueness” when exploring the defined research purpose and questions. This implies that the hermeneutical methodology pursued in this project will give rise to a unique interpretation representing the constructed theory.

2.5 The logic used to analyze theoretical and empirical texts

The present hermeneutical course of logic involved two processes of knowledge creation that were mediated by interpretations of theoretical and empirical texts: an *ex ante* process; and an *ex post* process. The former process guided the direction for further research, whereas the *ex post* process objectified and defined the state of

⁶ Compare the variety of texts with Wittgenstein’s (1969) discussions of “*language games*”.

knowledge. In this respect, the *ex post* process realized and guided the *ex ante* process. Differently put, the *ex ante* process had a relatively broad search scope for structural relations in texts, which, then, was narrowed by the *ex post* process. This implied that when the state of knowledge was defined in the *ex post* process, the *ex ante* process could be built on the basis of this state. The hermeneutical ideal was thereby to follow a vertical process in which higher (i.e. more objectified) states of knowledge were reached along the analysis through the use of a thematic structuration of texts. Thus, it was the repetitiveness of themes, under the premise of certain validity and reliability criteria, that defined a state of knowledge.

2.5.1 Theory construction as a two-stage process of creating knowledge

The specified hermeneutical ideal of analyzing texts succeeded a process which encapsulated two definable states of knowledge saturation. Due to the order in which texts were analyzed, the process can be characterized as “semi-deductive”. The logic behind this conduct was to use an interdisciplinary-constructed interpretation system as a “fixation” (compare with Ricoeur) when interpreting empirical texts. The notion “semi-deductive” signifies that themes were not inductively crystallized from empirical texts, but instead constructed from the structural analysis of theoretical texts and previously made empirical findings by others. Since the majority of theories were having an empirical origin, the theoretically derived themes contained inductive elements. In addition, the empirical inquiry of this project had, as discussed below, been “semi-structured” on the basis of the research purpose and questions. The research approach can then not be characterized as having had a purely deductive foundation.

The first process of the semi-deductive logic comprised those *ex ante* and *ex post* processes which were parts of the thematic analysis of theoretical texts. The result of this analysis then came to define the first state of knowledge saturation in the pursuit of theory construction. This state of knowledge was then used as the initializing *ex ante* process for further thematic processing by virtue of empirical texts towards a final state of knowledge - i.e. the synthesis. This semi-deductive logic has influenced the structuring of the study as follows from the figure below:

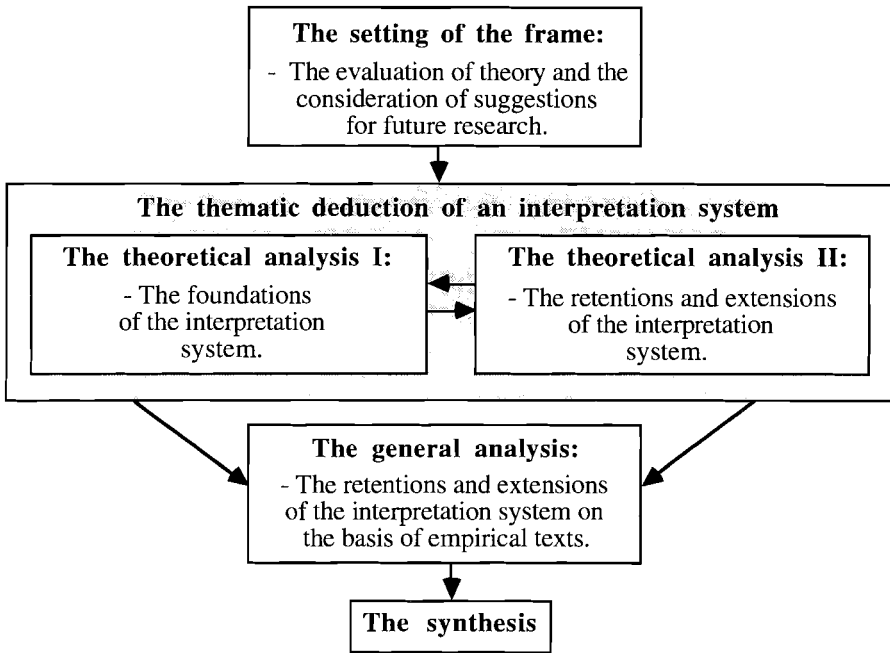


Figure 2.1: The semi-deductive structure of the analysis.

The first chapter, “the setting of the frame”, can be seen as a framing of the study or - i.e. the *initializing ex ante* process that guided further research in a certain scope of direction. The *ex ante* process that steered the theoretical analysis stemmed from the phenomena addressed by the research questions. The figure above portrays how this first chapter was followed by a “thematic deduction of an interpretation system” that complied with an interdisciplinary vein. In this study, the two theoretical chapters together, not separately, constitute the knowledge saturation reached from the thematic analysis of theoretical texts. These chapters thus represent the first state of knowledge in the two-stage process of knowledge creation. An essential part of the construction of theory has then been to thematically bridge theories. For pedagogical reasons, this first state of knowledge has been bracketed into two chapters in order to unravel the accumulation, “the extensions”, of knowledge. All those theories that fall into a derived theme are depicted here to give readers insights on both the repetitiveness, “the retentions”, and the interdisciplinarity of texts underlying a theme. This construction of an interpretation system can be compared with Ricoeur’s idea that there is a need for a certain *degree* of fixation of meaning to accomplish further knowledge creation. Since the interpretation system was founded on an interdisciplinary basis, the fixation of “narrow” prejudices was reduced.

The “general analysis”, as asserted in the figure, took on an *ex ante* process that was constituted by the themes of the theoretically deduced interpretation system. The analysis of the empirical texts was then framed by the first state of knowledge (more details below). The themes of the interpretation system were here used to obtain higher degrees of commensurability between theoretical and empirical texts. However, only those themes that were objectified in the linking, through hermeneutical circulation, of themes of the interpretation system and the empirical texts have been revealed in the general analysis. Like the chapters entailing the interpretation system, the general analysis thereby represents a state of knowledge in which no further *ex ante* processes initialized *ex post* processes that added to the previously reached state of knowledge. This criterion of a saturation of knowledge to close the hermeneutical circle is advocated by several scholars (e.g. Björkegren, 1986; Eisenhardt, 1989).

The implication from the saturation criterion is that the last chapter, “the synthesis”, does not comprise any “higher” state of knowledge. That is, the synthesis does not contain any further thematic processing in itself, and as such is a summary of the analysis undertaken. However, the synthesis should be seen as building on the research purpose to construct theory. In this respect, it is an intersubjective interpretation (not explanation) system of thematically representative concepts of certain phenomena and relations among these concepts. The interpretation system only encompasses abstractions which have been empirically grounded in the general analysis. This is in line with the set logic of analysis since theoretical and empirical texts are believed to be inseparable in order to reach higher degrees of intersubjectivity by evoking themes of interpretation between texts. Since it is important that the interpreter is driven by self-awareness as well as continuous checking of the study to avoid high degrees of subjectivism (Miles & Huberman, 1984), we will discuss the criterion of intersubjectivity in more depth. Before doing this, we need to describe the thematic analysis in more detail.

2.5.2 The thematic analysis

A theme is, on the basis of the ontological and epistemological foundations asserted, to be seen as a recurrent interpretation of a social phenomenon given in texts - i.e. a kind of interpretive regularity or structure within and between texts. In coincidence with Pettigrew’s outlined suggestions, it was interpretations of the temporal (i.e. the how and when), the spatial (i.e. the why and where) and the content (i.e. the what) aspects of a social phenomenon which were the guiding principles for uncovering themes. In illustrative terms, the objective was also to go “deeper” into the structure of the texts through the search for the conjunctions of any two informative statements, that

involved a higher, or at least equal, degree of content than that of either of its components. A theme could then, especially in the beginning of the hermeneutical circle, be characterized as a relatively abstract clustering of interpretations. This clustering into themes was, thereby, a matter of grouping and conceptualizing texts. The search for themes took into account both expressed causalities and iterative or reciprocal inferences. The thematic analysis of texts from Zaleznik & Kets de Vries (1984:12, cited from Björkegren, 1986:23):

“The interrelated elements in a text contain themes that lend themselves to systematization. Thematic interpretation constructs significance from the intertwined cognitive and affective units which make up a text.”

The analysis of texts was, as noted before, contingent on an *ex ante* process that emanated from the research questions. Such a process then defined the state of informative content (i.e. knowledge), from which further thematic processing was steered. The informative content is then not set *a priori*, even though the scope was restricted to certain *ex ante* deduced themes.

Two principles were employed in the structural analysis of the texts: that of convergencies and divergencies. When following the first principle, interpretations were derived by virtue of similarity corresponding to the phenomenon being explored, and, thus, the research questions. The separation of themes was deduced when comparisons of the texts yielded interpretations that were based on recurrent divergencies. In both methods, the thematic structuring of texts involved a quantitative dimension - i.e. the texts were bracketed into themes on the basis of their frequency of recurrence. It is the transcribing of interviews into texts that enabled us to undertake the thematic analysis of the empirical information.

The logic used can be thought of as a kind of phenomenology in which the underlying texts for disclosing themes of a certain phenomenon were of a theoretical origin to begin with.⁷ These themes were used not only to help us bridge theoretical and empirical texts, but also to further uncover the complexity of the phenomena addressed. Here, “extensions” of the themes of the interpretation system have been revealed when present in order to increase the informative content or knowledge of a theme. The second stage of knowledge creation process was not “closed” so as to only reinforce the state of knowledge representing the interpretation system. The construction of theory was then grounded on the inextricable relation between theoretical and empirical observations.

⁷ Unlike traditional phenomenology, the hermeneutical circle did not commence with the analysis of empirical texts.

2.6 The case study approach used

Given the hermeneutical ideal of this study, we need a corresponding research technique to receive empirical information. This request is, according to several scholars, best met by the use of a case study (e.g. Lindholm, 1979; Björkegren, 1986). The use of case studies also allows us to utilize both quantitatively and qualitatively collected empirical data into the *ex ante* and *ex post* processes of second stage of the thematic analysis (e.g. Eisenhardt, 1989; Yin, 1989).⁸ The case study was used as an open form of empirical inquiry in order to retrieve empirical texts, which were iterated with the interpretation system of the theoretical analysis in the process of a hermeneutical circle. From this logic, a new interpretation system emerged.

2.6.1 The case study design

The design of a case is an important issue that has implications for the project as a whole. According to Yin (1989), the design foremost follows two dimensions: the number of cases (single or multiple); and the unit of analysis (single or multiple). The choice between one or several cases concerns foremost, in the light of limited research resources, a trade-off between depth and higher degrees of generalization (Eisenhardt, 1989). There are also other grounds which can justify the selection of one case, like the presence of unique and revelatory cases as well as cases that are undertaken to test a specific theory (Yin, 1989:47-48). The definition of the number of the units (i.e. levels) of analysis is subject to the nature of the examined phenomenon.

The “*one unit approach*” is advantageous when no logical sub-units can be derived from the phenomenon (Yin, 1989). A similar design can lack focus and clarity since research is sometimes conducted at a relatively abstract level, but it can also incur risk if the phenomenon shifts in nature (Yin, 1989:49). A “*multiple-level approach*” is then more appropriate if several levels can be identified. Here, the major pitfall occurs if too much focus is given to a specific level so that the relative emphasis on either the larger unit or the sub-units becomes disproportionate.

In this project we have chosen to empirically investigate one particular sector, *the Swedish life insurance sector*. This constitutes the spatial dimension of our case.⁹ All the firms, from nine to eighteen, which have (within the standard industrial classification, SIC, code) provided the Swedish market with individual and/or group

⁸ Yin (1989:23) defines a case study as; “*an empirical inquiry that: investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and multiple sources of evidence are used*”.

⁹ The definition of a sector follows from page 19 in chapter one.

life insurance at some point during the six year period between 1986 and 1991 are included.¹⁰ In this respect, each of the companies in the sample represent analytical sub-units in the overall case of the sector.¹¹ Given our concern for single actors, the smallest units considered are individuals. Accordingly, since several analytical levels were presented in the first chapter, we have chosen to use a multiple-unit design.

The time period 1986 to 1991 marks the temporal dimension of the case study. This does not mean, as we will see, that historical events before 1986 are not regarded. Respondents have been allowed to describe historical influences which pre-date the period and/or future influences referring to a time after 1991. Rather, it is the existence of the phenomena of interest during the years between 1986 and 1991 that delimit the case temporally. The formation of these phenomena are *not a priori* defined to this period. In conjunction with the *ex post* depiction of a sector, the spatial dimension of this study is defined *ex post*.

The selection of the case and its multiple units was guided by Yin's criteria. Firstly, the critical evaluation of theories and the consideration of suggestions for future research strongly indicated the need to investigate an entire sector. It is our belief that this gives us an opportunity to interrelate several theoretical stands that address our research purpose and questions. Secondly, the Swedish life insurance sector provided a unique and revelatory possibility in that the sector was undergoing legislative changes - see appendix A. We have assumed that the phenomenon of strategy formation as depicted in the research purpose, with its sub-phenomena of structures, processes and herein roles and influences of managers, becomes more articulated or, in Pettigrew's terms (1990), "*transparently*" observable during such periods. Thirdly, the criterion of multiple units was met, in that the sector was not contingent on a monopolistic supply of life insurance as the number of firms varied from nine to eighteen over the years.

2.6.2 The process of the empirical inquiry

The collection of empirical data was initiated during the spring of 1991. Interviews were conducted with key persons in sector-related associations and government offices.¹² These interviews were, with one exception, carried out within a period of two months. Longitudinal data were also gathered from a variety of secondary sources such as public documents and archival records. This has, however, been a continuous collection process until the completion of this project.

¹⁰ The more exact criteria for the selection of firms are given in appendix A.

¹¹ See appendix A for a complete list of these firms.

¹² These individuals are listed under the "primary empirical sources".

The second phase of the empirical study, beginning in the early autumn of 1991, was directed towards the fifteen selected companies (from the SIC code). As in the first phase, the collected data included primary (i.e. interviews) as well as secondary sources. The large majority of the interviews took place during a four months long period. Additional interviews followed in the early spring of 1992.¹³

2.6.2.1 The primary sources

The primary data is a part of empirical research that is specifically designed and conducted to conform with a particular research purpose and questions (Stewart, 1984). In this study, 77 interviewees make up the primary sources, 14 of which refer to sector-related organizations and government offices. Together these sources are regarded as the relevant actors in order to discover intersubjective interpretations of the phenomena addressed in the research questions.

The selection of the interviewees complied with two principles. Firstly, a "snowball" sampling was used for the company-related interviews. That is, the president (i.e. chief executive officer) and the vice president were asked to name those s/he considered to be part of the top management team concerned with life insurance. In cases of inconsistency among the named persons, all of them were interviewed. We limited the study to the managers and did not include any owners.¹⁴ Secondly, the key persons in the sector-related organizations and government offices were selected by rank. A complete list of the occupations of the seventy-seven interviewees can be found in the primary empirical sources in appendix C. Since the empirical study is retrospective, we have added those persons who have, based on the snowball sampling, had a relevant position some time during the period between 1986-1991. All managers consented to be interviewed when asked. Notably, all chief executives were members of the respective firms' board of directors, and other senior executives were often members - see appendix C.

Even though all the relevant managers from the snowball sampling were interviewed at the time of the data collection, it has, in some cases, not been possible to interview those who were once part of a certain management team or had a leading role in the sector-related organizations and the government offices. Due to our retrospective

¹³ With the exception of two interviews that were conducted in September 1991. See appendix B for the exact dates.

¹⁴ This limitation should be seen in the light of several companies that are mutual (i.e. owned by policy-holders of life insurance - see appendix A). Moreover, in the limited companies, no owner, unless the company is a wholly-owned subsidiary, can vote for more than 5% of the total outstanding votes, due to Swedish legislation. In all, single owners have a relatively low influence on life insurance companies in comparison to other industries.

approach, the amount of the primary data seems to have somewhat diminished the older from 1986 to 1991. Eight of the companies were founded during the relevant period - see appendix A, and interviews have, obviously, only covered the time from the date of foundation to 1991.

The average interview time was one hour and ten minutes, ranging from forty to one hundred and forty minutes, approximately. Due to the various settings that are covered in the study, two different questionnaires were used: one for the sector-related organizations and government offices; and another for the firms - see appendix C. We have thereby attempted to obtain an internal consistency in the structuring of the questions in each of the two realms. Since the questionnaire used with the managers of the firms was somewhat modified after the first couple of interviews, these interviews were repeated using the new questions.

All of the questions followed a semi-structural guide. The "structural" part is associated with the theoretical interplay. The collection of the empirical data has been governed by tentative findings from the analysis of theoretical texts. Yin (1989) stresses the importance of avoiding too structured questions in a case study. Instead, he argues that questions like "*how*" and "*why*" can help us circumvent the risk of receiving answers that closely adhere to possible prejudices. Communication studies have also shown how structured questions can lead to defensive barriers between the parties involved, which, can, in turn, threaten the validity of the interview (Roethlisberger, 1977). A general observation appears to be that the dropping of some defensiveness by one party leads to further dropping of defensiveness by the other party, which enhances the validity of the information given. An interview should then be characterized by mutual communication, in which both parties are devoted to the disclosing of a certain phenomenon. The use of semi-structured questions presented an opportunity for the respondents to express their beliefs and judgements on their own terms (Shaugnessy & Zechmeister, 1985). At the same time the possibility that the researcher asked questions only to confirm theoretical preconceptions was avoided. The managers of the selected firms were, as disclosed by the questionnaire, asked to describe, in Pettigrew's earlier discussed terms, the "*how*", "*why*" and "*what*" of actions encapsulating the strategy formation phenomenon as addressed from the research questions.¹⁵

Secondary data regarding the life insurance sector and the respective firms was studied before conducting the interviews in order to encourage mutual communication with the interviewees. All except one of the interviews took place at the respondents' offices. All interviews, except two, were tape-recorded. This recording might have affected the interviewees' willingness to respond, but on the other hand, we received more accurate

¹⁵ The questionnaire used for the respondents at the sectorial organizations and the government offices also followed this descriptive ideal.

and detailed texts to analyze. In order to reduce the likelihood of cautious and defensive responders, the interviewees were not only asked if they approved of the use of a tape-recorder, but were also offered of the opportunity to read their respective citations before presented in the final report. To facilitate the thematic analysis of the retrieved texts, all interviews were transcribed from the tape-recordings.

The inductive elements that arose from the interviews can be summarized as having originated from both the method of asking open questions and the descriptive nature of the questions. Björkegren (1986) notes that the use of semi-structured questions is in agreement with the hermeneutical ideal.

2.6.2.2 The secondary sources

The information that has been collected by others and in some form stems from archived sources, is usually associated with secondary data (Stewart, 1984). As a result, this kind of information is not specifically designed for our research purpose and questions. The retrieved secondary sources nonetheless cover the organizational and sector levels longitudinally 1986-1991. The sources have also provided retrospective data that dates further back than 1986. Most of the data has been written in real time.

Yin (1989) deduces two types of secondary sources: documentation, and archival records. The difference is, that the former sources are qualitatively gathered, and the latter reveal quantitative information. On the basis of this separation, our study encompasses the following documents and archival records:

Documentation: *

- Formal documents: annual reports and reports to government offices.
- Administrative documents: internal reports like proposals and evaluations.
- Official documents: reports from governmental offices and the law text.
- Mass-media documents: news clips and articles from a variety of sources.
- Other documents: policy reports, minutes of meeting and reports of events, etc.

Archival records: *

- Sector-related records: longitudinal statistics.
- Organization-related records: longitudinal statistics.

* The data covers, at least, the period 1986-1991, except for the firms founded later than 1986.

Figure 2.2: Secondary sources - documentation and archival records.

In total, the secondary data adds up to approximately 6,500 pages of text - see "sources". In some sources, in particular "other documents" and "organization-related records", there is some variance in the amount of information about the firms. The objective has been to avoid under-representation of firms in the total data set. When possible, certain data was operationalized - see appendix C - to facilitate a comparative basis among firms.

2.7 Validity, reliability and applicability as criteria of plausibility

The efforts to reduce subjective influences of the researcher, following the ideal of hermeneutics of texts, has proceeded alongside what Weick refers to as "*theory construction as disciplined imagination*" (Weick, 1989:516). The latter connotations evoke subjective elements, which are always present (i.e. imagination), but certain disciplines needed to disagree with these elements. Whitley (1984) recognizes a number of sociological reasons why research ought to comply with certain comparable procedures to enable critical evaluations. He adds that if these procedures are set aside, the results will be a "*naive and unreflected empiricism*" (Whitley, 1984:385). With similar doubts, Weick (1989:517) introduces us to the concept of "*plausibility*" which underlines the need of an intersubjective, not subjective, judgement of a theory.

Weick (1989:519) observes that a researcher generally passes through three stages when constructing a theory: "*variation*", "*selection*", and "*retention*". The first stage is here categorized by a strong variation in the "*thought trials*" that the individual researcher works with. To articulate this first stage is obviously difficult, whereas it is vital to communicate the selection phase as it is a determining factor for obtaining plausibility. It is in this second stage that the researcher applies certain criteria, consciously or unconsciously, when constructing a theory. Weick (1989) argues that the greater number of criteria, combined with a consistent use of these, enhance plausibility. The criteria have, for the above-mentioned reasons, to be intersubjectively shared. The last stage, retention, is the researchers' method to manifest the insights gained.

In this project, we utilized a thematic analysis within the frame of a hermeneutical circulation as the "logic in use". The knowledge retained marks the final state of saturation expressed in the general analysis. In this second stage of our knowledge creation process, certain intersubjectively shared selection criteria were employed to uncover empirical texts from the case study. It was here that the most widely engaged and accepted criteria of validity and reliability (e.g. Miles & Huberman, 1984; Kirk &

Miller, 1986; Yin, 1989) marked the selection. It is vital to realize that the criteria of validity and reliability were not used to unfold generalizable causalities, such as in positivistic postures, in order to lower the influence of the individual researcher. As a replacement of the criterion of generalizability, so dear to the hearts of positivists, we will discuss the applicability of the theory.

2.7.1 The intersubjective plausibility criteria of validity

In broad terms, validity, in this context, embraces the criteria that define the extent to which the study has given objectified, or intersubjective, answers to the questions posed. Validity construction is for several reasons one of the most essential parts of a study. Firstly, it gives others rather than the individual interpreter the possibility to assess the plausibility on the basis of the objectification of the research findings (Kirk & Miller, 1986). Secondly, it helps the interpreter to structure the study in order to obtain higher degrees of objectification (e.g. Miles & Huberman, 1984; Kirk & Miller, 1986). This construction of validity is a process that already begins in the planning stage of a project, and is subsequently continuous throughout the entire research process.

Yin (1989:22) sub-divides validity into three dimensions. “*Construct validity*” (i.e. theoretical validity) is about the correspondence between an empirical phenomenon and the theory representing it. Since a theory, in our view, is an intersubjective interpretation of actors knowledgeable about a phenomenon, criteria have here been used to obtain intersubjectivity from relevant actors. “*Internal validity*” refers to the amount to which uncontrolled, spurious, factors influence the study, and criteria were then applied to reduce such influences. “*External validity*” defines the areas to which the research findings embrace. The following selection criteria were used to comply with the different aspects of validity:

Construct validity:

- Multiple sources of evidence were used during data collection.
- Chains of evidence were established from the data.
- The informants reviewed their respective contribution in the finished report.
- The snowball sampling of the relevant informants.

(continued on the next page)

Internal validity:

- Cross-comparison of the various data sources was conducted.
- Chronological ordering of the data into sequential chains was undertaken.
- Convergencies and divergencies in the data set were highlighted.

External validity:

- Several units of analysis were chosen to represent the empirical study.
- The design of the case stemmed from theoretical evaluations.

Figure 2.3: Validity construction.

From the figure we can observe that the cross-comparison of units within and between levels of analysis has been used instead of a cross-case analysis. In addition to criteria used in the general analysis, the construct validity has also been improved by the use of an interdisciplinary approach since our study confronts multiple theoretical standpoints. As a complement to these selection criteria, Miles and Huberman (1984) provide us with more specific guidelines. We considered the following to check for the intersubjective quality of the data in the study:

Achieving representativeness:

- Interdisciplinary sample of theories in order to generate and not test theory.
- Theoretical selection of the case and the multiple units.
- Initialization of snowball sampling of relevant informants.
- Primary sources collected during a short period of time to obtain comparability.
- Secondary sources gathered continuously to prevent random cross-sectional data.

Avoiding research effects:

- The use of semi-structured questions during all interviews.
- Well informed about the occupation and the organization of each informant.
- Opportunity for the informants to review quotation(s) of them in the final report.
- Active listening.

(continued on the next page)

Avoiding influences from research sites:

- Being up-to-date with the interview guide and theoretical underpinnings.
- Checking given answers with other sources of data.
- Using each informants' office or his/her proposed location.
- Interviewing informants individually.
- Intentionally trying to go behind overly general answers.

Triangulating data sources and research techniques:

- Applying different data collection techniques for primary and secondary sources.
- Using various informants and secondary sources to represent the sector case.

Figure 2.4: The quality of the data.

It is our belief and experience that a difficult part of the process for controlling validity concerns the secondary sources, since this information was collected by others. To avoid a lack of validity, information was gathered from several sources, including the primary ones. Together, the combined, and often overlapping, data from these sources have made it possible to objectify both the secondary and primary ones from two angles: a) internal fit - i.e. primary versus primary and secondary versus secondary; and b) external fit - i.e. primary versus secondary. This search for divergencies and convergencies in the texts has also guided our selection of interpretations in the analysis. Extreme observations were, in accordance with Miles & Huberman (1984), identified and examined. Our interpretations were also continuously objectified by the search for and analysis of rival interpretations as we actively looked for interpretations that could diverge from interpretations established.¹⁶

The use of multiple sources in conjunction with cross-comparison of empirical data is relevant given that a major part of the primary data was not collected in real time. The risk of individual forgetfulness or rationalizations are then partly circumvented by our efforts to ensure validity. The data is well distributed over the years studied, and no periods are distinctively under-represented.

2.7.2 The intersubjective plausibility criteria of reliability

The selection criteria of reliability have been applied to reduce the researcher's influence on empirical observations. A general definition of reliability is that it reveals the extent

¹⁶ The validity criteria of the analysis are also proposed by Miles & Huberman (1984). These scholars also pinpoint that feedback from informants, which we sought and received in our study, is another way of validating not only the quality of the data but also the analysis.

to which a method yields the same information regardless of how and when it is carried out (Kirk & Miller, 1986:18). Our reliability criteria are then to be viewed as the efforts to capture the respondents', not the researcher's, own interpretations. Kirk and Miller (1986:41-41) distinguish three kinds of reliability that characterize studies: a) "*quixotic reliability*" refers to situations in which a single method repeatedly gives an unvarying measurement; b) "*diachronic reliability*" discloses the stability of an observation over time; and c) "*synchronic reliability*" reveals the convergence of observations during the same time period. The first form of reliability can, as observed by Kirk and Miller, be problematic since it is often subject to underlying measuring biases like, for instance, too general questions. The diachronic reliability, which has not been employed, is only appropriate in experimental studies where the research setting can be controlled over time.

Accordingly, it is the synchronic reliability that was relevant to our study. Yin (1989:45) posits that this type of reliability is not a question of replicating the results of a particular case by doing a new study, but to repeat the same case over again. An important prerequisite is then to document the research procedures as we have done in the present chapter. More specifically, the figure below summarizes the selection criteria considered so as to enhance the reliability of the data collection process.

- Questionnaires were used to guide the interviews.
- Operationalizations of secondary data to obtain complementarity.
- Tape-recordings of interviews were made, with only one exception.
- The interviews were transcribed.
- Minutes were made during interviews as a complement to the recordings.*
- Informants had the possibility to comment on their respective answers.

* For two interviews the recordings were lost, and only the minutes have been used.

Figure 2.5: The reliability of the empirical data.

The standardization of data collection, though questionnaires and operationalizations - see appendix C, were applied so as to achieve congruence with the set research purpose and questions. This framing of the collection process then increased the convergence of the empirical information, which, subsequently made it easier to find intersubjective interpretations in the thematic analysis.

2.7.3 The intersubjective plausibility criteria of applicability

The opportunity to generalize the theory constructed is not a relevant criterion from which to judge the plausibility of a qualitative study like this (Lindholm, 1979). Neither is it plausible to judge the theory from its correspondence with “reality”, an often used criterion in positivism (Björkegren, 1986). Instead, the theory is, as we have emphasized, an interpretation, not the explanation or the understanding, of a socially constructed reality, which implies that the theory ought to be judged from its applicability in order to interpret the socially constructed reality. The thematically derived theory is then not seen as a “better” or more “true” interpretation, but as an intersubjective interpretation. It is a general belief that such an intersubjective interpretation is more plausible as an applicable interpretation than a subjective interpretation (e.g. Ricoeur, 1981; Bernstein, 1983; Helenius, 1990; Ormiston & Schrift, 1990). It is our continuous use of the so-called objectification ideal or criteria, which has enabled us to reach intersubjectivity from thematic analysis. This is not to assert that subjective influences have been avoided, they have only been reduced. Theorists as well as pragmaticians may then use this intersubjective interpretation of certain phenomena so as to objectify their own interpretations.

Chapter 3

THE THEORETICAL ANALYSIS - The Foundations -

3.1 Introduction

This chapter is part of the knowledge saturation reached from the first stage in the two-stage process of knowledge creation. It is the so-called foundations of this knowledge that will here be evoked by the introduction and conceptualization of themes. Besides the pedagogical reasons mentioned earlier, the methodological underpinning is to uncover theories embodying the themes deduced. Throughout the theoretical analysis, in this and the next chapter, both the repetitiveness and the interdisciplinarity of these themes will be made explicit so as to enable critical assessments of the plausibility of the analysis. The interdisciplinary bridging of theories is used here to assert the intersubjectivity of interpretations constituting a theme.

3.2 Structures, agents and processes of interaction

In conjunction with the research questions, we will concentrate on three themes: structures, processes of social interaction, and managerial roles and influences. We will commence by conceptualizing the nature of interaction processes. The interrelationships among interactions and structures will then be given attention. Finally, the triangulation of the themes will be completed by including the notion of agency as the roles and influences of individuals in relation to structures and processes.

3.2.1 Processes of interaction

It seems relevant to begin by referring to Simmel (1950:10) when he observes:

“Society merely is the name for a number of individuals, connected by interaction.”

In the works of Marx, Durkheim and Weber, to mention but some of the most influential sociologists, interactions are in conjunction with Simmel's observation considered to be a fundamental basis in the analysis of social phenomena (e.g. Collins, 1988; Wallace, 1983). In various theories we can find concepts such as, for instance, "*transactions*" (e.g. Commons, 1934; Coase, 1937; Williamson, 1975), "*relations*" (Merton, 1957) and "*exchanges*" (Blau, 1964) that, if we neglect the theoretical assumptions related to these concepts, are more or less equivalent to the notion of interaction.

Broadly speaking, an interaction is generally interpreted as the medium by which focal actors influence one another's actions so that they jointly cause the social phenomenon in which they are involved (Wallace, 1983). According to Fombrun (1986:403), this formation of social phenomena by virtue of interactions can be described as the "*dialectical unfolding of relations between embedded social actors that translates individual action into societal consequences*".

The interactions can take many forms in a society, and several classifications can be found (e.g. Blau & Scott, 1962; Warren, 1967; Mitchell, 1973; Giddens, 1979; Wallace, 1983; Fombrun, 1986). A basic, and often recurrent, distinction is the one between "*physical*" and "*psychical*" interactions (Wallace, 1983). This traditional separation is rooted in the finding that physical implies the use of the human body (i.e. walking, talking, eating, etc.), while psychical refers to the neuroendocrine (i.e. cognitive) processes (Wallace, 1983). However, this distinction is problematic since it does not embody the complexity of, in particular, the psychical interactions (e.g. White & Mitchell, 1979; Pfeffer, 1982; Collins, 1988). For Mitchell (1973), it is the content of an interaction that must be dissected, and he makes a distinction here between: "*communication content*", "*exchange content*", and "*normative content*". In the first category he includes the "*passage of information of some kind*", while the exchange content encompasses "*the transactions which have implications for the actors wider than the simple act of exchange itself*", and finally the normative content is ascribed to as "*expectations*" (Mitchell, 1973:23-26).

Mitchell's main theme seems to be the dividing of the content of interactions *per se*, and the norms that are associated with these interactions.¹ In Granovetter's (1985) words, the social relations *per se* are "*embedded*" in norms accommodating a variety of values. Yet, the content *per se* can be made more clear when considering the often quoted separation of a "*tangible*" from an "*intangible*" content (e.g. Wallace, 1983; Håkansson, 1987).

¹ This interpretation of Mitchell agrees with that of Sjöstrand (1985:84).

Taken together, we will argue that interactions are composed of a physical dimension and a psychical dimension. The physical part constitutes the content *per se*, and includes: a tangible content - i.e. involving the flow of, for instance, goods and certain services; and an intangible content -i.e. capturing the transfer of, for instance, information and knowledge. The psychical dimension of an interaction refers to the normative content expressing interpretation- and action-readying modes of governance.

The exchange of, for instance, information has a physical part that incorporates the information *per se*, and a psychical part of norms that not only enable the focal actor to pursue the interaction but also to interpret the meaning attached to that exchange. We can assume that all interactions include this reciprocal relation between a physical and a psychical dimension (cf. Schutz, 1962; Berger & Luckmann, 1966; Goffman, 1969, 1974; Giddens, 1979, 1984). The psychical part is interpreted by the single individuals in their efforts to receive an understanding of the physical interactions (Weick, 1979). Sjöstrand (1985) concedes that people have an underlying need to find this order and meaning so as to reduce the uncertainty that follows from various interaction dependencies. Notably, this psychical dimension of interactions has received a growing concern in contract theories, and is here often imputed as "*implicit contracts*" (e.g. Macneil, 1981; Milgrom & Roberts, 1992).²

3.2.2 Processes of interaction and corresponding structures

All interactions can be interpreted in respect of both a spatial and a temporal regularity (e.g. Hägerstrand, 1975, 1976; Clegg, 1979; Wallace, 1983). In the case of spatial regularities, the researchers are interested in where interactions coincide, while the temporal focus is on when interactions coincide. Spatial regularity is here often viewed as the spatial stretch of a temporal regularity, since it is observed that movement in space is also a movement in time (Hägerstrand, 1976). The spatial coexistence of defined interactions is then retrieved from temporal covariation of these interactions. Hawley (1950:228) expresses this by stating:

"A temporal pattern is implicit in each and every spatial pattern."

This importance of the temporal coupling to the unfolding of the spatial dimension is viewed as central when depicting the nature of a structure. From a review of the structure concept, Giddens (1979) notes that a structure is characterized by a pattern of interactions and the continuity of this pattern of interactions over time. Due to the

² An implicit contract is a "*shared understanding*" that binds two parties, and which is not legally enforceable by an explicit (i.e. written) contract (Milgrom & Roberts, 1992:599).

interrelationship between interactions and structures, the categorization of interactions follow suit with that of structures *per definition* (e.g. Merton, 1975; Giddens, 1979). A pervasive line of demarcation can here be found in the literature between social and cultural structures, which, respectively, correspond to physical and psychical interactions. This view can be explicated from an assertion made by Wallace (1983:39):

“One can hardly doubt that the concepts (or at least the terms) ‘social structure’ or ‘society’ and ‘cultural structure’ or ‘culture’ are essential parts of the sociological stock-in-trade.”

An example of this broad distinction of physical interaction regularities as social structures and physical interaction regularities as cultural structures is presented by Blau & Scott (1962:4):

“Social relations involve, first, patterns of social interaction: the frequency and duration of influence between persons, the degree of cooperation, and so forth. Second, social relations entail people’s sentiments to one another such as feelings of attraction, respect, and hostility... These two dimensions of social organization - the networks of social relations and the shared orientations - are often referred to as the social structure and the culture, respectively.”

The culture is then broadly seen as the temporal continuity of psychical interactions with a certain normative content of, for instance, cathectic values (e.g. affections, feelings, emotions) which can be severed from physical exchanges. The cultural structures are composed of the psychical interactions that express “*modes of orientation*” - i.e. a normative content governing interpretations and actions (Wallace, 1983:90).³ Giddens (1984:17) makes a close to similar observation:

“In analysing social relations we have to acknowledge both a syntagmatic dimension, the patterning of social relations in time-space involving the reproduction of situated practices, and a paradigmatic dimension, involving a virtual order of ‘modes of structuring’ recursively implicated in such reproduction.”

Hence, social structures and cultural structures are made up of physical and psychical interactions, respectively. The former structures encapsulate interactions of tangibles and intangibles *per se*,⁴ whereas the cultural structures are grounded on the

³ Coleman (1990:243) refers to the presence of such psychical structures from the observation: “There is interdependence among norms such that many norms are part of a structure of norms.”

⁴ It is worth noting that flows of information and knowledge (i.e. intangibles) are commonly categorized as “*competence structures*” (e.g. Selznick, 1957; Hayes & Wheelwright, 1984; Winter, 1987). Such structures are then forms of social structures that are composed of physical interactions of intangibles.

normative content of interactions. The concept of structure here refers to a pattern of temporal continuity or regularity of interaction processes. It has further been affirmed that social and cultural structures can be differently coupled. As a consequence, the physical structures can come to reflect or symbolize the psychical structures. Before undertaking a more fine-tuned elucidation of the notions of structure and coupling, the roles and influences of individuals need to be added to the emerging picture.

3.2.3 Individuals as focal actors in processes of structuration

When considering the interrelationship between interactions and structures, Giddens (1979, 1984) remarks that this can be described as a process of “*structuration*”.⁵ It is the processes of interaction, situated in time and context, that constitute this structuration (Giddens, 1979, 1984). This binding of time and space is looked upon as a continuous reproduction of interactions over time (e.g. Giddens, 1979, 1984; Sjöstrand, 1985). The reciprocal influence between ongoing interactions and the shaping of structures is to be interpreted from the inclusion of individuals as the focal actors (Giddens, 1976:121):

“Interaction is constituted by and in the conduct of subjects; structuration, as the reproduction practices, refers abstractly to the dynamic process whereby structures come into being. By the duality of structure I mean that social structures are both constituted by human agency, and yet at the same time are the very medium of this constitution.”

Actors and structures are then reciprocally related through the medium of interactions. Individuals are continually reconstructing social reality by their interactions, although governed by structural dependencies in time and space. Sjöstrand (1985, 1991) proposes that the idea of “*economic man*” ought to be replaced with the notion of the “*interactive man*”, and also emphasizes that individuals, by their interactivities, are the reconstructors of society. Benson (1977:4) comprehensively describes this interconnectedness between actors, interactions and structures:

“People produce social structures, and they do so within a social context. The produced social world always constitutes a context which influences the ongoing process of production.”

This reciprocal relation in the process of structuration implies both dynamics and statics - i.e. an interaction may change the prevailing structural pattern of continuity (i.e. dynamics), and/or follow in line with that pattern of continuity (i.e. statics) (e.g.

⁵ See also: Clegg, 1979, 1990; Sjöstrand, 1985; and Aspling, 1986.

Giddens, 1979, 1984; Sjöstrand, 1985). From the viewpoint of the focal actor, there are the physical and psychical interactions from which the reproduction of, respectively, the social and cultural structures stem. Here, reproduction is not to be seen as a process that is static in itself; Giddens (1976:102) concludes:

“All reproduction is necessarily production, however; and the seed of change is there in every act which contributes towards the reproduction of any ordered form of life.”

To fully capture the roles and influences of individuals in this process of structuration, we believe that it is necessary to encompass the complexity of human cognition. This can be seen as a response to the critique of theories oriented towards objectivism, which often portray a deterministically-ordered society.⁶

This introductory discussion has presented a brief insight into the interrelationships that exist between structures, actors and processes of interaction. By dissecting the content of the interactions, we distinguished the content *per se* from the normative content that individual actors associate with the content *per se*. The normative content functions as an interpretation and action-readying mode of governance (i.e. norms) which can express a variety of contents (e.g. feelings, emotions, affections, values). The patterns of a temporal continuity of physical and psychical interactions have been asserted as social and cultural structures, respectively. These structures were, however, not separated as “external” from the roles and influences of actors.⁷ The formation of social phenomena by virtue of interaction was described as a continuous process of structuration.

The discussion will now continue by more closely inquiring into the cognitive processes so as to encapsulate the duality between individuals and their social embeddedness when developing the above reasoning.

3.3 Cognitive processes and social embeddedness

Cognitive psychology is a research field that attempts to understand the underlying mechanisms governing human thought (Neisser, 1976; Anderson, 1985; Perris, 1986). In the social sciences, on the other hand, the major research objective is to comprehend human behavior. It is proposed that social scientists ought to study the foundations on

⁶ Compare with the discussion on objectivism in chapter one.

⁷ By “external” we here mean the existence of objective realities that are beyond the scope of human interactions, and which individuals are not able to influence. This does not assume that individuals are unable to create their own “objective” realities by virtue of “externalization” - see page 17-18.

which behavior is governed (Anderson, 1985). In response, sociologists stress the need to undertake scientific studies in less artificial (i.e. experimental) settings (Granovetter, 1985). For example, there might not be a causal relation, due to the social context in which we are embedded, between thoughts about doing something and the actions that we can actually pursue.⁸ As discussed earlier, there seems to exist a fruitful complementarity between cognitive psychology and sociological research so as to interpret the reciprocity between individuals and social structures in the formation of social phenomena through processes of interaction. We would like to label this cross-fertilizing of paradigms the “socio-cognitive” approach in order to accentuate the dual attention to individuals and the social contexts in which they are engaged. In reference to some delineated fundamentals of this approach in the preceding section, the cognitive base now has to be examined more carefully.

3.3.1 Cognitive psychology - a background

The interest in human cognition can be traced to the philosophical speculations on the nature and origin of knowledge by Plato and Aristotele (Björkegren, 1989). The creation of human thought and knowledge was the center of the philosophical debate for many years. It was not until the end of eighteenth century, when Wundt, Williams and others established the first psychology laboratories, that research became more empirically oriented (Anderson, 1985).

The behaviorists, who maintained a dominating role during the first half of this century, argued that the only thing of relevance was the study of external behaviour. The behaviourists were, thereby, in opposition to those underscoring the importance of underlying cognitive structures. Cognitive psychology came to lay fallow for many years (Anderson, 1985). Today, the main themes being studied in cognitive psychology are: perception, memory, attention, recognition, problem-solving, psychology of language, and learning (e.g. Neisser, 1976; Anderson, 1985).

3.3.2 Cognitive structures

An individual's experiences form a complex pattern in which stimuli are recognized, arranged, codified and stored (Perris, 1986). This complex pattern that governs human thought is often named: “*cognitive structure*”, “*scheme*”, “*personal construction*”, or “*codified system*” (Perris, 1986).

⁸ This is a general standpoint that is extensively documented in the literature (e.g. Barnard, 1938; Simon, 1957; Cyert & March, 1963; Silverman, 1970; Mintzberg, 1973a).

As individuals we constantly receive an enormous amount of stimuli. In order to “*make sense*” of the information, we utilize our cognitive structures (Anderson, 1985). To process all the information we confront is argued to be beyond our cognitive capacity (e.g. Simon, 1957; March & Simon, 1958). The cognitive structures then economize on the individual’s limited cognitive capacity. This insight evokes a necessity to examine the individual’s cognitive processing of information so as to comprehend the functioning of cognitive structures.

After the incoming stimuli have been registered in the sensory memory by the use of “*gestalt principles*”, the cognitive structures start to process the information.⁹ After a fraction of a second, the information enters into the short-term memory and the processing of the information continues. By using pattern recognition the individual tries to identify the incoming information.¹⁰ The recognition is, in turn, based on: the search for combinations of features; the situational context; and the attention given. If the information is unfamiliar, more attention and, thereby, more cognitive capacity is demanded. Scholars broadly single out two forms of cognitive processes depending on the degree of attention used. Those processes requiring little attention are referred to as “*automatic*” or “*habitual*”, while the “*active*” ones are taken to consume more cognitive capacity (Anderson, 1985). Simon (1989) points out that attention is a scarce resource for individuals.

What finally enters the long-term memory are interpretations which have been given a meaning (Anderson, 1985). In the schema theories of memory, the scholars propose that what is stored in the long-term memory is to a large extent guided by the existing memory - i.e. the schema selects and modifies experience so that a coherent and unified representation of experiences is formed.¹¹ What becomes stored in memory is then always to some degree influenced by the existing knowledge (i.e. experiences) the person possesses (Bourne et al, 1986). Retention of an existing schema by “*assimilation*” is more usual than “*accommodation*” (i.e. changes) of the same (Piaget, 1977).

A distinction can be made between “*episodic*”, “*semantic*” and “*procedural*” memories (Bourne et al, 1986). The former category represents the memory that identifies the spatial and temporal contexts of an occurrence. The semantic memory relates to a person’s knowledge, which does not need to be associated with knowing how (i.e. procedural) or when (i.e. episodic). Thus, the procedural memory represents

⁹Heuristic search is governed by “*gestalt principles*” such as, for example, the principles of proximity, similarity, good continuation, closure and good form (Anderson, 1985).

¹⁰Simon (1990:8-11) refers to “*recognition*”, “*heuristic search*”, “*pattern recognition*” and “*serial pattern recognition*” as four examples of individuals’ processing of information.

¹¹The “*schema theories*” of memory is closely related to what often is referred to as “*frame theories*” and “*script theories*” (Bourne et al, 1986).

the storing of what one can do with knowledge, as opposed to what it is. The episodic and semantic memories can thus be entailed as “*knowing that*”, while the procedural memory corresponds to “*knowing how*” (Bourne et al, 1986).

In review, the cognitive schema is a complex knowledge structure that guides the interpretation, codifying and storage of information. That is, the schema is present in all mental activities. Moreover, there is certain degree of built-in inertia to change the schema. Individuals need this stability to make sense of the reality given their bounded rationality (Simon, 1990).

3.3.3 Social influences on cognitive processes

The influence of cognitive psychology has come to play a major role in the development of the social sciences in general (e.g. DiMaggio & Powell, 1991a). The assumption of humans’ cognitive limitations has been a cornerstone in this development. Simon (1990:6) reveals:

“From this simple fact, we derive one of the most important laws of qualitative structure applying to physical symbol systems, computers and the human brain included: Because of the limits on their computing speeds and power, intelligent systems must use approximate methods to handle most tasks. Their rationality is bounded.”

Individuals’ capacity to process information is not, as in neo-classical economics, assumed to be unlimited. It is not the limited access to information, but peoples’ cognitive capacities to process the information that is limited (Nelson & Winter, 1982). The empirical studies of for instance Lindblom (1959), Cyert & March (1963), Janis (1972), Tversky & Kahneman (1974) strengthen the support for the human-bounded rationality. Given this bounded ability of individuals to process information, Simon (1990:11) attributes the notion of “*procedural rationality*”. Here, a “*rational*” adoption to complex problems follows from the use of, for example, “*heuristic search*” (Simon, 1990:8-11).

The interest in managerial cognition is, as we illustrated in the first chapter, one area that has received vast interest. Sims & Gioia (1986), for instance, argue that individuals develop “*implicit theories*” on the internalizations of the information from the social context in which they are embedded.¹² For Sims & Gioia (1986:10), these implicit

¹²Also referred to as, for instance, “*behavior programs*” (Starbuck, 1983) and “*belief systems*” (Donaldson & Lorsch, 1983).

theories can be described as “*personal collections of assumptions about how things are related and the way the organizational world works*” (i.e. cognitive structures). An implicit theory is then not to be regarded as merely the adequacy of means to ends, but as more of a human construct of knowledge that incorporates a multiplicity of causes and effects (Sims & Gioia, 1986).

The human ability to develop implicit theories is an important insight in itself. Neisser (1967:10) notifies us that “... *it is a central assertion that seeing, hearing and remembering are all acts of construction.*” Given this ability, individuals create their own realities out of “*enactments*” of social exposure (Weick, 1979). According to Weick (1988:307), enactment is a social interaction (i.e. psychical) process in two steps:

“First, portions of the field of experience are bracketed and singled out for closer attention on the basis of preconceptions. Second, people act within the context of these bracketed elements, under the guidance of preconceptions, and often shape these elements in the direction of preconceptions.”

Individuals are consequently capable of creating their own reality within the constraints of their bounded rationality, although differentially governed by their “*preconceptions*”. These preconceptions are laid down in individuals’ thought structures, and thus the results of previous processes of social interaction. Weick (1988:307) documents, in agreement with our earlier discussions, the inertia of thought structures as he reflects that “*action tends to confirm preconceptions*”. In addition to this action-readying influence, the preconceptions in the cognitive structures (i.e. schema) have a kind of interpretation-readying influence so as to create meaning from actions (Bourne et al, 1986).

For Weick (1988:307), human cognition “*lies in the path of the action*”, in that “*action precedes cognition and focuses cognition*”. This implies that the meaning is created *ex post* in relation to a specific interaction. Weick (1979:133) exemplifies this sense-making procedure by stating:

“How can I know what I think until I see what I say?”

Even though the meaning creation is retrospective, Weick (1979, 1988) posits that individuals use preconceptions to extract the meaning. Our understanding follows action, but this creation of understanding must be seen as a function that includes preconceptions. In this respect, the preconceptions, which are the results of earlier processes of interaction, work as norm structures in human thought. Put somewhat

differently, the human knowledge functions as a self-imposed norm or pre-dispositional mode governing interpretations and actions. The extent to which these preconceptions, governing human thought in the constitution of social phenomena, are shared among individuals will now be explored.

3.3.4 A “private sense” versus a “common sense”

When discussing the relative governance of socially shared and/or individual preconceptions, Perris (1986:24) consults Kant and his distinction between “*private sense*” and “*common sense*”. A similar discernment is mentioned by Herbert Mead as he uses the term “*me*” to symbolize the self from the point of view of others, and “*I*” as the self-aware part that provides freedom (Mead, 1934).¹³ “*Me*” is the role individuals have within the social contexts in which they are embedded. Mead underlines the connotation “*me*” with the passivity of the being as an object to itself. The “*I*” side is, on the other hand, the active part that enables an individual to objectify him/herself to reality so as to attain self-awareness.

Collins (1988) pinpoints the above distinction by Mead as the seed of more specialized theories. He then observes that role theorists represent the “*me*” side, whereas symbolic interactionists have mainly studied the “*I*” side. In the latter approach, Herbert Blumer (1969:14-15) posits that the human ability of “*self-interaction*” lies at the root of a private sense:

“Instead of being merely an organism that responds to the play of factors on or through it, the human being is seen as an organism that has to deal with what it notes. It meets what it so notes by engaging in a process of self-indication in which it makes an object of what it notes, gives it meaning, and uses the meaning as the basis for directing its action. Its behavior with regard to what it notes is not a response called forth by the presentation of what it notes but instead is an action that arises out of the interpretation made through the process of self-indication. In this sense, the human being who is engaging is not a mere responding organism but an acting organism.”

As a complement to Blumer’s posture, the studies of the role theorists have come to show that individuals are interdependent due to their particular positions in society (cf. Berger & Luckmann, 1966; Sjöstrand, 1973; Burt, 1980). An individual’s “*role-set*” is constituted according with whom s/he is interdependent (Merton, 1975). The empirical studies of, for instance, Sjöstrand (1973) and Burt (1980) reflect that role

¹³ Mead (Mead, 1934:152) also refers to a part of the self named “*the generalized others*”, which is an individual’s internal facility to take on the role of other people.

interdependencies of norms, values and expectations need not follow specific boundaries such as organizational ones.

In the light of the cognitive theory, we earlier noted that incoming stimuli to different degrees correlate with the thought processes that follow. If the stimuli deviate from earlier stimuli, the processes become more active. The processes are more habitual when the stimuli are "well-known". Scholars have here documented the extent to which the habitualized processes are shared among individuals (cf. Schutz, 1964, 1970; Berger & Luckmann, 1966). In the adolescence of the sociology of knowledge, Karl Mannheim used the concept of "*seinsverbundenheit*" to define the knowledge that is shared within collectives (Simonds, 1978). It is important to note that Mannheim's concept of "*seinsverbundenheit*" does not exclude the possibility that the single individual can possess his/her own knowledge, even though knowledge is created from intersubjective communication among participants in social interactions (Simonds, 1978).

Following the tradition of Scheler and Mannheim, Schutz (1964) distinguishes an "*in-group*" from an "*out-group*" on the basis of the sharing of cognitions (i.e. knowledge). In the former group, the members have a "*collective self-interpretation*", an inside view, of their social embeddedness (Schutz, 1964). Schutz proposes that the members of these in-groups have "*We-relations*" towards one another if the social reality is within the reach of their direct experience. In "*They-relations*", on the other hand, the same reality is experienced indirectly by means of a relatively abstract knowledge (Schutz, 1970). In contrast, the We-relations are associated with a temporal as well as a spatial immediacy that is described as "*face-to-face*" situations. Here, the experiences among the participants are "*genuinely understood*" (Schutz, 1970). Schutz remarks (1967:166):

"The participants in an ongoing We-relation apprehend this relation only in the shared experiences which refer, by necessity, to the specific partner confronting him."

In They-relations, the experiences are not shared, but participants "*know of their co-existence*" in time and/or space (Schutz, 1964). These relations are then not direct but contemporary and indirect. For Schutz, it is through their sharing of experiences that individuals develop a more generalized or common knowledge.¹⁴

¹⁴ Schutz (1964:73) illustrates this generalized knowledge as "*cook-book knowledge*" which functions like a "*recipe*" or an institutionalized (i.e. internalized and externalized - see below) practice.

A central insight from Schutz is that knowledge can be categorized on the basis on its level of abstraction. That is, as we go from We-relations to They-relations the shared knowledge becomes more and more abstract. In more recent research, Spender (1989), as well as Porac et al (1989), for instance, present empirical examples on the sharing of knowledge, albeit on a relatively abstract level, within certain collectives. These examples seem to underline Schutz's (1970) standpoint that individuals construct their own cognitive structures, but with the help of the raw material that is absorbed during their exposure to other individuals.

Empirical studies have also shown that managers in specific social settings interpret situations and phenomena relatively differently from one another (cf. Aguilar, 1967; Starbuck, 1976; Laukkanen, 1989; Söderlund, 1993). These scholars do not deny that individuals have some knowledge in common, but instead assert the complexity of the cognitive structures. We must be aware that these empirical observations are subject to the degree of specification of content in the observations - i.e. how "deeply" the researcher maps cognitive structures. The deeper the mapping that goes into the thoughts, the more the individuals' cognitive structures seem to differ. A focus on everyday life and commonplace situations can then be linked to cognitive processes which require less activity and capacity. In the case of unfamiliar stimuli, however, the cognitive processes become more active and creative as discussed earlier (e.g. Anderson, 1985; Bourne et al, 1986).

One major conclusion arrived at from the above reasoning is that the focal individual actor has a certain freedom to create his/her own realities, although differently governed by socially shared preconceptions. The complexity of the thought structures cannot be overlooked at this point, since they always imply some degree of a "freedom of interpretation". From a cognitive view, we evoked how individuals are psychically coupled to their social contexts. Due to the reciprocal relations between psychical and physical interactions when analyzing individuals' reciprocal relations which constitute a social phenomenon, there is a need to consider not only the cultural (i.e. common sense) but also the social structures. It was observed that shared knowledge embodying the normative modes of governance can be distinguished on the basis of the relative depth of the informative content. In some collectives the individuals are only governed in abstract terms, while other collectives develop highly specified knowledge governing their interpretations and actions. Given the, so far, comprehensive classification of structures, we can refer to individuals' freedom of interpretation as dependent upon cultural structures, while the freedom of physical action stems from the influence of social structures. Let us proceed by more closely examining these socially constructed structures as they are documented in the literature.

3.4 Structures and corresponding processes of interaction

In this section, the analysis will focus on the decomposition of the concept of social structure and cultural structure. Subsequently, the interrelationship among the defined structures will be at the center of the analysis.

3.4.1 Physical interactions and corresponding social structures

From the discussion above, we concluded that the term physical refers to the tangible and intangible contents of an interaction *per se*, disregarding the normative content that the actors involved associate with these transfers. A further subdivision of the social structures is generally made between “*technostructures*” and “*sociostructures*” (Fombrun, 1986).¹⁵ A nearly similar crystallization of structures from physical interactions is advocated by Fombrun, as he describes the relation between these two structures as “*interactive but partially autonomous levels that exist within every social collectivity*” (Fombrun, 1986:403).¹⁶ Fombrun (1986:405) here sorts out an “*underlying map of interdependencies*” from a supervisory administrative apparatus. Wallace (1983:31) also comes to this general conclusion when he asserts:

“Any social structure, in principle, may be decomposed in two or more mutually exclusive and/or overlapping, hierarchically and/or nonhierarchically ordered substructures, sub-substructures, sub-sub-substructures, and so on.”

Within a specific social setting, such as the organization, the technostructures broadly refer to task-related interdependencies void of authoritative or hierarchical governance. In a similar vein, Perrow (1967) argues that technology is the “*raw material*” that administrative systems “*manipulate*”. When symbolizing organizations, Mintzberg (1979:19) makes a closely related distinction:

“At the base of the logo is the operating core, wherein the operators carry out the basic work of the organization - the input, processing, output and direct support tasks associated with producing the products or services. Above them sits the administrative component...”

From a more intercontextual reference point, Marx and Engels are undoubtedly the most classical proponents of technologism. In Marxism we can trace a division between technological variables and culturally structuralistic variables including authority

¹⁵ The meaning of technostructure is here not to be confused with Mintzberg’s (1979) definition.

¹⁶ Fombrun (1986) refers to “*infrastructures*” to incorporate these technological interdependencies.

(Wallace, 1983). This focus on technostructures in Marxism is further captured by Braverman (1974), who stresses the increasing mechanization and its consequences on society. It is the subdividing of work that he associates with technostructures. That is, despite authority and power structures society is becoming more technostructurally interdependent.

The accentuation on technological separation can also be found in the works of Durkheim (1933). In his "*The Division of Labour in Society*" the increasing specialization of work is described to fuel an underlying interdependence among social units. Structural functionalism and theories related to the contingency school are in compliance with this reasoning (cf. Burns & Stalker, 1961; Woodward, 1965; Thompson, 1967; Lawrence & Lorsch, 1967; Galbraith, 1973). For instance, Woodward (1965) covers three "*technical systems*" that affect the sociostructure of organizations, and Thompson (1967) depicts, as will be discussed, three "*technologies*" of technological interdependencies within and among organizations.

The separation between authoritative and non-authoritative interdependencies is even more significant in theories which are related to economics by the distinction between markets and hierarchies (Williamson, 1975). Among other economists, Schumpeter (1942), Solow (1970) and Nelson & Winter (1982) unfold the importance of technology in their evolutionary analysis of economic spheres. Likewise, Rosenberg's (1976) historical illustrations document the extent to which "*technological interdependencies*" have formed industries and whole societies. When assuming the temporal and spatial embeddedness of social interactions, the interrelationships between levels of analysis can be described as technological, as well as authoritarian, dependencies (e.g. Selznick, 1957; Pfeffer & Salancik 1978; Scott & Meyer, 1991). Also the norms and values that are associated with these interactions need, as will be shown, to be included in the linking of analytical levels.

Hence, several theories support the distinction between technostructures and sociostructures from an analytical point of view, and more detailed definitions are therefore of relevance. These definitions will be manifested by theories that are thematically representable. The meaning of cultural structures will only be tentatively conceptualized as a more fine-drawn definition will follow in the next chapter.

3.4.1.1 Technostructures

Etzioni and Remp (1973:2) clarify the breadth of the physical content of interactions that form the technostructures:

"We mean by technology a set or system of tools, techniques, and the knowledge their use requires."

It is possible to trace from this quotation that physical interactions, on the basis of our earlier elucidation, include both a tangible as well as an intangible content. The definition of technology is often given a very broad interpretation in the social sciences. For Gouldner (1976:182) technology is about "*praxis*", and for Bell (1973:29) it is the doing of "*things in a reproducible manner*". Obviously, these conceptualizations are too broad to be useful. In more precise terms, Hickson et al (1969) condense the concept of technology into three components: "*operating technology*" - i.e. the techniques used in work-flow activities; "*materials technology*" - i.e. the materials used in the work-flow activities; and "*technological knowledge*" - i.e. the knowledge used in the work-flow activities. In the rich plethora of definitions, the ones similar to Hickson et al's appear to dominate although they often are referred to as technological systems.¹⁷

From a broad perspective presented by Porter (1985), the technostructures can be further crystallized based on whether the underlying work-flow activities are of a "*primary*" or a "*support*" nature. The former is constituted by those activities which, in specific cases, are considered to be essential and non-excludable in order to create certain products and/or services. The latter type involves activities that, in the specific cases, are interpreted to play a supportive role to the primary activities.

The given conceptualization of technologies is intercontextual, in that the primary and secondary work-flow activities being pursued in various realms can be interrelated. Håkansson (1987) claims that such activities form "*transaction chains*" that link the "*transformations*" being conducted within the control of an actor. These transactions and transformations stem from the existence of resource heterogeneity, which needs to be bridged in order to enable the supply of products and/or services (Håkansson, 1987).

In sum, our conceptual basis of technostructures is here abstracted to include transformations and transactions of tangible and intangible resources within and across analytical levels. The transformation can then be either primary or supportive depending on the situations at hand. In addition, the transformations will be made distinct based on the techniques, the materials and the knowledge used in the work-flow activities. A technostructure does not have to be defined from the single sided control of an organization, as transaction chains link transformative activities controlled by several organizations.

¹⁷ See Lundgren (1991) for a comprehensive review.

3.4.1.2 Sociostructures

The increased division of labour not only gives rise to technostructural resource dependencies but also the need of control over resource allocations (Durkheim, 1933). The regularities and configurations which can be observed are, according to Weber (1947), to a large extent, subject to various forms of domination. The “*bureaucracy*” is an apparatus in which human interactions are coordinated by the use of authority (Perrow, 1986). This functional view of sociostructures as a coordinator of technological dependencies is nearly explicit among functional structuralists (cf. Parsons, 1960; Katz & Kahn, 1966; Churchman, 1968; Emery, 1969). A more precise definition of sociostructure follows from Coleman (1990:66), the notion of “*authority structures*” to capture “*the rights to control another’s action*”. Seen from a somewhat broader perspective, Fombrun (1986) suggests that a “*sociostructure*” incorporates both an “*administrative structure*” and a “*social architecture*”. By the latter expression, Fombrun adds the more informal and not contractually regulated content of control in physical interactions *per se*.

Several empirical studies have observed power and authority of interactions within organizations (cf. Perrow, 1970; Pettigrew, 1973, 1985; Aspling, 1986), sectors (cf. Bourdieu, 1977; Fligstein, 1985), and societies (cf. Orrú et al, 1991).¹⁸ In these studies it is shown that sociostructures can be defined from the prevalence of durable (i.e. consistency over time) asymmetries to control interactions. These asymmetries are asserted to be based on resource distributions, contractual rights as well as norms and values. For example, a resource dependence can, if a consistent asymmetry of controlling the resource exists over time, emerge into a sociostructure parallel to its role in the constitution of a technostructure. Giddens (1984) refers to the “*structure of domination*” as being grounded on: “*resource allocation*” - i.e. “*command*” over tangibles such as goods or material; and “*resource authorization*” - i.e. “*command*” over individuals and their intangible knowledge. He then argues that this sociostructure of domination also is indirectly founded on: “*legal institutions*” that can enforce power via the state’s unique role of exercising legitimate violence; and “*symbolic orders*” (i.e. cultural structures) that psychically “*communicate*” the power (Giddens, 1984:33).

In conclusion, a sociostructure will be conceptualized as those interactions that contain asymmetrical control among the involved parties over time. The sociostructures will be further distinguished by the durable asymmetries of control they are grounded on: tangible and intangible resources; legally enforceable rights; or a normative sanctioning.

¹⁸ These and some other empirical insights will be analyzed in the following chapter.

3.4.2 Psychical interactions and corresponding cultural structures

Cultural structures have, as discussed, been conceived as part of the cognitive preconceptions that are socially shared from the individual's internalizations and externalizations - i.e. "common sense". The enactment is the process in which single individuals come to interpret a meaning of reality from interactions, which to varying degrees have been framed by established preconceptions. Hence, the cultural structures are socially shared cognitive preconceptions which, with a temporal continuity, have a normative functioning as interpretation- and action-readying modes of governance.

Mitchell (1973:24) delineates the normative content of interactions as "... *frameworks for evaluating the behavior of people... in terms of the set of beliefs, values and ideas they share.*" Mitchell thus includes cathectic elements like affections, feelings and emotions in the normative content. Similarly, Blake & Davis (1964:456) observe that values are to be regarded as "... *the goals of principles in terms of which specific norms are said to be desirable.*" The cathectic mode of values is here taken as the norms that influence other norms. This is probably what Hochschild (1979:566) has in mind when referring to "*feeling rules*". In a thorough analysis, Wallace (1983:97) reaches the conclusion that the dividing of the concepts into cathectic and normative modes is "... *fuzzy around the edges and overlapping.*" When it come to the function of norms, Gibbs (1981:7) reflects the seemingly general view of scholars:

"A norm is a belief shared to some extent by members of a social unit as to what conduct ought to be in particular situations or circumstances."

It is on the basis of this functioning, that the cultural structures are often defined from the normative content (i.e. psychical) of interactions. The notion of content here opens up for various cathectic modes. The definition further gives recognition to the close relation between norms and expectations in terms of their functioning in social relations.¹⁹ Expectations are then also encapsulated by the normative content of cultural structures. We will thus assume that a norm can express a variety of contents that are shared among individuals in social collectives.²⁰

¹⁹ Wallace (1983:104-121) argues that norms are "*brought to consciousness*" in four ways for each participant in cultural structure: "*actor expectations*" - i.e. from the roles the individual addresses about him/herself and others; "*situation expectations*" - i.e. from situations in time and space; "*response expectations*" - i.e. from experiences of causal effects; and "*consequence expectations*" - i.e. from values that both motivate action as well as assess and validate actions undertaken.

²⁰ Empirical contributions of cultural structures can be associated with the: organization level (cf. Alvesson, 1989); sector level (cf. Spender, 1989; Hellgren & Melin, 1992); and society level (cf. Hofstede, 1980).

It is worth reemphasizing that the “private sense” of preconceptions functions as an individually imposed norm. Thereby, the preconceptions that an individual holds can be separated on the basis of whether they are privately or commonly held. The notion of “common” here asserts that they are collectively shared - i.e. held by more than one individual. Accordingly, our connotation of cultural structures does not encompass the private preconceptions. This view is in line with several scholars (cf. Schutz, 1962; Weick, 1979; Sjöstrand, 1985; Perris, 1986).

3.4.3 The interrelation between structures

The structures have until now been analyzed as relatively autonomous entities. This can be seen as somewhat simplistic since the structures can be interdependent. This means that the given crystallization assumes that the structures, to a varying extent, are interdependent in relation to time and space. This reasoning can be portrayed as follows:

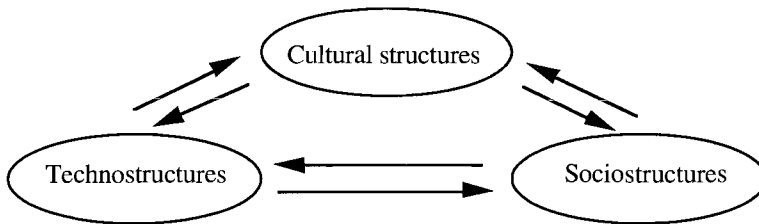


Figure 3.1: Structural interdependencies.

The meaning of interdependence is essential in that it has an effect on the individual's freedom to act. Pfeffer & Salancik (1978:40) acknowledge that interdependence exists in social interactions “... *whenever one actor does not entirely control all of the conditions necessary for the achievement of an action or for obtaining the outcome desired from the action.*” As observed by Granovetter (1973), interdependencies can be defined in relation to their relative “*strength*”. For example, in a given spatial and temporal setting, the resource exchanges that stem from technological interdependencies may impose a stronger governance than norms, and vice versa (Meyer & Scott, 1988).

A seemingly more widely used concept than Granovetter's to interpret the nature of interdependencies between structures, processes and individuals is the notion of coupling. For Orton & Weick (1990), the degree of coupling ought to be analyzed from the dual attendance to both dependence and independence among all possible constellations of elements forming a social system. Dependence is a function of the relative “*responsiveness*” (i.e. interpreted change in one element leads to response in

another element), while independence invokes a “*distinctiveness*” (i.e. interpreted change in one element does not lead to response in another element). Weick (1976) discerns that it is the temporal (i.e. reproductional) relatedness of elements that can help us to interpret the degree of coupling.²¹ Hence, a system is “*tightly*” coupled if there is responsiveness without distinctiveness and “*loosely*” coupled if there is both responsiveness and distinctiveness (i.e. although not between two elements at the same time). If elements show distinctiveness without responsiveness, the system is “*decoupled*”, whereas neither distinctiveness nor responsiveness (i.e. when change in one element is not even interpreted) means that a system is not really present -i.e. “*noncoupled*” (Orton & Weick, 1990:205).

The notion of coupling can, as we will see, be useful when not only analyzing social systems, but also to define social systems. Let us then discuss the temporal and spatial constitution of social systems, and herein the coupling of structures, processes and individuals. This will also give insights into the coupling of levels of analysis.

3.5 Institutions as systems of interaction

The inclination to study institutions in society is vivid in many theoretical paradigms. In the science of sociology, pioneers like Durkheim, Weber, Spencer, Marx, Tocqueville, Troeltsch and Tönnis, to name just a few of the most influential, were all deeply concerned with the creating, patterning and functioning of institutions (Wuthnow, 1987). In economics, institutionally-oriented research follows the tradition of scholars like Veblen, Commons and Mitchell (Hodgson, 1992). Furthermore, political scientists such as Burgess and Willoughby have laid the foundations for an institutional perspective on politics (March & Olsen, 1989). Related to these three paradigms are fields of research, like anthropology, social psychology and organizational theory, which all emphasize the importance of institutions. It is hardly surprising that several views and interpretations can be found in the theories addressing institutions. Scott (1987b), for instance, derives four approaches in the research related to the field of sociology. However, all views are not equally widely accepted, and the more commonly referred to can be exemplified from the following statements.

Parsons (1940:190), as a structural functionalist, argues that institutions arch across structures: “*They are normative patterns which define what are felt to be, in the given society, proper, legitimate, or expected modes of action or of social relationship.*”

²¹ A loose coupling is then at hand when elements influence each other “*suddenly (rather than continuously), occasionally (rather than constantly), negligibly (rather than significantly), indirectly (rather than directly), and eventually (rather than immediately)*” (Weick, 1982:380).

The economist Schotter (1981:11) defines an institution as “... a regularity in social behavior that is agreed to by all members of society, specifies behavior in specific recurrent situations, and is either self-policed or policed by some external authority.”

In the sociology of knowledge, Berger & Luckmann (1966:72) view institutions as “... reciprocal typifications of habitualized actions by types of actors.”

Even though the given examples represent different theoretical origins, from varying decades, one can clearly trace some similarities. Firstly, an institution is seen as a socially constructed system of meanings that frame and govern human interactions. Secondly, an institution is not an objective physical phenomenon but a human cognitive construct. Thirdly, an institution is intersubjectively shared by a collective of individuals either unconsciously or consciously. Fourthly, an institution can range from being articulated to unarticulated.²² Fifthly, an institution is made up of continuities of psychical interactions, and is thereby subject to reproduction processes.

Complementary to the insight that institutions are shared cognitions subject to psychical interactions, institutions can be embedded in: laws, courts, governmental agencies, public opinions, and interest groups (Scott 1987a); preferences (Keohane, 1988); myths (Meyer & Rowan, 1977); professions (Moe, 1987; Scott, 1987a; Freidson, 1986; DiMaggio & Powell, 1983); language (Giddens, 1984); ideals, and material structures (Sjöstrand, 1985); rules, and routines (Nelson & Winter, 1982); culture (Zucker, 1988), and technologies (Scott & Meyer, 1991).

In an interdisciplinary vein, Sjöstrand (1992) defines an institution as “a human mental construct for a coherent system of shared (enforced) norms which regulate individual interactions in recurrent situations”. Here, Sjöstrand follows suit with the socio-cognitive notion that institutions are shared cognitions of individual beholders. Notably, the single individual can share more than one institution (e.g. Friedland & Alford, 1991; Sjöstrand, 1992). In contrast to our earlier definition of cultural structures, only the norms that are “coherent” in relation to a “system” qualify. This systems view of institutions can also be found in the works of Giddens (1979:65):

“A social system is thus a ‘structured totality’. Structures do not exist in time-space, except in the moments of constitution of social systems. But we can analyze how ‘deeply-layered’ structures are in terms of the historical duration of the practices they recursively organize, and the spatial ‘breadth’ to those interactions. The most deeply-layered practices constitutive of social systems in each of these senses are ‘institutions’.”

²²Compare with M. Polanyi’s (1967, 1969) definitions of unarticulated and tacit knowledge.

An institution, thereby, combines social and cultural structures into a system of coherent norms. The notion of “*coherent system*”, as expressed by Sjöstrand, seems to define a binding of structures, processes and individuals in time and space through interactions which are at least loosely coupled - i.e. a responsiveness is present - in relation to a coherent content of norms (see below) without norms interpreted to be in conflict or contrast with one another.²³ Consequently, the norms associated with techno- and sociostructures can be merged into a structural coherence when institutionalized. To some scholars it is this state of structural coherence that distinguishes an institution from a culture. Parsons & Shils (1951:58, cited from Wallace, 1983:94), for instance, describe “*systems of action*” as:

“... for example, laws, ideas, recipes... when these are taken as objects of orientation... the actor-subject sees these things existing outside of himself. The same laws and ideas may eventually become internalized elements of culture for the actor-subject; as such they will not be cultural objects but components of the actor-subject’s system of action.”

An institution can then be interpreted as something of a “*system of interaction*”. This does not necessarily imply that an institution is a more precise definition of norms than a culture. On the contrary, an institution is often believed to be a broader concept that may incorporate several cultural structures. Giddens (1984:17) captures this “breadth” in the concept of institutions:

“The most deeply embedded structural properties, implicated in the reproduction of societal totalities, I call structural principles. Those practices which have the greatest time-space extension within such totalities can be referred to as institutions.”

For Giddens, structures are the recursive sets of rules and resources embedded in institutions. Nearly agreeing with Giddens’s view on institutions we have Bourdieu’s field metaphor (Mahar et al, 1990).²⁴ The notion of field covers a spatial area in which elements are coupled (i.e. responsive) in relation to an over-embracing mode of governance. Bourdieu (1976:420, cited from a translation in Barnard, 1990:78) summarizes:

“A field is a universe in which the characteristics of the producers are defined by their position in the relations of production, by the place they occupy in a certain space of objective relations.”

²³ Compare with Gustafsson’s (1988) discussion on conflicting norms and Friedland & Alford’s (1991) assertion that institutions are defined from the neutrality among norms.

²⁴ Bourdieu’s concept of “*field*” is made complementary by the concept of “*habitus*” - see page 83.

The spatial breadth of an institution is perhaps made most explicit in institutional economics, in which the “*market*” and the “*hierarchy*” are asserted as the two prevailing institutional arenas in which transactions take place (e.g. Williamson, 1975, 1985). In addition, both Heiner (1983) and Sjöstrand (1985, 1991) argue that institutions can be taken as “*infrastructures*” that both facilitate and frame human interaction. Since institutions are defined by the individual beholders, they are defined in the context of the boundless societal level and not in relation to a boundary-specific level like organizations and sectors (e.g. Durkheim, 1933; Weber, 1947; Parsons, 1960; Giddens, 1979, 1984; Sjöstrand, 1985, 1991, 1993).

Due to the nature of institutions, they do not need to be defined *a priori* as belonging to specific realms. When seeking an institution that is shared among all individuals within an *a priori* set social context, like an organization, it is important to be aware that the rendered institution is defined on a boundary-specific basis. This latter approach may be problematic since an *a priori* set social system cannot be referred to as a social system if there is no institution present - i.e. noncoupled (cf. Orton & Weick, 1990). Rather, social systems can be specified *ex post* based on the prevalence of a coherent system of shared norms which emerges at the coupling (i.e. responsiveness) of structures processes and individuals. A premise of at least a loose coupling between these elements is generally held in the literature (Orton & Weick, 1990).

By defining institutions from the reciprocal interplay between individuals and their social contexts, the temporal and spatial dimensions in which both physical and psychical interactions are embedded can be set on either an *a priori* (i.e. boundary specific) or an *ex post* (i.e. boundless) basis. We will draw upon Sjöstrand’s general conceptualization of institutions throughout the theoretical analysis.

3.5.1 Institutionalization - the secondary socialization

For Berger and Luckmann (1966:150), the primary socialization, where single individuals internalize society during childhood, is followed by a secondary socialization; “*the process that inducts an already socialized individual into new sectors of the objective world of society*”.²⁵ More specifically, the institutionalization is observed by Berger & Luckmann as a process consisting of three interrelated phases: a) “*externalization*” - i.e. the human typification in which reality is apprehended as classified schemes or mental constructs; b) “*objectivation*” - i.e. the interpretation of the typifications as if these have a meaning of their own (i.e. “*external*” reality); and c) “*internalization*” - i.e. the process in which knowledge of something objectified

²⁵ The notion objective is here depicted as a social construction - see discussion on page 18.

becomes meaningful for single individuals in the course of socialization. (Berger & Luckmann, 1966:78-79).

In other words, the something that becomes internalized is related to what we above defined as individuals' "common sense". Accordingly, Zucker (1983:25) pinpoints that: "*Institutionalization is fundamentally a cognitive process.*" This implies that the cognitive aspects are in line with our definition of institutions as mental constructs of knowledge. From this point of view, Sjöstrand (1992:10) comprehensively observes that institutionalization is the process by which "*individuals intersubjectively approve, internalize and externalize such a mental construct*". The externalization occurs first when the mental construct in question becomes stable and accepted as given. Other scholars suggest that something becomes institutionalized first when it acquires "... *a rule-like status in social thought and action.*" (Meyer & Rowan, 1977:341). For Jepperson (1991:149), "... *institutionalization is best represented as a particular state, or property, of a social pattern.*"

It is thereby relevant to distinguish between individuals' institutionalized knowledge or thoughts - i.e. the common sense - from the knowledge -i.e. private sense - that have not been internalized and externalized through social exposure. Institutionalization does then not need to be associated with a coherent system of shared norms. This implies that all norms, being consistent or inconsistent with one another, can be institutionalized. Obviously, this does not exclude a coherent system of norms which is subject to institutionalization. Since we observed that the shared beliefs (i.e. knowledge) function as norms for the single individuals, the reciprocal relation between the individual and social context through institutionalization is vital. Coleman (1990:243) remarks that internalization is a process in which something that is socially shared becomes self-sanctioning for the individual beholder:

"A norm may be embedded in a social system in a more fundamental way: The norm may be internal to the individual carrying out the action, with sanctions applied by that individual to his own action. In such a case a norm is said to be internalized."

From a cognitive stand, internalization is a process where enactments begin to function as preconceptions in Weick's earlier discussed terminology. It is now essential to observe that knowledge, being internalized or externalized, can be differently deeply-layered in individuals' long-term memory (e.g. Anderson, 1985, Bourne et al, 1986). The most deeply-layered knowledge refers to the most habitualized and least active cognitive processes (see above) resulting from the individual's experiences of "testing" knowledge (Bourne et al, 1986). That is, these are the cause-effect relations that have been verified, or not falsified, the individual's exposure to stimuli over time. As a

result, we might receive something of a continuum, with degrees of internalization and externalization, and, in turn, degrees of institutionalization from a cognitive angle of approach. The social consequences can then be evoked from a collectively shared low ambiguity about what interactions are coupled with an institutionalized common sense - i.e. a higher degree of institutionalization implicates a lower interpretation uncertainty or ambiguity about which interactions that correspond to the common sense. In collectives sharing highly institutionalized norms, the individuals do not have any clearly divergent interpretations of how something "should be done". It is worth repeating that social constraints for pursuing these interpreted actions may exist - i.e. we know what to do but we cannot do it. We will return to this aspect at a later point.

In sum, the process of institutionalization is regarded as a mental or psychical state reached by internalizations and externalizations of norms. These processes then focus on the psychical coupling of individuals in social contexts, and are, as such, fundamental in the organizing by virtue of coupling interactions. We will continue by analyzing the processes that fuel institutionalization.

3.5.2 A socio-cognitive view on institutionalization and physical processes

In the literature there are several, often opposing, interpretations given to the structural coherence that results from institutionalization. Some scholars can be delineated as proponents of normative influences, while others relate more to the influences from the physical dimensions of the interactions *per se*. Even though institutions are defined as mental constructs, the latter approach cannot be abandoned. Notably, the shared mental constructs impute to a common sense, which signifies that the institutional processes can also provide insights on the formation of cultural structures.

Among one group of researchers the argument is that technostuctural resource dependencies force social units (i.e. organizations) to act in accordance with these dependencies in the long run (e.g. Hannan & Freeman, 1977, 1989; Aldrich, 1979). Only the social units that adapt a technology which meets the requisite characteristics of the scarce resources "*survive*" (e.g. McKelvey & Aldrich, 1983). The norms that underline these characteristics are then likely to be institutionalized among units that survive. Hannan & Freeman (1984) observe that firms because of "*cultural inertia*" can, but only in the short run, act divergently in relation to underlying resource dependencies.

The scholars that defuse the influence of technostuctures can be exemplified by DiMaggio & Powell (1983). They make a broad classification into three processes that

propel institutionalization among organization in the context of a society: a) “*coercive*” - i.e. stemming from formal and informal political pressures as well as expectations; b) “*mimetic*” - i.e. reduction of uncertainty by imitation of what is considered to be successful; and c) “*professional*” - i.e. associated with the norms that are diffused throughout a collective because they represent a conventional wisdom.

Instead of arguing that it is either technological or normative adaptiveness that affect institutionalization, Etzioni (1988), Sjöstrand (1985) and Giddens (1979, 1984) take a socio-cognitive posture in between these two views. It is the basis in cognitive theory that makes this possible. Since the actions that individuals pursue are consequences of their common and private belief/knowledge, the existence of selection mechanisms that emanate from resource dependencies are, therefore, to be interpreted from individuals’ internalizations and externalizations of these mechanisms. For example, such an institutionalized norm may express a particular logic imposing the need of adapting to scarce resources in order to receive something regarded as positive feedback.

Due to reciprocal influence between individuals and structures, there exists an interrelationship between institutionalized norms at different levels and organizations. The essence of this reasoning is captured by Sjöstrand (1991:12):

“Institutions are embedded in the emergent organizations in a society, and in those ideas and concepts which man uses to sort out his view of reality. This view of the institution and this perception of a society is founded on the idea of society as a metabolism of values, power, work, management, resources and so forth. Everything is closely linked and the structure of ideas is expressed both in the emergent forms of organizations and in the physical structure of artifacts.”

By the usage of the term “*emergent organizations*”, Sjöstrand stresses the processual aspects - i.e. the organizing of collective actions by individuals within a specific interactional arena.²⁶ Since individuals in such an arena can share different coherent systems of shared norms, several institutions can be associated with the organizing process (Sjöstrand, 1992).

3.5.3 Institutions and societal stratification

Sjöstrand (1991:20) points out that institutions function like “*rationality contexts*”. The term rationality underscores that institutions can be asserted as systems of coherent

²⁶ The selection of the individuals involved can be chosen from the legislative definitions of organizations. This appears to be the most common definition of an organization in the literature.

norms which emerge in human interactions. Hence, it is in these rationality contexts that the physical interactions, constituting the techno- and sociostructures, are embedded. Moreover, from Sjöstrand's terminology it becomes explicit that "*rationality*" is a social construction that can help us define social systems. Likewise, Weber (1947) has strongly argued, and empirically illustrated, that what is considered a rational action is dependent upon the time and the setting in which a specific action is taken.²⁷ This "*communal rationality*" (Smelser, 1978:27) described by Weber, can be anchored in other rationalities that are related to different levels of analysis. Neither Sjöstrand nor Weber make any *a priori* assumptions here regarding which social contexts are governed by a certain rationality.

Sjöstrand (1985) cites Tönnis' stratification of the forms by which humans relate to each other in order to define various rationality contexts. For Tönnis, in the "*gemeinschaft-like*" interactions individuals relate to each other in a sense of mutuality towards a "*natural will*" that arises from the interactions (Tönnis, 1957). In "*gesellschaft-like*" interactions the expressed sentiment is nearly non-existent and the involved individuals comply to a "*rational will*". Tönnis' demarcation of rationalities on the basis of the degree of mutuality and trust link Weber's (1947) conceptions of "*wertrationalität*" and "*zweckrationalität*" in that both can comply with an over-embracing rationality.

The first of Weber's forms is associated with the "*substantive rationality*", defining the norms/values *per se*, while the latter form is the "*functional rationality*" which corresponds to the attainment of the values (Blau, 1975). That is, on the basis of certain norms/values (i.e. "*wertrationalität*") the "*zweckrationalität*" refers to the instrumental means for achieving the given values. For Tönnis (1957), there is a reciprocity between these forms of rationality as the "*gemeinschaft-like*" as well as "*gesellschaft-like*" relations influence both the creation and the fulfillment of certain values. This reasoning does not exclude the possibility that "*gemeinschaft-like*" and "*gesellschaft-like*" rationalities can be decoupled in certain social settings (Sjöstrand, 1991). The formation of values can therefore follow one rationality, while the achievement of these values might be pursued in accordance with the other two forms of rationality. It is important to note that Tönnis (1957:10) does not regard the two forms of rationality as being more or less "*rational*":

"It is not a question of contrasting the rational will from the nonrational will, because intellect and reason belong to natural will as well as to rational will."

²⁷ An exemplification of this reasoning is given in his comparison between the stock markets in Northern and Southern Germany (Weber, 1947).

Related to the separation between norms of interactions and interactions *per se*, Etzioni (1988:64) portrays the interrelationship between “*moral commitments*” and the “*economic factors*” in the following figure:

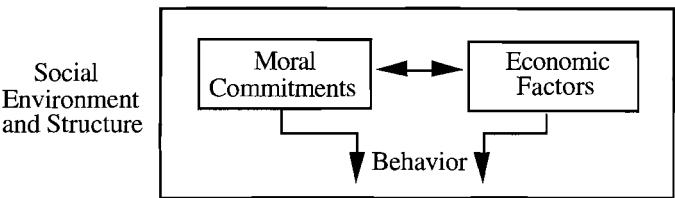


Figure 3.2: “*The basic position of socio-economics*” (Etzioni,1988:64).

A main thesis behind this figure is that each of the moral and the economic factors are “*only partially shaped by the other*” (Etzioni, 1988:63). The moral commitments express the cathectic (i.e. affective) content in the norm structures.

In his network analysis, Burt (1983) has found several modes of “*relational contents*” within interactions which can be linked to the moral dimension discussed by Etzioni.²⁸ He also describes these contents as being the “*substantive meaning*” of the relations (Burt, 1983:35). Moreover, Burt observes a spatial representation of coherent modes of interaction - i.e. social domains in which the interactions that follow a certain relational mode of meaning are predominantly shared within a collective of individuals.

In the light of Tönnis, Etzioni and Burt, it is relevant, in order to bring the arguments together, to depict the three forms of institutionally shared rationalities that are proposed by Sjöstrand (1985, 1991:16). Here, the human interactions are related to their “*calculative*”, “*ideational*” and “*genuine*” contents of norms and values. The following figure illustrates these “*ideal*” norm structures that govern human interaction:

basic kind of relationship	calculative	ideational	genuine
assumption of man	homo oeconomicus	spiritual man	social man
information locus	price	"textbook"	status
transaction mode	exchange	redistribution	reciprocity
basic function	physical survival	social/cultural identity	individual identity

Figure 3.3: “*Basic kinds of relationships in human interaction and exchange*” (Sjöstrand, 1991:30).

²⁸ Burt (1983) refers to: “*friendship*”, “*acquaintance*”, “*work*”, “*kinship*”, and “*intimacy*”.

For Sjöstrand (1985, 1991), these three institutionalized “*coherent systems of shared norms*” are to be seen as ideal forms that individuals strive to obtain. For instance, humans are not like “*homo oeconomicus*”, but might very well do what they can, given their limited cognitive capacity, to pursue actions that are interpreted to be in line with that ideal. The calculative norms are depicted to be most common in situations in which individuals do not know of one another - i.e. the price transfers the information. Moreover, individuals try to maximize their relative outcomes given the amount of information available. In the ideationally impregnated interactions, individuals are governed by beliefs rooted in some ideals or ideologies. Finally, the genuine relationships refer to personality-intensive interactions which are founded on status (i.e. social position) (Sjöstrand, 1985, 1991).

The “*transaction mode*” displayed in the figure, emanates from Polanyi’s descriptions of mechanisms which drive people to take part in transactions. (Sjöstrand, 1991). As in the case of Tönnis and Etzioni, it is the underlying social relations that are identified. The “*reciprocity*” expresses the transactions driven by friendship and kinship, while the “*redistribution*” is linked to those transactions which are extracted from political or religious affiliations. The mode of transaction that does not involve cathectic (i.e. affective) influences is termed “*exchange*” (Sjöstrand, 1985).

We regard the calculative, ideational and genuine forms of relations as three coherent systems of shared norms (i.e. institutions) in which structures are embedded at different levels. These are specifications of the normative content of the psychical dimension of interactions. Accordingly, given the reciprocity between physical and psychical interactions, both technstructures and sociostructures are to be associated with one or several of the three described interaction modes. A tightly coupled or “ideal” institution is then formed when the techno-, socio- and cultural structures are governed by a system of institutionalized norms with a coherent content. This is, however, an ideal state of structural coupling.

By considering the coupling of structures from the functioning of institutions, we have laid a foundation for a more holistic perspective (i.e. the whole is greater than the sum of its parts) when approaching the interconnectedness between levels of analysis from an evolutionary point of view. Before returning to the topical issue of structuration, we will now discuss the spatial stretching of so-called social systems.

3.5.4 On the boundary of social systems

Sjöstrand (1985) emphasizes, in accordance with Burt (1983), the existence of social systems in which one of the calculative, ideational or genuine modes of governance (i.e. coherent system of shared norms) is predominantly institutionalized. Since the institutions are mental constructs, these are the modes in which the individuals have a certain degree of “common sense” concerning the relations towards one another. Schutz’s (1962, 1970) earlier discussed distinction between in-groups and out-groups can be linked to Sjöstrand’s three kinds of institutional relations. The institutional processes are, thus, the forces that drive the formation of such a collective of individuals which share an institutionalized mode of governance.

From our cognitive stand, the notion of collective can be seen as a set of actors that have come to share a certain piece of knowledge, which functions as a normative guidance for a part of their interactions. A central premise is that individuals are the prime carriers of such shared norms. For Schutz (1962), the root of shared knowledge can be found in the experiences of individuals. The actors within a collective are subject to mutual socialization over time, which fosters the creation of a common knowledge (e.g. Schutz, 1962; Berger & Luckmann, 1966; Sjöstrand, 1985).

Another premise is that individuals usually are members of more than one collective (e.g. Schutz, 1962; Sjöstrand, 1973, 1985). An individual can thus pursue actions, more or less consciously, that correspond to the three institutional modes of governance that we unfolded. Moreover, the individuals are, to varying degrees, capable of distinguishing and choosing between these modes (Sjöstrand, 1985). As Burt (1983) observes, an individual has the ability to choose a certain mode in one setting, and another mode in other settings. Due to secondary socialization (i.e. institutionalization) an individual may be framed in his/her ability to choose more consciously which modes of governance to comply with at certain times and settings - see below. Either one of the calculative, ideational and genuine modes of institutionalized governing, can even predominate in a setting relative to other modes (Sjöstrand, 1985). This implies that the predominance of one of these modes is used as a ground on which to define a social system. Here, the coupling - i.e. responsiveness - between the predominant mode of governance and physical and psychical processes are, in Weick’s (1976) terms, at least loosely coupled. Various degrees of coupling between the norms embodying the predominant mode of governance within a realm, defined *a priori* or *ex post* as earlier discussed, and the norms of various cultural structures may exist.

3.5.5 Summing up the relationship between institutions and structures

In agreement with the observation that institutions are composed of coherent norms functioning as modes of governance in a social context, the coupling to both physical and psychical processes has been observed.

If a social system is defined on an *a priori* basis, this means that an institution is the predominantly shared system of coherent norms institutionalized in that particular setting. In the *ex post* approach, on the other hand, the social system is defined regardless of analytical levels such as organizations and sectors. This depiction may lead to the observation that various norm systems may predominate in limited areas within an *a priori* set realm. In such a situation, the predominant norm system that is shared by all individuals becomes a less reliable predictor of the conjoined actions generating from that *a priori* defined setting. Regardless of whether an institution is defined *a priori* or *ex post*, the systems integrating role of an institution is portrayed by the shaded area in the figure below.

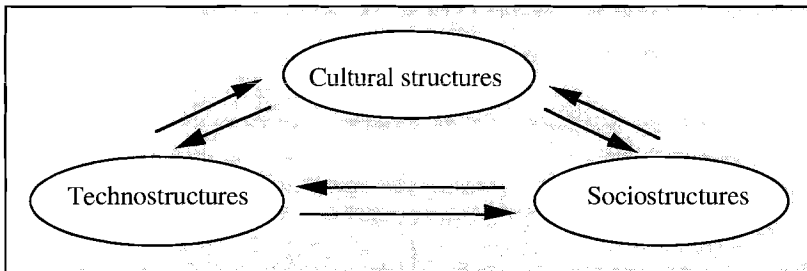


Figure 3.4: The structural embeddedness of an institution.

The figure illustrates the functioning of an institution as an infrastructure of norms that recurrently regulates interactions and which at the same time is reproduced from these interactions. Even though both cultures and institutions are based on psychical interactions, the figure shows that an institution is made up of shared norms governing the coupling of numerous techno-, socio- and cultural structures towards a state of coherence in relation to the content of these norms. In order to not analytically confuse cultural structures with structural principles, we will here make a distinction between *technostructural* and *sociostructural* cultures as composing those psychical interaction continuities that can be specifically associated with the underlying interactions of respectively techno- and sociostructures. The theoretical support for this distinction is presented in the next chapter.

In Giddens's terminology (1984), the institutions are "*structural principles*" in relation to "*structural properties*", which, from our definitions, are comprised of techno- and sociostructures with related cultural structures. The coupling between the structural properties and a structural principle, which can be categorized as ranging from loose to tight, are depicted by the arrows in the figure. In order to further explore this complex coupling, an evolutionary perspective needs to be applied.

3.6 Evolutionary processes

The coupling between a structural principle, as a predominantly shared mode of governance (i.e. coherent system of shared norms) being institutionalized, structural properties and individual actors have been evoked as a structuration processes mediated by interactions. It is through this interplay that institutions govern human actions which, in turn, reaffirm or modify both structures and institutions. The process of structuration then involves the studying of how structures and institutions, at different levels, configure one another by the presence of individuals. Giddens (1984:25) refers to the "*duality of structure*":

"According to the notion of the duality of structure, the structural properties of social systems are both medium and outcome of the practices they recursively organize. Structure is not 'external' to individuals: as memory traces, and as instantiated in social practices, it is in a certain sense more 'internal' than exterior to their activities... Structure is not to be equated with constraint but always both constraining and enabling."

The structural properties are here referred to as the "*rules and resources*" that are embedded in "*social systems*". In other terms, the structural properties correspond to our notions of techno- and sociostructures with associated cultural structures that are parts in processes of structuration. This reasoning of Giddens (1984) is portrayed in a figure in which we can observe the stretching of the structural principles (i.e. institutions):

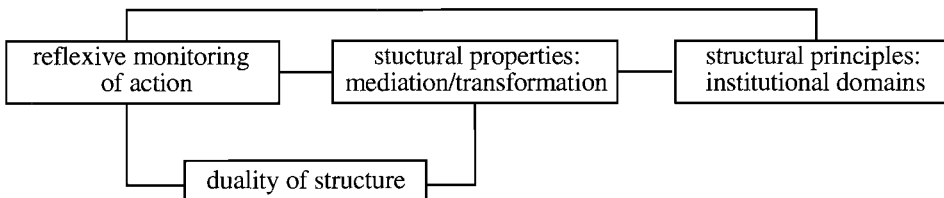


Figure 3.5: "*Circuits of reproduction*" (Giddens, 1979:191).

Giddens (1976:121) argues that "*the duality of structure*" is a process in which the structural properties "... *are both constituted by human agency, and yet at the same time are the very medium of this constitution.*"

By giving notice to the "*reflexive monitoring of action*" Giddens (1984:7) addresses the "*consciousness*" of human actions. He separates a "*discursive consciousness*" from a "*practical consciousness*" on the degree of reflexivity. The former consciousness is viewed as being more reflexive, which implies that preconceptions of the knowledge are, in comparison to the practical consciousness, accepted as givens (i.e. institutionalized) to a lesser degree.

The model also illustrates that the structural principles associated with structuration are at something of a second-order level. That is, the interrelation between the institutions and the duality of structure is, as the figure shows, indirect in that the institutions as structural principles are internalized and externalized by the individuals. Hence, those individuals who are active in duality of structure, can, due to a habitualization from internalization and externalization, be more passive in their relation to institutions.²⁹ This does not exclude the premise that institutions are social constructions.

In the duality of structure the individuals can apply three forms of "*modalities*" in their mediating role as "*agents*" towards the structural properties (Giddens, 1984). The term modality encompasses the "*the knowledgeable capacities of agents to structural features*" (Giddens, 1984:28). It is the modalities that the actors as agents draw upon in the process of structuration. Three forms of modality: "*interpretive scheme*", "*facility*", and "*norm*" are deduced by Giddens (1984). In the first form, the actors' depth of knowledge and the degree of reflexivity involved in the enactments are emphasized. The practical consciousness is to a large extent drawn from a structure of "*signification*", which is a shared knowledge base among actors (i.e. common sense). The discursive consciousness, however, are to a lesser extent drawn from these shared knowledge structures. When practical consciousness implies that humans are able to "*monitor*" their actions, the discursive consciousness enables them to "*monitor that monitoring*". The "*facility*" is, as discussed above, associated with the "*structure of domination*" (i.e. sociostructure). Finally, the "*norm*" expresses, in relation to the interpretive scheme, the norms that are legislatively sanctioned.

Although Giddens uses a somewhat different terminology, we can conclude that he points out that individuals, as agents, to a large extent use existing structures in order to pursue interactions. The evolutionary process of structuration is thus depicted as generally following a certain path-dependence in relation to earlier structural properties,

²⁹ This does not mean that institutions are only unconsciously applied (Sjöstrand, 1992).

and especially in relation to structural principles. A more dynamic evolutionary process is, in Giddens theory, likely to involve individuals that, unlike the case of path-dependence, are conducting actions in the course of a discursive consciousness. Closely agreeing with Giddens, Clegg (1981) uses the notion of “*structure in process*”, and Sjöstrand (1991) refers to “*(re)production*”, when addressing the question of structuration. The role of individuals as agents in the structuration process always involves some degree of consciousness according to Sjöstrand (1991:9):

“In other words, every individual has a choice. Either he looks for independence, and avoids most of the uncertainties that are built in every interaction between individuals, or he tries to create dependence relations that are as symmetrical (or as favourable) as possible. The former choice illustrates that any attempt of an individual to reduce uncertainty through interaction or collective solutions simultaneously produces new kinds of uncertainty.”

A central thesis in Sjöstrand’s (1985) theory is the human striving for reducing uncertainty, and the structural principles (i.e. institutions) are seen as different modes for reducing that uncertainty. These institutionalized modes of uncertainty reduction then become anchored in structural properties through human interactions (Sjöstrand, 1985). The creation of the institutions (i.e. the structural principles) are also the result of this ongoing reproduction process of interactions, interpretations of these interactions and the sharing of these interpretations. Berger & Luckmann (1966:84) summarizes:

“Knowledge about society is thus a realization in the double sense of the word, in the sense of apprehending the objectivated social reality, and in the sense of ongoingly producing this reality.”

Sjöstrand (1992:11) reveals that the (re)production of norms can take different forms:

“Norms could be reproduced in both formal and articulated, as well as in more informal and tacit, forms.”

In addition to the observations made on evolutionary processes, we will now more specifically explore the influences of individuals in their role as structuration agents. The earlier interdisciplinary-evoked distinction between a freedom of interpretation and a freedom of physical action, contingent on respectively psychical and physical structures and processes, will be discussed.

3.6.1 Individuals' physical and psychical freedom of action as structuration agents

It is a general assertion that an individual's ability to exert influence varies over the course of time. It seems that scholars often place an emphasis on either the physical or the psychical freedom of action. From a socio-cognitive perspective, it is the juxtapositioning of both these freedoms that define an individual's scope of influence.

Among the theories explicating an diminishing influence due to foremost physical influences is population ecology. Here, the notions of "*variation*", "*selection*" and "*retention*" capture evolutionary stages which lead to an intensified path-dependence (i.e. static reproduction) over time (e.g. Campbell, 1969, Aldrich, 1979). In the first stage, variation, it is recalled that influence is most extensive. Subsequently, various selection mechanisms grounded on physical exchanges impose delimitations on the social systems, and the influence of individuals embedded in these systems is then contracted. The stage of retention occurs when the selection criteria are accentuated.

A second example of a theory eliciting a time contingent influence as a result of physical structures stems from the economist Dahmén (1988), and his conceptual framework on evolutionary interdependencies within and between micro-economic entities. An underlying theme is the "*complementarities*" of functional relations between technical and socio-economical factors. From an evolutionary perspective, these complementarities are the embryos to "*structural tensions*", which are foremost created from "*entrepreneurial activities*". Two "*transformation pressures*" are discussed here. One is portrayed as "*positive*" and incorporates those activities, in relation to complementary activities, which lead the way with predominantly "*new*" solutions. The entrepreneurial activities that have to adjust or adapt to the new knowledge are, on the other hand, following a "*negative*" transformation pressure wherein information received from price signals play a more significant role than under positive pressures. Dahmén further notifies the existence of sequential relations between positive and negative processes of transformation. This means that entrepreneurial activities which emanate from positive pressures create a state of disequilibrium, which, in turn, fosters negative pressures to corresponding activities. The Dahmén's theory provides us with the insight that an individual's influence is subject to transformation pressures present by virtue of entrepreneurial activities. During times of negative pressures, the individual's influence is relatively more limited than under positive pressures.

Another theory addressing the individual's freedom of interpretation is Kuhn's (1970) theory on paradigm shifts. For Kuhn (1970:VIII), a "*paradigm*" is broadly defined as "... *universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners.*" Kuhn observes that the most

common pursuit of knowledge creation within paradigms is through “puzzle-solving” (i.e. “normal science”). Here, the puzzle-solver, more or less by routine, draws on a specific base of knowledge in his/her practising. The normal science implies a path-dependence in relation to a specific base of knowledge. It is this cumulative nature of normal science, with its built-in inflexibility, that can become an embryo to “revolutionary change”.

The historical examples presented by Kuhn reveal symptoms of a paradigm in “crises”. One of these symptoms arises when solutions deduced from the existing paradigm can only become tentative or artificial to emergent problems. The discovering of such “imperfection” of the existing knowledge in providing solutions, creates an awareness of “anomalies”. Hence, these anomalies must be interpreted by some individual before new solutions can develop. This is in line with Giddens’s (1984) conclusion that “discursive consciousness” coincides with the subversion of structuration processes following certain knowledge trajectories. Kuhn (1970:90) documents in his historical studies that those active in the revolutionary or dynamic reproduction of paradigms have often been less framed in their interpretations:

“Almost always the men who achieve these fundamental inventions of a new paradigm have been either very young or very new to the field whose paradigm they change... for obviously these are the men who, being little committed by prior practice to the traditional rules of normal science, are particularly likely to see that those rules no longer define a playable game and to conceive another set that can replace them.”

Subsequent to the awareness of new solutions to problems, an accumulating process of knowledge creation is formed parallel to the existing knowledge base. This presence of dual processes is, on the basis of Kuhn’s observations, not long lasting. As the emergent knowledge accumulates, the knowledge in the other process is contemporaneously subverted. This relatively prompt transformation is characterized as revolutionary by Kuhn. The result is a new paradigm.³⁰ From Kuhn’s theory it is evoked that the individual influence can vary over time. Particularly during situations of puzzle-solving, the degree of freedom of interpretation seems to be low due to the institutionalization of knowledge. Accordingly, this degree appears to get lower parallel to the intensified habitualization of knowledge that follows from the retention of a paradigm.

³⁰ Here, Kuhn has a different view than Lakatos on the origins of knowledge - see methodology.

Bourdieu also considers the reciprocal relation between structures, processes and individual actors as he introduces the notion of “*habitus*” to us (Bourdieu, 1979: VII):

“The habitus is a system of durable, transposable dispositions which functions as the generative basis of structured, objectively unified practices.”

The concept of habitus corresponds to the discussed functioning of institutions, and “fields” (see above) address the specifying of boundaries of that secondary socialization. In addition, Bourdieu refers to practices in a field as embodying a habitus impregnated with “*symbolic*” (i.e. cathectic) or “*economic*” values, which are manifested in “*structures*” of materialistic (i.e. physical) exchanges (Harker, 1990). Bourdieu remarks that the roles and influences of individuals (i.e. agency) is confined to these properties of the habitus (Harker, 1990). Even so, Bourdieu place an emphasis on the agency of the individual in evolutionary processes by the following figure (Harker, 1990:101):

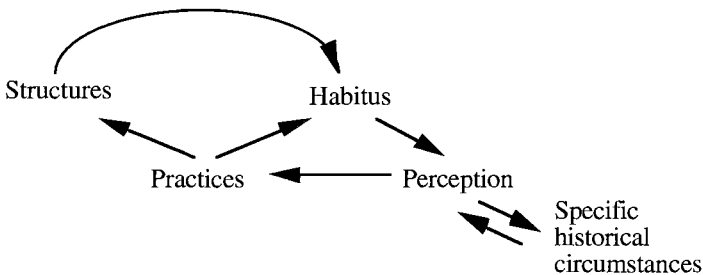


Figure 3.6: “*Reproduction and change*” (Harker, 1990:101).

Mahar et al (1990:8) note that a field is open and that it can be seen as a “*field of forces*”. Incremental as well as revolutionary changes may occur within such a field. The previous type of change is defined as “*reproduction*”, which underscores the presence of a certain path-dependence. Only the revolutionary transformations are elucidated as “*change*” involving both: a disruption of the “*perception*” of “*historical circumstances*” which are governed by habitus; and a refocusing on new practices (Harker, 1990). The disruption of the historical circumstances is entailed as the destruction process of a “*false*” consciousness, while the creation of a “*true*” consciousness is associated with the new perception of practices (Harker, 1990). The relative activity of individuals in processes of change is then conditional to their consciousness of what they are doing. This destruction-creation interrelationship has a likeness with Kuhn’s observation of dual processes in paradigm shifts. By asserting the coupling between a habitus and structures through practices, Bourdieu shows that the freedom of interpretation and physical action can be concurrently influenced. A

coupling between a habitus, as a structural principle, and physical structures, as structural properties, which is anchored in practice affects both an individual's freedom of interpretation and his/her possibilities to pursue interactions deviating from physical structures.

Even though theories, as exemplified, may be differently focused on either physical or psychological structures and processes when addressing the influence of individuals, no theory seems to explicitly disagree with the interpretation that both of these freedoms need to be considered. Even so, the freedom of physical action appears to diminish as the physical structures (i.e. techno- and sociostructures) are imposing tighter dependencies between actors. As certain physical dependencies become settled and reinforced, the individual's possibilities to deviate from these grows smaller. Likewise, the degree of freedom of interpretation is observed to be low during times when a certain knowledge has been institutionalized, and as such is taken for given.

3.6.2 Evolutionary processes in sum

We have now observed the process of structuration from an interdisciplinary point of view. Scholars document the existence of two relatively differentiated modes of change. In relation to the notion of structures as interaction patterns of continuity, a distinction can broadly be made between static and dynamic reproduction processes. In the former, the regularly nature is maintained or even reinforced through on-going interactions, whereas dynamic reproduction can result from the eruption of a preceding structural pattern of continuity. Both structural properties and principles, as conceptualized by us, can follow these two modes of evolutionary processes. We have also become knowledgeable of that evolutionary processes in different spatial realms to varying extents, can be coupled with one another.

The active role of the individual in the evolutionary process is thoroughly presented in the literature. The influence of individuals in their reciprocal relation to structures and processes was found to result from the juxtaposition of a freedom of physical action and a freedom of interpretation. The relative degree of these freedoms was observed to be likely to differ over time.

3.7 The themes of an emerging socio-cognitive frame of analysis

The themes that have now emerged can be referred to as both comparative and evolutionary. By comparative we mean that the themes can be used to analyze the interactions of specific social settings, while at the same time enabling a comparativeness between these realms. This comparativeness is crucial given that interdependencies exist between levels of analysis. If we then explore the structuration of interactions within a social system, like an organization, attention needs to be given to the spatial extension of such processes. Differently put, the organizational specific structures and processes are, to varying degrees, likely to be embedded in more widely defined structures and processes. We believe that a prerequisite for analyzing these linkages across levels ought to be based on a definition of structures and processes regardless of specific social systems. Hence, the structures and processes defined in this chapter are generally applicable, which is not to say that the content of these structures and processes cannot diverge. Let us give a brief recollection of the themes defined in this chapter.

The *structural properties*, which are distinct from *structural principles*, incorporate technostuctures and sociostructures with their respective cultural structures - see above (page 44), for a conceptualization of the interactions embodying these structures. The *technostuctures* are abstracted to be comprised of physical interaction patterns which with a temporal continuity either transform or transact tangible and intangible resources. These structures are further definable from techniques, knowledge and materials used in work-flow activities which can have either a primary or supportive functioning. The *sociostructures* are abstracted, to be constituted from asymmetrical interaction patterns of a temporal continuity that are based on possession of and/or access to: resources (i.e. tangible and intangible); legally enforceable rights; and normative sanctioning. These three grounds mark out the asymmetrical interdependencies of control that are expressed between interacting parties. The *cultural structures* are the psychical interaction patterns combined with a temporal continuity, which express interpretation- and action-readying modes of governing (i.e. normative content) the physical interactions of techno- and sociostructures, respectively.

The *structural principles* are psychical interaction patterns of predominantly shared systems of coherent norms internalized and externalized by individual beholders, which govern interpretations and interactions in social systems with a temporal continuity. Three coherent systems of shared norms are distinguishable: a calculative, an ideational, and a genuine. It is the relative predominance of one of these three normative contents of psychical interactions which refers to the structural principle of a social system.

The *coupling*, or embeddedness, of structural properties and structural principles is categorized on a continuum that stretches from loose to tight. This coupling is analyzed from the conjunction of the dependence and independence, captured from the relative responsiveness and distinctiveness respectively, of the norms of the structural principle and the interactions of structural properties over time. A tight coupling asserts a responsiveness without distinctiveness whereas loose coupling occurs when there is both responsiveness and distinctiveness. The institutionalization of structural principles with a *system integrating functioning* can be propelled from both physical and psychical processes.

Two spatial dimensions have been discerned to analyze the formation of social phenomena and the roles and influences of individuals herein. From the *contextual* dimension the analytical level is defined *a priori*, and thereby the focus is on the structures and processes which are specific to that context. An alternative to defining contexts as boundless, in that structures and processes are deduced without any preset spatial restrictions, is that a social system is defined *ex post* based on at least a loosely coupling of structural properties in relation to a structural principle. From an *intercontextual* dimension, as defined from the sector concept, the structural and processual coupling between an *a priori* set realm and other possible settings are of interest. Here, the latter settings can be defined either on an *a priori* or an *ex post* basis.

The analytical frame also addresses the evolutionary dimension. In relation to the definition of structures as interaction patterns with a temporal continuity, a crystallization is made between *static* and *dynamic reproduction processes*. In cases of statics, the regular nature is maintained or even reinforced by on-going interactions, whereas dynamic reproduction can be conceived from the eruption of preceding structural continuities. The roles and influences of individuals in structuration processes are taken to be contingent on their reciprocal relation or agency to structural properties and principles. The role of individuals to statically and dynamically reproduce structural principles and properties involves two distinguishable modes of influence. It is the individual's relation to psychical structures of structural principles and cultural structures that defines their *freedom of interpretation*, whereas the relation towards the physical structures of techno- and sociostructures makes explicit the *freedom of physical action*. These freedoms can also be conditional to the degree of coupling between these physical and psychical structures. Parallel to the evolution of structures and the coupling them between, the two freedoms of influence are likely to vary.

Chapter 4

THE THEORETICAL ANALYSIS

- Retentions and Extensions -

4.1 Introduction

The foundations of the emerging socio-cognitive frame in the preceding chapter will now be substantiated with the inclusion of further theoretical insights. There are two reasons for this way of proceeding. Firstly, the methodological ideal of thematically analyzing theoretical texts is contingent on the repetitiveness of texts so as to deduce themes. An interdisciplinary reinforcement of a theme through such repetitiveness of texts is regarded as a methodological request to attain higher degrees of objectification (i.e. intersubjectivity achieved by the conduct of a thematic analysis). The two theoretical chapters are then inextricably linked, as they together, rather than separately, constitute the state of knowledge saturation that functioned as the initial *ex ante* process of the hermeneutical circle that guided the knowledge creation process further to the state of saturation outlined in the next chapter. Secondly, it is not only the “retentions” of tentative themes that will be disclosed in this chapter, but also “extensions” of the informative content of these themes (cf. the methodology above).

We will now center more on how structures and processes, derived (so far), encapsulate strategy formation of organizations. This is crucial, as the research purpose set specifically points to the strategy formation of firms. Since one of the research questions further defines an interest in managers, and not individuals in general as primarily discussed in the earlier chapter, the analysis will shift towards the roles and influences of managers engaged in strategy formation. To avoid an organization-endogenous focus when depicting strategy formation of firms, the intercontextual dimension on structures and processes will be analyzed subsequently. Finally, the combined observations from this and the previous chapter will be summarized.

4.2 Strategy formation as a process of structuration

In this section, we will argue that strategy formation of organizations is composed of one or several structuration process(es). Earlier, we observed that a strategy refers to a pattern, in the stream of enacted actions, that stems from a certain boundary-defined context, like an organization. This implies that a strategy, in accordance with Weick's notion of enactment, is to be elucidated from the rationalizations of actions undertaken. From Mintzberg & Waters (1985) model, we showed that the formation process of such strategies involves "*intended*" elements, to a varying degree. With the insights from the socio-cognitive frame, the concept of intention reveals a normative readying or an *a priori* guidance of actions and meaning creations (i.e. enactments) from actions. The notion of strategy formation then comprises not only the study of physical interactions in an evolutionary vein, but also the normative structures that recurrently govern these interactions. For instance, Whipp et al (1987) posit the importance of examining the norms and values that are linked with the "*content*" of actions related to a strategy over time.¹ This means that we have to include the normative structures, emanating from the psychical dimension of actions, in order to interpret the underlying governance of enacted interactions amounting to a strategy.

Besides the influence of normative structures, the socio-cognitive view also embraces the physical interaction continuities of techno- and sociostructures. Like normative structures, these structures are seen as both the medium and the outcome of the conduct they recursively organize. In other words, the uncovering of the formation of strategies implies a need for going beyond the narrow study of strategies *per se*, so as to, in Pettigrew's previously cited words, capture the why, how and what of the constitutive interactions. It is the interest in the coupling of time and space by the media of interactions that is inherent in the concept of strategy formation.

Hence, when following the socio-cognitive perspective, the phenomenon of strategy formation unfolds as a process of structuration involving a reciprocal coupling of structural properties, structural principles and individual actors in time and space by virtue of physical and psychical interactions. More specifically, the structural principle is the coherent system of shared norms that, to a varying extent, can be embodied in the structural properties (i.e. techno- and sociostructures with associated cultural structures) within and across social systems. From the viewpoint of the individual actor, the structural principles and properties both influence and are influenced by the juxtaposition of the individual's freedom of interpretation and physical action.

¹ More specifically, Whipp et al (1987:18) denote four issues in relation to the "*content*" of a strategy: "... the dominating frames of thought within the organization; the strategy's central objectives; the source of the strategy; and the extent to which the strategy anticipates the means of implementation."

Scholars have divergent views on the structures and processes involved in strategy formation of organizations. These dissimilar views concern, for instance, the relative interrelationship between the structural properties and the norms composing the structural principle from an evolutionary outlook. The role of the individual agent in the process of structuration is another important aspect which is differently entailed in the literature. In all, three broad perspectives appear to be at hand (e.g. Mintzberg, 1973b, 1978; Chaffee, 1985; Johnson, 1987). When applying Chaffee's (1985:934) terminology, these views on strategy formation can be classified as: "*linear*", "*adaptive*", and "*interpretive*". After having delineated the structures and processes that each perspective associates with strategy formation, the socio-cognitive frame will be presented as an interdisciplinary bridging of the three perspectives.

4.2.1 The linear view

For Chaffee (1985), these are the studies that view strategy making as something of a function, consisting of integrated plans, decisions and actions to fulfill the long-term goals of an organization. Strategy formation, thereby, follows a sequential proceeding for management as agents. Mintzberg (1973b, 1978) captures this sequentiality by referring to "*the planning mode*". Finally, Johnson (1987) calls it the "*rationalistic view*", as he argues that a belief can be traced in managers who can realize strategic solutions to definable problems.

Chandler (1962:13) is a representative of this perspective since he considers strategy to be "*the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action, and the allocation of resources necessary for carrying out this goals*". In this mode we also, for instance, find Ansoff and his often quoted product-market matrix (e.g. Ansoff, 1965).²

Examples can also be taken from some theoretical approaches related to the part of industrial organization in which the Bain-Mason paradigm of the relation between industry structure, organizational conduct and organizational performance has been, and still is, a major hallmark (Porter, 1981). The structural characteristics of an industry are then, as discussed in the first chapter, affirmed to be "external" for management of the single firm. It is from an analysis of the industry structure, that management can develop knowledge regarding a future market position (e.g. Porter, 1980; Caves, 1987). The main thesis is that there exists a linear relation, or tight coupling, between these strategic intentions (i.e. the plan drawn from the industrial

² Here, we also find scholars representing the normative-oriented management literature (e.g. Blake & Mouton, 1964, Glueck, 1980).

analysis) and the realization of the same.³ The possible influences from socially shared preconceptions that govern the formulation (i.e. not formation) of plans and intentions are generally not discussed. Also, the influences stemming from foregoing physical interactions are largely disregarded.

Since scholars of this view underscore that the normative content of the strategy formation is set in relation to future goals/objectives (Chaffee, 1985), this implies that the interrelationship between a strategy and a structural principle is more or less taken to be absolute. That is, the norms that comprise the structural principle are considered to be fully embodied in structural properties. However, in this tight coupling it is foremost the techno- and sociostructures that are recalled as structural properties within and across organizational realms. The argument is that management can use these two structural properties to realize an *a priori* defined strategy which then comes to function as a structural principle.

If we go beyond the criticism raised towards these planning-oriented theories, a number of observations can be made. Firstly, a strategy is seen as a planned normative principle governing the process of structuration in organizational settings (i.e. structural principle). Secondly, the scholars denote that it is first of all techno- and sociostructures that embed such a structural principle. Thirdly, as a cause, the cultural structures are highly disregarded as structural properties. Fourthly, it is assumed that primarily top executives possess knowledge of organizational strategies.

4.2.2 The adaptive view

For Johnson (1987), this is the “*incremental perspective*” in which strategic outcomes are not only interpreted from managerial interpretations of a market position, but further from their considerations and interactions with social and political contingencies in the context. Differently put, the processual aspects in strategy formation are, relative to the linear view, underlined. According to Mintzberg (1978), scholars of this “*adaptive mode*” document descriptive examples of the complexities and uncertainties that managers have to face in the organizational and interorganizational settings in which they are engaged. The strategy formation process is here portrayed as highly iterative, in that activities involved are not found to be sequentially linked (Chaffee, 1985).

With the introduction of the concept “*muddling through*”, Lindblom (1959) and Braybrooke & Lindblom (1963) show us the importance of processual aspects.

³ Pettigrew & Whipp (1991) criticize the works of industrial organization for still having a *homo economicus* view, and for having neglected various uncertainties, especially in organizations. In recent research, the normative Harvard tradition of industrial organization has been questioned (Porter, 1981).

Lindblom (1968:25) concludes that *"policy making is typically a never-ending process of successive steps"*. This *"disjointed incrementalism"*, as Lindblom (1968) calls it, can also be found in the early works of Mintzberg (1973a), as he cites a plethora of managerial roles - see below. In their often descriptive studies, researchers somewhat punctuate the existence of planned sequentiality (see further below). Nevertheless, Quinn's (1980) notion of *"logical incrementalism"*, Mintzberg's (1973b, 1978) concept of *"mode"* and Miller and Frisen's (1984) *"archetypes"* are all examples of predominating governance structures within organizations (i.e. structural principles). That is, despite all the uncertainties in the strategy formation process, we will find something of a pattern that *"exhibits a consistency over time"* in the decisions and actions undertaken (Mintzberg, 1978:935). It becomes clear from these and other examples that the scholars associated with the adaptive view observe the functioning of a structural principle in the process of structuration. Empirically, Miller & Frisen (1984) detect ten different *"archetypes"* characterizing the actions that emanate from an organization in response to intra- and interorganizational problems. These archetypes follow from a so-called *"holistic"* research approach as the two authors examine (1984:593) *"... common configurations of mutually reinforcing elements of strategy, structure and environment."*

The incrementalists apparently regard the phenomenon of strategy formation as a process of structuration in which structural principles and structural properties are taken to be two autonomous, although interrelated, elements. In this vein, Miles & Snow (1978) present the figure below to summarize their adaptive view on strategy formation:

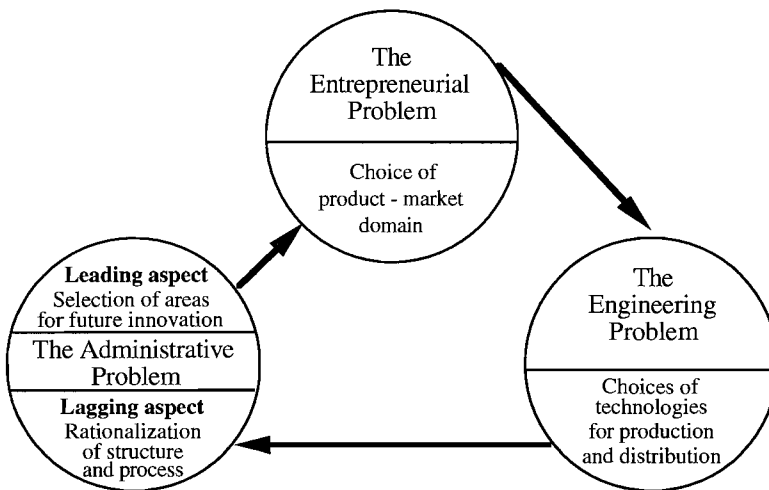


Figure 4.1: *"The adaptive cycle"* (Miles & Snow, 1978:24).

From this figure we can note that strategy formation is pictured to be a structuration process in which, in close resemblance with other scholars of this view, the techno- and sociostructures in particular are considered as the structural properties. For Miles & Snow (1978:153), organizations are seen as “*socio-technical systems*”. The so-called engineering problem, which is defined as an “*input-transformation-output process*” (Miles & Snow, 1978:22), then conveys the interactions associated with a technosstructure. The administrative problem, on the other hand, refers to the reproduction of sociostructures. Finally, the engineering problem asserts the industrial structure, to which the specific organization is related. This latter structure is, above all, composed of underlying resource dependencies. In their study of nineteen voluntary hospitals, Miles & Snow (1978) classify these organizations on the basis of the solutions, as decisions and actions, to the three problem categories illustrated above.⁴ From this empirical study, they also uncover the simultaneous presence of four “*types of organizational adaption*” in the same industry, which are defined as: “*defenders*”, “*prospectors*”, “*analyzers*”, and “*reactors*”. Without going into detail as to how Miles & Snow (1978) define these four types of adaption, it is essential that they observe an organization specific continuity in the way which all of the three problem sets were solved in the organizations studied. In agreement with earlier examples, this implies the existence of a prevailing mode of governance which creates a coherence between decisions and actions.

A number of different adaptive patterns that portray organizational strategies within an industry over time are observable in several other studies (e.g. McKelvey, 1982; Miller & Frisen 1984; Mintzberg & Waters, 1985). These empirical observations entail the existence of a path-dependence (i.e. static reproduction) from an evolutionary perspective. This “*continuity*” is more widely defined among incrementalists than among the representatives of the linear view (Mintzberg, 1978). Since a strategy is not determined on an *a priori* but on a *ex post* basis, a certain amount of slack, such as inconsistencies between enacted actions and a structural principle, is comprised in the adaptive view.⁵ The relative presence of slack can be determined by the relation between an “*intended*” strategy vis-à-vis a “*realized*” strategy - i.e. compare with Mintzberg & Waters’s (1985) figure in chapter one. In, for instance, Miles & Snow’s model both the entrepreneurial and the engineering problems are seen as involving a relatively high degree of planning. The administrative problem, however, consists of a “*leading*” variable, which sets the frame for future adaption by virtue of a sociostructure (i.e. the “*administrative system*” in Miles & Snow’s (1978:23) words), as well as a “*lagging*” variable in which the sociostructure is reproduced on the basis

⁴ The two authors conducted research on 16 college textbook publishers and 49 organizations in the electronics and food processing industries to derive their theoretical model.

⁵ Here, “slack” does not mean unused resources, which is a common definition in the literature.

of “*rationalizations*” of decisions and actions following from forgoing leading variables. The authors point out that the leading variable induces ambiguity which creates slack, due to the emergence of inexperienced adaption problems. This, in turn, subverts the appearance of a sequential linearity between the leading variable and the enacted interactions of a realized strategy.

Even though the incrementalists discuss the functioning of, for instance, modes, logics, archetypes, intended strategies and leading variables as structural principles, they do not generally make explicit the governing from ongoing psychological interactions. It is foremost the physical interactions of techno- and sociostructures which are described as embedding such a structural principle. Here, it is crucial to recognize that incrementalists argue that a pattern in the stream of enacted actions (i.e. strategy) cannot be related to only one specific source of governance.⁶ In other words, the structuration process is subject to slack and ambiguity which can be traced from the coupling of structural principles and properties. A strategy, as the pattern of all actions, is then taken to be decoupled, although to a divergent extent, from the two evolutionary processes of the structural principles and properties. During certain time periods, a structural principle may predominate governance through techno- and sociostructures, in that coherence or at least a loose coupling exists between the structural principle, properties and the pattern of all actions. On the other hand, a decoupled or noncoupled relationship involves a relatively high degree of slack and ambiguity, and, as a result, the realized strategy is less predictable. Most likely, there will not be any “pattern” when considering all actions emanating from an organizational setting in this situation. The incrementalists, in contrast to the linear view, thus generally claim that the structural properties and principles, and the pattern of enacted actions are three autonomous, although differently coupled, processes constituting the strategy formation of single organizations (e.g. Miles & Snow, 1978; Miller & Frisen, 1984).

The punctuation of path-dependence (i.e. static reproduction) with its tight coupling between structural properties and a structural principle is considered to occur quite seldom. In several empirical studies, around five years seem to reflect the shorter time period during which certain structural principles can predominate the structuration process (cf. Mintzberg, 1973a, 1978; Quinn, 1980; Miles & Cameron, 1982; Miller & Frisen, 1984). When the path-dependence is broken, the transition to a new structuration process is, for instance, described as a period of: “*reconstruction*” (Lindblom, 1968); “*flux*” and “*limbo*” (Mintzberg, 1978); “*revolutionary change*” (Quinn, 1980); “*quantum change*” (Miller & Frisen, 1984); and “*reorientations*” (Tushman & Romanelli, 1985). It is during such periods that the scholars report a relative discontinuity in the pattern of all actions. These transitions are not only

⁶ In compliance with the conceptualization in chapter one, a strategy is generally defined from individuals’ enactments of interactions.

recorded as being present during short time intervals, but also as possessing a certain magnitude of change - i.e. distinct dynamic reproduction.

This evolutionary aspect can also be found in those theories of industrial organization that follow the Schumpeterian tradition (e.g. Nelson & Winter, 1982; Hayes & Wheelwright, 1984; Teece et al, 1990). The “*routine*” is here a central concept, which according to Nelson & Winter (1982: 14), is a knowledge structure that generates and is generated from the “*regular and predictable behavioral patterns of firms*”. A routine is then infused with norms governing the structuration process -i.e. structural principle.⁷ Thus, the knowledge manifested in routines is institutionalized, and is distinguished from knowledge that is less habitualized or taken for granted - i.e. not as institutionalized.

In close convergence with previously entailed evolutionary processes, the Schumpeterians distinguish “*static routines*” from “*dynamic routines*” (Teece et al, 1990). The former routines address the processes in which the creation of knowledge is drawn from an institutionalized knowledge base. This path-dependence has empirically been illustrated in a number of studies (Dosi, 1982). The dynamic routines are of an exploring nature, and as such, to a significant extent do not originate from an institutionalized corpus of knowledge. The relative existence of dynamic and static routines is denoted to vary over time (David, 1992). The predominance of static routines over the dynamic routines has been observed to coexist with “*positive feedback mechanisms*” (David, 1992). Briefly put, this implies that interactions receive positive feedback when corresponding to a specific knowledge base, which then fosters a retention of that knowledge base (Arthur, 1990). The result of these positive feedback mechanisms is a “*non-erodic*” path-dependence in which “*systems possessing this property cannot shake off the effects of past events*” (David, 1992:1).⁸

For Chaffee (1985:92), the incremental perspective “*relies heavily on an evolutionary biological model of organizations*”. This means that the process of structuration is pictured to involve the variation, selection and retention mechanisms referred to earlier.⁹ The transition from one pattern of actions (i.e. strategy) to another reveals a variation of structural principles and properties as exemplified by the scholars above. Moreover, the notions of “*pathology*” (Burns & Stalker, 1961), “*momentum*” (Miller & Frisen, 1984), “*trajectory*” (Dosi, 1982) and “*static routines*” (Teece et al, 1990)

⁷ A distinction is here often made between articulated and unarticulated knowledge (Teece et al 1990).

⁸ Arthur (1990) describes this as the properties of a certain class of path-dependent stochastic processes (i.e. a polya urn process).

⁹ From the previous chapter, we strongly rejected on cognitive grounds the existence of “rational” (i.e. “objective” or “natural”) selection and retention processes. Instead, we assumed that similar processes are to be taken as socially constructed.

convey the processes of selection and retention. Here, the structural properties become increasingly interdependent in relation to a certain path over time. It is this very path that uncovers the relative strength of the coupling between the structural properties and principles in the strategy formation process.

In sum, the adaptive view contains some commonly shared ideas regarding strategy formation when seen as a process of structuration. Firstly, a pattern in the stream of all enacted actions (i.e. strategy) is observed to be linked with a prevailing mode of governance as a structural principle, creating coherence between structures and processes within organizations.¹⁰ Secondly, such a mode of governance is not taken to be absolutely coupled with a realized strategy. Instead, the degree of coupling is considered to vary over time. Thirdly, the managers are, by their interactions, claimed to be active as agents in these processes of structuration. Fourthly, the prevailing mode of governance is first of all taken to be embedded in techno- and sociostructures, while the psychical interactions of cultural structures are largely disregarded. Fifthly, three interrelated evolutionary processes are revealed: a) the evolution of structural properties (i.e. techno- and sociostructures); b) the evolution of structural principles when seen as a prevailing mode of governance; and c) the evolution of all actions as - i.e. strategies. Hence, the incrementalists state that strategy formation is a continuous process of coupling structural elements in time and space.

4.2.3 The interpretive view

Mintzberg's (1988) typification of "*strategy as a perspective*" captures this view. The sharing of norms and values among individuals in the organizational setting is accentuated. Chaffee (1985:93) notes that organizations are referred to as arenas in which individuals share "*orienting metaphors or frames of reference*".

According to the interpretive view, it is the "*social contract*" among persons that is underlined (Chaffee, 1985). The notion of contract refers to shared understandings or beliefs that govern individuals' interpretations and actions. Obviously, this view is focused on psychical interactions. The socially-shared norms are often taken as parts of the guiding principle in the strategy formation process. The characterization of the relative coupling of norms in the structuration process differs among authors. In a thorough literature review, Meyerson & Martin (1987) extract three different opinions on cultural structures: "*integration*", "*differentiation*", and "*ambiguity*".

¹⁰ Both Hofer & Schendel (1979) and Mintzberg (1979) make reference to "*goal structures*", which is defined somewhat in equivalence with Giddens's (1984) concept of structural principles.

- *The integration view*: These are the scholars that stress coherence and consensus within organizations or groups - i.e. a tight coupling of norms. A predominating culture is seen as the glue that holds together organizational members. They then depict the presence of a coherent system of shared norms -i.e. structural principle. The uniqueness of such normative structures is emphasized, but often without sufficient seeking for couplings to shared norms across organizational realms. Even though the portrayals of this view differ in their studies of cultural manifestations, such as rituals and language, they usually focus on leaders or managers as the cultural creators and the primary sources of cultural content. Further, ambiguity is largely an overlooked aspect (Meyerson & Martin, 1987).

- *The differentiation view*: Instead of advocating a tight coupling of norms, these scholars recognize the inconsistencies and diversities between norms within organizations. Since they define cultural spheres on an *ex post* basis, individuals are not assumed to share norms and values just because they interact in time and space. A culture is not, on a *a priori* grounds, determined for specific realms like organizations. The predominance of a culture within an *a priori* set boundary specific context is not rejected but questioned. The coupling of norms is examined from both the dependence and independence of norms, which differs from the integrationists' more single-minded focus on dependencies (Meyerson & Martin, 1987).

- *The ambiguity view*: Even though the authors in both of the previous views tackle the coupling of norms from different angles, they picture predominating cultures as socially constructed sets of meanings and beliefs that are continuously shared by particular groups of individuals. In the ambiguity view, however, doubt is shed on the very existence of cultures and similar couplings of norms. Consensus is seen as ephemeral and fluctuating in time and space. Individuals may share some beliefs, disagree or be confused about some, and ignorant to others. To draw the boundaries of cultures is looked upon as a difficult project. An important basis of this reasoning is that individuals, to a significant extent, are recognized to undertake personal enactments of the reality - i.e. the predominance of a private sense (Meyerson & Martin, 1987).

When considering empirical studies it is possible to find bearing for all three of the views. As will be discussed later, there is empirical research showing that the degree of coupling of norms can vary over time in organizations (cf. Pettigrew, 1985; Johnson, 1987; Hinings & Greenwood, 1988). From these and other studies we can also denote the multitude of reflections or manifestations, such as rituals, stories and physical artifacts, of norm structures (e.g. Deal & Kennedy, 1982).¹¹

¹¹ Compare with the reflections that an "*institution*" (i.e. structural principle) can take on page 62.

The integration view can be exemplified with the often cited study of sixty-two companies by Peters & Waterman (1982). The following model illustrates their observations:

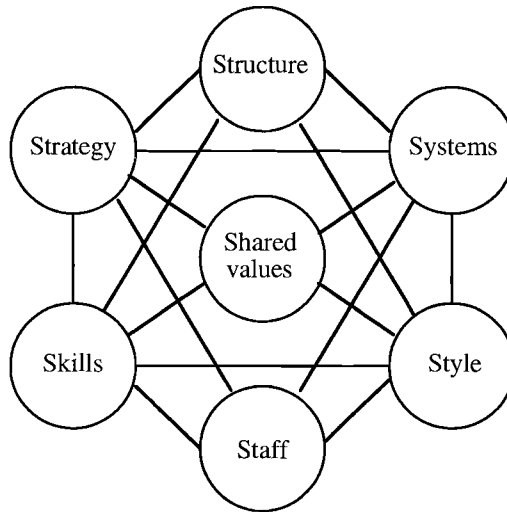


Figure 4.2: "The McKinsey 7-S Framework" (Peters & Waterman, 1982:10).

The two authors, in this case, link the actions of an organization to the meaning given by so-called "*shared values*". With this concept the authors reveal the presence of a structural principle that not only can be associated with normative plans (i.e. their interpretation of strategy). Peters & Waterman state that the shared values refer to a coherent whole. The numerous cultural structures, which are more inconsistent than consistent with the coherent system of shared norms, are not included in the structural properties that embody the "*shared values*". Instead, the emphasis is on those values that are dominantly shared among individuals within an organization. Peters & Waterman claim that it is foremost managers who engineer these shared values.

In divergence to Peters & Waterman's model, archetypical of the integration view, other scholars have come to pinpoint the incohesiveness and even noncoupling of norms. Support has been given to the thesis that the predominantly-shared knowledge, institutionalized in an organization, is above all represented in the awareness of top executives (cf. Shrivasta & Mitroff, 1983; Smircich & Stubbart, 1985; Schein, 1986; Romanelli & Tushman, 1988). This knowledge is considered to be embedded in the multifold cultural structures within an organization. One implication of these studies is that norms composing a structural principle can embed norms with a less coherent content. Even though norms are inconsistent, they do not need to be interpreted to contradict one another.

Apparently, the representatives of the interpretive view differ in their relative accent on the coherence among the norms within social settings. Even though some researchers have found that cultural structures predominantly can govern interactions within organizations, the relative predominance of these cultural structures seems likely to change over time. It is also suggested, from the proponents of the differentiation view, that several cultural structures may prevail in various collectives within an organization - i.e. the coexistence of several structural principles. In relation to the other views, the governing of physical interactions, such as resource interdependencies and sociostructures, is not much considered by the interpretationists. Neither, do they, in general, place an emphasis on how, when and to what extent such physical interactions influence the formation of cultural structures.

4.2.4 A socio-cognitive view

We have now seen examples of scholars, from a wide spectra of disciplines, agreeing that strategy formation is a process of structuration. On the basis of the socio-cognitive foundations laid in the foregoing chapter, the analysis will now bridge relative accentuation on physical and psychical interactions of the three views. It is crucial to note that the ontological posture of social constructivism underlying the socio-cognitive perspective, as outlined earlier, corresponds with that of the interpretive view. As a consequence, the theories that will now be presented can also be positioned in relation to this view. However, divergent from the general representation of interpretably oriented theories, more consideration needs to be given to physical interactions.

The interrelationship between a structural principal and structural properties in the structuration process is complex, and often hard to interpret. When Brown (1978) refers to "*social paradigm*", he observes the structural principle of the strategy formation process.¹² For Brown, this principle is reflected in the several techno-, socio- and cultural structures within defined social contexts. The notion of "*paradigm*", as developed by Johnson (1987), clarifies this insight of Brown with the following figure:

¹² See also Pfeffer (1982:228) who uses the notion of "*paradigm*" to include: "... *beliefs about cause-effect relations and standards of practice and behavior, as well as specific examples of these, that constitute how an organization goes about doing things.*"

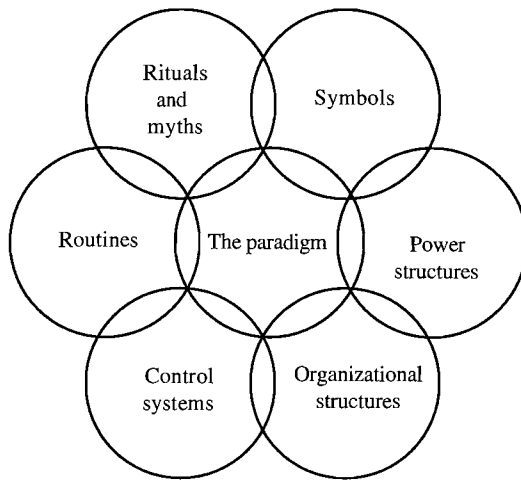


Figure 4.3: “The cultural web of an organization” (Johnson, 1987:224).

In this illustration, we can trace the paradigm which is embedded in techno-, socio- and cultural structures. A paradigm is pictured here as a coherent system of predominantly shared norms governing the coupling of physical and psychical interactions emanating from an organizational setting over time. Hence, norm structures may coexist but only one can be predominately shared. For individual beholders, the paradigm represents a coherent system of internalized and externalized preconceptions (i.e. knowledge) governing interpretations and actions in recurrent situations. Another important aspect of structural principles is that they, in accordance with our earlier discussions, relate to a certain spatial breadth. In a domain-specific context like an organization, this breadth is captured by the inclusion of all of the three structural properties. This extension of the concept of a structural principle is made explicit in Johnson’s model above. This breadth is, with few exceptions, asserted by scholars of all the three views identified.

A viable illustration of the evolutionary aspect of the socio-cognitive view is given by Hinings & Greenwood (1988:8), who refer to “archetypes” as “... *particular composition of ideas, beliefs and values connected to structures and systems.*” In an interdisciplinary vein, the two authors combine the theoretical underpinnings of the incremental view regarding the importance of techno- and sociostructures with the cognitive premises of the interpretive view.¹³ From an evolutionary standpoint, Hinings and Greenwood (1988:26) discuss, using their concept of archetypes, the meaning of “tracks”:

¹³ It seems like Hinings & Greenwood (1988) are especially influenced by the “quantum view” of organizations, as developed by Mintzberg (1979, 1985) and Miller & Frisen (1984). In relation to Miller & Frisen, the “archetype” concept is more widely defined to also comprise cognitive aspects.

“Tracks are about the extent to which organizations remain over time within the assumptions and parameters of a given archetype or move between archetypes. A movement away from an archetype involves the decoupling of structures and systems (in total or part) from a previously prevailing interpretive scheme. Movement into a new archetype involves the recoupling of structures and systems (in total) to a new set of ideas, beliefs and values.”

Here, the two authors recognize evolutionary processes that can involve structural principles as the “*prevailing interpretive scheme*”. They remark that such processes reveal certain tracks, which refer to the dependencies and independencies between structural principles and structural properties over time. These principles and properties are then observed to follow two autonomous, although highly interrelated, processes. Due to this loose coupling, variation of, for example, a technostructure does not need to imply a variation of the other properties or the structural principles. A variation of the technostructure is likely to create some degrees of structural tension or misfit as the structural relations are interdependent. On the basis of the relative coupling between a structural principle and structural properties, Hinings & Greenwood (1988:28) conceive three modes of coherence that can be traced in evolutionary processes:

- “*Archetype coherence*”: A continuous, processual, retention of the structural properties within the organizational setting and the prevailing interpretive scheme that function as a norm system (i.e. like a structural principle).
- “*Embryonic archetype coherence*”: The structural properties, and the underlying processes, are still nearly consistent, although somewhat discordant, in relation to the institutionalized knowledge predominantly shared. That is, there still exists a prevailing interpretive scheme, but the underlying process of structuration exposes variation in the embedded structural properties.
- “*Schizoid incoherence*”: A relative divergence between ongoing processes of interaction and previously existing structural properties. This tension in the structuration process is reflected in diverse sets of norms. As a result, no so-called prevailing interpretive scheme (i.e. structural principle) exists.

The study of tracks is seen as the mapping of the “*interpretive recoupling and decoupling*”, which denotes the relative coherence between psychical and physical interactions (Greenwood & Hinings, 1988:303). On the basis of different constellations of the three modes of coherence, Greenwood & Hinings (1988) entail four types of tracks: a) “*inertia*” - i.e. a retention of a certain archetype coherence over time; b) “*aborted excursions*” - i.e. a temporary decoupling from an archetype coherence which

is followed by a recoupling to that abandoned archetype; c) "*reorientations*" - i.e. a movement from one archetype coherence to another; and d) "*unresolved excursions*" - i.e. a sustained decoupling from an archetype without any recoupling to the old archetype or a movement to a new archetype.

The findings of Hinings & Greenwood (1988) are closely equivalent with Giddens's (1979, 1984) theory on structuration processes (see above). It is the complex coupling between structural properties (i.e. techno- and sociostructures with related cultural structures) and a structural principle that drives both dynamic and static reproduction.¹⁴ In a (very) simplified sense, we can categorize this structuration as an ongoing process of reciprocity between old and emerging interactions (i.e. both physical and psychological), in which the emerging ones are, to a varying extent, derived from the old. The extent is subject to the individual's freedom of interpretation and physical action (see below).

From Hinings & Greenwood, it is clear that a prevailing interpretive scheme describes a coherent system of shared norms which is internalized and externalized into the mental constructs (i.e. cognitions) of individuals. Such a prevailing interpretive scheme then relates to a structural principle composed of cognitively-shared preconceptions with an interpretation- and action-readying (i.e. normative) functioning. As emphasized, this is a boundary specific definition of institutionalization that does not open up the possible existence of other prevailing interpretive scheme governing various collectives of individuals within and across organizations.

Even though Hinings & Greenwood (1988) refer to a structural principle as a prevailing interpretive scheme, they do not give much weight to the degree of consciousness of individual beholders of these socially shared preconceptions. Since a structural principle can be reflected in technosstructural routines and sociostructural authority relations, the individuals' knowledge of norms may be very low (cf. chapter three).

A final remark regarding the socio-cognitive view on evolution concerns the question of the degree of coupling between a strategy and structural properties and principles. We have demonstrated by the examples given that this coupling can fluctuate in time and place, but that it is unlikely to be absolute - i.e. not one single deviation from the interaction pattern of a strategy. As with the adaptive view, the pattern of all actions composing a strategy can be referred to as an evolutionary process in itself. That is, since the structural principle and the structural properties can be coupled with differing degrees of tightness, there might not be any direct causal relation between the structural

¹⁴ Greenwood & Hinings (1988:311) refer to the close interrelation between "*contingencies*", "*power dependencies*" and "*interpretive schemes*" as "*patterns of commitments*", which correspond to techno-, socio- and cultural structures, respectively.

principles and a strategy, even though the structural principle stems from these actions. During periods in which there is no predominantly shared system of coherently institutionalized norms, the continuities in the enacted actions which might remain are likely to emanate from structural properties. In other words, the techno- and sociostructures, with their associated cultural structures, can still follow their respective trajectories. Nevertheless, it is from an evolutionary perspective that it is possible to observe the coupling between a strategy and structural principles and properties - i.e. the higher the path-dependence that is revealed by all enacted actions stemming from an organizational setting, the higher the probability that there is a relatively tight coupling of the structural principle and properties in that setting. Due to this tight coupling of the three evolutionary processes of the structural principle, properties and actions of a strategy are likely to be statically reproduced. To predict action is presumably a hazardous project, even though the probability of predictability may vary over time.

4.2.5 Some empirical observations

So far, ample support for the existence of structuration processes captivating the formation of organizational strategies has been established. We will now further objectify our analysis with empirical exemplifications

In his longitudinal study of the chemical giant ICI, Pettigrew (1985) documents how top management undertook “*revolutionary changes*” (i.e. dynamic reproduction) in response to changes in the “*outer*” context of the organization and to decreasing profitability. Pettigrew (1985:448) summarizes the changes from 1960-1964 and 1980-1984 by stating:¹⁵

“Both revolutionary change periods witnessed organisational structural and business strategy changes, with the structural changes occurring in a cumulative way over a relatively short period of time, and the business strategy changes emerging and being implemented rather more slowly after the ideological and structural changes had been justified, and then introduced.”

We can see how the strategy and the structural properties (i.e. including cultural structures) followed two different, although strongly related, evolutionary processes. Moreover, the change of structural properties is observed to have been more or less a prerequisite for new strategies to emerge. Pettigrew adds that it was primarily those structural properties which were proved to be successful that became embryos of new strategies. The variation of structural principles, which was manifested in an alteration

¹⁵ This statement refers to “business strategies” (i.e. not corporate strategies) - see chapter one.

of strategy, then appears to have been preceded by experimentation with the structural properties. This is in line with Giddens's (1984) conclusion that structural principles are more resistant to variation. In agreement with Schumpeterians (see above), the selection and retention of an emerging structural principle were dependent on the enactments of positive feedback processes.

In a study of the chocolate confectionary company Cadbury Limited, which is a U.K based firm that relates to a division within Cadbury-Schweppes Limited, Smith et al (1988:578) refer to "*Cadburyism*" as a "*body of ideological practice*". The authors recognize that this Cadburyism was a "*dominant vision*" that governed interactions emanating from the firm. When it comes to evolutionary aspects, Smith et al (1990:330-331) conclude:

"... the Cadbury case indicates a transformation process in which the initial movement from inertia requires the intellectual energising provided by advocacy of a complete directional change, but in which subsequently the critical mass of the organisation is redirected in a tangential direction to which the longstanding frame of meaning can be accommodated."

These empirical findings are similar to those made by Pettigrew since they stress the inertia to dynamically reproduce or subvert a structural principle. Once again it appears that a certain amount of underlying changes of structural properties precede the changes of a structural principle. It is also asserted that structural properties have a function to propel the emergence of a structural properties. The embryos, as manifestations of an emerging structural principle, are observed by Smith et al (1990:332) as "*themes*", like, for instance, "*flexibility*", "*decentralization*" and "*head-count reduction*". After these themes have been put into practice and experimented with, they are coupled to each other in relation to a kind of predominantly shared coherent corpus of knowledge, which when institutionalized constitutes a co-called dominant vision. In this process of structuration, the authors observe the mediating role of managers (Smith et al, 1990: 351):

"Strategies are carried by active individuals, ideologues for particular recipes, who are in positions of corporate power or have access to corporate power structures and acts as organizational change agents."

As noted previously, the individuals most often drew upon existing structures when pursuing action during the process of structuration. Since managers could use the authority from various sociostructures they were observed to be the "*change agents*". This reasoning also follows from Johnson (1987, 1988) and his study of three retail

clothing companies in the U.K. over the years 1970-1985. With his use of the notion paradigm, as portrayed above, Johnson (1988:85) documents the inertia in evolutionary processes from a socio-cognitive point of view:

"The Paradigm... is a more generalized set of beliefs about the organization and the way it is or should be and, since it taken for granted and not problematic, may be difficult to surface as coherent statement. It is more likely to emerge in the explanations and stories of managers."

Johnson claims that the normative content of the actions amounting to a strategy is "taken for granted" by organizational members. The degree of consciousness of a paradigm can therefore be low. Managers are seen as the key articulators of a paradigm. The coupling of such organizational paradigms in the context of a sector is, unfortunately, not much empirically disentangled by Johnson.

Hackman (1984) presents a viable example of inertia when trying to pursue dynamic reproduction in relation to a structural principle. He describes how the airline company, People Express, had difficulties undertaking structural changes that deviated from a normative path of a coherent system of predominantly shared and institutionalized norms. This path stemmed from experiences that once made the company so successful. The structural principle, however, remained more or less the same, even though the company grew substantially. The company suffered financially from the retainment of its structural principle. The structural principle did not "die" until another carrier took over the operations. According to Hackman (1984), the top executives, and in particular the CEO Donald Burr, were so mentally framed by the institutionalized and predominantly shared knowledge that they did not become conscious of problems that emerged. Similar cases of path-related inertia to restructure, is mentioned by Starbuck et al (1978) in their study of three Swedish companies (i.e. Facit, Kalmar verkstad and Handelsförbundet).

The vital importance of the shared commitment to certain norms is further observed by Åredal (1989:14) in his study of the social control in a dental administration in Sweden:

"Within organizations, it is often not understood just to how great an extent rationalism has destroyed the ability to reflect on ideas and to interpret symbols, and how this rationalism has left the organization exposed to unconscious mental powers."

The relative dynamics of the structuration process are hereby shown to be subject to the the actors' degree of consciousness, and, thus, freedom of interpretation. The institutionalization of knowledge that defines the way things "ought to be done" implies

a relatively high degree of inertia to interpret the need for pursuing dynamic reproduction in the process of structuration. In Hinings and Greenwood's terms, this evolution renders a recoupling of interpretations within the frame of a certain archetype.

In another longitudinal study of a confection manufacturer, Eriksson (1991) inquires about the managerial processes behind product mix changes in Fazer Inc.. She documents relatively long time periods (i.e. from two to twelve years) during which various "logics of action" prevailed. In agreement with the earlier empirical studies we have analyzed, Eriksson (1991:76) states:

"Particularly striking in this case was the long endurance of the owner-management's high quality logic in spite of its poor business performance and the fact that consumers were not so much for quality as they were for low price. The root tradition of the family-controlled firm, dating back to the era when Finland was a grand duchy in the Russian empire, remained operative, although more or less radical changes in the business practice were required by the changes in the production technologies and in the market, and they were also suggested by the new logics of professionalized managers."

As the logics of action were dynamically reproduced over the years, some themes of an old structural principle were statically reproduced.¹⁶ Parallel to our previous discussions, Eriksson's (1991) study retains our previous finding that knowledge can be institutionalized to varying degrees. This means that all themes of institutionalized knowledge that make up a structural principle do not need to succeed in coherence with similar reproductional processes. In Eriksson's case, it was foremost members of the owning family were the persistent carriers of a certain logic of action over time.

Using these empirical exemplifications, we have briefly portrayed the interrelationship between structural principles, properties and the inferred actions from an evolutionary viewpoint. Hence, this phenomenon of strategy formation is, as we have witnessed, nothing but a continuous process of structuration embodying all three evolutionary processes. We have revealed some studies that do not only give ample support for the separation of strategy formation into three processes but also address the relative coupling among them. Some other studies which reach similar findings are, for instance: Miles & Cameron (1982): six U.S tobacco companies; Rogers (1986): U.S. coal companies; Grant (1987): British cutlery producers; Doz & Prahalad (1987): multinational companies; Porac et al (1989): Scottish knitwear manufacturers; Spender

¹⁶ This observation can also be compared with Lakatos's notion of research programs as discussed above. Since Lakatos proposes the existence of a core knowledge that is relatively more static within a certain realm, he objects Kuhn's conclusion that a paradigm shift subverts the core knowledge.

(1989): iron founders, dairymen companies and fork-lift truck rental firms; Pettigrew & Whipp (1991): automobile, life insurance, merchant banking, and book-publishing companies; Hellgren & Melin (1992): a pulp & paper and an electronics company in Sweden; and Whitley (1992): a comparative analysis of business recipes in different countries.

Before we make a more comprehensive summary of our discussion so far, we will further elaborate on an important topic.

4.2.6 Structural principles and strategic levels

On the basis of the empirical studies we can conclude that several consistent, as well as inconsistent norms, can coexist within a specific company. Judging from these insights, it is relevant to raise the issue of levels of strategy. In the first chapter, we noted that a strategy is often defined as either a “corporate” or a “business” strategy. Moreover, some scholars, like Hofer & Schendel (1978), argue that a “*functional area*” strategy should also be included in an organizational analysis. A functional area strategy is then embedded in a business strategy, which, in turn, is part of a corporate strategy. As a result, several structural principles can be deduced from these various strategies within the realm of an organization. It then becomes crucial to define the spatial stretching of a certain setting so as to enable the study of the normative knowledge constituting a structural principle. As the structural principles are mental constructs that are present in the knowledge of individuals, the spatial stretching must be defined accordingly. For instance, on the functional level, only those persons attached to this level can be incorporated in the analysis.

4.2.7 Some concluding remarks on strategy formation and structural principles

In this chapter, we have focused on strategy formation as a process of structuration. Temporal and spatial couplings of actions that make up the strategies of various time periods have been analyzed. To interpret dissimilarities among scholars, we undertook a categorization on the basis of their views on structures and processes involved in the formation of strategies. In a complementary vein, these views were then related to a socio-cognitive approach in which the cognitive foundations of the interpretive view were conjoined with an attention to the functioning of physical structures as referred to by the linear and incremental perspectives.

From the analysis of some empirical illustrations, ample bearing was given to the socio-cognitive perspective. More specifically, we observed that the pattern in the stream of all actions that follows from a specific realm can be differently coupled with a predominantly shared system of coherent norms being internalized and externalized over time by individuals in that particular setting. In the case of a lack of coupling - i.e. decoupling or noncoupling - between a structural principle and structural properties, the consistency or patterning of all enacted actions is less likely to be delineated. The consistencies that can be observed in these situations have been empirically documented to only refer to techno-, socio- or cultural structures, respectively (i.e. structural properties).

Since a structural principle is to be associated with the “*principles of organization of societal totality*” (Giddens, 1984:376), a domain specific analysis, like an organization, must consider the full breadth of that realm. This breadth implies that a structural principle can be interrelated to the pattern of enacted (inter)actions that can be linked to all actions that stem from such a boundary-specific context. When the structural properties and principles are not coupled, a pattern in all of the (inter)actions (i.e. physical as well as psychical) of an organization is not likely to be present. This likelihood is recorded to increase as the coupling between structural properties and a structural principle becomes tighter.

Hence, the tighter the coupling, the higher the probability of a static and predictable structuration process. It is a general observation among scholars that relative tightening and loosening, as depicted in the figure below, of this coupling is concurrent with static and dynamic reproduction processes, respectively.

As we have applied the socio-cognitive frame to the domain specific contexture of organizations, the following figure portrays the evolutionary processes that are involved in these settings and which together capture the process of structuration. Since the frame is comparative, as discussed earlier, it can be applied regardless of analytical level. The figure is also representative for other contexts like the levels of business units or functional areas.

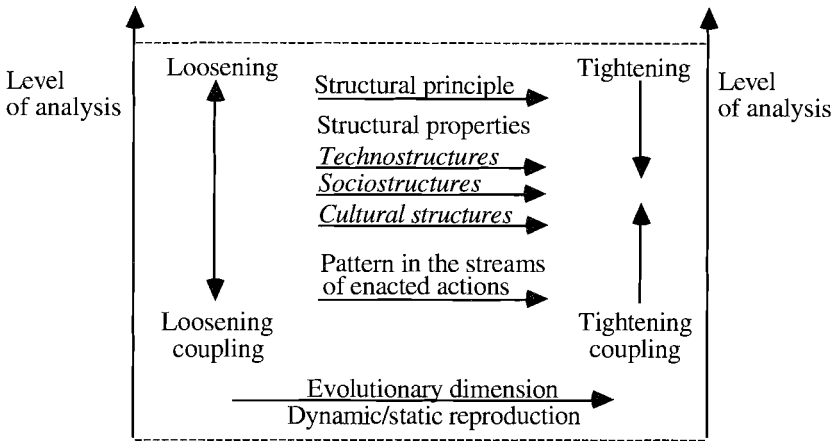


Figure 4.4: Strategy formation as a process of structuration.

The interdisciplinary approach has acknowledged the necessity to encompass both techno-, socio- and cultural structures involved in the formation of a strategy. From an evolutionary perspective, the reproduction of the structural principles, and the interactions associated with these structural properties together make up the “streams” of a strategy. The strategy, or the pattern that is composed of all four streams, then amounts to a set-up of both psychical and psychical interactions (as defined in chapter three). A separation between static and dynamic reproduction processes is widely used by scholars in resemblance to the conceptualization in the previous chapter.

In more or less all of the studies described, managers are argued to be the most active agents in the structuration process. This seems especially valid in the light of the spatial breadth of the coupling between structural properties and a structural principle. To be knowledgeable about this breadth, the individual ought to have something of an overall perspective of organizational activities. It has also been depicted that there are generally few managers that know of this integrating nature of a structural principle. The managers can use structural properties so as to frame the actions of others to follow a structural principle. It was further denoted that norms can be institutionalized to varying extents, and, as a consequence, some norms may be statically reproduced whereas others are replaced through dynamic reproduction.

With very few exceptions, all scholars discussed stress the importance of studying intercontextual extensions, as defined in the first chapter, of the structures and processes involved in strategy formation. Before making a more thorough analysis of this aspect, we need to tackle the issue concerning the roles and influences of managers as they apparently are active in organizational structuration processes.

4.3 Managerial roles and influences in strategy formation

After having delineated the complex nature of the phenomenon of strategy formation as a process of structuration, we can now proceed by focusing on the managerial agency herein. In more specific terms, it is the managerial interactions in the ongoing structuration process that will be the subject of interest.

In the discussion of strategy formation, we have partially observed that this process can be organized in itself. That is, even though strategy formation applies to the process of organizing the interactions within a certain setting, this very structuration process is likely to be organized around certain activities. From a managerial perspective, these activities are then nothing but the interaction patterns that with a temporal continuity (i.e. structures) disclose a kind of organizing of the organizing. In a similar vein, Hosking (1988) views managerial interactions as *“organizing activities”* that dynamically and statically reproduce structural entities. We will now briefly give some commonly portrayed roles (i.e. a labelling of a set of activities) that managers tend to follow as structuration agents. Subsequently, the argument will be made that a key managerial role has to do with the coupling of activities in time and space. The analysis will thereafter convey the managerial influence from the freedom of interpretation and physical action, respectively. Throughout this section, the reciprocal relation between managers and their social embeddedness will be accentuated.

4.3.1 Managerial roles in the process of structuration

The roles of managers is a topic of great interest to scholars and pragmaticians. However, since “managers” is a broad concept, we need to make some clarifications before rendering some of their roles. Here, Mintzberg (1973a, 1988) points out that the level in the hierarchy (i.e. sociostructure) and the function (i.e. technostructure) supervised is a simple, an oft-quoted, classification that can help us explain most variance in the broad spectra of managerial roles within the realms of organizations. When it comes to the hierarchical levels, the three categories low, middle and top managers seem to be a useful and a generalizable crystallization (Mintzberg, 1988). Naturally, by giving attention to particular sociostructures we could probably obtain a more specified typology.

In the first chapter we remarked that top managers are considered to be highly active as agents in the strategy formation process. Further support for this opinion was thereafter given by several empirical illustrations. An explanation for the crucial role of top managers in the structuration process, was also demonstrated by the “breadth” of the

coupling between structural properties and a structural principle. It is, however, not only this knowledge of a structural principle that makes it essential to study top executives. As we have emphasized, these are namely also individuals who, according to various sociostructures, can have the authority to affect the structures and processes of strategy formation.

Given the necessity to study top executives, there is a request to elucidate who belongs to this group. From theoretical sources, it is evident that top managers can be in charge of a certain function (Mintzberg, 1973a; Stewart, 1976). Some executives can then have both a top-hierarchical and a functional role. In addition, several studies have documented the size of firms as an important aspect in interpreting the roles of managers (Yukl, 1989). Let us then briefly portray the roles of top managers with the inclusion of the functional role and the size aspect.

The roles of top managers (in general): For Mintzberg (1973a), there are three sets of roles: “*interpersonal*” - i.e. the activities that are linked to the managers’ status and authority through the development of interpersonal relationships; “*informational*” - i.e. the activities that related to the receiving and transmitting of information; and “*decisional*” - i.e. the activities in which the managers justify their interpersonal and informational roles by actively participating or framing decision-making processes within organizations. According to Pfeffer & Salancik (1978), top managers have three interrelated roles as mediators between the organizational setting and other contextures: “*symbolic*” - i.e. the activities that conform to intercontextual norms; “*responsive*” - i.e. the activities by which managers try to respond to intercontextual resource dependencies (i.e. technostructures); and “*discretionary*” - i.e. activities in which managers attempt to alter the resource dependencies that confront an organization. A final example is Burns (1978), who argues that top managers are “*transformational*” leaders, in that they not only formulate objectives but also try, through various activities, to get others to realize these objectives. It is this role of framing the roles of others, that is accentuated by Selznick and Parsons - see chapter one.

The roles of functional managers: Mintzberg (1973a) makes a distinction between three groups of managerial roles: “*production managers*” - i.e. pursue a relatively large amount of activities to control and negotiate with subordinates; “*sales managers*” - i.e. have a relative emphasis on “*interpersonal*” activities; and “*staff specialists*” - i.e. primarily carry out “*informational*” activities. A similar sub-division of roles is available in a study by Stewart (1976).

Managerial roles and the size influence: A general theme seems to be that the larger the organizations, the more managerial activities will be focused on analytical work (e.g.

Cohen & March, 1974; Yukl, 1989). For instance, in larger organizations the managers spend a lot of time and effort on planning, coordinating, and controlling organizational activities. The managers are less actively involved in participating with subordinates, and these responsibilities are often delegated (Yukl, 1989).

By considering the hierarchical level and the function that is supervised, we have described what Mintzberg (1973a) refers to as "*job variables*". The size of the organization is, however, an "*environmental variable*". Mintzberg also includes how sectorial characteristics influence managerial work in this latter group. Other sets of variables are "*personal*" and "*situational*". These aspects will be focused on later, while discussing managerial influence. The roles described can also be seen as categorizations of the managerial work "*content*".¹⁷ These abstractions embrace a number of activities that more specifically illustrate managerial interactions. Some examples of the content of managerial work can then be in place before examining the managerial influences in the "organizing of the organizing".

4.3.2 Examples of managerial activities

In a comprehensive review of the management literature, Hofer & Schendel (1979:14), suggest that managerial processes are centered around six "*major tasks*". The authors accentuate that these tasks are not likely to follow a sequential order. Rather, the tasks are temporally iterative.

- "*Goal formulation*": To set the goals for the organization is perhaps the most fundamental of the managerial activities in this context. It is upon these goals the organization bases its purpose of existence. Here, the authors stress the presence of political processes among the managers involved.

- "*Environmental analysis*": The search for and assessment of threats and opportunities that are defined by managers as being exterior to the specific organizational realm.

- "*Strategy formulation*": In this task, the two authors re-emphasize an iterative process that considers both individual as well as social values¹⁸. It is noteworthy that Hofer & Schendel refer to what Mintzberg & Waters (1985) conceived to be the "*intended strategy*". Hence, this process contains seven activities: the "*identification*" of the prevailing objectives/goals; the "*analysis*" of the focal organization's resources/

¹⁷ Mintzberg (1973a) distinguishes the studying of the "*content*" of the managerial work from the studies that search for "*characteristics*" of this work.

¹⁸ This strategy formulation process is presented in Hofer & Schendel, 1978.

competencies and its environment; the “*generation of alternatives*” on the basis of a “*gap analysis*”, in which the organization’s objectives/goals, resources/competencies and environmental threats and opportunities are compared; the “*evaluation*” of the derived alternatives; and finally the “*choice*” of alternative.

- “*Strategy evaluation*”: The continuous evaluation of whether the intended strategy will meet its objectives, from both a retrospective and a future-oriented viewpoint.

- “*Strategy implementation*”: This task is different from all the others in that it cannot be “*accomplished analytically and independently of the organization*” (Hofer & Schendel 1979:17).¹⁹ It is above all taken to be an administrative task that reveals the reconciliation of social/political processes.

- “*Strategic control*”: The retrospective control of strategic implementation. The control is centered around both the assessment of the degree to which an intended strategy has been implemented and to whether the results produced here meet the intentions.

Hofer & Schendel (1979) claim that several of the managerial activities described are of an analytical nature, with the intention of making plans. This formulation (i.e. not formation) of norms/values refers, as we have seen, to what Weber (1947) describes as substantive rationality. The task of implementation is then the functional rationality which corresponds to the means of achieving the formulated norms/values. It is worth repeating that Hofer & Schendel, and especially the co-authors Mintzberg (1979) and Bower & Doz (1979), accent that analytical and administrative activities are often intertwined.

From Hofer & Schendel (1979), it becomes clear that in the literature the task of implementation is much less specified than the analytical tasks. This may be seen in the light of Mintzberg’s observation that top managers are relatively occupied with analytical work. However, recent studies have documented the importance of administrative tasks when implementing intended strategies (cf. Hrebiniak & Joyce, 1984; Kimberly & Quinn, 1984; Joiner, 1987; Morgan, 1988). Other studies that elaborate on managerial activities are, for instance: Sashkin & Fulmer (1988) on the basis of in-depth interviews with over ninety top executives; and Ropo (1989) in a longitudinal study of top managers in five banks in Finland. The managerial processes are discussed both as a vertical (i.e. sociostructural) and horizontal/lateral kind. In the latter case, those activities, like analytical work, that cannot be directly linked to vertical or authoritative interactions are disclosed.

¹⁹ Hofer & Schendel (1979) add that none of the tasks can be assumed to be completely analytical.

Considering the complex relationship between intended and emergent elements, as well as analytical and administrative tasks, Pettigrew & Whipp (1991:104) distinguish five “factors” (as portrayed in the figure below) that categorize managerial interactions in the static and dynamic reproduction of structuration processes of organizing:²⁰

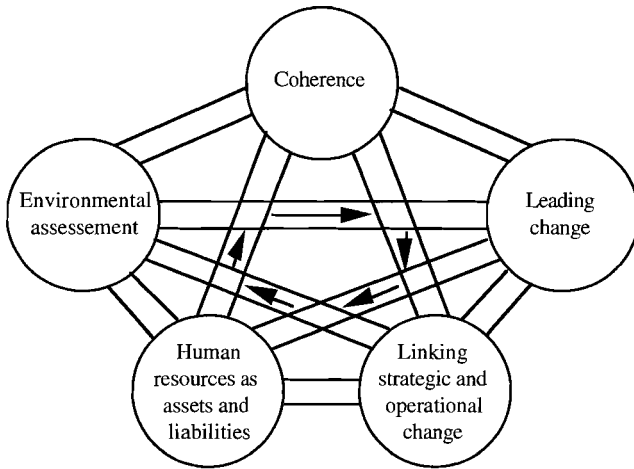


Figure 4.5: “Managing change for competitive success: the five central factors” Pettigrew & Whipp (1991:104).

A main theme in this figure is the illustration that the five factors are interconnected by virtue of managerial interactions. Each factor is anchored in a frame of “*primary conditioning features*” that manifests normative guidance (Pettigrew & Whipp, 1991). Managers try to reinforce these primary conditioning features over time by virtue of so-called “*secondary mechanisms*”. These mechanisms express the logic to match the content of primary conditioning features. Pettigrew & Whipp acknowledge that the managerial processes of articulation and implementation of the primary conditioning features involve both analytical and administrative tasks.

The essence of Pettigrew and Whipp’s (1991) findings is the concept of change, which resembles the notion of reproduction in the process of structuration. Every action is viewed as change even though it only involves a piecemeal transition in relation to preceding interactions. If we overlook Pettigrew & Whipp’s argument that certain action contents are associated with higher “*performance*”,²¹ they delineate several insights on managerial processes:

²⁰ This factors are derived from the differences in the managerial processes between high and low performing companies in a study of four business sectors in U.K.

²¹ The relative “*performance*” is here assessed from three sets of variables that capture short- and long term aspects: “*performance as an outcome state*”; “*the bases of competition on which a firm competes*”; and “*the various capacities which it can develop (such knowledge) to underpin those bases*” (Pettigrew & Whipp, 1991:275).

- "*Environmental assessment*": Except for the technical analysis of an environment, managers pursue activities to get the individuals in the organizational realm to more actively assess the environmental context. Furthermore, managers are trying to construct relation networks and use specialists to get hold of information.
- "*Leading change*": These are the managerial activities to link "*action by people*", which involve, for instance: communicating the need for, as well as the requirements of change; balancing between continuity and the magnitude of change; sustaining coherence; and operationalizing planned activities. The settling of primary conditioning features is considered essential. This conduct involves the building of a climate receptive to change and the capabilities which can cope with change. From a series of organizing experiences, managers also create a "*change agenda*" consisting of governing norms and values.
- "*Linking strategic and operational change*": These are the activities that relate to intentional and emergent elements in the organizing process. In this linking or "*translation*", the managerial processes are highly focused on resolving problems. For instance, managers try to: break down an emergent change agenda into themes or "*actionable pieces*"; recreate and readjust the change agenda continuously in relation to context; and justify the need for a certain change agenda.
- "*Human resources as assets and liabilities*": Relates to the creation of practices on how to, for example, select, train, and compensate individuals at all hierarchical levels within an organizations in order to comply with a change agenda.
- "*Coherence in the management of change*": This factor pinpoints managerial attempts to create and sustain a "*wholeness or consistency*" in an emergent strategic agenda. Managers are, thereby, consciously trying to attain a coherence in their resolutions to the multitude of problems that are being posed in the process of structuration.

A central insight from these activities explicated by Pettigrew & Whipp, is that they unfold the key managerial role of coupling activities in time and space. In relation to most of the activities, which apparently can also be conducted by staff specialists, Pettigrew & Whipp, in relation to Hofer & Schendel, point out the time and effort managers devote to organizing through coupling of various structures and processes so that these are coherent with a structural principle. In their terms, this structural principle is composed of primary conditioning features governing and governed by secondary mechanisms so as to receive coherence. Because these roles or organizing activities are subject to individual and social aspects, we will turn to the question on managerial influence in more detail.

4.3.3 Managerial influences on strategy formation

There exists a rich canvas of theories addressing the issue of managerial influences, and often they are the result of studies of decision-making processes. Managerial influence, as a combination of the freedom of interpretation and of physical action is recognized in several studies. For instance, Allison (1971) makes a typology from the analysis of decisions during the Cuban Missile Crises in which he draws a line of demarcation between cognitive influences and social influences such as so-called organizational and political processes (Schwenk, 1988).²² A similar crystallization between cognitive and organizational processes is also disclosed by Cyert & March (1963), among others.²³ Several studies are more specialized, like Pettigrew (1973) in social processes and Tversky & Kahneman (1974) in cognitive processes. However, the socio-cognitive argument is that these cognitive and social processes are reciprocally dependent so as to uncover the influences of managers. Let us consider this reciprocity in focusing on the managerial freedoms of interpretation and physical action. The socio-cognitive view will thereafter be presented as a summary that bridges the theories discussed.

4.3.3.1 The managerial freedom of interpretation

This concept was earlier referred to as a cognitive process in which established preconceptions influence individuals' enactments or meaning creations of actions to different extents. The social influences on preconceptions - i.e. common sense - were described as the social influence on cognitions. This finding can be substantiated by the studies on decision-making processes and managerial choice.

In decision theories, individual choice is generally described as being subject to a cognitive elimination process (Tversky & Kahneman, 1974). Individuals are documented to regard choice alternatives in terms of sets of aspects (i.e. like, for instance, the price and size of certain goods/service). During the decision process, these aspects are selected in an order that follows a probability function of importance - i.e. the more important, the more likely that aspect will be considered early in the process. If one alternative fails to meet the aspiration level that is related to its set of aspects, that particular alternative is eliminated (Tversky & Kahneman, 1974). By using these elimination processes, humans are capable of handling the complexity of multiple attributes of values (March & Shapira, 1982). Researchers have also found several heuristics or rules of thumb, as discussed in the previous chapter, that simplify the decision process. The existence of heuristics can, however, also lead to biases. For

²² In Allison's (1971) "*model I*" he addresses the question of rational choice and human cognitions.

²³ Cyert & March (1963) relate the goal formation processes within organizations to the individual decision-maker's bounded rationality.

instance, individuals overestimate the likelihood of events that are “available”, that is, easy to recall or imagine from experiences (Tversky & Kahneman, 1974). Other biases include the observations that humans tend to have an overexpectancy, in relation to an objective probability function, of their ability to estimate the probability under uncertainty and of personal success (Schwenk, 1988). It is also possible to find inconsistencies, relative to an objective probability estimate, in choices exposed to people (Kahneman & Tversky, 1979). Based on a review of cognitive theory, Schwenk (1988) proposes the following model to depict social influences on cognitive processes:

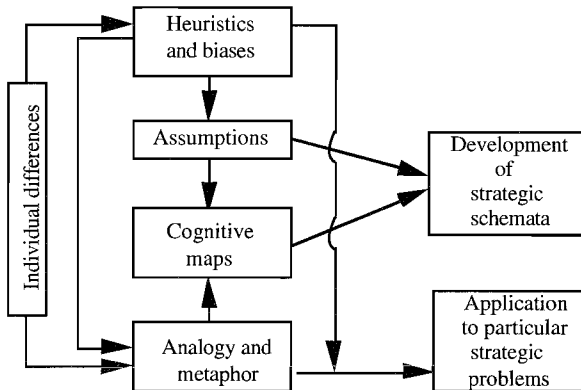


Figure 4.6: “Strategic problem comprehension” (Schwenk, 1988:16).

From this illustration, we can discern how the heuristics and biases described are interrelated to “assumptions” and “cognitive maps”, which together constitute a so-called “strategic schemata” (Schwenk, 1988). The assumptions are taken to be the relatively well-defined premises or hypotheses that an individual has about specific settings. The term cognitive maps contains concepts about aspects of a particular setting, but also cause/effect relations between these aspects. In comparison to these maps, the strategic schemata is here seen as a broader concept which is drawn from several underlying maps and assumptions.²⁴ The notion of “analogy and metaphor” in Schwenk’s model, describes the “transfer of schemata from one domain to another” (Schwenk, 1988:23). Humans then often link experiences (i.e. knowledge) that stem from several schemata in their framing (i.e. interpretation) of problems. This interrelationship together with the “heuristics and biases”, describes individuals’ “application to particular strategic problems”. The model also observes “individual differences” affecting interpretations. For Schwenk, three modes of these differences are delineated in the literature: “cognitive style” (i.e. revealing the complexity of the

²⁴ These schemata are broadly defined here since they closely resemble the notion of “implicit theories” (Sims & Gioia, 1986) that we referred to above.

cognitive structures); “*demographic factors*” (i.e. socially determined traits in the cognitions); and “*personal traits*” (i.e. following the attributions that an individual have).

Schwenk’s model is attractive as it discloses managers’ needs, due to the cognitive processes, to develop preconceptions conditional to their particular social roles as managers. These rules of thumb or recipes for making business, which are parts of the strategic schemata, are then the result of the socially constructed norms that the individual manager experiences. To capture these social influences, the realm in which the manager is embedded has to be considered.

Organizational decision-making theory that, from the perspective of individuals, makes use of a cognitive interpretation of organizations, helps us to encapsulate the social influence on managerial choice. March & Simon (1958) and Cyert & March (1963) argue for the existence of socially shared preference rules, instead of preference functions, which can refer to various levels of aspiration such as survival. The choices of solutions to specific problems then follow from the satisfaction of socially defined aspirations that are associated with the prevailing goals of the organization. Scholars have documented some phases and routines in the decision-making processes behind such choices. Mintzberg et al (1976) present a model in which they classify routines into three phases. Decisions are seen as “*commitments*” to action. The decision process is referred to as a set of actions and “*dynamic factors*” that begin with the “*identification*” of stimuli, which is subsequently followed by a phase of “*development*”, and ends with the “*selection*” and commitment to action. Related to these three phases are routines which interrelations are rendered by six sets of “*dynamic factors*”. Mintzberg et al’s theory helps us relate to several other theories to unfold the social influences of cognitions and, in turn, the freedom of interpretation.

- “The identification phase”:

For Mintzberg et al (1976), this phase incorporates: “*the decision recognition routine*” - i.e. opportunities, problems and crises that are not only recognized but also evoke decisional activities; and “*the diagnose routine*” - i.e. managerial efforts to comprehend the incoming stimuli and determine cause and effect relations. In a similar vein, Johnson & Scholes (1988) refer to a phase of “*problem awareness*”. The authors claim that the routine of recognition implies a threshold that must be met to fuel action. They add that this threshold can vary substantially over time and setting. According to Ottenmeyer & Dutton (1988), organizational routines for interpretation can be categorized on the basis of the dimensions of internal/external “*focus*” and “*intensity*”.

Daft & Weick (1984) consider the identification phase a vital ingredient of their view of organizations as “*interpretive systems*”. That is, organizations are, as we have delineated, open social systems in which there exists an knowledge base that goes beyond the individual by being embodied in structural properties. Decision-making routines are therefore parts of this knowledge base. As to the identification phase, Daft & Weick (1984) put forth the figure below:

Assumptions about environment	Unanalyzable	Undirected viewing Constrained interpretations. Nonroutines, informal data. Hunch, rumour, chance opportunities.	Enacting Experimentation, testing, coercion, invent environ- ment. Learn by doing.
	Analyzable	Conditioned viewing Interprets within traditional boundaries. Passive detec- tion. Routine, formal data.	Discovering Formal search. Question- ing, data gathering. Active detection.
		Passive	Active
		Organizational intrusiveness	

Figure 4.7: “*Model of organizational interpretation modes*” (Daft & Weick, 1984:289).

As portrayed, organizations can be characterized from the mode of interpretation. In accordance with a study of Aguilar (1967), some divergencies within organizations, especially among functionally divided subunits, can be found. We may then argue that interpretation modes can be related to the strategic level analyzed within an organization - i.e. functional area, business and corporate levels of strategy (see above).

In sum, the managerial freedom of interpretation is contingent on socially constructed routines for identifying problems and solutions. This social influence is documented to vary between organizations and over time.

- “The development phase”:

This phase includes, as asserted by Mintzberg et al (1976): “*the search routine*” that decision-makers follow in their actions to generate alternative solutions; and “*the design routine*” in which identified solutions are variably modified to fit the particular problem, or otherwise new solutions are designed.

Johnson (1987) refers to a phase of “*problem diagnosis*” to capture the gathering of information from: the exploration for information to attain a more detailed picture of a particular problem; the rationalization of information and stimuli that is connected to the

particular problem so as to clarify that problem; the search for information regarding the setting in which the problem is to be decided; and the gathering of information and support from those who have the authority to deal with the problem at hand. Similar to the meaning of design routines, Johnson (1987) describes a phase of "*development of solutions*" in which managers are likely to do "*memory search*" by identifying existing and tried solutions or just wait for new solutions to come up - i.e. "*passive search*". If managers are unsatisfied with the results from these forms of search, more "*active search*" is likely to follow.

The focus on search that is stimulated by a problem ought to be complemented by the notion of "*slack search*", which is stimulated by the relaxation of organizational control (March, 1988).²⁵ Moreover, existing problems may search for solutions, but existing solutions may also search for problems (March & Olsen, 1976).

Taken together, it seems as if managers, just as in the identification phase, can be framed in their interpretations on which solutions that are to solve emerging problems. Moreover, the identification of problems can also be framed.

- "The selection phase":

Mintzberg et al (1976) encapsulate three selection routines in this phase: "*the screen routine*" - i.e. activated if a large number of alternatives exist, and involving rapid scanning that eliminates the most unfeasible alternatives; "*the evaluation-choice routine*" - i.e. an alternative is chosen through either a bargaining process or an analysis/judgement process among the decision-makers; and "*the authorization routine*" - i.e. when the decision is moved up in the authority structure of the organization to reach the level where the authority necessary resides.

Johnson (1987) points out that it may be misleading to assert the selection phase as being relatively autonomous from what he views as the "*development of solutions*". This reasoning can be taken even further by arguing that all phases involve some kind of choice mechanisms. Furthermore, the three phases with their routines should not, in most cases, be associated with an undisturbed or steady process. Rather, Mintzberg et al (1976), observe "*dynamic factors*" that cause: "*interrupts*" from environmental sources; "*scheduling delays*", "*timing delays*" and "*speedups*", which are affected by the decision maker; and "*feedback delays*", "*comprehension cycles*" and "*failure recycles*", which mainly stem from the decision process.

²⁵ The notion of "*slack*" refers to "*resources and efforts directed toward activities that cannot be justified easily in terms of their immediate contribution to organizational objectives.*" (March, 1988:4).

When considering the decision-making process as a whole, ambiguity is thoroughly considered in the literature. March (1988) summarizes the debate by deriving four forms of ambiguity:

- "*Ambiguity about preferences*": Empirical studies have come to show that organizational preferences are often not consistent, stable, and exogenous to the choice process. Some degree of ambiguity is therefore always present.
- "*Ambiguity about relevance*": In many cases, problems, solutions and actions are not that tightly coupled. Most often, there is no clear logic of causal linking of these aggregates. For instance, certain problems do not need to be causally related to specific solutions, and causal differences can exist between what individuals say and do.
- "*Ambiguity about history*": Experiences and knowledge can be ambiguous. That is, there is a certain lack of coherence about historical causalities within organizations.
- "*Ambiguity about interpretation*": The very notion of choice can often be a misleading interpretation of the decision-making process. Empirical observations document how individuals in such processes are concerned with influencing a decision that has already been taken. This affects individuals' interpretations of the activities surrounding the decision-making process. As a result, the gathering of information can partly become a symbolic activity.

As March (1988) suggests, most of these ambiguities can be linked with the underlying cognitive processes of individuals. The existence of organizational ambiguity is a basis in the "*garbage can model*" (Cohen, March and Olsen, 1972). In this model, problems, solutions and the participants involved are considered to be three relatively independent (i.e. loosely coupled or even decoupled) streams within organizational realms. Rather than pursuing a consequential order in the convergence of these streams, these scholars propose a temporal order in which problems, solutions and participants are linked by virtue of their simultaneity (March & Olsen, 1976). The theme of temporal order, as conceived in the garbage can model, can be compared with our discussion on structural principles. Within a particular setting, the structural principle (or principles) is embodied in problems, solutions and participants. This means that a structural principle defines the entities that flow in the garbage can. The temporal ordering of decisions is thereby framed by the content of the garbage can, except during periods with variation in the structural principle. We agree with March & Olsen's (1984, 1989) conclusion that boundary specific "*institutions*" can create an evolutionary order. In this respect, the garbage can model reveals that this order stems from an underlying presence of institutionalized knowledge of solutions and problems.

In sum, this section on managerial influences from the freedom of interpretation unfolds the social influences on cognitions. The notion of routine is described to reflect a socially constructed order of meaning that is institutionalized. The routines then frame managerial interpretations when they get established as cognitive preconceptions. Actions and enactments then tend to confirm these routinized or habitualized preconceptions. The cognitive theorists, however, once again stress that personal differences - i.e. the private sense - are never to be underestimated even though the social influences can be substantial. From a cognitive perspective, these routines economize on the managers' cognitive capacity, which implies that managers are in need of routines in order to handle the complexity of their social exposure. The managerial freedom of interpretation is then subject to the social construction of routines that are shared in a spatial realm. Ambiguity about such institutionalized knowledge, for example, of history and what is interpreted to be relevant, can vary over time and place. As proposed by the garbage can model, the temporal dimension can also have an influence on which interpretations will come into effect.

4.3.3.2 The managerial freedom of physical action

As we documented the bargaining and negotiating processes involved in the making of decisions, the managerial freedom of physical action was exemplified. In the foregoing chapter, we observed that freedom of physical action refers to whether thoughts can be realized into action. Such physical constraints may arise because individuals or groups of individuals have different norms/values that they would like to satisfy (Cyert & March, 1963). Simon (1957) suggests several interest groups which seek influence over one another. Those who want to pursue their interests often form coalitions to leverage their influence capacity (Mintzberg, 1983). Managers may be dependent on such support and legitimacy in order to realize their own intentions (e.g. Selznick, 1957; Thompson, 1967; Meyer & Rowan, 1977). The relative influence is said to stem from the influencers' authority or power as captured by our definition of sociostructures.²⁶ The possession of and/or access to tangible/intangible resources, legally enforceable rights and a sanctioning from socially-shared norms, as denoted earlier, represent those sources that the literature in general seems to link with authority influences (cf. Pfeffer, 1981; Perrow, 1986). The authority of managers, defined from these three sources, is just like the freedom of interpretation depicted to be contingent on the particular situation at hand (cf. Pettigrew, 1973; Burns, 1978; Stewart, 1982; Perrow, 1986). However, a capacity to exert influence does not mean much unless the single individuals or coalitions do not have the will or inclination to use it (e.g. Pfeffer, 1981; Mintzberg, 1983).

²⁶ The notions of authority or power are often referred to as the possibility to influence someone to do something that they otherwise would not have (Pfeffer, 1981).

In addition to the possible sociostructural constraints to pursue actions, managers can also be influenced by technostructures (cf. Selznick, 1957; Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Stewart, 1982). A main line throughout the literature appears to be that, following Hickson et al's definition of a technostructure from above, due to the operating and materials technology as well as from technological knowledge there may be constraints.

Hence, managerial freedom of physical action is subject to the socio- and technostructural situation at hand. To fully judge their degree of freedom, all the dimensions of these structural constraints need to be considered.

4.3.4 The managerial influence from the socio-cognitive view

In the socio-cognitive view, it is the conjoined assessment of managers' freedom of interpretation and physical action that encapsulates managerial influence, even though the relative impact of these may potentially differ in time and context.

When relating these aspects to the insight that strategy formation is a structuration process, some conclusions can be drawn. The norms that constitute a structural principle are nothing but mental constructs, conforming to Schwenk's (1988) labelling of strategic schemata. This knowledge does not only help managers to couple activities, and it also frames their awareness of other possible couplings. We may also say that interpretations, which are in line with a structural principle, are further facilitated as they confirm cognitive preconceptions. At the organizational level, the structural principle is the coherent system of shared norms being internalized and externalized by organizational members, including managers. Since this type of institutionalized knowledge is embedded in techno- and sociostructures, the managerial freedom of physical action is also delimited. The degree of coupling between norms of structural principles and structural properties is then an important aspect in the uncovering of managerial freedom of physical action.

We have now discussed and illustrated the rules and influence of managers in the structuration processes of strategy formation. Partly, due to the literature we have drawn upon, the focus has mainly been put on the organizational level. Since strategy formation is, as we have argued earlier, not only conditional to structures and processes within boundary specific contexts, we will now pay more specific attention to the so-called intercontextuality. As an example, to illustrate the need to more fully interpret the managerial roles and influences in relation to structures and processes of strategy formation, Huff (1982) shows how intercontextual the knowledge of managers can be:

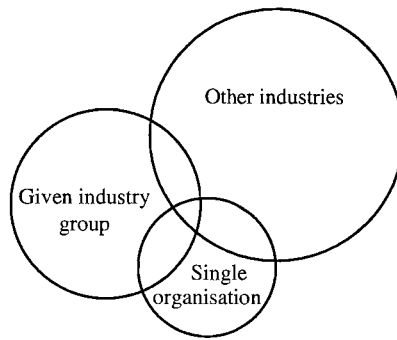


Figure 4.8: “Overlap in strategic concepts” (Huff, 1982:124).

The empirical base of the figure stems from Huff’s studies of the experiences/knowledge that managers use in decision-making processes. She reaches the same conclusion as Rumelt (1979) by claiming that solutions as well as problems can be institutionalized. When explaining this, Huff (1982:122) refers to a “*strategic frame*” which is taken to be a governing base of knowledge - i.e. a knowledge that has become institutionalized as a structural principle. She notes that this knowledge frames the problems, solutions and participants in the decision process, which is in line with our previous finding that structural principles frame decision-making processes, including garbage can related processes. A major implication from Huff’s study is that this knowledge within an organization is differently coupled with other contexts. Similar observations have been made in other empirical studies. It is then crucial to more closely examine the intercontextual influences on the strategy formation of single firms.

4.4 Strategy formation from an intercontextual dimension

In correspondence with the research purpose and questions of this study, our major concern is to explore strategy formation of firms. Hitherto, the analysis has mainly been devoted to the phenomenon of strategy formation from within the realm of organizations, and not so much by considering the intercontextual dimension, as discussed in the first chapter. In addition, we will now more specifically focus on the those structures and processes that thematically can be intercontextually deduced - i.e. from the coupling, as the duality of dependence and independence²⁷, of interactions emanating from an *a priori* defined organization and other socially definable systems. These latter systems are, in accordance with the sector concept, first specified *ex post* - i.e. from the dependencies of an *a priori* depicted organization. By analyzing the

²⁷ See page 66 for a discussion on the notion of coupling.

intercontextual dimension, the ability of the socio-cognitive frame to bridge or compare levels of analysis will be made explicit.

4.4.1 Technostructures and associated resource dependencies

In the field of neo-classical economics a general premise is that price mechanisms (i.e. supply and demand) give information regarding the scarcity and allocation of resources (Krepps, 1990). In the “perfect market”, firms should become price takers with absolutely no influence over decisions and actions. Since the firm must comply with a certain price and, thus, an underlying cost structure, the market becomes “*efficient*” (Krepps, 1990). If we neglect the somewhat extreme position that buyers and sellers act in accordance with prices that contain all available information, more “visible” mechanisms in the allocation of resources can be found in a number of theories.²⁸ Hence, “*markets*” are subject to “*imperfections*” in terms of cost efficiency (Williamson, 1975).

The technological dependencies can stem from various forms of interactions between actors or group of actors. Thompson (1967) describes three technologies which are generally used to illustrate how technological dependencies influence the structuration within and between organizations. Firstly, “*long-linked technology*” involves a serial relation in that some resources have to be created before the creation of another resource can begin. This reasoning has not only been documented within the realms of organizations (cf. Galbraith, 1973; Mintzberg, 1979), but also within sectorial and societal settings. Porter (1985), for instance, uses the concept of “*value system*” to describe that a firm’s so-called “*value chain*” is embedded in a larger stream of activities with an underlying long-linked technological dependence. A second technological dependence disclosed by Thompson (1967) is the “*mediating*”, in which organizational structuration is influenced by linking actors who are interdependent, in terms of resources. Finally, the “*intensive technology*” denotes the adaption to a pool of resource dependencies that can be coupled in a multitude of ways. Thompson (1967) adds, in resemblance with our previous discussion, that technostructures within, as well as between, firms might be loosely coupled or even decoupled with other interaction regularities. Thompson’s widely-used typology is applicable to categorize the kinds of couplings that can constitute a technostructure, and which then substantiate the theme of the foregoing chapter.

²⁸ The notion of resources is often broadly defined in the literature. For instance, Hofer & Schendel (1978) derive five types from an organizational perspective: “*financial*” - i.e. cash flow and debt capacity; “*physical*” - i.e. buildings, inventories and distribution facilities; “*human*” - i.e. scientists, sales personnel; “*organizational*” - i.e. control systems and financial models; and “*technological*” - i.e. high-quality products and low-cost plants.

4.4.2 Sociostructures and associated asymmetrical dependencies

In the sectorial contexts, the existence of legally enforced regulations is documented by several scholars (e.g. DiMaggio & Powell, 1983; Sjöstrand, 1985; Hodgson, 1988). From their historical reviews, Rosenberg (1976, 1982) and North (1981) show how and to which extent legislative regulations have framed the structuration processes at different analytical levels. In the works of Sjöstrand (1985, 1991), the interrelationship between the legal articles of association and the structuration processes of organizations is observed. On the basis of the legal articles, organizations can be legal subjects that can enter into contractual relations with other parties like, for instance, buyers, customers, competitors, unions and trade associations. Contractual rights can, thus, be associated with resource or normative dependencies. Such authoritative discretion over resource dependencies between actors or group of actors can, in the words of Pfeffer & Salancik (1978:49) be derived from *"the ability to make rules or otherwise regulate the possession, allocations and use of resources and to enforce the regulations"*. The two authors argue that this ability to make regulations and rules can influence not only the existence but also the concentration of power. They give the example that some laws - i.e. legally enforceable rights - can permit, like workers' unions, or prohibit, like in interactions among competitors, the concentration of power.

Resource dependencies can also create sustained asymmetrical dependencies, even though they are not tied to contractual rights. Porter (1988:60) argues that there are five *"forces"* that influence the control over flows of resources,²⁹ and which are all related to *"an underlying structure, or a set of fundamental economic and technical characteristics"*. The essence of this reasoning is that the five forces are the mechanisms that can help us predict the outcomes of this *"game"* for resources. In a comprehensive categorization of sources that fuel asymmetrical control of resource dependencies between actors or groups of actors, Pfeffer & Salancik (1978) give priority to three such types of sources: *"resource importance"* - i.e. the extent to which the resource is required for operations; *"discretion over resource allocation and use"* - i.e. the extent to which an actor or a group of actors possesses, has access to and/or control the usage of resources³⁰; and the *"concentration of resource allocation"* - i.e. the relative scarcity or availability of resources.

²⁹ Porter (1980, 1988:59) here gives attention to the five forces of the: *"threat of new entrants"* - i.e. the entry of actors that affect the density of competition for available resources; *"bargaining power of suppliers"* - i.e. the game for input resources; *"the bargaining power of buyers"* - i.e. the game for output resources; *"threat of substitutes"* - i.e. influencing the underlying pool of available resources; and *"intensity of rivalry"* - i.e. the game between the actors with similar input and output relations towards suppliers and buyers, respectively.

³⁰ Pfeffer & Salancik (1978) add that this discretion is further dependent on the ability to make and enforce rules, which then creates an authoritative dependence.

Moreover, according to Mintzberg (1983), the number of players in the games is considered to be an important predictor of outcomes. Williamson (1975) assumes that most games are based on “*small numbers exchanges*” in that the outcome of resource allocating moves by one actor is dependent, at least to some extent, on the reactions of other parties. This assumption of oligopolistic exchange of resources also underlies the “five forces” theory of Porter (1980). A parallel can be drawn to game theorists who have observed that games can often have several unpredictable outcomes (e.g. Tirole, 1988; Fudenberg & Tirole, 1990).³¹ This unpredictability has been documented in simulations that have considered several set-ups of the number of players and resource distributions (Fudenberg & Tirole, 1990).

Finally, normative dependencies can be a source on which authority rests. Selznick (1957) and Meyer & Rowan (1977) posit that opportunities to adapt to shared norms can legitimize an asymmetrical use of control over those who for one reason or another do not pursue such adaptations.

In sum, consistent and asymmetrical control can apparently be based on legally enforceable rights and/or a normative sanctioning, which is in line with our precedingly discerned insights. An extension of the earlier finding is that the asymmetrical control stemming from underlying resource dependencies between interacting parties is essentially, as defined by Pfeffer & Salancik (1978), grounded on the discretion over important and scarce resources as well as the allocation and usage of resources.

4.4.3 Cultural structures and associated normative dependencies

In order to capture the complex nature of normative dependencies, the analysis will first turn to the general discussion on the influence from “professional” norms on strategy formation processes. Subsequently, the focus will be on the link between norms and uncertainty reduction.

DiMaggio & Powell (1991b:70) interpret professional norms “*as the collective struggle of members of an occupation to define the conditions and methods of their work, to control the production of producers, and to establish a cognitive base and legitimation for their occupational autonomy*”.³² The two authors give special attention to two aspects that arch across organizations: education; and the growth and elaboration of professional networks. In compliance with these aspects, several scholars have

³¹ This multitude of outcomes that has been observed in game theoretical simulations is often referred to as “*folk theorems*” (Fudenberg & Tirole, 1990).

³² In this citation, DiMaggio & Powell (1991b:70) note that the phrase “*the production of producers*” follows from Larson (1977).

accentuated the role of education and professional networks in the development of intercontextual knowledge that states how things should be done (e.g. Larson, 1977; Galaskiewicz, 1985; Freidson, 1986).

In a study of the development of art museums in U.S. from 1920-40, DiMaggio (1991) gives a cadre of explanations that can be linked to professionalization. He emphasizes the role of education in the creation of an intercontextually shared body of institutionalized knowledge which influenced the processes of structuration both at the sectorial and organizational levels. For example, DiMaggio describes the process in which the structuration of museums proceeded in tandem with the expansion of higher education in arts at universities. The result was a principal body of knowledge that was shared among the members of the “*new*” profession. The author does not only exemplify the diffusion of knowledge through professional networks, but also how that knowledge can become embodied in the art museums’ cultural, socio- and technostuctures. As a result, the strategies of the art museums became more homogeneous.

The scholars also suggest that the filtering of personnel is an important mechanism in the course of professionalization (DiMaggio & Powell, 1983, 1991b). They exemplify how this filtering can be reflected among organizations through recruitment, training, promotion and control of personnel. The individuals are, thereby, socialized into a frame of expectations, which can be seen as a less formal process of education.

Empirically, several studies recall the professionally derived socialization process. For instance, Murray (1985) compared 1425 managers in two industries (i.e. food and petroleum) and found that the executives had an average of twenty years of experience in, not only a particular organization, but also in a particular industry. He reports that during this period managers were exposed to a learning process in which they came to develop knowledge which specified how things ought to be done. Kotter (1982), in a case study of fifteen managers, concludes that these were not generalists, but had specialized knowledge, an “*agenda*”, of their respective firms and industries which, for instance, included knowledge of whom to contact for different purposes. The industry-related knowledge of managers is further captured by Spender (1989) in a study of three industries in U.K., which, thereby, conveys the professional proximity among managers within intercontextual settings. Further, Pfeffer (1981) and Kanter (1977) document something of a managerial order of succession that follows certain professions within organizations and sectors. Intercontextual professionalization is documented to follow from the flow of individuals between organizations (e.g. Galaskiewicz, 1985, 1991; DiMaggio, 1991). We will also include those inquires that focus on the interlocking of boards of directors (e.g. Useem, 1982; Palmer, 1983).

Hence, there are a number of studies on the development and reproduction of institutionalized knowledge that span the realms of organizations. It is this intercontextuality of processes that sheds light on how norms, associated with the structuration processes of organizations, can be interpreted.

Related to the existence of norms is the human desire to reduce uncertainty by creating a more predictable and stable reality (Sjöstrand, 1985). At the organizational level, we noted that decision-making processes are exposed to a variety of ambiguities (March & Olsen, 1976; March, 1988). As a response to the uncertainty involved in decision-making, scholars have found mimetic processes between organizations. In DiMaggio & Powell's (1983, 1991b) view, it is often the solutions which are interpreted as successful or legitimate that tend to be imitated. This hypothesis is confirmed in a study of charity organizations by Galaskiewicz & Wasserman (1989). They found that "safe" solutions were adapted in situations of characterized by uncertainty. Further, in a study of 150 publicly held business corporations, Galaskiewicz (1985) observes that decision-makers turned to those they interpreted as having a high status.

In a restudy of Chandler's (1962) study of the spread of the multidivisional structure among large organizations in U.S., Fligstein (1985) shows how and to which extent top executives of the firms carefully observed one another and thereafter adapted what were considered to be successful strategies. Fligstein (1985) also gives examples of the dissemination of solutions not directly linked to, although documented, uncertainty among managers. By the same token, Westney (1987) recognizes how Japan sent out officials to different countries during the late nineteenth century to study "successful" Western prototypes like courts, police and banks. It was the expectancy of positive feedback that initiated the formation of norms. According to Douglas (1986), mimetic processes are more likely to occur when individuals interpret solutions that can be transferred. A solution is then interpreted on the grounds of its applicability to the time and setting to which it is going to be transferred (Douglas, 1986). Hence, the higher the perceived generalizability of a solution, the more likely that the solution will be imitated.

Among the scholars that empirically denote the existence of mutual cooperation, it is possible to unfold norms that reduce the will of interacting parties to exercise their respectively enjoyed asymmetrical control over one another. For example, network and exchange theorists (e.g. Blau, 1964; Lincoln, 1982; Håkansson, 1987; Johanson & Mattsson, 1988), who generally posit the importance of underlying resource dependencies, entail the presence of long-term relations in which the involving parties create a high degree of mutuality over time. This "*evolution of cooperation*" is also disclosed by Axelrod (1984) in his study of computer simulated games and historical exemplifications. In theories related to microeconomics, expectations like, for instance,

the threat of new entrants and substitutes as well as how the participating actors are going to use the resources they control (Porter, 1980), are also considered to affect the game for resources. Norms can then define the will among the interacting parties to exercise asymmetrical control over one another. Depending on the time and setting, this may vary from low to high - i.e. from cooperation to rivalry.

In sum, it seems as if normative dependencies potentially can be tightly coupled with the physical interactions of techno- and sociostructures. Cultural structures can be distinguished in relation to, technostructures, like professional cultures, and sociostructures as the will to exercise control that results from asymmetrical interactions. This uncovers the possible presence of techno- and sociostructural cultures that specifically can be associated with the interactions of the techno- and sociostructures, respectively.

4.4.4 Some concluding remarks from a socio-cognitive perspective

Some observations can be made from the discussion and empirical examples of different forms of dependencies that influence the strategy formation of organizations. While many scholars posit the importance of physical dependencies, others stress the impact of the psychical ones. On the other hand, the psychical content of the interaction processes are made vivid in the studies that report the influence of social norms. Scholars also differ in their opinions regarding the extent to which intercontextual processes influence the structuration of organizations. While some argue that the contextual and intercontextual processes are highly dependent, others suggest that the processes are decoupled. In accordance with the socio-cognitive view, only one thing seems to be sure - the relative degree of coupling is a result of both physical and psychical interactions. The coupling between these two dimensions over time, by comparing physical and psychical structures, are often not empirically provided for.

Those who stress the physical interdependencies do not often give much attention to organizational divergencies from these in the long run. The major thesis is that the structural properties of an organization in the long run become more or less a blueprint in relation to the resource contingencies that the organization faces (e.g. Hannan & Freeman, 1977; Aldrich, 1979). Heterogeneity in relation to other organizations is explained by the existence of "*niches*" - i.e. "*distinct combinations of resources and other constraints that are sufficient to support an organizational form*" (Aldrich, 1979:28). These organizations then adapt to unique or distinctive resource bases, which, in turn, implies that they develop a distinctiveness in relation to other organizations (Hofer & Schendel, 1978).

Among the literature focusing on normative dependencies, we also noted that psychical interactions, like professional ones, may have a significant impact on the strategy formation process. Here, it seems as if organizations run by managers with similar experience are likely to follow similar strategies. Heterogeneity is, from this perspective, interpreted from individuals' reflexiveness or awareness and, thus, "private sense". Moreover, the dissemination of the physical content of intangibles, like information, as well as the normative content of psychical interactions is likely to be subject to digression from the original state (cf. Fligstein, 1985; Winter, 1987; Zander, 1991; Leblebici et al, 1991).

4.5 Concluding the theoretical analysis

The summary of the theoretical analysis is constituted by the mutual representation of the two theoretical chapters as these together correspond to the first stage in the two-stage process of theory construction. The conduct of the thematic analysis implies that this first stage is to be encapsulated as themes deduced. In the next chapter, these themes will be used to bridge the richness of theories with empirical observations.

Ample support has been given for the view that strategy formation is best seen as a process of structuration that encompasses definable structural properties and a structural principle. It is the interactions associated with these structural configurations that make up the "streams" of a strategy when regarded as be the pattern in the streams of enacted (inter)actions. The notion of structural properties renders separable techno-, socio- and cultural structures, whereas the structural principle consists of those psychical interaction regularities of norms that predominately govern the coupling of the structural properties in time and space.

A more precise conceptualization of the structural properties and principles which have been retained in this chapter is given in the summary of chapter three. In addition to these definitions, it is on the basis of the fourth chapter that underlying resource dependencies of technostuctures can be categorized as either long-linked, mediating or intensive.³³ A further extension of the conceptualization made earlier is that asymmetrical control, besides being grounded on legally enforceable rights and normative dependencies, can stem from resource dependencies due to the interacting parties' discretion over important and scarce resources as well as the allocation and usage of resources.³⁴ From a temporal dimension, these depicted structures are

³³ The more precise definitions of these dependencies follows from Thompson - see page 124 .

³⁴ The more precise definitions of these sources to asymmetrical control follows from Pfeffer & Salancik - see page 125-126.

demarcated as either static or dynamic reproduction processes. The static process is associated with those interactions that maintain or reinforce preceding interaction regularities (i.e. structures), whereas the dynamic reproduction relates to the eruption of such structural natures of regularity. It is also disclosed that these processes of various structures need to be analyzed separately, as dynamic reproduction of one structure does not have to involve dynamic reproduction of other structures. Norms can be institutionalized to varying extents, and in consequence some norms may be statically reproduced whereas other norms are replaced through dynamic reproduction. Together, these conceptualized structures with their associated processes are the thematical representations of the structures and processes involved in the strategy formation of firms.

Another derivable theme concerns the coupling of structures and processes of strategy formation.³⁵ This coupling, which is delineated from the foregoing chapter as the conjunctural dependence and independence of interactions over time, comprehends both the relations within and between structural properties and structural principles. It was noted that the tighter the coupling, the higher the probability of a static and predictable structuration process. In cases of weak coupling or decoupling, neither a strategy (i.e. a pattern in the streams of enacted actions) nor a structural principle is likely to be present. It is a general observation that relative tightening and loosening of couplings correspond to static and dynamic reproduction processes, respectively.

A final theme addresses the roles and influence of managers -i.e. the managerial agency - in relation to the structures and processes of strategy formation. In more or less all of the studies considered, managers are argued to be active agents in the structuration processes of organizations. In the plethora of roles that are entailed to unfold the work of managers³⁶, a distinct managerial role relates to the coupling of activities in time and space. Top managers, in terms of hierarchical position, are mentioned to be knowledgeable of the system of coherent norms that compose a structural principle. It is the role of having the overall responsibility for coupling organizational activities that makes them likely to retain this institutionalized body of knowledge.

Managerial influence is seen as the juxtaposition of a freedom of interpretation and of physical action. The socio-cognitive vein of integrating cognitive and social influences is accentuated. Both the roles and influences of managers - i.e. the managerial agency - are dissected in relation to the structural configuration under consideration. In other words, the structures are the premises of action that guide and are guided by managers in their roles as change agents in ongoing structuration processes. The managers draw

³⁵ The more precise definition of the notion of coupling follow from Orton & Weick - see page 66.

³⁶ Some general examples of such roles are described on the pages 109-114.

upon the existing structures, to varying degrees, so as to pursue actions. The “degree” is, from a cognitive viewpoint, entailed in the individuals’ reflexiveness towards the psychical structures - i.e. the freedom of interpretation. In relation to the techno- and sociostructures, managerial influence can be captured as the freedom of physical action. Managerial agency is then most extensive when a high degree of freedom of interpretation and physical action coincide, even though this is not always the case.

More specifically, the managerial freedom of interpretation is contingent on the routines of spatial settings. The routines reflect socially constructed and shared meanings that are institutionalized or taken for granted. The routines then frame managerial interpretations as they become represented as cognitive preconceptions. Ambiguity about such institutionalized knowledge, which can vary with time and setting, increases the managers’ degree of freedom of interpretation. The cognitive theorists further stress that the complexity of cognitive processes, which foster personal differences (i.e. private sense), is not to be underestimated even though social influences can be substantial. From a cognitive perspective, the routines are considered to economize on managers’ cognitive capacity, which implies that managers are in need of routines for handling the complexity of their social exposure.

The themes also uncover the necessity to consider the temporal and spatial extension of the structuration process of strategy formation. Since the existence of fully autonomous structures and processes of single organizations has not been revealed, it is crucial to include the intercontextual dimension so as to give due account to the spatial breadth of the strategy formation of firms. An intercontextual relation refers to the coupling, as defined above, between an organization and possible other socially definable systems that can be specified *ex post* - i.e. from the couplings to an *a priori* depicted organization. The search for such other systems is then boundless, in that no *a priori* set outer boundary is used to delimit the search. To enable the linking of analytical levels from the notion of coupling, the conceptualization of structures and processes has not been derived from the single handed attention to one particular level of analysis.

Chapter 5

THE GENERAL ANALYSIS

5.1 Introduction

In conjunction with the outlined methodology, this chapter constitutes the state of knowledge saturation reached from the second stage in the two-stage process of theory construction. No further information has been added to this representation of an intersubjectively shared (i.e. objectified) knowledge. The analysis towards this knowledge drew upon a thematic linking of texts, which involved both *ex ante* and *ex post* processes so as to retain and extend the themes that emanated from the theoretical analysis by virtue of empirical texts. Hence, even though the initializing *ex ante* process followed from the informative content of the theoretical themes, the content was allowed to be extended and not only retained. The knowledge of these retentions and extensions of the theoretical themes is abstracted more from an empirical rhetoric in this chapter than it will be in the next chapter, the “Synthesis”.

The attained knowledge is structured along the same principle as the underlying thematic analysis (see next page). The reason for this is to give readers insight into how each theme has been analyzed, thereby enabling a critical evaluation of the retentions and extensions empirically uncovered. Since the themes evoked in the research questions broadly defined the frame of analytical guidance, the knowledge is structured around these themes, thus providing correspondence to the research questions.

The two analytical dimensions, one spatial and one temporal, that were used in the analysis will further structure the presentation of the state of knowledge reached. In addition, the content or the “what” of themes associated with strategy formation and managerial agency will be also disclosed.

Since the research purpose is to study strategy formation of firms, the spatial dimension took into consideration the context-specific realms of the life insurance companies.¹ As an approach to avoid receiving an overly organization-oriented view of strategy formation and managerial agency, an intercontextual dimension was analytically taken into account. The boundary of this intercontextual dimension was not, as clarified earlier, defined on an *a priori* basis but followed from the intersubjective

¹ A description of the life insurance companies and the groups follows in appendix A.

interpretations made in the empirical texts. The temporal dimension interrelated the empirical findings by a chronological order, so as to encounter the evolutionary aspects of structural properties, structural principles and managerial agency. The themes and the two comparative dimensions (i.e. the temporal and the spatial), which together set the structure of the analysis, are given premise in the succeeding sections:

<div>Themes</div> <div>Dimensions</div>	Structural properties			Structural principles	Managerial Agency (modalities of action)	
	techno-structures	socio-structures	cultural-structures		structural properties	structural principles
Spatial	organizational	5.2.1.	5.2.5.	5.2.9.	5.3.1.	5.5.1.
	intercontextual	5.2.2.	5.2.6.	5.2.10.	5.3.2.	5.5.2.
Temporal (evolutionary)		5.2.3.	5.2.7.	5.2.11.	5.3.3.	5.5.3.
					5.5.5.	5.5.7.

Figure 5.1: The structure of the analysis

This structure of the analysis reveals that we, at the outset, will focus on the themes of structural properties and principles. Notably, the processual aspects of these structures follow from the temporal dimension. Subsequently, the roles and influences of managers (i.e. managerial agency) in relation to structures and processes in time and space are asserted. In section 5.4 the coupling of structural principles and properties is divulged, and in section 5.6. the roles and influences of managers in this coupling are added to the picture. The chapter also includes summaries that bridge the various parts into more comprehensive delineations.

So-called empirical illustrations from the primary sources will be used, especially in those cases where the primary sources predominated the empirical data in the analysis. The notion of illustration signifies an intersubjectively shared interpretation which is representable for the informative content of a theme. If the informative content is less specified, several illustrations are used to expose the scope of interpretations.² In order to give recognition to the complexity uncovered by the thematic analysis, so-called convergencies and divergencies will be retrieved. Both of these two types of illustrations are equally well established thematically, and are only accustomed to entail empirical variations.³

² These illustrations are translations of interviews conducted in Swedish.

³ It is important not to confuse these illustrations with the divergencies sorted out and the convergencies manifested during the conduct of the thematic analysis - see methodology.

When interpreting the content of interactions being linked to the various themes, it is crucial to be aware of the inextricable linkage between the spatial and the temporal dimension. An increased specification of the informative content of a theme is then received from the consideration to both dimensions. Finally, it is worth once again emphasizing that it is the intersubjective or generally shared interpretations of the various themes that will be manifested as follows.

5.2 Strategy formation and structural properties

5.2.1 Organizational technostuctures

The technostuctures within life insurance companies studied during 1986 and 1991 are broadly divided into three separable, although interdependent, functions of transformative activities.⁴ These were the actuarial, the sales and marketing and the investment work-flow operations. Obviously, there existed a plethora of other kinds of activities, but these three are considered to have been the primary ones making the supply of life insurances possible.⁵ In general, all of these primary functions of activities were, to a significant extent, conducted by the life insurance companies and their associated groups. A minority of firms diverged from this in-house orientation, in that they more or less completely allowed others to fulfill at least one of the three functions.⁶

In relation to one another, the three functions followed something of a semi-sequential work-flow interdependence in which the sequentiality was not as strict. The actuarial activities are acknowledged as having provided the grounds upon which a life insurance product was built. Subsequently, the sales and marketing function continued the operations by, to different degrees, specifying an insurance to customers' needs and requirements. After this specification, further actuarial proceedings were undertaken in order to determine the future obligations between the insured and the insurance company. When the content of an insurance contract had been set, the premiums were subject to both investments and actuarial activities.⁷ Broadly, the latter operations

⁴ The notion of transformative captures the change of physical resources from one state to another.

⁵ This distinction between primary activities and those other activities that have the function to support the primary ones is described on page 62

⁶ See appendix A for a review.

⁷ The categorization of the actuarial function is here very broad as it, besides the "traditional" actuarial operations of calculating risks, premiums, dividends etc - see below, includes the work-flows associated with data systems engineering and programming as well as the administrative maintenance of insurance contracts entered into.

were devoted to regulating life insurance companies' debt (i.e. the technical reserves) to the insured, whereas assets of the companies were the concern of the investment function. In addition, there were activities to administer obligations met in contracts. To capture this reasoning, the essence of life insurance needs to be defined. Simply put, life insurance is a contract in which two parties, the insured and the life insurance company, enter into certain economic liabilities. The insured agrees to pay premiums and the company agrees to pay refunds in accordance with the contract. Such a contract is described as a "package" of two main components: saving, and risk-taking. It is the risk-taking component of the contract, which includes a life benefit insurance ("livsfallsförsäkring") and/or a death benefit insurance ("dödsfallsförsäkring"), that distinguishes a life insurance from ordinary saving. Life insurance products are then discernible from the relative amount of risk-taking and saving embodied.⁸

From this general picture of the interrelationships among various elements in the technosstructural transformation of life insurance, we will now in greater detail consider each of the three transformative functions from: the operating technology; the materials technology; and the technological knowledge.⁹

5.2.1.1 The actuarial function

A central objective with transformations of this function, when broadly defined, was to provide something that is characterized as an infrastructure on which the packaging of the saving and risk-taking elements of a life insurance were to be based. A central part in building this infrastructure comprised the work on the so-called technical bases ("försäkringstekniska grunderna"), which included the calculation principles of premiums and dividends (i.e. interest on outstanding claims) among other things.¹⁰ Since liabilities entered into when signing an insurance contract are subject to future conditions, the technical bases are seen as fundamental in that they contained the underlying assumptions regarding: the discount rate for calculating the capitalized value of future payments to insured; the probabilities of mortality and other risk items; and the expenses of operating an insurance.¹¹ Because the premiums expressed in such

⁸ A comprehensive description of life insurances is presented in appendix A.

⁹ This categorization of the technosstructure follows from Hickson et al (1969) - see page 62.

¹⁰ More specifically the technical bases also encompassed the calculation principles of premium reserve, surrender value ("återköpsvärde"), equalization fund ("utjämningsfond"), bonus, and allowance. Further, the technical bases expressed the limit for self-retention of the company with respect to the insured risks, usually in terms of probability of ruin (see the technical bases of the respective company).

¹¹ The companies usually made a distinction between those expenses that had to do with the establishing of an insurance (i.e. costs of selling and risk calculations etc) and those that were associated with administration of the insurance after the settlement of the contract (Bergeliv, 1989).

contracts were not allowed to rise, these assumptions were given a safety margin in order to guarantee that agreements entered into could be met.¹²

A considerable statistical work was carried out to enable the estimation of probabilities, which is often described as a reason why no company was doing this without outside assistance. The operations of the other components of the technical bases were however with few divergencies more of a company-specific activity. Here, it was mainly the smaller firms, in terms of premiums, which were relatively less in-house focused. Nevertheless, some practices, from which few firms diverged, for calculating premiums and dividends are observed to have prevailed. The guiding practices were, during most of the time period in question, primarily laid down in the so-called Technical Bases of 1964, which had been ratified by the Swedish Private Insurance Supervisory Service ("Försäkringsinspektionen").¹³

In addition to the proceedings to determine the technical bases, the work on the infrastructure also encompassed the building of data systems. It is through these systems that the each customers' life insurance could be estimated and administrated. Apparently, no company constructed these data systems entirely on their own, even though the larger firms, in terms of premiums, generally used outside consultancy to a lesser extent than the smaller ones.¹⁴ Another distinct observation is that the more complex life insurance products supplied by a company, the more in-group oriented was the building of these systems. Divergencies from these lines of conduct are foremost found to have been in force among smaller firms, like Ansvar Liv.

After the specification of an insurance through various sales efforts, further estimations were undertaken in order to define the economic liabilities between the insured and the insurance company. It was an actuarial matter to see to it, both when specifying contracts and during the periods when contracts were in force, that the insurance company fulfilled its economic obligations and that the insured paid their premiums. The administration of this issue, after contracts were signed, is thereby most commonly seen as being the actuarial concern. This administration was, in general, a highly in-group oriented activity. The mutual life insurance firm Livia, founded in November 1988, diverged from the general praxis as they had their administration taken care of by Nordbanken.¹⁵

¹² A more detailed description follows in appendix A.

¹³ On the first of July 1991, the Swedish Private Insurance Supervisory Service merged with the Swedish Bank Inspection Board ("Bankinspektionen") into the Financial Supervisory Authority ("Finansinspektionen").

¹⁴ See, for instance, the annual reports of the respective life insurance companies (1986-1991).

¹⁵ The annual reports of Livia (1989-1991).

In the actuarial function, it was mainly the materials technology of both computer hardware (i.e. the machines) and software (i.e. programs) that was used, and no divergencies among the firms are made explicit in this respect.

Technological knowledge within the organizations was, according to the majority of interviewees, dependent upon the degree to which the work-flow operations were carried out in the organizational context or not. The implication is that the in-group location of actuarial transformations fostered the creation of knowledge. Divergence of the knowledge to build actuarial data systems is then argued to have been linked to the degree to which the firms conducted these operations or not. The knowledge involved in working routines is mainly described to have been centered around the areas of: statistics, mathematics, data systems engineering, and programming.

5.2.1.2 The sales and marketing function

This part of the technostructural transformation encapsulated a large number of activities which together are evoked as the providing of means so that customers could and would purchase life insurance. Apart from activities such as promotion, advertising, customer selection, and customer relations, the sales and marketing function is considered to have added services by bridging a life insurance covering the needs and requirements of customers.

When defining the organizational setting from the boundaries of the respective groups, the large majority of firms used their sales and marketing activities to combine life insurances with other financial services. The most usual combination is surfaced to have been the one between life insurance and non-life insurance. These combinations of activities were, however, more or less applied, and in some firms they were largely non-existent. For example, Ansvar Liv and Wasa Liv made a relatively clear differentiation between the sales and marketing of life and non-life insurance. Obviously, the firms that did not have a legal right (i.e. concession) for non-life insurance business or banking, or were parts of groups providing these services, like Aktiv Försäkring, Allmänna Änke- och Pupillkassan and Livia, did not cover these combinations to their in-group operations.

Some firms sold and marketed a majority of their life insurances, in terms of premiums, through firms which did not belong to the same group.¹⁶ It is acknowledged that a key role of these life insurance companies was to coordinate the sales and marketing

¹⁶ This group involved: Aktiv Försäkring (since 1992 Fondförsäkringsaktiebolaget SE-Banken Försäkring), Förenade Liv, SparLiv, and Svenska Fondförsäkringsaktiebolaget (the annual reports of these respective companies, 1986-1991).

undertaken by others. However, most companies sold and marketed the majority of their life insurance themselves. Several of these firms were affiliated to groups incorporating non-life insurance companies, like Ansvar Liv, Folksam Liv, Länsförsäkringar Liv, Länsförsäkringar Fondliv, SkandiaLink, Skandia Liv, Trygg-Hansa Liv, Wasa Fondförsäkring and Wasa Liv. Here, an employed sales force was, in terms of premiums, by far the most predominant method of distribution.¹⁷

The materials technology used in the work-flow operations of sales and marketing was largely, as in the case of actuarial activities, various data systems or other facilities like manuals and tariffs so as to specify the packaging of the risk-taking and saving components of a life insurance contract. The infrastructure of products and production systems, emanating from the actuarial work, were utilized. Moreover, information systems, including different data bases, were commonly implemented by the firms to target and select markets, but also to receive data concerning customers.

In resemblance with the actuarial knowledge, the sales and marketing knowledge was manifested in the routines of the daily work-flow operations. For instance, it is observed that the difference between operating the sales and marketing by own means or through others was associated with dissimilar knowledge structures.

5.2.1.3 The investment function

This function was, with a few exceptions, conducted by the companies. In groups where business lines other than that of life insurance were operated, the investment function was always shared by all businesses. Among the few companies not active in investment activities themselves were Aktiv Försäkring, Livia and SparLiv.¹⁸

It is recognized that the investment operations diverged with the underlying assets. A breakdown of the assets into money market loans, bonds and debentures, shares and participations, convertible loans, real estate, municipal loans, mortgage loans and life insurance loans is taken to capture the major differences of the investment procedures. Apart from this insight, the companies hold varying amounts of these assets in relation to their respective total assets.¹⁹ The most striking deviation was the newly-founded firms, except those providing unit-linked life insurances, which due to legislative principles contained rather more bonds than the average. A generally assigned practice

¹⁷ Divergent from this group of firms, Trygg-Hansa Fri Placering, which was wholly owned by a group - i.e. Trygg-Hansa SPP Holding - that provided both life and non-life insurance, sold and marketed relatively more of their insurances through an outside actor, a bank named Gota banken.

¹⁸ The annual report(s) of: Aktiv Försäkring (1991), Livia (1989-1991), SparLiv (1991).

¹⁹ The investment portfolios of the respective firms are portrayed in appendix B.

was to maintain a correspondence between the solvency margins and the risk of investment portfolios.^{20 21} The higher the solvency margin of a company, the higher the risk contained in the combined investments assets. Even if the relative orientation of the investment operations not fully converged among firms, the risk/solvency margin correspondence remained nearly to equal.

The investments of the seven unit-linked life insurance companies were connected by the assets of their respective funds, which, can, in turn, be categorized into the assets mentioned above. The investment activities of the unit-linked companies did thereby not diverge in any significant respects from other life insurance firms.

Simply put, the materials technology of data information systems and other data systems was widely used so as to enable valuation and trading. It is asserted that the knowledge was particularly connected to specific valuation and trading techniques of the underlying assets above crystallized. The extent to which these investment operations were conducted is, as in the earlier two functions, seen to reflect the knowledge structure of the various firms.

5.2.2 Intercontextual technostructures

From both the primary and secondary sources, the three primary transformational functions conducted in the organizational contexts are recognized as parts in an overall mediating technostructure in which actors with resource dependencies were linked to one another.²² Both the saving and the risk-taking element of a life insurance were conditional to this mediation of resources among actors. The life insurance companies both reallocated the premiums of the insured to various investments and distributed risks among individuals within certain collectives. Let us thus explore the mediating technostructures that place the semi-sequential work-flows of the life insurance companies in an intercontextual perspective.²³

²⁰ See, for instance, Friberg (1990).

²¹ The solvency margin is the ratio of surpluses to premium income for own account, expressed as a percentage. The surplus is then the sum of equity, untaxed reserves, bonus funds and surplus (deficit) in values of assets (The annual report of Trygg-Hansa Liv, 1991).

²² The notion of the "mediating technology" is discussed by Thompson (1967) - see page 124.

²³ As in the contextual analysis, the meaning of "transformations" is here used to capture the change of physical resources from one state to another. It does not signify the distinction between transformations and transactions on the basis that transformations are pursued within the control of single organization as defined in the third chapter - see page 62.

5.2.2.1 The actuarial function from the intercontextual dimension

The actuarial role in the mediating technostructure did not only embrace the transformations pursued by the single life insurance companies. The customers are revealed to have taken part directly and/or indirectly. In the actuarial activities the interactions with the customer bases were, in the majority of cases, compared with the sales and marketing function, of a more indirect nature. The customers did not usually participate in the operations of the actuarial function, even though they had an affect on these via mainly the sales and marketing activities. This technostuctural relationship was generally applied to the market for individual life insurances. This diverged from the practice employed for group life insurances where the companies usually interacted directly through so-called insurance committees with customers. The proposed packaging solutions of new life insurances were submitted to these committees for consideration, but sometimes it was the committees that were the active party by specifying the requirements for developing the life insurances. The firms that relative to their premium incomes were most focused on group life insurances, and in particular Folksam Liv and Förenade Liv, were also the ones designated to have been most dependent on the insurance committees to customize the products from an actuarial point of view.

The divergencies and convergencies among the companies' transformative activities in the actuarial function are further uncovered to have been contingent upon the respective customer bases. Accordingly, relatively more convergence existed among firms that addressed a similar customer base, and vice versa. Two main groupings seem to have prevailed. One of these included the customers with highly individual needs and requirements, in particular those with high incomes and wealth, who are described to have demanded more individualized and complicated products. The second group of firms were relatively more committed to "mass-insurances" such as group solutions. It is noted that the data systems had to be more sophisticated in order to encounter an increased complexity of products. The firms focused on customers with relatively homogeneous insurance situations are described as then having had actuarial infrastructures which were less complicated to build.

In addition to the customer transactions, the work-flow operations, materials and knowledge within the organizations from an intercontextual perspective involved several other actors with their respective transformative activities. All those that supplied activities, like data consultancy firms, materials, like computer hard- and software companies, and knowledge, like education institutes, conjoined their work-flows through interactions to perform actuarial procedures.

Highly specialized committees and organizations had a role in the actuarial functioning. For example, the purpose of Risk Committee for Swedish Life Insurance Companies (“Livförsäkringsbolagens centrala riskprövningsnämnd”) was to settle risk categories not covered in the rules described in Technical Bases of 1964. Further, the Actuarial Committee for Swedish Life Insurance Companies (“Svenska livförsäkringsbolags aktuarienämnd”), which enrolled representatives from all firms, is considered to foremost have had the role of deciding on whether premium calculations were in agreement with the legislative regulations. It was also a forum for dialogues on purely actuarial issues on statistics and mathematics. More general discussions concerning life insurances and actuarial matters, occurred in the Committee for Personal Insurances (“Personförsäkringskommittén”). The Swedish Private Insurance Supervisory Service had the additional role of ratifying technical bases. They also provided information and knowledge so that the technical bases of the life insurance companies could be ratified.

5.2.2.2 The sales and marketing function from the intercontextual dimension

In conformity with the actuarial function, the customers are described as having had both a direct and indirect involvement in the technostuctural mediation of sales and marketing. The primary and secondary sources indicate that customers with complex needs and requirements were more directly engaged in the work-flow procedures, whereas those customers who turned to more standardized “packages” of life insurances to a lesser extent took an active part in the transformative operations. The customer relations are also characterized as indirect, whereas the sales and marketing function was conducted by firms not belonging to the same groups as the life insurance firms (see above).

The combination of life insurance with other financial services in sales and marketing apparently encircled similar mediating technostuctures. That is, the financial services tied to life insurances also had the function of mediating various underlying resource dependencies of various parties. The allocation of risks implied a close connection to non-life insurances, whereas the capital allocation was more interrelated with banking activities of savings and lending. This is referred to as an important reason for why sales and marketing to a significant extent were combined with the businesses of non-life insurance and/or banking.

The mediating technology is further accentuated by the presence of insurance brokers, who were independent intermediaries of sales and marketing paid either by commission from the insurance company or by fees from clients. The brokers were legally separated from the life insurance firms but used the risk and capital allocation (i.e. actuarial and

investment) functions of these firms to supply life insurances. In relation to the brokers, the so-called agents and franchisers were not as independent since they were contractually tied to an authorization granted by individual life insurance companies to sell and market only their life insurance products.

Somewhat in divergence from the customer relations discussed above, the sales and marketing of group life insurances were either: mediated through a third party which in a variety of forms, like employers' and employees' associations, represented the individual customers; or directly to certain customer groups. Folksam Liv was relatively more dedicated to selling and marketing their products and services through employees' associations than the other firms. The companies that sold and marketed the insurances of Förenade Liv predominately formed insurance collectives through employers' associations and salaried employees' associations.²⁴ RKA mainly mediated their group life insurances directly to customers.²⁵

The life insurance companies also interacted with one another. The Institute of Insurance Education ("Institutet för Försäkringsutbildning") performed a role of educating sales personnel, and to lesser extent actuarial personnel, from most companies. In the Insurance Companies' Marketing Committee ("Försäkringsbolagens Marknadsföringsnämnd") issues like ethical principles on how to market insurances were discussed.²⁶

5.2.2.3 The investment function from the intercontextual dimension

In comparison with the actuarial concern for risk mediation, the investment function primarily handled the mediating of capital and other assets. Since the underlying assets involved various degrees of risk, the investment function also dealt with risk allocation in the search for a similar correlation between dividends and risks. This mediating of risks through investments were thereby specifically tied to the assets being exchanged.

The investment activities are, with few exceptions, particularly in relation to sales and marketing, and to same extent the actuarial function, seen as the procedures most autonomous from interactions with customers. The seven unit-linked companies did not here fully converge with the rest of the companies, since their customers had the possibility to choose which assets with associated risks to invest in.

²⁴ These firms were: Länsförsäkringar Liv (until 1991), Skandia Liv, Trygg-Hansa Liv, and Wasa Liv.

²⁵ This relative emphasis by Folksam, Förenade Liv, and RKA is traceable in, for instance, the annual reports (1986-1991) of these companies.

²⁶ Svensk Försäkringsårsbok (1986-1991).

Apart from the selection of what assets to invest in, by the customers or by the life insurance firms, the mediating investment procedures for the respective underlying assets are depicted as having converged among firms. The interactions to allocate the assets are evoked as having occurred on specific arenas or markets on which the involved actors followed highly similar routines when transacting. For example, the national and international stock and money transactions involved certain interaction practices with which the firms active in these exchanges had to comply. Since no companies appear to have deviated significantly from these routines, the operations, materials and knowledge of the mediating technostucture of investment activities were largely intercontextually shared.

5.2.3 The evolution of technostuctures

The evolutionary aspect covers the static and dynamic reproduction of organizational as well as intercontextual technostuctures during the period 1986-1991. The latter process refers to the altering of a technostucture that, according to the respondents, cannot be associated with the reinforcement or at least maintenance of the above discerned technostuctures. In order to facilitate a comparative linkage between the evolution of organizational and intercontextual technostuctures, the three primary functions will be delineated separately.

5.2.3.1 The actuarial function

This function went through a period of both static and dynamic technostuctural reproduction processes. Among the dynamic processes, the sudden eruption of the sector-related cooperation is generally expressed in the interviews. The introduction of the life insurance Reflex, offered by the newly founded company Wasa Liv during 1987, is considered to have marked the beginning of the end of sector-related cooperation.²⁷ The Reflex insurance implied a higher flexibility for the consumer in that it contained an option so that premiums did not have to be fixed or index-tied as traditional life insurances.²⁸ The Actuarial Committee for Swedish Life Insurance Companies, in which all companies were represented, was opposed to Reflex, but the Swedish Private Insurance Supervisory Service decided not to prohibit the new insurance.²⁹ *Empirically illustrated:*

²⁷ More specifically, the Reflex insurance was introduced by Valand Liv, just before the merger with Vegeta Liv into Wasa Liv, in 1986.

²⁸ Grip (1989).

²⁹ Ibid.

"The Reflex insurance signified the commencement of a paradigm shift concerning the actuarial issues. Before then, everything was to be described in detail in the technical bases, but this was not done by Wasa Liv according to my and the Actuarial Committee for Swedish Life Insurance Companies' opinion. I still do not know how Wasa made their calculations. The Swedish Private Insurance Supervisory Service, however, made the interpretation that the Reflex insurance met the regulatory principles. It was nevertheless a new era in that one could not determine from the technical bases how the insurance was designed. At Skandia we quickly replied by introducing a similar product. Since Skandia had been the largest and leading company, we had defended the old principle." (A manager at Skandia)

"The cooperation among the firms came to an end during the late 1980's. It had once begun with a certain amount of cooperation that was accentuated over the years. At the end, one could not do anything without the Actuarial Committee for Swedish Life Insurance Companies was there. A redeeming factor was Wasa Liv's Reflex insurance to which they wanted to add an option. Wasa Liv did not present the costs for making these calculations since they would then have shown the competitors everything... Nowadays, (i.e. in the autumn of 1991) there is absolutely no cooperation except the discussions on the tables of mortality and the like." (A manager at Länsförsäkringar)

"We have gone from cooperation to competition... If a company was going to make even a small move, it first had to be discussed in the Committee for Personal Insurances and in the Actuarial Committee for Swedish Life Insurance Companies. The Reflex insurance was something of a point of departure. Wasa Liv wanted to have this product introduced without first having it tested by the Committee for Personal Insurances and the Actuarial Committee for Swedish Life Insurance Companies. The strongest opposition came from Skandia as they had decided, and perhaps also possessed most of the competence. According to the code of honour at that time, Wasa Liv's action was wrong. The companies thereafter cancelled a number of recommendations." (A manager at RKA)

Another incident expressed in the interviews and in the secondary sources is the criticism from the Swedish Competition Ombudsman - i.e. the Commissioner for Freedom of Commerce - ("Näringsfrihetsombudsmannen") in 1988 regarding the sector-related cooperation to establish common technical bases.³⁰ In November 1988, the three firms with the highest market shares, Skandia Liv, Trygg-Hansa Liv and Wasa Liv, cancelled their common technical bases from 1964.³¹ Two months later, at the turn of the year, Skandia Liv gave notice of termination of their membership in the

³⁰ These incidents with the Reflex insurance and with the Swedish Competition Ombudsman are, in addition to interviews, described in Grip (1989).

³¹ Svensk Försäkringsårsbok (1989).

Service Company of Swedish Insurance Industry Ltd ("Försäkringsbranschens Serviceaktiebolag"), which was an organization that among many things conducted actuarial activities in various committees like the Committee for Personal Insurances.³² The actuarial work in the Risk Committee for Swedish Life Insurance Companies on settling risk categories came also to an end.³³

The premium assumptions of the technical bases, which more or less had been the same since 1964, were also questioned. *Empirically illustrated:*

"There was a race in the beginning of the 1990's to find new solutions regarding the technical bases. Companies came to change their technical bases to varying extents. This concerned individual as well as group life insurances." (A manager at RKA)

The large majority of firms changed, although more or less, their premium assumptions. For example, in the autumn of 1990, RKA began to use entirely new assumptions to calculate premiums in the technical bases by their "G90" bases, whereas other firms like Trygg-Hansa Liv, Folksam Liv and Wasa Liv only changed some of their respective assumptions.³⁴ As a consequence, the so-called Zillmerization method, which had been used by all firms for calculating the premium reserve of a life insurance policy, when charging that policy with operating costs, was beginning to be replaced by other techniques.³⁵ In April 1989, the Swedish Private Insurance Supervisory Service had criticized the companies for their policy of charging acquisition costs.³⁶

Some firms, like RKA, started to differentiate the assumption on the costs for acquiring an insurance grounded on the actual costs associated with various forms of distribution.³⁷ Also the interest rate assumptions, which had been exactly the same in the technical bases of all firms, was widely altered.³⁸ Finally, the probabilities of

³² Ibid.

³³ The Committee of Personal Insurance was closed down on January 1st, 1990, whereas the Risk Committee for Swedish Life Insurance Companies was cancelled on July 1st, 1990 (Ibid, 1990).

³⁴ See the technical bases of the respective firms.

³⁵ According to the Zillmerization, the premium reserve is charged with part of the acquisition costs as soon as the policy is signed, while the remaining portion of these costs is gradually distributed over the term of the policy. This implies for a policy with current premium payments the reserve becomes positive only after a few years have elapsed. After having paid most of the costs in the beginning of the term, it becomes expensive for policy-holders to change life insurance company since the costs then have to be paid once again (The annual report of Trygg-Hansa Liv, 1991).

³⁶ Svensk Försäkringsårsbok (1989).

³⁷ Försäkringstidningen (12/90).

³⁸ The praxis had been to assume an interest of 3,5% on endowment insurances ("kapitalförsäkringar") and 4% on pension insurances ("pensionsförsäkringar") (Friberg, 1990).

mortality, which had been the same since 1964, was succeeded by new assumptions in the technical bases of several firms.

It is emphasized that these changes of intercontextually shared practices made it possible for the firms to start competing with premiums and not only dividends.³⁹ The customers thereby received an opportunity to better compare the underlying costs that existed in the various companies and to follow the development of these costs. By replacing the Zillmerization method with techniques that more evenly distributed the costs over the policy term, the expense of changing companies was decreased for customers. *Empirically illustrated:*

"Nowadays (i.e. in the autumn of 1991), there exists competition over premiums, which was not the case before, due to the changes in the assumptions in the technical bases by the companies. We have for example increased the interest assumption from four to five percent whereas both Wasa Liv and Trygg-Hansa Liv have a higher interest rate the first five years and thereafter four percent as before." (A manager at RKA)

"There has been a general move towards simplicity by new techniques like those to charge insurance policies with costs. The traditional method among the companies followed the mathematician Zillmer's theories in which most of the costs were charged in the beginning. In the new products the costs are charged as they arises, and the premium is then charged every time it is to be paid." (A manager at Trygg-Hansa)

In parallel with these and other dynamic changes was a substantial increase in the number of new life insurance products - i.e. packaging solutions of the saving and the risk-taking component - being introduced.⁴⁰ *Empirically illustrated:*

"In order to hold market shares it, among other things, became essential to develop new products. Due to this, the companies became secretive towards one another which then subverted the possibilities of cooperation." (A manager at Livia)

An accentuated blurring of lines of demarcation between life insurance products and other financial services over the years studied is considered to have prompted the firms to develop products involving less risk-taking. While a great many life insurance products had traditionally contained a savings component, a spate of new products that offered a much larger saving element than in the past emerged during the years at the turn of the decade.⁴¹

³⁹ See, for instance, Försäkringstidningen (12/90).

⁴⁰ SOU (1990a, 1991b).

⁴¹ OECD (1992)

It is further recognized that the single life insurance companies had to find their own routes to get hold of the operations, knowledge and materials of the actuarial technostucture as they no longer could rely on cooperative alignments with one another. *Empirically illustrated:*

"The development has gone towards less collaborations and a larger extent of independence in the actions. We at the Office of the Swedish Competition Ombudsman have in certain issues, like in the case of the technical bases, been pushing them in that direction." (A manager at the Office of the Swedish Competition Ombudsman)

"Before the companies could copy from one another and from the cooperative alignments... so as to utilize the competence and information therefrom. Now (i.e. in the autumn of 1991) they have to possess or find their own ways to get access to that competence." (A manager at Wasa Liv)

"The established cooperative organizations were cancelled and competition was intensified. The companies are acting entirely independent nowadays (i.e. in the autumn of 1991)." (A manager at Trygg-Hansa Liv)

The functional dependence among life insurance firms thereby became less tight. On the other hand, the demand for actuarial-related knowledge is said to have increased, which propelled supply and demand-related resource dependencies to often other actors than Swedish life insurance companies. This emanation of more free-standing firms being dependent on their own networks of suppliers became routinized and more widely proliferated over the years. *Empirically illustrated:*

"Skandia was the leading actor to terminate the cooperation through the company Sverige, in which risk assessments and calculations to determine supplementary premiums because of worsened health were undertaken... At that time, there were two boards for making risk assessments which collaborated a lot: one in Skandia; and the other in Sverige. At Skandia we believed this situation could not proceed since it was a restriction of competition. Wasa then bought Sverige from Skandia and Trygg-Hansa. Sverige continued its operations to supply others with their services. Skandia and Trygg-Hansa have their own operations." (A manager at Skandia)

"It is feasible to differentiate one company's data systems from an others', even though the large as well as small firms latterly have received increased possibilities to buy basic systems." (A manager at Skandia - i.e. not the same person as in the previous illustration)

Two processes can accordingly be entailed: a dynamic that involved the disruption of old routines; and an emerging one that after a period of variation became more statically reproduced.

5.2.3.2 The sales and marketing function

In relation to the actuarial activities, dynamic processes related to sales and marketing are interpreted by the respondents to have occurred at a later stage during 1986-1991. The first two years did not mark any alterations of the preceding technostructure, and the changes primarily reinforced the existing routines. The only dynamic change is said to have been the earlier introduction of franchising by Valand Liv in the spring of 1984.⁴² In combination with the criticism from the Swedish Competition Ombudsman, the launching of franchising is seen as an important step towards the cancellation of the so-called Marketing Agreement, which regulated an extensive amount of operations concerning sales and marketing, in 1985.⁴³ After the termination of the agreement, the working processes among firms continued, but in areas which not had been covered by the Marketing Agreement, such as a joint effort in 1986 to raise the public's knowledge about life insurance.⁴⁴ Moreover, on April 1st, 1986, a new agreement concerning sales and marketing was signed by the large majority of firms.⁴⁵ The collaborative discussions on this agreement were taken in the Insurance Companies' Marketing Committee. A decrease in the inter-firm collaborations was thereby first more clearly marked when both the agreement and the Marketing Committee were cancelled at the close of 1989.⁴⁶

While the technostructures within the realms of the respective companies and the intercontextually related technostructure continued to be statically reproduced, dynamic changes are predominantly interpreted to have come from the firms that entered the sector. The majority of managers within the group of newly founded firms, except the ones providing unit-linked life insurance, which foremost concentrated the mediating role in sales and marketing through banks, posit the limited supply of highly standardized sales and marketing activities that existed until 1988.⁴⁷ Among the cooperations between life insurance companies and banks at the time, it is only the one enrolling Folksam Liv, RKA and Sparbanken that is considered not to have been lying

⁴² Valand Liv merged with Vegete Liv in the end of 1986 to form Wasa Liv.

⁴³ See also Försäkringstidningen (1/86).

⁴⁴ See also Försäkringstidningen (2/86).

⁴⁵ Svensk Försäkringsårsbok (1989).

⁴⁶ Ibid.

⁴⁷ This group encompassed Livia and SparLiv.

quite fallow.⁴⁸ The foundation of Livia in November 1988 is recollected to have signified a dynamic change in that they began to sell and market their insurances without using an employed sales force. Instead, Livia contracted bank offices of Nordbanken and post offices of Posten (the Swedish Post Office). Livia's own direct contact with customers came from use of direct mail (see below). *Empirically illustrated:*

"We made a lot of inquiries about customer behaviour and demands. It turned out that the customers wanted to buy simple life insurances directly over the counter. They felt squeezed by the ordinary salesmen." (A manager at Livia)

"There was a definite need for simple and understandable products on the market." (A manager at Livia - i.e. not the same as in the previous illustration)

The priority of sales and marketing via bank offices by Livia proliferated. In July 1990, SparLiv commenced using the bank offices of Sparbanken as their market channel.⁴⁹ Soon to follow with sales and marketing through banks. Some were newly founded unit-linked life insurance companies.⁵⁰ For the group of already existing companies, the turn of the decade was an era in which several sales and marketing agreements were met with banks: Trygg-Hansa Liv started to cooperate with Gota banken; RKA began to collaborate with Handelsbanken⁵¹; and Länsförsäkringar Liv intensified their former alliance with Föreningsbanken. This integration between life-insurance companies and banks is seen to have coincided with the above described blurring of lines of demarcation among businesses providing financial services in general.

The pursuit of selling insurances "directly" by mail and/or advertisement, where the customer had to decide themselves on the basis of received information which insurances to purchase, emerged and became well-established so as to sell and market less complicated and individualized life insurances, often with low premiums.

⁴⁸ Vegete Liv sold and marketed a relatively high percent of their life insurances through Götabanken the years before the merger with Valand Liv in 1986 (Försäkringstidningen 12/86).

⁴⁹ SparLiv was until the end of 1991 owned by Folksam Liv (100%). The concession to run life insurance business was given to SparLiv the 28th of June, 1990 (The annual report of Folksam, 1991).

⁵⁰ Aktiv Försäkring in November 1990 through SE-Banken; Länsförsäkringar Liv in November 1990 through Föreningsbanken; SparFond in December 1990 through Sparbanken; Svenska Fondförsäkringsaktiebolaget in December 1990 through Handelsbanken; and in the later half of 1991 Trygg-Hansa Fri Placering through Gota banken. A description of the ownership relations of these firms follows from Appendix A.

⁵¹ RKA and Handelsbanken jointly founded a unit-linked company in 1990 called Svenska Fondförsäkringsaktiebolaget, and the same year they also signed an agreement on the sales and marketing of RKA's insurances through the bank offices of Handelsbanken (The annual report of RKA, 1990-1992).

The dynamic process in sales and marketing at the turn of decade was also manifested by the Act on Insurance Brokers (SFS, 1989/508), which came into force on the first of January 1990. At the end of 1991, 130 brokers' companies had been registered.⁵² However, insurance brokers had been operating before the act came into force. The cancellation of the Marketing Agreement in 1985 is believed to have signified a new epoch for brokers. The agreement contained a clause which did not allow the life insurance companies to engage, except under some few conditions, in relation to them independent natural or juridical persons.⁵³ The first couple of years did not mark any indicative changes from the tradition of not using brokers. Wasa Liv was the first company to more actively use brokers in 1987, but then only on a very limited basis.⁵⁴ In end of 1987 there were 14 brokers, and in mid 1989 some 60, registered at the Swedish Insurance Brokers Association.⁵⁵

From 1986 to 1991, the large majority of life insurance companies came to use different constellations of the sales and marketing through the defined channels of banks, agents, franchisers, brokers, employed sales forces or directly by the use of mail and/or advertisement.⁵⁶ The traditional technostructure, centered around employed sales(wo)men from the respective firms, was thereby extended to include other actors. Besides the divergencies in the channel set-ups, the firms also diverged in their relative use of the various channels. For example, sales via banks varied, in terms of premiums, from some few percentages to close to all sales of the life insurance companies that operated through this channel. *Empirically illustrated:*

"The companies are choosing more channels to distribute their insurances than before." (A manager at Trygg-Hansa)

"We have a strong emphasis on an employed sales force. This is supplemented by other channels for simple life insurances in which careful inquiries are not required. Here, we have used direct mail and tele-marketing. We once collaborated with various banks, SE-Banken, Handelsbanken and Vermlandsbanken, before they became involved themselves. The banks functioned as sales agents. We have also started to use brokers and franchisers." (A manager at Skandia)

For the majority of firms, the dynamic reproduction thereby lay in the inclusion or extension rather than the exclusion of the transformative activities. It is also noted that these new technostructural procedures became statically reproduced, in that firms in

⁵² Svensk Försäkringsårsbok (1991).

⁵³ Skogh & Samuelsson (1985).

⁵⁴ The annual report of Wasa, 1988.

⁵⁵ Svensk Försäkringsårsbok (1989).

⁵⁶ These actors could then use the means of personal interactions, mail and/or telecommunications.

general turned to a "multi-channel" approach. For in particular Länsförsäkringar Liv, Folksam Liv, Skandia Liv and Wasa Liv, which maintained the emphasis on the sales and marketing through their own sales forces, the dynamics meant that other channels were employed, more in the form of complements. In other firms, and in particular RKA, the dynamics were more apparent as their employed sales forces to a higher extent were substituted by the other above discerned channels.

The mediating role towards customers can also be deduced, from the primary sources, to have been affected by the Swedish Private Insurance Supervisory Service's decision in January 1989 to allow the life insurance companies in changing the dividend rate more freely. As a response, the majority of firms started to use the dividend rate as a kind of price for life insurances - i.e. the higher the rate of dividends the lower the price. This approach was not new, but at the time right after the decision by the Insurance Supervisory Service it appears to have escalated. The companies, with no exceptions, came to raise the average rate of dividends rapidly.⁵⁷ The peak was set during the autumn of 1989 with rates as high as 25 percent on so-called P and T insurances, which was an increase with half a percentage point from the first half of that year.⁵⁸ The personal interactions with the customers, which traditionally had been the predominant practice, were thereby partially replaced by price information. *Empirically illustrated:*

"In the mid 80's most firms started to use the dividend rate as a sales argument. Together with the Swedish Private Insurance Supervisory Service, the companies agreed that the rates were to be described as illustrations rather than commitments. Subsequently, the companies started to change the rates since they had accumulated capital which belonged to the existing collectives of policyholders. The new principle that the firms were allowed to change the rates during the years, and not once a year as before, was build on the idea that the dividends were to reflect how successful the firms are in their investments. The dividend becomes an indicator of a price on the product." (A manager at Skandia)

"The dividend rate has been one of the few ways to describe how good or bad you have been running the business. Then you can discuss the seriousness to market these rates since they not are commitments for the future." (A manager at Trygg-Hansa)

⁵⁷ With some few exceptions, all firms applied a so called forecasting technique to determine the rate of dividends. Among the exceptions, was RKA, in that they estimated their rates on the basis of the preceding annual balancing of the accounts (Friberg, 1990).

⁵⁸ The Financial Supervisory Authority (1993a).

The technostuctural evolution of sales and marketing discloses both dynamic and static processes. The first signs of dynamics are not interpreted to have had any direct wide-spread effects on the actions of individual firms. A more active dynamic was most clearly marked by the actions of newly founded firms. The first steps were however taken by already existing firms. In any case, for the majority of firms the new market channels and the use of price mechanisms became more routinized during the end of the period studied. The above described changes of technical bases on the calculation of premiums, were in line with this routinization. In some divergent cases, in particular Allmänna Änke- och Pupillkassan, the static processes continued in that their routines towards customers remained relatively the same.⁵⁹

A final empirical illustration of dynamic processes of sales and marketing concerns group life insurances. Traditionally, a clear division could be made between two interacting collectives on the basis of how the insurance companies tried to reach the large customer group of employees in various organizations. On the one hand, there were the associated companies of Förenade Liv which mainly interacted with customers through employers and salaried employees' associations. Folksam, on the other hand, sold and marketed close to all their group life insurances through employees' associations. This two-fold variation of the channels to reach customers was somewhat subverted during the studied time period as the two groups increased the use of both of these channels. *Empirically illustrated:*

"When it comes to group life insurances it is apparent that Folksam Liv has been highly focused on one channel, and that is the employees' associations. We (i.e. referring to the associated companies of Förenade Liv) have traditionally been heavily oriented on forming personal insurance collectives (i.e. formed via employers) for each company. Until the end of 1980's we only had a few employees' associations. Continuously our associated companies... who distributed our insurances, began to go in for salaried employees." (A manager at Förenade Liv)

"We have been confronting Folksam on certain markets, and even some local trade-unions has entered into agreements with us. It is, however, not entire trade associations that we have come to contract..." (A manager at Trygg-Hansa)

In addition to the illustrations on the dynamics and statics of the work-flow operations, and the technological knowledge herein, the materials technology was also subject to similar processes. The application of computers in sales and marketing demonstrated an extension of the use of manuals and tariffs which became more and more utilized.

⁵⁹ Compare with the illustrations on pages 168 (middle), 183.

5.2.3.3 The investment function

In compliance with the interviews, the dynamic process of the investment function had already emerged by the early 1980's. The years between 1986 and 1991 are accordingly indicated to have involved a gradual reinforcement of that emerging technostructure. Parallel to this increasingly static reproduction of interactions was a continuous deregulation of legislative governance of investments.⁶⁰

The technostructure that developed is described to have signified an intensified specialization, or a more fine-tuned division of labor. This is considered to be a two-edged specialization in that the developed technostructure did not merely become more distinct in relation to the other functions, but the various investment activities became also progressively separable. This latter process was affiliated with the division of activities based on the various underlying assets (see above). *Empirically illustrated:*

"Given the development of the financial markets, we have been forced to apply more advanced techniques and methods, and to be more professional." (A manager at RKA)

"... the financial market has advanced and the instruments have progressed towards higher liquidity... I do not believe that the firms have been deviating in their work-flow operations. The observable deviations had to do with the portfolio structures..." (A manager at Trygg-Hansa)

Furthermore, for some investment operations, like the ones linked to money market loans, real estate, bonds, debentures, shares and convertible loans, the intercontextual realm expanded to be international. Hence, these subdivided technostructures had the thing in common that they involved increasingly more intercontextually dependent interactions.⁶¹

In the static process asserted, the firms diverged temporally in their relative emphasis on different investments. The majority of firms, predominantly the larger ones, are acknowledged to have promptly captured the possibilities following the deregulation of the financial markets. The temporal divergence between firms is taken to have been conditional to discrepancies in the possession of and/or access to a certain mass of knowledge so as to take part in the intercontextual mediations of the respective assets. This implies that the firms, with varying tempo, turned to more diversified portfolio structures of assets.⁶² *Empirically illustrated:*

⁶⁰ See appendix A for a comprehensive review on this deregulation.

⁶¹ Compare with the illustrations on pages 155, 191.

⁶² See appendix B for a comparison.

"I believe it was Trygg-Hansa and Skandia that most distinctively began to focus more on real investments (i.e. shares and real estate), whereas presumably RKA, Folksam and Wasa moved more slowly in that course of action. A part of the explanation has to do with the solvency margins of the companies and things like that. Further, it took the firms varying time to build up the competence needed to invest in shares and real estate. The divergencies in the portfolio structures at different moments of time are thereby a question of competence." (A manager at Skandia)

"It has from a technological standpoint been more difficult to make investment given the internationalization" (i.e. referring to the internationalization of the financial markets). (A manager at RKA)

To conclude, no dynamic reproduction processes can be retrieved. Instead, there was an ongoing reinforcement of a technostructure that had begun to take shape before the period studied. Only one firm is mentioned to have succeeded with its own course of action, and that is Allmänna Änke- och Pupillkassan. This firm is considered as having been less influenced by the new intercontextual technostructures.⁶³

5.2.4 Technostructures as structural properties in sum

The exploration of the technostructures gives at hand three distinguishable, although highly interdependent, transformative activities with associated intangible and tangible resources. The technostructural interdependence stems from the interpretations that these activities were indispensable in order to enable the intercontextual mediation of risks and savings by virtue of providing life insurances. This mediating technostructure imposed a numerous of interdependencies that arched across all life insurance companies.

The empirical sources indicate that the work-flows pursued within the organizational domains did not always encounter all of the three types of transformative operations. Apart from the observation that some firms were more or less entirely sourced with various transformative activities, no firm can be found that relied solely on activities conducted within the organizational boundaries. This intercontextual dependence became even more obvious when the sourcing of the tangible and intangible resources are contemplated for. The customers had a role of providing knowledge. It was in particular, the sales and marketing proceedings that customers, especially those with complex needs and requirements, took this active part. In some cases the actuarial activities, remarkably those tied to group life insurance, engaged customers. A number of other actors that fulfilled operations or sourced technological knowledge and

⁶³ This divergence is made significant by the statistics on investments in appendix B.

material, making it possible for the life insurance companies to supply life insurances, are also observed. These actors included: banks, brokers, franchisers, agents, sector related organizations and committees, and the Insurance Supervisory Service.

The life insurance companies are dividable into two groups on the basis of their roles in the intercontextually mediating technostructure. In the one group, which only contained firms that had a concession to operate a life insurance business before 1986, all three of the primary transformative functions were predominately conducted within the organizational settings. The second group, which only included firms that were given concessions during the period 1986 and 1991, predominately let other firms make these transformations. Instead, the roles of the firms of this latter group was mainly to coordinate the activities of others. When considering each of the three primary functions, it was in particular the actuarial and the investment operations that were in-group oriented. Sales and marketing were largely conducted by actors outside of the various groups.

From an evolutionary perspective the three transformative functions appear to have followed their respective static and dynamic reproduction processes. Here, the actuarial operations underwent dynamics in that the activities that had been conducted in specific organizations and committees were, with few exceptions, incorporated in the realms of the life insurance companies. The interfirm cooperations were more or less replaced by supply and demand related exchanges for resources necessary to undertake the actuarial activities. The dynamics also involved a general increase in product development in terms of the "packaging" of risks and savings presented on the market.

The evolution of sales and marketing followed a somewhat similar, although not as widely adopted, path as the actuarial activities in the sense that relations towards customers, which had traditionally been based on personal interaction, were partially replaced by price information. Also, collaborations among life insurance companies became more supply and demand related. Sales and marketing were further dynamically changed in that new solutions for the existing activities were introduced by the entry of agents, franchisers, brokers and banks. The life insurance firms turned to their "own" networks instead of collaborating with one another.

The investment activities are characterized as having manifested a gradual reinforcement of the technostructural content of operations, knowledge and material through static reproduction during the entire time period between 1986 and 1991. Divergent knowledge structures are seen as an important reason to why firms had different portfolios of investments at given points in time.

The interconnectedness between the intercontextual and contextual evolution of the three types of transformative functions add some conclusions. The investment activities showed an intercontextual reproduction process from which very few firms departed. In divergence to this development, the evolution of the sales and marketing activities resulted in an accentuated crystallization of the activities conducted in the respective organizational contexts. Finally, the actuarial transformations are recognized to have involved a somewhat less strong interconnectedness than that of the investment activities, and only a few contextual divergencies are detected here. Naturally, these linkages have only been present in those situations where the life insurance companies have had the role of conducting the specific activity in question.

Empirical bearing has been given to the interpretation that dynamic processes embodied varying degrees of dynamics of technostructural conditions. A high degree of dynamics can be related to those processes in which a technostructural pattern of continuity was distinctly broken or erupted, whereas a low degree of dynamics implied reproduction that more incrementally erupted a present technostructure. The dynamics could then involve an extension of an earlier technostructure, which was most often the case.

5.2.5 Organizational sociostructures

The thematic analysis came to retain the theoretically deduced themes on sociostructures. Hence, we will then give notice to asymmetrical control that was based on the possession of and/or access to: tangible and intangible resources; normative sanctioning; and legally enforceable rights. Here, it is the observations of enduring asymmetry of control that makes a sociostructure diverge from other patterns of interactions. Moreover, like the intangible content of physical interactions composing technostructures, it is only the content of the durable asymmetrical control *per se* that will be empirically surfaced.

5.2.5.1 Organizational sociostructures based on resource asymmetries

The respondents note that an enduring asymmetrical possession of resource often could be linked to sociostructures. The possession of intangibles like knowledge and information is the most common example, whereas tangibles are linked to materials technology and financial resources. The durable rights to control are also described as having been based on an access to, rather than a possession of, various resources. For example, managers themselves observe that their access to those who possessed resources gave them asymmetrical control. Also the possibility to use resources, like

certain materials technology, is regarded as a ground on which a sociostructure could rest.

A combination of possession and access is by far the most asserted association with sociostructures based on asymmetrical resource dependencies. For instance, managers acknowledge that their role of coordinating resources within the organizations gave them the possession and/or access to information, which, in turn, provided more control than expressed by norms and/or articles of job description. The possession of and/or access to knowledge of how to use sociostructural grounds like legal rights, experience and personal charisma are also seen as parts of an intangible resource foundation on which to embody sociostructures.

From the empirical sources it becomes apparent that sociostructures can vary in strength. The combination of technostructural indispensability and scarcity is often related to the strongest sociostructures in terms of interpreted possibilities to exercise asymmetrical control. In the depictions given, it becomes clear that the three earlier entailed primary functions of organizational technostructures were underlying the presence of sociostructures. The asymmetries are here recalled to have been based on the transformative indispensability of these functions in order to supply life insurances. It is primarily the durable asymmetrical possessions of the intangible technological knowledge of these three primary activities are considered to have laid the foundation of sociostructural dependencies.⁶⁴ The technostructural importance of the investment function in combination with a scarcity of the associated technological knowledge is, for instance, an often quoted observation.⁶⁵ Another sociostructure that gave the systems engineers high authority is described as having resulted from a crucial need of actuarial data systems and the scarcity of knowledge to build these systems.⁶⁶

The relative concentration of, especially indispensable and scarce, resources in organizations is viewed as a further root to asymmetrical control. This kind of discretion over resources is exemplified by the presence of unions.⁶⁷ It is here made distinct that the unionization of primary functions, rather than support functions, formed a durable asymmetrical control. The presence of similar sociostructures was then dependent on whether these primary functions were carried out by the respective firms or not (see above).

⁶⁴ Compare with the illustrations on page 147 (bottom), 166, 202 (top).

⁶⁵ Compare with the illustrations on pages 155 (top), 192 (middle).

⁶⁶ Compare with the illustration on page 209 (bottom).

⁶⁷ Compare with the illustration on page 204 (top).

5.2.5.2 Organizational sociostructures based on normative asymmetries

These are the sociostructures that were sanctioned by norms so that there came to exist a durable asymmetrical distribution of control between interacting parties.

By far most of the sociostructures described based on normative asymmetries were granted to those who conducted the discussed indispensable activities. In addition to the rights that were associated with resource dependencies, these actors are denoted to have enjoyed a normative sanctioning that endowed them with an even stronger sociostructural position (in terms of interpreted possibilities to exercise asymmetrical control). In the majority of organizations, various decision-making committees (to which proposals could be submitted), were also sanctioned by norms. For instance, the investment committees that judged and assessed investment plans are frequently exemplified. In some organizations, such as *Länsförsäkringar Liv*, the sociostructures that were sanctioned by established norms in decision-making routines are considered to have been an important substitute to a less well-defined hierarchy of legally enforceable rights.⁶⁸

The norms underlying these kinds of sociostructures are discernible on whether they were grounded on a legitimatization of tradition and/or an anticipated future. From the former ground, those were sanctioned who worked in accordance with practised norms, whereas others were sanctioned in that they were expected to possess and/or have access to resources and/or legally enforceable rights in the future.⁶⁹

5.2.5.3 Organizational sociostructures based on legally enforceable asymmetries

Among the legally enforceable asymmetries within companies studied, are the contractual rights expressed in various organizational articles. A representation of such sociostructures was the vertical division or a hierarchy of durable asymmetrical rights to control that mainly followed a top-down (i.e. vertical) flow. The rights enjoyed by those at the top became gradually more asymmetrical the further down in an organization an interacting party resided. The companies that employed this type of sociostructure ranged from large to small, and involved both mutual and stock ownership. Also, when taking the interactions within the realms of the various groups into account, the division of asymmetrical rights is, in broad terms, believed to have been top-down based. That is, the chief executives of a group most commonly had the formal authority over divisions and subsidiaries.⁷⁰ In cases of limited stock

⁶⁸ Compare with the illustration on page 203.

⁶⁹ See, for instance, the annual reports of the respective life insurance companies (1986-1991).

subsidiaries, the authority generally came from both ownership constellations and the authority relations declared in other contractual relations that, for instance, could be tied to interfunctional collaborations, job descriptions and decision-making routines.

An example of divergence from the predominant vertical top-down flow of authority, is where intragroup co-ownership resided. Instead of having one holding company, ownership was divided among several firms that accordingly became interlinked by cross-ownership to a so-called federative form. Consequently, the contractual rights stemming from such ownership relations were less top-down directed, and rather then tied to voting power as expressed in the register of owners. Two life insurance companies, *Länsförsäkringar Liv* and *Länsförsäkringar Fondliv*, are distinct examples of such ownership relations. Both firms were owned by over twenty companies alongside a holding company that belonged to the same federative group constellation.⁷¹ In addition to the voting power, certain contractual clauses regulated the authoritative relations within the federation. As a result, the division of authority was thereby more reciprocal or mutual than top-down vertical.

5.2.6 Intercontextual sociostructures

The asymmetries of control which with a temporal continuity or durability resided intercontextually, are disjointed on the same grounds as the preceding discernment of the organizational settings. This is to achieve a comparable basis between the two spatial dimensions.

5.2.6.1 Intercontextual sociostructures based on resource asymmetries

The parameters that previously turned out to have formed sociostructures in organizations are also applicable intercontextually. One of these parameters relates to the durable importance of various functions in the intercontextual mediating of risks and assets. The actuarial, sales and marketing, as well as the investment operations are regarded as particularly important. Information, about for instance, the prevailing supply and demand, is an exemplified variant of the possession of and access to resources that could, especially if tied to the three primary functions, form sociostructures. Another parameter concerned the relative scarcity of a resource over enduring time periods. Among the more manifested resource asymmetries were the ones based on the knowledge of building data systems from which to administer life

⁷⁰ Ibid.

⁷¹ A delineation of the ownership relations in this federation follows from appendix A.

insurance, and the knowledge of conducting certain investment operations.⁷² Like these two examples of scarcity show, it is a distinct scarcity in combination with a great importance of the associated work-flow transformations that in the most of cases are related to the presence of resource-based sociostructures. These structures were accordingly enjoyed by those actors who possessed and/or had access to: work-flow operations, technological knowledge and the materials technology of the three primary transformative functions; and/or scarce resources.

A third parameter that vehicled sociostructures is recognized to have been due to the consolidation of actors' possessions of and/or accesses to, above all important and scarce, resources. The Actuarial Committee for the Swedish Life Insurance Companies, the Marketing Managers Associations, as well as the unionization of employees, into the Swedish Insurance Employers' Associations ("Försäkningsbranschens Arbetsgivareorganisation") and the Insurance Employees' Association ("Försäkringsanställdas förbund"), and employers, into the Salaried Insurance Employees' Association ("Försäkringstjänstemannaförbundet"), are here the most referred to examples. In the latter case, the durable consolidation is partly recognized as having substituted the lack of asymmetries that originated from a consistent resource scarcity. Further, the National Federation of Swedish Insurance Companies ("Svenska Försäkringsbolags Riksförbund"), which was reorganized into the Swedish Insurance Federation ("Sveriges Försäkringsförbund") from January 1991, had a prime object to deal with matters of common interest to Swedish insurers in relation to the legislator.⁷³

5.2.6.2 Intercontextual sociostructures based on normative asymmetries

The durable asymmetries of control emanating from norms are depicted to have formed two kinds of sociostructures. Firstly, some intercontextual organizations and committees are elicited to have possessed a control that entirely is not linked to resource asymmetries or legally enforceable contracts. Here, the most significant examples are said to have been the Service Company of Swedish Insurance Industry Ltd and the Actuarial Committee for the Swedish Life Insurance Companies.⁷⁴ Secondly, those groups of actors that were directly involved in the intercontextual mediating of resources, as described above, are asserted to have enjoyed normative sanctioning that intensified their asymmetrical control in relation to other actors. Apart from these two sociostructures, no asymmetrical control between actors in the context of the life insurance sector is taken as having been enduring. Notably, the norms underlying this

⁷² Compare with the illustrations on pages 192 (middle), 207, 209 (middle).

⁷³ See, for instance, *Svensk Försäkringsårsbok* (1991-1992) and the annual reports of the Swedish Insurance Federation (1991-1992).

⁷⁴ Compare with the illustrations on page 145, 169 (bottom).

kind of sociostructure are, as shown, separable on whether they were contingent on a legitimization of tradition and/or an anticipated future (see further below).

5.2.6.3 Intercontextual sociostructures based on legally enforceable asymmetries

The legal acts can be described as parts of an enforceable framework of contractual rights that recurrently governed interactions. This implies that the contractual rights within the organizational realms received their regulatory status from these enforceable acts. In other words, those who had the legal back-up also had an asymmetrical right to control. We will here begin with a comprehensive review of the legislative framework that provides enforceable rights intercontextually.

The main regulatory of the life insurance business during the period 1986-1991 has been the Insurance Business Act of 1982 (SFS, 1982/713), which came into force on January 1st, 1983. This act contains provisions governing mutual as well as limited stock insurance companies and provisions concerning the supervision of the life insurance business in Sweden. The act expresses so-called principles on how to operate a life insurance business as well as provisions on associating and accounting.⁷⁵ An adjustment of the Insurance Business Act in 1990 (SFS, 1990/34) made it possible for insurance companies, with certain limitations, to own shares in banks and other financial institutes. The Insurance Business Act makes a clear distinction between mutual and limited companies. This implied divergencies in the division of contractual rights within these two types of associative forms.⁷⁶ From the regulatory it is thereby possible to distinguish two associative forms that were germane to the life insurance business.

Another act of importance was the Foreign Insurance Companies Transacting Insurance in Sweden Act of 1950 in which activities of foreign companies that transact insurance business in Sweden through general agents are regulated. Furthermore, there were specific acts regulating unit-linked life insurance (SFS, 1989/1079) and insurance brokers (SFS, 1989/508).⁷⁷

The contractual relation between the insurer and the policyholder, insured etc., was in the case of life insurances regulated by the Insurance Contracts Act of 1927 (SFS, 1927/77). A main purpose of this act is to protect policyholders, beneficiaries and third parties having an interest in the performance of the contract (The Financial Supervisory

⁷⁵ In Appendix A follows a comprehensive uncovering of the principles and the act in general.

⁷⁶ See appendix A for a more extensive discussion.

⁷⁷ A description of these acts are given in Appendix A.

Authority, 1993a). The act covers a number of important rights and duties of the parties. Most provisions are mandatory to ensure a contractual balance between the insured and the insurer (The Financial Supervisory Authority, 1993a). For situations not covered by the Insurance of Contracts Act, the Consumer Purchases Act of 1973 (SFS, 1973/877) came into force. The consumer protection that was applicable on life insurances is also expressed in the Marketing Act of 1975 (SFS, 1975/1418) in which provisions on unwarrantable marketing and unfair competition are raised. As a supplement, there was a specific act that covered the prohibition of exorbitant contracts (SFS, 1971/112), and the provisions on unfair competition were made complementary by the Competition Act of 1982 (SFS, 1982/729). In this latter act, the legislator is expressing an intent to promote competition that from a public standpoint can be taken as desirable. In all of these acts that were regulating the relation between the insurer and the insured, no divergent treatment of the life insurance companies can be detected.

The protection of labor was also part of the legislative being equally pertinent to all of the life insurance firms. The provisions and directives were here, for instance, concerning: employees' participation in decision-making (SFS, 1976/580); employees' representation on the board of directors (SFS, 1987/1245); employment security (SFS, 1982/80); working time (SFS, 1982/673); vacations (e.g. SFS, 1977/480; SFS, 1978/410); working environment (SFS, 1988/1160); payment during sickness (SFS, 1962/381); equality between the sexes (SFS, 1979/1118); working injuries (SFS, 1976/380); and collective agreements between the parties (i.e. employers and employees) on the labor market (SFS, 1976/580).

The life insurance business was further subject to fiscal legislation. This framework included the regulations of taxation on: dividends (SFS, 1990/661); certain premiums (SFS, 1990/662); and premiums on group life insurances (SFS, 1990/1427). Moreover, the Local Taxation Act (SFS, 1928/370) was in several respects valid on the life insurance business since it contains a fiscal separation of life insurances.⁷⁸

The supervision of the legislative was divided. The Swedish Private Insurance Supervisory Service, and from July 1st, 1991, the Financial Supervisory Authority, was responsible for the supervision of life insurance companies, and insurance brokers, as laid down in the Insurance Business Act and the acts on insurance brokers and unit-linked life insurance. The acts on marketing and competition were supervised by the Swedish Competition Ombudsman⁷⁹ and the Swedish Consumer Ombudsman ("Konsumentombudsmannen").

⁷⁸ A distinction is here made between so called "K", "P" and "R" insurances (e.g. Hanseus, 1986; Lewander et al 1992). In appendix a description of the "K" and "P" insurances, whereas "R" insurances, which could not be signed during the period 1986 and 1991, here are disregarded.

⁷⁹ The office of this authority merged into the Swedish Competition Authority on July 1st, 1992.

Even though various acts express the intention of avoiding overly extensive asymmetries among different parties' rights to control one another, some durable asymmetries are documented to have prevailed. For example, there existed a number of organizations and committees that administrated and supervised various contractual agreements, such as: the Service Company of Swedish Insurance Industry Ltd, the Committee for Personal Insurance; and the Swedish Insurance Brokers' Association.⁸⁰ Some of the organizations and committees can be linked to the actuarial and the sales and marketing functions like: the Actuarial Committee of Swedish Life Insurance Companies, and the Insurance Companies' Marketing Committee.⁸¹ Hence, it is acknowledged that there in addition to the public regulatory existed a kind of self-imposed or private regulatory that was sanctioned by the public one.

Additionally, the previously disclosed alliances among life insurance companies and other actors such as banks, agents and franchisers were subject to contractual rights that were legally enforceable for the interacting parties.

Intercontextually related contractual agreements were present among the parties on the labor market. The parties, focused on the labor market for insurance business in large (i.e. not only that on life insurances), included: the Insurance Employees' Association; the Salaried Insurance Employees' Association, in which sales(women) had a specific union branch; and the Swedish Insurance Employers' Association. All of these organizations were members and had contractual agreements with organizations that were parties on the Swedish labor market in general.⁸²

5.2.7 The evolution of sociostructures

From the empirical data it emerges that both dynamic and static reproduction of the three discerned forms of sociostructures occurred in the organizational contexts as well as intercontextually. The following analysis will take this spatial connectedness of the evolutionary processes into consideration. Here, it is the magnitude to which the asymmetries of sociostructures have changed over time that is taken to encapsulate an evolutionary process. A static reproduction process is, as before, then related to a reinforcement or at least a maintenance of an asymmetrical structure, whereas a dynamic process refers to the eruption of such an asymmetrical continuity or durability.

⁸⁰ Svensk Försäkringsårsbok (1986-1991).

⁸¹ Ibid.

⁸² Ibid.

5.2.7.1 The evolution of sociostructures based on resource asymmetries

The static reproduction of this kind of sociostructures was akin to a temporal continuity of underlying resource asymmetries. A similar static process is uncovered by interpretations of asymmetrical possessions of and/or accesses to resources that became even more asymmetrically distributed among interacting actors or a group of actors.

The years between 1986 and 1991 signified a static reproduction of the sociostructures that was affiliated with the actuarial and investment activities. Alongside this reproduction was not only the importance but also the scarcity of resources; knowledge in particular. For the actuarial function, this scarcity is said to have been intensified by the eruption of sector-related cooperation (see above), whereas the deregulation of the financial markets is recognized to have brought about a scarcity of knowledge related to the various investment activities. These two examples of accumulated scarcity are recalled to have strengthened the asymmetrical control of those actors who possessed and/or had an access to these resources. The strength of the sociostructural position of these two groups, which earlier had been grounded on the importance of the underlying activities, was then further intensified by the deepened scarcity. Even if the reproduction came to strengthen these sociostructures, some countervailing processes can be found. For example, the rapid market growth for so-called simple life insurances, with the foundation of Livia and SparLiv at the turn of the decade, partly circumvented these companies' dependence on a highly specialized technological knowledge in sales and marketing. *Empirically illustrated:*

"At Livia and SparLiv they have turned to insurances with smaller premiums which do not demand as an extensive analysis of customers' needs or technical expertise by the sales(wo)men." (A manager at Aktiv)

Moreover, the legal regulations on investments, except for unit-linked companies, partly set aside the dependence on investment know-how for newly founded firms.

Somewhat in divergence from the more path-dependent or static reproduction of the actuarial and the investment activities, the evolution of the sales and marketing are enacted to have ensued along more of a dynamic process. The years until the beginning of the 1990's marked a strong and steady market growth. Over this period, the employed sales forces are revealed to have fulfilled an indispensable function of which there was a widespread scarcity.⁸³ *Empirically illustrated:*⁸⁴

⁸³ The statistics on the sales of various types of life insurances is given in Appendix B.

⁸⁴ Compare with the illustration on page 166 (middle).

"This industry was very much focused on the sales and marketing through their employed sales forces, and they were all caught in this situation... The companies could not exercise control over the channel of employed sales forces." (A manager at Länsförsäkringar Liv)

During the years 1990 and 1991 the market for individual life insurance decreased. This downturn was even more noticeable for the employed sales forces since the life insurance companies increased the distribution via independent intermediaries of banks and brokers under the same period. The static reproduction of the resource-based sociostructures that had allowed these sales forces asymmetrical control, suddenly diminished. The most striking countervailing process was the static reproduction of the consolidation of resource possessions and accesses that followed from a widespread unionization. In the firms that more or less exclusively had used sales forces, this countervailing process was stronger. In two of these companies, Skandia Liv and Wasa Liv, the traditional sales forces were not substituted with sales through bank offices. In both cases, the asymmetrical control of the sales forces was not as clearly disrupted as in other firms, even though conflicts between the employers and the sales forces existed. *Empirically illustrated:*

"The employed sales forces had a monopoly which we had to enter into conflicts to get rid of." (A manager at Skandia)

"There were conflicts (i.e. referring to the relation with the employed sales forces) about franchisers, brokers and new products." (A manager at Wasa)

A distinct dynamic process involved some of the sociostructures that intercontextually consolidated various actors' resource possessions and/or accesses. As observed above, the latter half of the 1980's involved a technostuctural change in that several of the intercontextually undertaken activities were in practice terminated. Here, the concentration of resources was dispersed with the consequence that preceding sociostructures not were statically reproduced. Among the organizations that most commonly are described to have followed a similar kind of dynamic evolution were: the Actuarial Committee for the Swedish Life Insurance Companies; the Service Company of Swedish Insurance Industry Ltd; the Committee for Personal Insurances; the Risk Committee for Swedish Life Insurance Companies; and the Insurance Companies' Marketing Committee.⁸⁵ It is made known that some of these organizations and committees, like the Service Company of Swedish Insurance Industry Ltd and the National Federation of Swedish Insurance Companies, were reorganized as a countervailing process. *Empirically illustrated:*

⁸⁵ Svensk försäkringsårsbok (1986-1991).

"The collaborative associations and committees between the life insurance companies had a very strong position... There was a disruption due to the introduction of Reflex. Subsequently, one thing led to another and these collaborative alignments more or less disappeared... those that remained were reorganized or took on new roles." (A manager at RKA)

The function of the National Federation of Swedish Insurance Companies as something of the life insurance companies sociostructural counterpart in relation to the regulator was taken over by the Swedish Insurance Federation the first of January 1991. This organization is widely considered not to have lost as much of its sociostructural position, in terms of asymmetrical control founded on resources, as the Service Company of Swedish Insurance Industry Ltd.⁸⁶

5.2.7.2 The evolution of sociostructures based on normative asymmetries

The static reproduction is delineated as something of a history-oriented legitimatization process of certain norms that granted asymmetrical rights to control. The so-called sector-related organizations and committees were apparently subject to such processes the first years of the period 1986 to 1991. A second example of this static reproduction of normatively based control was enjoyed by those actors who were directly engaged in the intercontextual mediating of resources. Here, those involved in actuarial and investment functions had their asymmetrical control sanctioned by norms during the entire time period, whereas those engaged in sales and marketing only were sanctioned until the turn of the decade. Also, in the companies (i.e. foremost Skandia and Wasa), that throughout the period continued with the employed sales force as the dominating sales and marketing channel, the once strong normative sanctioning was subverted, although to a lesser extent than in other companies.

The precedingly rendered sociostructures within the organizational contexts that were based on normative sanctioning, during a varying time period, followed a history-oriented legitimatization that manifested the sanctioning. For example, norms established in decision-making routines, as in Länsförsäkringar Liv (see above), are depicted to have been statically reproduced by tradition. The dynamic reproduction, on the other hand, is conveyed as often having expressed a kind of future-oriented legitimatization. It was the anticipation of the future that is referred to have given rise to dynamic evolution. The eruption of the normative sanctioning of the sector related organizations' asymmetrical control at the end of the 1980's and beginning of the 1990's is an empirically well-documented illustration of such a dynamic reproduction.

⁸⁶ Notably, Folksam Liv has never been a member of the National Federation of Swedish Insurance Companies.

It is divulged that representatives for the companies in these collaborations expected a more intense competition where some firms would no longer be willing to freely provide other firms with scarce resources, like actuarial knowledge. They foresaw a future where the firms had to develop and sustain their own competitive advantages without help from each other, as discussed. A similar reasoning is used to describe the eruption of the sanctioning possessed by the employed sales forces, and the anticipations were, for instance: that the sales cost should become more important for customers; and that there should be an increased emphasis on other channels of distribution such as bank offices and brokers. *Empirically illustrated:*⁸⁷

“When facing an increased competition for available business, we realized that the traditional employed sales force had to be substituted since it was too costly. We looked at development abroad and told ourselves that something had to be done.” (A manager at RKA)

In other organizations, where these and similar anticipations were not as distinct, the sociostructural positions of employed sales forces were not as disrupted, although not considered to have been statically reproduced. *Empirically illustrated:*

“We decided to maintain a core of an employed sales force. We have also reached the awareness that there are certain other channels of distribution which do not comply with the employed sales force culturally.” (A manager at Skandia)

It is recognized that the future-oriented processes sometimes led to a dynamic reproduction of sociostructures regardless of whether resource asymmetries still existed. For example, even if some sector-related organizations are recorded to still have possessed and/or had access to scarce resources like technological knowledge (see above), the termination of a normative sanctioning meant that they more or less lost their asymmetrical control entirely, as illustrated.

5.2.7.3 The evolution of sociostructures based on legally enforceable asymmetries

The contractual agreements that are mentioned to have been changed so that the existing asymmetrically distributed rights remained or were intensified, signify a static reproduction. In the contexts of the life insurance companies statics are described by likewise reproduction of, for example, the contractually regulated job descriptions and decision-making routines. This is seen as the fine tuning of authority structures within the organizational domains. It is empirically indicated that these periods of static fine tuning were often preceded by dynamic processes in which asymmetrical relations

⁸⁷ Compare with the illustrations on page 151, 175 (middle).

expressed in contracts were changed in a course that neither preserved nor accentuated foregoing asymmetries. *Empirically illustrated:*

"We underwent a major reorganization in 1985, and the years to follow were devoted to adjustments... In 1990, we took the decision to launch a new organization which in principle succeeded the organization of 1985." (A manager at Folksam)

Dynamic processes or reorganizations, as they often are referred to, embraced a large proportion of the contractual rights within the organization in relation to the fine tuning that characterized static reproduction. Notably, static and dynamic processes could exist parallel to one another within a company, in that sometimes only a division or section was reorganized.⁸⁸ Likewise, the dynamic changes of various intercontextual contractual constellations (see above) often took into account a high proportion of rights enjoyed by an actor, but seldom all rights, relative to static reproduction. For instance, the contractual rights of the Service Company of Swedish Insurance Industry Ltd were extensively rewritten during the beginning of 1990's which then reduced the old grounds and meanwhile created new grounds on which their sociostructural position were based. *Empirically illustrated:*

"The sector considered it wrong not to follow the rules that existed, the rules were established by the sector related organizations and were accordingly not part of the legislative framework." (A manager at Livia)

Another dynamic process concerned the contractual rights of the Actuarial Committee for the Swedish Life Insurance Companies. Here, the freely entered into contractual rights were cancelled, whereas the rights expressed in the legislative framework remained. *Empirically illustrated:*

"It used to be written in the technical bases that decisions concerning this and that were to be taken by the Actuarial Committee for Swedish Life Insurance Companies. The Swedish Private Insurance Supervisory Service thereby sanctioned the Actuarial Committee to handle minor issues that they knew were carefully inquired and which the firms within the industry then followed. Nowadays (i.e. the autumn of 1991), these clauses are removed and there is only one left, which both the firms and the Insurance Supervisory Service wanted to keep, that concern the valuation of the technical reserves." (A manager at Skandia)

⁸⁸ See, for instance, the annual reports of the respective life insurance companies (1986-1991).

“The companies had before pledged themselves to follow the decisions of the Actuarial Committee for Swedish Life Insurance Companies. Now (i.e. in the autumn of 1991) the Actuarial Committee is only an advisory office in which one has the possibility to bring about questions that are of a purely technical nature.” (A manager at Wasa)

5.2.8 Sociostructures as structural properties in sum

The interactions that are interpreted as having enduringly involved asymmetrical control among the involving actors were based on an asymmetrical possession of and/or access to: resources (i.e. both tangibles and intangibles); sanctioning by norms; and legally enforceable rights. A so-called sociostructural position held by an interacting party, an individual or a collective, could then embody various constellations of these three rendered foundations.

From an evolutionary perspective, the three asymmetrical grounds appear to have followed their respective, although to some extent interdependent, static and dynamic reproduction process. A static and a dynamic reproduction of the respective grounds could then run parallel within the life organizations and/or intercontextually. As a result, all of the three grounds have to be considered when assessing asymmetrical positions held by various actors or collectives of actors.

The dynamics of the resource asymmetries turn out to have varied concurrently with the entailed technostuctural dynamics. Notably, the dynamics of the normative asymmetries did not fully follow the underlying resource asymmetries. In general, a history-oriented sanctioning from norms implied a static reproduction, whereas the future-oriented sanctioning was relatively more often linked to dynamic reproduction processes. This latter sanctioning was especially enjoyed by interacting parties who were anticipated to receive control based on scarce resource or legally enforceable rights in the future. An extensive eruption of contractual asymmetries within an organizational context was, for instance, intersubjectively interpreted to be a consequence of anticipations of future resource and/or legally enforceable rights.

Obviously, the observations discerned are to be regarded as illustrations of a general, but by no means an absolute, empirical convergence since the analysis has come to depict several diverging exemplifications.

5.2.9 Cultural structures within the contexts of the life insurance companies

These are the structures that were constituted of psychical interactions among individuals within the boundary specific contexts of the life insurance companies. The empirically most common portrayal of such cultures will here, in accordance with the theoretical analysis, be categorized as either a techno- or a sociostructural one. These two forms of cultures are crystallizations of the linkages between the psychical interactions that turn out to have been affiliated with techno- and sociostructures, respectively. The content of these norms thereby expressed the meaning of the function of the various techno- and sociostructures that resided within the life insurance companies. At the outset of this section, the techno- and sociostructural cultures will be comprehensively depicted without empirical illustrations. Subsequently, these illustrations will follow from the uncovering of the evolutionary dimension.

5.2.9.1 Technostructural cultures

The most distinct technostructural cultures were related to the actuarial, sales and marketing and investment technostructures. Here, the respondents recall how individuals within these groups over time had come to develop and sustain certain norms and values through the exchanges of both tangible (i.e. materials technology) and intangible resources (i.e. technological knowledge) in their daily work-flow operations. These kinds of technostructural-specific norms then contained intersubjectively approved of understandings on the why and who technostructures were to be conducted. In other words, the knowledge of the various technostructures are observed to have been impregnated with norms. It is, in particular, during those time periods when the above discerned technostructures were statically reproduced (see above), which is noted to have revealed the existence of such established norms.

5.2.9.2 Sociostructural cultures

These are the cultures that are interpreted to have expressed the normative content of the psychical interactions tied to the recognized sociostructures. From the empirical sources it becomes evident that the normative content can be classified as having embodied a weak, neutral or strong will or inclination to use the underlying asymmetrical positions of various actors or group of actors within the organizations. The notion of will represents a normative content that specifically governed the functioning of sociostructures. In more detail, the three modes of will are empirically surfaced as follows:

Weak will to use the asymmetrical positions: The actors within these collectives did not pursue their respective capacities to control each other's actions, even though some of them were in a position to do so. The most obvious examples of this kind of norm resided among interacting parties that are described as having had an interest in consolidating their asymmetrical control so as to leverage their combined sociostructural position towards other collectives of actors. This cooperative will was, for instance, recalled to have been shared among those that conducted similar types of transformative activities such as sales and marketing, and in some cases these norms were made explicit by the presence of unions (see above).

Neutral will to use the asymmetrical positions: Within these collectives the actors used, although to a reduced extent, their asymmetrical control towards one another. A number of reasons for the existence of this norm can be found. Among the more recurrent illustrations are the insight that the involving individuals usually had relatively more divergent interests than in cases of a weak will. An often-quoted example of this neutral will refers to the decision-making processes in which actuaries and those conducting sales and marketing were to determine dividend rates.

Strong will to use the asymmetrical positions: Here, the norm impregnating the interactions expressed a will among the parties to more or less fully utilize held asymmetrical control. Even though it is difficult to empirically pinpoint the grounds on which this kind of norm resided, it becomes obvious that the interest among the actors was, relatively the two other sociostructural cultures, highly divergent. The norm is mainly exemplified as having manifested a kind of competitive bargaining in which the actors fully used their respective control as to countervail one another's sociostructural positions through often open conflict.⁸⁹ The reduction of using asymmetries were then resulting from force rather than common interest.

It is remarkable that divergent reasons for all of three cultures are evoked. For instance, a weak will of using asymmetrical control could, when only considering the organizational boundaries, coexist with divergent interest among individuals.

5.2.10 Intercontextual cultural structures

In this section we will elucidate the techno- and sociostructural cultures which have appeared when considering the intercontextual dimension of analysis.

⁸⁹ Compare with the illustrations on pages 145, 166.

5.2.10.1 Intercontextually shared technostructural cultures

The affiliation between the technostructures and the psychical interactions of a culture that can be distinguishable from an intercontextual perspective is, as in the organizational contexts, related to activities of the three so-called primary functions. The collectives in which these cultures were shared embraced, in addition to the individuals within the life insurance companies, a plethora of actors.

The cultures associated with the actuarial and the investment functions were largely shared among those individuals who participated in these operations. These mediating activities indirectly involved, as portrayed, many actors, but it was mainly those actors who recurrently took an active party in the work-flows and/or provided related resources, who are recognized to have shared specific technostructural cultures.

The collective of individuals who shared the cultures related to the technostructure of sales and marketing encompassed generally enrolled both customers and suppliers. This is considered to be due to the regular transformative interactions undertaken in cooperation between these two groups of actors (see above). Since single customers most often had temporal roles in transformations, it was the customer profiles in terms of demands and requirements that played a recurrent role in work-flow operations. Similar customer interactions are recorded to generally have pertained to actuarial operations. The customer demands and requirements are asserted to have been highly homogeneous and foreseeable in the investment function, which seemingly reduced the need of a more active party by customers in the daily operations.

In correspondence with our earlier observations, the customers of group life insurances had active roles via insurance committees in the actuarial transformations, like towards Folksam Liv and Förenade Liv, or in the investment transformations, like towards all of the unit-linked life insurance companies. These were, however, generally temporal roles, which then implies that the customers only indirectly shared norms associated with these technostructures. Differently put, the customers did not participate in the recurrent every-day interactions of these technostructures.

5.2.10.2 Intercontextually shared sociostructural cultures

In conjunction with the preceding depiction of the organizational contexts, cultures from the empirical sources can be seen as having expressed a weak, neutral or strong inclination or will to use the various asymmetrical grounds.

Weak will to use the asymmetrical positions: Here, the interacting parties more or less avoided exercising their asymmetrical control against another in recurrent interactions. Collectives of such parties can, as in the organizational contexts, be found among groups of suppliers which conducted specific technostuctural activities and which shared certain interests. These collectives of professionals often engaged involved individuals from all of the life insurance firms. The many sector-related organizations, committees and unions (see above) are viewed as having manifested this cooperative atmosphere among interacting parties.

Neutral will to use the asymmetrical positions: The reduced utilization of asymmetrical positions held by actors mainly followed from the collectives in which the interacting parties had somewhat divergent interests. This so-called neutral will seems to have permeated those interactions which clearly are characterized not as having expressed a weak or strong inclination to exercise asymmetrical control.

Strong will to use the asymmetrical positions: The actors that more or less fully bestowed their asymmetrical positions towards one another are interpreted to have had highly divergent interests. This rivalry was evident from a number of bargaining processes between actors like the one above illustrating the introduction of the so-called Reflex insurance by Wasa Liv. This highly competitive inclination was not only associated to relations among life insurance companies but also between life insurance companies and actors like suppliers, the legislator, and other sector related organizations and committees. Also the conflicts between the parties on the labor market could during certain time periods comply this norm of a strong will.⁹⁰

5.2.11 The evolution of cultural structures

It is empirically recollected that both techno- and sociostructural cultures were subject to static as well as dynamic reproduction. When considering the evolution of the former cultures, the eruption of the intercontextual norms associated with actuarial and sales and marketing operations became significant during the second half of the 1980's. *Empirically illustrated:*

"I believe that the new companies in several respects have been very healthy for the firms within the industry. It was an awakening that showed alternative courses of action." (A manager at Folksam)

"The Reflex insurance contained options that you could increase the insurance coverage without any medical examination. This was a new way

⁹⁰ Compare with the illustrations on page 166 (middle).

of thinking in relation to the traditional view that stated: we have always done things like this. It was a sphere of professionals that had inherited a certain established outlook, which then framed the possibilities for new thinking.” (A manager at Skandia)

An increased divergence of technosstructural cultures is traceable among the life insurance analogous to the dynamic reproduction of underlying technosstructures. That is, the norms of technosstructural interactions were more or less maintained in some organizations and clearly erupted in others. *Empirically illustrated.*⁹¹

“The role of the employed sales forces has diminished. However, the firms here have clearly divergent apprehensions. RKA and Trygg-Hansa state that these sales forces have a substantially reduced role to play. Wasa is quite neutral, whereas at Skandia they regard the role of the employed sales forces as being more predominant.” (A manager at RKA)

“Today everyone knows that it is right to sell and market simple life insurance products through banks and post offices.” (A manager at Livia)

The emergence of technosstructural norms is also extractable from the earlier referred to routinization of new technosstructural procedures in the actuarial function, as well as in the sales and marketing function. The positive feed-back received from the pursuit of these new practices is asserted to have fostered mimetic isomorphism around certain themes like: product development is positive; new technical bases are positive; simple insurances are to be sold through low cost distribution channels; cost reduction is positive; and inter-firm collaboration is negative.⁹²

No distinct examples of dynamics in the reproduction of the culture shared within the collective that conducted investment activities are empirically available. The few divergencies that existed were statically reproduced. The earlier documentation on the evolution of the technosstructures entails the concurrent reproduction processes of the physical content of interactions *per se*.

The empirical sources disclose both dynamics and statics of sociostructural cultures. The second half of the 1980's is considered to have involved dynamic reproduction of some of the sociostructural cultures. Before this change, respondents observe that there existed a widespread norm that all parties, including the customers, should benefit from a collaboration between the life insurance companies. As described above, the cooperative inclination gave rise to a number of agreements and committees with representatives from close to all life insurance companies. During the later half of the

⁹¹ Compare with the illustrations on the pages 151, 165, 168.

⁹² Compare with the illustrations on the pages 147, 148 (top), 175 (middle), 192.

1980's, several actors began to question the cooperative alignments. The actors included most life insurance companies, as well as the legislator, the Swedish Competition Ombudsman and the Insurance Supervisory Service (see above). Concurrent to this widely dispersed questioning, there was a move towards an intensified will to exercise asymmetrical positions. This trend is told to have been accentuated throughout the studied time period, until 1991. *Empirically illustrated:*⁹³

"The collaboration between the firms within the industry diminished during the time period mentioned... In the strategic work, we are trying to tell everyone having contacts across the company border that we disapprove of cooperation with competitors. Our objective is to take and not to give information." (A manager at Skandia)

"It is evident that the competition between the firms has become more and more intensified. From the Swedish Private Insurance Supervisory Service, we have declared that they should be less aggressive in their marketing. It is, however, not only the marketing activities that have changed. The firms have come to introduce more new products." (A manager at the Swedish Private Insurance Supervisory Service)

That is, the eruption of the cooperative will was replaced by a stronger will among the life insurance firms to use their asymmetrical positions towards one another. This latter process is denoted to have been vehicled by several occurrences, like a decrease in the demand for individual life insurances in 1991, and expectations about, for instance, future legislative changes to enhance competition. *Empirically illustrated:*

"Expectations about the future rather than experiences increasingly came to guide the actions of the companies." (A manager at RKA)

The above discussed blurring of the lines of demarcation between life insurance business and the providing of financial services in general, is also interpreted to have subverted the inter-firm cooperation and propelled the emergence and static reproduction of a norm expressing more intense competition.

The intercontextual evolution and the reproduction processes within the organizational realms could apparently have a certain interrelationship. For instance, the eruption of conducting sales and marketing only through employed sales forces, by including other actors like brokers and banks, is acknowledged to have led to a stronger will to utilize the sociostructural capacities between management and affected sales forces.⁹⁴

⁹³ Compare with the illustrations on page 145.

⁹⁴ Compare with the illustrations on page 166 (middle).

5.2.12 Cultural structures as structural properties in sum

These cultures are made known as having been formed of norms that with temporal continuity governed ongoing physical interactions that composed discernible techno- and sociostructures, respectively. Here, it is possible to extricate sociostructural cultures on whether interactions expressed a weak, neutral or strong will or inclination to exercise the held asymmetrical positions (i.e. in terms of the possession of and/or access to control) among interacting parties. Thus, a strong sociostructural position did not necessarily imply a strong will to use this possibility to control others.

Both dynamics and statics of the techno- and sociostructural cultures are illustrated to have occurred contextually as well as intercontextually. A contemporaneity is here noted in the two spatial dimensions. As cultures were intercontextually erupted, a similar process can often be deduced in the realms of the life insurance companies, even though divergencies are observable. Likewise, an emergent technosstructural culture that contained normative themes other than those present before the dynamic reproduction, could proliferate intercontextually by virtue of interpreted positive feed-back.

Finally, empirical bearing has been given to show that static and dynamic reproduction of both techno- and sociostructures with related cultural structures could follow temporally coexisting processes. When, for instance, a technosstructure underwent a dynamic process the linked technosstructural culture was often close to concurrently following a similar process. Meanwhile, sociostructural dynamics, including the will to exercise asymmetrical control, could take place, which can be seen in the light of present asymmetrical resource dependencies, legally enforceable rights and/or a normative sanctioning. Any single-sided cause and effect relations are not apparent in the empirical texts. Instead, it is believed that reciprocity among structural configurations fostered an amplification towards a certain, dynamic or static, reproduction process.

5.3 Strategy formation and structural principles

Hitherto, empirical support has been given to the temporal and spatial presence of techno- and sociostructures with associated cultural structures. The psychical coupling of these structural properties has however not yet been considered. It is then relevant to present the results of the analysis on the coherent system of shared norms that governed interactions within and across (i.e. intercontextual) social settings.

A reference to a structural principle as being predominantly shared among individuals within and/or across defined contexts, as in the theoretical analysis, has not been feasible to retain since all individuals active in life insurance companies and other sector-related settings were not interviewed. Whether or not single individuals active in these interactions had internalized and externalized the norms of a structural principle was not examined more than implicitly from the primary and secondary sources. It is, however, made clear that structural principles do not need to be shared by a predominating part of the population within a defined context. This is recognized to primary have been due, as will be discussed in section 5.6, to divergent knowledge about the coupling between structural principles and properties.

The unfolding of structural principles was made possible on the basis of the knowledge of those individuals who had an active role in the coupling of the precedingly discerned structural properties. Hence, their intersubjective interpretations of the normative content that infused interactions of structural properties enabled the crystallization of structural principles. The compliance of interactions to a structural principle was then interpreted by a certain collective of individuals - i.e. the top managers interviewed. In this section, we will then observe the coupling of structural properties and structural principles on the basis of these managers' intersubjective interpretations. A structural principle relates to the one of coherent system of shared norms that with a temporal continuity predominantly, relatively to other such systems, governed interactions within defined social systems. This is not to say that a similar structural principle had to predominantly govern the interactions of a social system. Rather, predominance is a criterion of relativity among coherent systems of shared norms.

The categorization of structural principles was found to be compatible with the content of norms as calculative, ideational and genuine, in accordance with Sjöstrand's taxonomy,⁹⁵ which was part of the initializing *ex ante* process of the analysis.

5.3.1 The structural principles of the life insurance companies

Due to the *a priori* definition of a life insurance company as a social system, only one principle will be associated with each such company. Obviously, no company is interpreted as having been solely governed by one of three modes of normative content distinguishing structural principles. Rather, all of these modes can, to some extent, be found in all life insurance firms. The existence of structural principles which infused parts of the interactions emanating from the life insurance companies will be discussed in the delineation of the analysis of the intercontextual dimension.

⁹⁵ See chapter three for a discussion on this taxonomy of the psychological content of interactions.

5.3.1.1 Calculative structural principles

The interactions of all of the seven unit-linked companies are empirically asserted to predominately have been governed by a calculative principle. This is perhaps made most explicit by the underlined objective to earn profits so as to give competitive returns on stockholders' investments. This aspiration is believed to have corresponded with the associative form based on limited stock. This was also the associative form on which all of the seven companies were founded. Despite this shared principle, the technostructural solutions, in particular about the use of distribution channels, differed among these firms that supplied unit-linked life insurance.

It is believed that those of the investment function had a strong sociostructural position about the supply of unit-linked life insurance funds. This is recollected to have been due to the crucial importance of investments, in that the saving rather than the risk-taking component was accentuated in the insurance products. In the investment function then, the business objective is clarified in broad terms, to have been to maximize the returns on investments given a certain risk of the underlying asset. The valuation of these assets and the determination of risks were based on certain specified techniques. These strict calculative grounds on which to determine the investment operations were used without exceptions. The technostructural culture of the investment function was, in other words, in coherence with the structural principle of these firms. The control of the business activities was also quantitatively measured from the value of the various investment funds published each day. The information about the value of the funds was then a prime carrier of information about the success of operations undertaken.

5.3.1.2 Ideational structural principles

The interactions of these companies are interpreted to predominantly have been governed by a normative content that is not primarily referred to as calculative or genuine. Rather, it is interpreted that interactions expressed a normative content that embraced the calculative interest in monetary values. Divergent from a more "pure" form of a calculative principle, the interactions are said to have been transfused with certain ideals stemming from long term orientations towards certain customer groups. Hence, the intercontextual dimension needs to be added to the picture in order to more clearly see the divergencies among firms. However, from the evolutionary dimension it will be disclosed that the predominance of these ideational principles diminished over the period studied in that the lines of demarcation towards a calculative principle became less distinct. Furthermore, in section 5.4, we will remark on divergencies in the firms' degree of coupling to certain ideals.

Regardless of the associative forms of firms, even though the majority were mutual, the ideal was to solve the insurance situations of certain customer groups by redistributing savings and risks.⁹⁶ The surpluses from these operations were then, with no exceptions, passed on to the respective customers on the basis of the equality technique described above. Here, the customer orientation had implications for the predominating shared ideals that regulated the interactions emanating from some of the life insurance companies. *Empirically illustrated:*

"The orientation towards various customer groups is reflected in the divergent ideologies." (A manager at RKA)

"The divergencies between the companies are dependent on the customer groups. There are a lot of inquires of shared norms and values that uncover these divergencies." (A manager at Wasa)

From the observations that are in line with these generally shared illustrations, two ideals are evoked from the empirical sources.

- *The ideal to differentiate customers:* This collective, which in terms of market shares and employees was by far the largest, incorporated the life insurance companies and their associated intra-group alignments: Ansvar Liv, Länsförsäkringar Liv, RKA, Skandia Liv, Trygg-Hansa Liv, and Wasa Liv. Relative to other firms, there was a general belief in customizing life insurance products and services so that each individual customer had his/her needs and requirements fulfilled. Both the financial and social situation, as well as the state of health of each and every customer, were taken into account. As a result, the life insurance offerings varied from very complex to quite simple depending on the customers at hand. *Empirically illustrated:*

"We are in principal working with two categories of customers, and that is: those who have a standard demand for saving and insurance coverage; and those who have complex property situations due to higher incomes or family matters." (A manager at Trygg-Hansa)

"The simple insurances are used to provide a basic insurance coverage on which we then add complexity. We are then moving towards financial consulting." (A manager at Skandia)

The interactions of the structural properties were predominantly guided towards customers who were: total abstainers in Ansvar Liv; having complex fiscal and financial

⁹⁶ The group of mutual firms included: Ansvar Liv, Folksam Liv, Förenade Liv, Livia, RKA, Trygg-Hansa Liv and Wasa Liv. The collective of limited stock companies encompassed: Länsförsäkringar Liv, Skandia Liv and SparLiv. Notably, both Länsförsäkringar Liv and SparLiv were owned by mutual firms.

situations such as owners of small businesses and those with high incomes and wealth in Länsförsäkringar Liv, RKA, Skandia Liv, Trygg-Hansa Liv and Wasa Liv. Even though the latter group of firms also provided insurance for more standardized needs and requirements, it was nonetheless the orientation towards the complex customers that is believed to have come to characterize the respective firm. This is recalled to foremost have concerned Skandia Liv and Wasa Liv. *Empirically illustrated:*

"The companies have acted divergently depending on their respective orientations. Our prioritized customer group has been small and mid-sized firms as well as so-called established persons. We are thereby aiming at those persons that demand quality in both products and advice, and also can afford to pay for it." (A manager at Wasa)

Technostructurally, a broad scope of transformative activities were conducted to ensure that the supply of life insurance was in line with the ideal to differentiate customers. Allowing outside actors to make these transformations was only sanctioned if this ideal could be maintained. Also the technological knowledge was specialized in order to meet the ideal of differentiation. This knowledge was then tied to the broad scope of transformative activities involved in the overall mediation of risks and savings. Specific knowledge for the life insurance business was particularly present in the actuarial, as well as in the sales and marketing operations.

Sociostructurally, the ideal of differentiation can be entailed by the presence of representatives of the customer groups in the board of directors. For example, Ansvar had representatives from churches and the temperance movement, whereas Wasa Liv board mainly enrolled single professionals such as managing directors and lawyers⁹⁷. This cooption of customers was not likewise used by the mutual and the limited stock companies, since the latter firms, that embraced Länsförsäkringar Liv and Skandia Liv, more or less exclusively involved ownership rather than customer representation.⁹⁸ In the mutual firms, the owners and the customers were one and the same.⁹⁹ However, in Länsförsäkringar Liv the owners were mutual companies which, in turn, had customers in their respective boards of directors.¹⁰⁰

- *The ideal to semi-differentiate customers:* The firms that predominately followed this ideal are claimed to have been: Folksam Liv, Förenade Liv, Livia and SparLiv. The customization of the life insurance products and services was based on categorizations

⁹⁷ The annual reports of Ansvar Liv (1986-1991) and Wasa Liv (1986-1991).

⁹⁸ The annual reports of Länsförsäkringar Liv (1986-1991) and Skandia Liv (1986-1991).

⁹⁹ The annual reports of Länsförsäkringar Liv (1986-1991). See appendix A for a description of the ownership relations in this associative form.

¹⁰⁰ See appendix A for a description of Länsförsäkringar Liv.

of customers' needs, requirements and risk situations. The differentiation of customers were then not going as "deep" in these various aspects, and it was more of the basic demands of saving and risk-taking that were covered. Instead, the differentiation was met in that customers could choose, broadly put, between various constellations of saving and risk-taking elements and the amount of premiums to be paid. However, the firms also had, particularly Folksam Liv, more complex insurance products even though these did not add up to a large proportion of sales relatively to the firms with an ideal to differentiate customers.

There was, according to primary sources, an ideal to cover something of a basic demand for life insurances among the large collective of "ordinary" wage earners and others, like women, having low state regulated pensions. *Empirically illustrated:*¹⁰¹

"Folksam has always had a clear orientation towards collective insurances. There is a deeply founded tradition in Folksam to choose those kinds of collective insurances where attempts are made to lower the costs through mass production." (A manager at Folksam)

"The insurance products are designed to be suitable for the large customer groups that we want to reach... It is the average persons that we have as customers." (A manager at SparLiv)

Technostructurally, the semi-differentiated principle can be observed by the sales and marketing efforts that were directed towards the customer groups just mentioned. The use of agents, brokers and franchisers was nearly non-existent. Instead, less costly means were used. At Livia and SparLiv, which both received the largest parts of their premiums on the market for individual life insurances, bank offices were the channels which sold the most insurances.¹⁰² Employed sales forces were only engaged by those firms, Folksam liv and Förenade liv,¹⁰³ that were generally more oriented towards group life insurance where the counterparts often were representatives of collectives of potential customers (i.e. group life insurance) (see above). In conformity with the firms that had a differentiated ideal, the use of outside assistance in the work-flow operations was only sanctioned if the semi-differentiated ideal could be upheld.

Sociostructurally, the boards of directors in the mutual firms involved representatives from the respective customer groups. For example, in the board of Folksam Liv there were delegates from employees' associations and the cooperative movement, whereas Förenade Liv's board included relatively fewer members of employees' associations as

¹⁰¹ Compare with the illustration on page 165.

¹⁰² The annual reports of Livia (1989) and SparLiv (1991).

¹⁰³ The sales and marketing of Förenade Liv's insurances were performed by the employed sales forces of the associated companies discerned earlier.

the members of various employers' associations had many seats.¹⁰⁴ As discussed earlier, this was Förenade Liv's and associated companies' main channel to reach employees. Divergent from this representation of customers, the board of SparLiv, which was a limited stock company, largely involved owner (i.e. Folksam Liv) and supplier (i.e. Sparbanken) representatives who themselves did not have to be customers.¹⁰⁵

5.3.1.3 Genuine structural principles

It is empirically recalled that a genuine-like principle was in predominance in Allmänna Änke- och Pupillkassan. Throughout the years dating back to 1784, at the time of the foundation via a merger of two older insurance associations, the business had been restricted only to supply survivors' pensions.¹⁰⁶ Diversifying into new products and services or reaching higher market shares had never been set as aspirations. It is revealed to have been traditional in certain families and acquaintanceships to have life insurances in Allmänna Änke- och Pupillkassan.

Technostructurally, the genuine ideal is illustrated by the finding that sales and marketing is taken care of by family ties and close friendships. No professional sales force or other means through which to sell and market the life insurances were applied.

Empirically illustrated:

"We have never conducted any marketing, and there has subsequently never been a marketing department here at Allmänna Änke- och Pupillkassan. The new insurances we enter into come thanks to the children of old policyholders or acquaintances... We have no competitors." (A manager at Allmänna Änke- och Pupillkassan)

Sociostructurally, the members of the board of directors were owners (i.e. customers) themselves, and, unlike the majority of the mutual life insurance companies, they did not represent certain customers' associations. Instead, they are described as having represented tradition and long term stability. *Empirically illustrated:*

"The members of our board have to be policy-holders to qualify, so they are both owners and members of the board at the same time... Their remunerations are merely symbolic." (A manager at Allmänna Änke- och Pupillkassan - i.e. the same as in the previous illustration)

¹⁰⁴ The annual reports of Folksam Liv (1986-1991) and Förenade Liv (1986-1991).

¹⁰⁵ The members were predominantly representatives of Folksam and Sparbanken. Folksam owned 100% of the outstanding shares in SparLiv until the first of January 1992.

¹⁰⁶ The annual reports of Allmänna Änke- och Pupillkassan (1986-1991).

5.3.2 Intercontextual structural principles

The focus will now be on the life insurance companies' couplings with *ex post* defined social systems, and the structural principles that here are interpreted to have been present. The life insurance companies are then seen as actors in *ex post* defined social systems. It is on the basis of the interpreted coupling, which later will be disclosed to have varied between structural properties and a structural principle that enabled the depiction of these systems. Such a social system could possibly span a number of distinguishable actors. *Empirically illustrated:*¹⁰⁷

"All the firms within the industry have distinct profiles in relation to the customers, which can be likened to a kind of role play." (A manager at Skandia)

"When one talks about collaborative alignments one has to observe the shared values at hand." (A manager at Länsförsäkringar)

"The services are distributed to customers through interactions that are heavily infused with a culture." (A manager at Wasa)

A crystallization of surfaced structural principles as calculative, ideational or genuine seems to broadly capture the normative content expressed in the interactions within the *ex post* defined social systems.

5.3.2.1 Calculative structural principles

Those active in the overall mediation of the investment function are interpreted to have been guided by a calculative principle, regardless of firm belonging. The principle was embedded in technostructural operations and knowledge. The presence of the principle can, in conjunction with the analysis earlier, be observed by the highly homogeneous interactions by the actors of the intercontextual technostructure which arched across both organizational and industrial (i.e. according to the SIC code) boundaries. Prices on investment assets were seen as prime carriers of information among interacting parties. *Empirically illustrated:*

"I cannot distinguish any kinds of ideational considerations between the companies in their investment function. Everyone has been forced to conform to a certain line of business, and to provide oneself with the competence necessary to act accordingly." (A manager at RKA)

¹⁰⁷ Compare with the illustrations on page 180 (top).

"The investment function is not ideationally infused." (A manager at Wasa)

The sociostructures are interpreted to primarily have been grounded on the possession of and/or access to critical resources, like information and knowledge. It is also recognized that no contractual authority similar to hierarchies influenced the interactions. Instead, it was the so-called market that is affirmed to have predominately governed the outcome of interactions.

Only one company is believed to have diverged from a strict appliance of the calculative principle in the investment operations, and that is Ansvar Liv.

"We have certain ethical demands that the policy-holders of this company are to be aware of that we take for granted. We do not make investments in the so-called drinking-industry ("dryckesindustrin") like Spendrups (i.e. a Swedish brewer of beer). It is also self-evident that we do not invest in the war industry." (A manager at Ansvar)

Besides these cited exceptions, it is said that Ansvar Liv also followed the calculative principle in their investment activities. It is further clarified that some firms, and especially Allmänna Änke- och Pupillkassan, did not use as many financial instruments to meet the calculative principle in their investment operations.¹⁰⁸

The calculative principle is also made distinct by the legislative framework. The Act on Unit-Linked Insurance gave stockholders the full right over the distribution of possible business profits. It is foremost the stockholders that were to benefit from such possible profits. No distinct ideational concern of mutuality, from which profits were to be redistributed back to policy-holders (i.e. customers), pervaded interactions unless the policy-holders were stockholders.

5.3.2.2 Ideational structural principles

The collectives governed by an ideational principle are remarked to have technostructurally revolved around the actuarial and the sales and marketing functions. As earlier established, the customers here had more of an active role relatively to the investment function. This close relation between the customers and those engaged in the actuarial and the sales and marketing is referred to have over the years given rise to ideals that infused beyond the physical interactions of both techno- and sociostructures. The empirical sources disclose a separation between what can be ascribed to as various

¹⁰⁸ This is made explicit by the statistics on investments in appendix B.

“ideational collectives of actors”. These collectives then further specify the ideational content expressed through the differentiated and semi-differentiated ideals towards customers. The following collectives are uncovered:¹⁰⁹

- *“The temperance ideational collective”*: In the business of life insurance, Ansvar Liv is signified to have interlinked actors associated with temperance movements from various countries. The objective was to account for the specific risk profiles of those temperate so that they not were discriminated against in relation to other customers. *Empirically illustrated:*

“The market of Ansvar is limited to the temperance sector as it is defined according to Swedish standards, and we have not a concession for anything else.” (A manager at Ansvar)

This had technosstructural and sociostructural implications for Ansvar Liv: *Empirically illustrated:*

“We at Ansvar address those organizations that are close to us and that can be found in the temperance movement and in churches... Our ideational values are important in the legitimization of decisions. In the board of directors are those who represent the organizations that carry the ideal on which this business is founded... The customers’ demands and expectations are mediated through an advisory counsel called the Counsel of Trust, which is occupied by leaders of temperance organizations and churches. This is evidence of how essential we regard the closeness to these organizations, and accordingly our customers... Many old customers mention that it is as natural for them to be members of the described organizations as to be members of Ansvar. Most of those in Ansvar’s management are not only members of one or several of these organizations, but they are also actively engaged herein.” (A manager at Ansvar - i.e. not the same as in the previous illustration)

“We are running an ideational education, which we more or less let all employees world-wide participate in. We teach them Ansvar’s roots and ideational superstructure. That is, the goals: to make money (i.e. that is redistributed to the customers); act in a way that promotes this (i.e. temperate) life style; and have insurance services that are based on the characteristics of our customers. We are also striving to affect the sector (i.e. temperance sector) in which we are operating... by providing information to our trustees so as to help them in their ambitions of social construction. I believe it is possible to say that we have a social function, at least we regard ourselves as having a social function, that deviates from that other insurance companies.” (A manager at Ansvar - i.e. not the same as in the two previous illustrations)

¹⁰⁹ A more detailed description of cooperative alliances of the respective life insurance company follows from appendix A.

The temperance ideal intercontextually embraced a sphere of actors that even crossed national borders. Ansvar Liv had a function to supply life insurance that conformed to those interests that were reflected in shared norms.¹¹⁰ To cite the annual report of Ansvar Liv (1990:58): *"These idealistic links provide proximity to customers as well as direct stimulus for the Company - not at least in terms of product development."* These organizations are acknowledged to have had an important role in the sales and marketing of life insurance. The board of directors of Ansvar Liv enrolled representatives from organizations related to the temperance movement. In addition, a large majority of trustees of the mentioned trustee council represented the temperance movement.¹¹¹

- *"The agricultural ideational collective"*: This was a collective that worked for the interests of agricultural producers. It was foremost Länsförsäkringar Liv that had alliances with actors, such as Föreningsbanken and the Federation of Swedish Farmers (*"Lantbrukarnas Riksförbund"*), of this collective.¹¹² The collective encapsulated actors sharing this ideational principle from several countries, especially the Scandinavian. *Empirically illustrated:*

"The foundation of Länsförsäkringar Liv (i.e. founded in 1985) was prepared, when the principle of need existed,¹¹³ on the assumption that the agriculturists did not have enough life insurance coverage. This implied that Länsförsäkringar, which was the company that insured most agriculturists, was to apply for concession on this inducement." (A manager at Länsförsäkringar)

"... Skandia has its distinct foundation among industrialists. We have it among agriculturists and among the rural population, whereas Folksam has its among the popular ideational collectives in general and employees' associations." (A manager at Länsförsäkringar - i.e. not the same as in the previous illustration)

The agricultural ideal apparently had implications on the structural properties of Länsförsäkringar Liv. The collaborations involved sales and marketing in particular, but consideration was, for example, also given to agriculturalists' fluctuating incomes when developing insurance products.¹¹⁴

¹¹⁰ A description of Ansvar Liv's collaborative alignments is given in appendix A.

¹¹¹ The annual reports of Ansvar (1986-1991).

¹¹² A description of Länsförsäkringar Liv's collaborative alignments is given in appendix A.

¹¹³ This principle is described in appendix A.

¹¹⁴ Länsförsäkringar Liv and the Federation of Swedish Farmers collaborated further through Agria (since 1991 Nya Liv) as to provide agriculturalists with "occupational group life insurances", which is a line of business note included in this study - see appendix A.

Sociostructurally, the board of directors of the mutual organizations that owned Länsförsäkringar Liv had representatives from the agricultural sector in large.¹¹⁵

- *“The popular ideational collective”*: When defining the popular movement (i.e. “folkrörelsen”) in broad terms, it was primarily Folksam Liv that collaborated on the issue of life insurance in order to safeguard the interest of the popular movements. This collective of actors from several countries and Folksam Liv had alliances with other life insurance companies outside of Sweden that shared the same interests.¹¹⁶ *Empirically illustrated:*

“There exists a strong ideational content in the consumers’ cooperative role to meet a demand... Since our foundation we have worked in relation to the popular ideational collective... We have created products that are suited to our ideational profile.” (A manager at Folksam)

“It is only Folksam that has not been a member of the Swedish Insurer’s Association changed or of the present Insurance Association. The reason for this position by Folksam is undoubtedly ideational, which is in particular due to the roots in the popular movement. They believe, I assume, that we write in accordance with the intention of employers.” (A manager of a sector-related insurance association)

As earlier noted, Folksam Liv’s belonging to this collective is reflected technostrurally in that the actuarial function was focused on less complicated insurances, as well as from the usage of popular movement organizations so as to sell and market insurances. Sociostructurally, the popular movement was represented by the board of directors.¹¹⁷

- *“The employees’ ideational collective”*: The objective of this collective was to look after the interests of employees. In terms of the life insurance business this meant a consideration to certain economic and social conditions. The firm associated with this ideal is primarily Folksam Liv. The role of Folksam as the life insurer of this collective had techno- and sociostructural implications. *Empirically illustrated:*¹¹⁸

“During a long period we have developed insurance products for members of employees’ associations. We have cooperated very intensively with employees’ associations which represented their members.” (A manager at Folksam)

¹¹⁵ The annual report of Ansvar Liv (1986-1991).

¹¹⁶ A description of Folksam Liv’s collaborative alignments is given in appendix A.

¹¹⁷ The annual report of Folksam (1986-1991).

¹¹⁸ Compare with illustrations on page 153.

"We have approximately fifty insurance committees, which consist of unions and other organizations, wherein they can discuss strategic issues."

(A manager at Folksam - i.e. not the same as in the previous illustration)

The norms embodying the interests of employees' ideational collective were, as partly pictured above, expressed through the interactions in committees and the board of directors.¹¹⁹ The technostructural focus on collective insurances, which resulted in, for instance, the so-called Membership Insurance,¹²⁰ is also noted to have been in line with the employees' ideal.

- *"The employers' ideational collective"*: Here, the norms that are mentioned to predominantly have governed physical interactions *per se* were complying with the safeguarding of employers' interests. The company that upheld this interest was in particular Förenade Liv, with associated companies (i.e. Skandia Liv, Trygg-Hansa Liv and Wasa Liv) in the field of group life insurances.¹²¹ The collective involved actors, from several countries, that shared employers' interests. *Empirically illustrated*:¹²²

"Our group life insurances have focused on employers, who have not been their (i.e. Folksam's) main customers. Instead, they have been oriented towards other markets like the Swedish Confederation of Trade Unions. We have had the relatively more conservative side ("den högra sidan"), whereas Folksam had more of the socialistic side." (A manager at Förenade Liv)

The technostructural manifestation of the embedded norms, as mentioned above, encircled product development as well as sales and marketing. It is also worth emphasizing the sociostructural alignments of the employers' collective into the board of directors of Förenade Liv.

In all of the five ideational collectives, the norms of the structural principles impregnated both techno- and sociostructural interactions. For example, the technostructural interactions involved the differentiation and semi-differentiation of the life insurance products and services. The normative content shared about certain idealistic interests is said to have fostered mutual ownership and a weak will to exercise asymmetrical positions. The governance of ideational principles is observed to have embraced also technostructural cultures. Hence, both physical and psychical

¹¹⁹ The annual report of Folksam (1986-1991).

¹²⁰ The insurance products of Folksam Liv is described in appendix A.

¹²¹ In 1991 the sales and marketing contract between Länsförsäkringar Liv and Förenade Liv was cancelled. Instead, the federative group of Länsförsäkringar began to sell and market their own group life insurances.

¹²² Compare with the illustrations on page 153.

interactions of structural properties were governed by the ideational principles in the various collectives.

The mutual associative form gave customers legal rights in the decision-making processes, which interlinked the interests of customers and producers of life insurances.¹²³ Further, the legislation of the Insurance Business Act contained the so-called Principle of Mutuality which regulated the economic liabilities between customers and life insurance companies (except the unit-linked life insurance companies).¹²⁴

5.3.2.3 Genuine structural principles

The empirical sources do not refer to collectives, other than family ties and close acquaintanceships in general, that can be linked to a genuine content of norms. All life insurance companies, obviously had interactions with such collectives due to the social status of employees. Allmänna- Änke och Pupillkassan was, however, the only firm that had institutionalized the genuine norm as the predominant mode of interacting towards customers - see above. It is further empirically recalled that the interactions of the ideational collectives delineated also fulfilled the function of providing individual identity. This implies that the genuine and ideational content of interactions concurrently could be present in the same collectives.

5.3.3 The evolution of structural principles

Both static and dynamic reproduction of structural principles are documented empirically. It appears as if the three categories of principles followed divergent reproduction processes.

5.3.3.1 The evolution of calculative principles

The reproduction of the norms affiliated with the calculative principle has been static in that it is affirmed to have been maintained and even reinforced during the period between 1986 and 1991. This process is attested by the static technostructural reproduction of the investment function. *Empirically illustrated:*¹²⁵

¹²³ SFS (1982/713).

¹²⁴ This principle is described in appendix A.

¹²⁵ Compare with the empirical illustrations on page 154.

"Consideration to different collectives of interest has come to an end. Nowadays (i.e. the autumn of 1991), I regard ourselves as being fully uncommitted in the investments. There is now a place for such considerations given the fierce competition. We have to invest our money so that we receive the highest possible dividend... In the 1960's the situation was surely totally different..." (A manager at Skandia)

"I believe that the world has diminished. Something has happened. We are extremely influenced by external forces, which we came to learn already during the 1980's. We have to work with the new financial instruments." (A manager at Ansvar)

Some sociostructural aspects have also added to this statics. The deregulation of the financial markets as well as the new act on unit-linked life insurance allowing dividends to stockholders have, from a legislative point of view, sanctioned the sustaining and reinforcement of the calculative principle.¹²⁶

5.3.3.2 The evolution of ideational principles

It is elicited that the ideational principles in general were widely questioned both in the contexts of the life insurance companies and intercontextually during the end of 1980's. Meanwhile, an emergent eruption of ideational principles towards more calculative oriented norms is recognized to have surfaced. This is exemplified by the accentuation of using the premiums and dividends as price information to customers. The cancellations of technostuctural collaborations and the manifested focus on costs are also linked with an intensified emphasis on norms that sanctioned the belief in the "survival of the fittest" on calculative grounds.

Even though the evolution towards calculative norms reduced the predominant status of the ideational principles during the period studied, no cases are evoked in which the status of predominance was removed. Rather, it is acknowledged that the ideals were "enlarged" so that they come to embody not only the old ideals but also the calculative norms. In other words, the calculative norms were sanctioned, and neither excluded nor contradicted, by the ideational principles. As a consequence, empirical bearing is given to that the ideational divergencies among collectives became less specific in that norms of a calculative principle began to be more widely shared among the top managers of the firms. *Empirically illustrated:*¹²⁷

¹²⁶ See appendix A for a comprehensive description of this deregulation of the financial markets.

¹²⁷ Compare with the empirical illustration on page 168 (top).

"We have acted on the belief that customers are becoming more price conscious. We introduced a price differentiation depending on where you buy an insurance. This means that it is now (i.e. the interview was conducted in the autumn of 1991) more costly to buy from brokers and agents than from banks and directly from us (i.e. not through an employed sales force). The customer who knows what s/he wants, does not need to pay a lot for unrequired services. The customers who would like extensive financial, fiscal and juridical inquiries will have to pay a higher price. That is, it will be reflected in the premiums. There are a lot of customers who phone us in order to buy the insurances directly, because they are not interested in paying a high sales commission." (A manager at RKA)

"During recent years (i.e. the interview was conducted in the autumn of 1991) we have noticed a growth of mass distribution in order to lower the sales costs... Overall it has become more important, given the intensified competition, to review costs." (A manager at Ansvar)

"The investment function has always been important, but it was accentuated during the end of 1980's when investment incomes increased. High investment incomes turned the focus to the dividends as an important factor, which is a focus that since then has been underlined even more." (A manager at Wasa)

"Efficiency through the investment function is extremely important since insurance products have become heavily oriented towards the savings component. It is accordingly crucial to have a broad competence in order to earn high incomes out of investments" (A manager at Trygg-Hansa)

"Only by being large and efficient can we discourage foreign companies from entering the market to try and compete with us." (A manager at Skandia)

Given this general evolution towards a higher emphasis on calculative-oriented interactions, it is noted as hardly surprising that Folksam Liv and Förenade Liv, as illustrated, increasingly supplied insurances to one another's traditional customer groups.

The collaborative alignments that were entered into, for instance between banks and life insurance companies, are depicted to generally have been guided by both an ideational and a calculative principle. This development is also seen as a kind of "enlargement" since the calculative principle usually did not have this sanctioning status. For example, the alliance between Länsförsäkringar Liv and Föreningsbanken is believed to have met both the ideals of the "agricultural" collective and a calculative principle to reduce costs and increase sales. Similar to the strengthened ties between Folksam Liv and Sparbanken through the company SparLiv, is taken to have been in line with both the

“popular movement ideal” and the calculative ideal. Hence, it is observed that the companies coupled to the above discerned ideational collectives followed suit with the emphasis on the calculative principle within these collectives.

The evolution towards the presence of a more widely shared calculative principle stems from some other cases of cooperation, such as between RKA and Handelsbanken as well as between Trygg-Hansa Liv and Gotabanken. Here, it is recognized that the calculative principle to reduce costs in order to be competitive was the predominating rationale. An assurance about attracting customers by sharing certain ideals has not been empirically conceivable in these cases.

The “enlargement” of ideational principles towards the calculative principle can also be observed from legislative changes. The empirical sources uncover a traditional belief on the part of the legislator that: what is good for the life insurance companies is good for the customers - i.e. by safeguarding the life insurance companies’ long term economic liabilities the interest of customers can be maintained. In the directives to the Insurance Business Committee of 1990 (Dir., 1990:56), the legislator observes broadly that: what has been good for the life insurance companies not always has been good for the customers. The directives assert the intention to further accentuate the calculative principle to safeguard the long term economic interest of customers. The maintenance of idealistic interests of customers is not mentioned.

5.3.3.3 The evolution of genuine principles

No empirical observations can be found that indicate a dynamic reproduction of the genuine principle that was related to the interactions of Allmänna Änke- och Pupillkassan above. *Empirically illustrated:*¹²⁸

“Since its foundation in 1784, Allmänna Änke- och Pupillkassan has existed in order to supply surviving relatives’ protection. No deviations from this logic have occurred over the years. During times when others have sold insurances on arguments like fiscal benefits or good investments, we have sold only for the sake of protection. When I arrived here from a larger life insurance company, I came to realize the importance of the originating logic of Allmänna Änke- Pupillkassan. When the winds of change had blown in other companies, Allmänna Änke- och Pupillkassan remained steady to the purpose of existence which was stated over 200 years ago. It was, as always, the wife or the children that were to have an insurance. Most operating procedures, like administrative routines, deviated, and still deviate, from other companies.” (A manager at Allmänna Änke- och Pupillkassan - i.e. the same as in the two previous illustrations)

¹²⁸ Compare with the empirical illustrations on page 183.

5.3.4 Strategy formation and structural principles in sum

The norms of a structural principle, which predominated the governing of interactions in relation to other coherent systems of shared norms within a defined social system, are found to have been coherent in relation to a calculative, an ideational or a genuine content. A structural principle then had a predominating status in the governance of all interactions (i.e. physical and psychical) emanating from a social system. Such a social system is definable both on an *a priori* and an *ex post* basis. In the former case, the life insurance companies are set to be the level of analysis from which unfolds the presence of a structural principle. The *ex post* assumption, on the other hand, uncovers areas of social life which are interpreted to have involved at least a loose coupling between structural properties and a structural principle without regard to *a priori* set boundaries (see further below). The intercontextual dimension then provides the awareness of the life insurance companies' possible couplings to *ex post* defined social systems.

The normative content of structural principles is observed to have infused beyond the physical interactions of techno- and sociostructures. So the every-day investment operations were statically reproducing a structural principle with a calculative content. The interactions in sales and marketing, were relatively more ideationally impregnated. Here, a discretion of ideational contents is also retrievable. Sociostructural dependencies are also recognized to have governed by various structural principles.

It was further made explicit from the intercontextual dimension that all three modes of structural principles governed, although to varying extents, interactions of all the life insurance companies studied. The criterion of predominance, used in contextual analysis, has then to be seen in the light that there might exist other intercontextually defined principles that resided along the predominant one. For instance, the calculative principle of the investment function arched across all firms operating this function. This implies that the intercontextual dimension has to be considered to capture the full complexity of the interactions related to the life insurance companies.

The evolutionary dimension makes known the existence of reproduction processes tied to the calculative, ideational and genuine principles. The former of these principles followed a static path in that the underlying norms were maintained and even reinforced. Even though the ideational principles remained their dominating status, the inclusion of other principles like other ideational or the calculative ones, lead to an overall dynamic reproduction. As a result, the predominance of ideational principles was here diminishing because of the enlargement, rather than the subversion, by virtue of the calculative principle. This evolution of the ideational principles coincided in time

with the intercontextual reinforcement of the calculative principle. It is further detected that the life insurance companies that were interactive in certain ideational collectives followed in line with an accented emphasis on the calculative principle in these collectives. By enforcing new acts, the legislator also came to manifest the calculative principle of safeguarding the economic rather than the idealistic interests of customers.

5.4 Strategy formation and the coupling of structural properties and structural principles¹²⁹

Since the preceding analysis brings to light the coupling of structural principles in structural properties, it is of interest to more explicitly clarify the degree of coupling involved. Here, the notion of coupling denotes both the relative dependence and independence between the norms of a structural principle and interactions of techno-, socio- and cultural structures. Based on the two analytical dimensions, social systems have been intersubjectively defined both contextually and intercontextually. In this section we will continue by clarifying the degree of coupling inherent between a structural principle and properties in these systems. It is this "systems coupling", rather than couplings of interactions within the structural properties, like the discussed sequential and mediating interdependencies of technostuctures, that will be addressed.

A loosely coupled system, defined contextually or intercontextually, is empirically observed from the intersubjectively interpreted embeddedness of several techno-, socio- and cultural structures that all were considered to conform with a structural principle over time. The most striking examples are here the ideational principles that could be affiliated with great many techno- and sociostructural solutions with aligned norms, as denoted earlier. For instance, the ideal to differentiate customers was shared among firms that pursued divergent transformative activities like various means to sell and market life insurance. Also, the relative extent to which transformative work-flow operations were carried out in the contexts of the life insurance companies diverged. Sociostructurally, both the associative forms of mutual and limited stock companies could be applied in the loosely coupled system. Further, it is revealed that these systems encompassed reproduction processes that induced a low responsiveness relative to cases of tight coupling. A dynamic reproduction of structural properties did not automatically lead to corresponding dynamics of either structural principles. The structural principle could then remain relatively more static, or less dynamic, than the reproduction of structural properties of that system.

¹²⁹ Coupling is defined in line with Orton & Weick - see page 66. Notably, tight coupling is an extreme position not empirically retained. However, among the loosely coupled systems elicited, some involved relatively more responsiveness than distinctiveness - i.e. tighter than loosely coupled. References to tight coupling in this chapter attributed to such systems.

Moreover, the loosely coupled systems are, relative to tightly coupled ones, interpreted to have involved a high independence between structural properties and a structural principle. Certain technostuctures, like the one tied to the use of employed sales forces, could accordingly span across several structural principles. From a contextual view, the most obvious example of high independence is the autonomous role of the investment function within companies where an ideational principle predominated.¹³⁰ It was not only technostuctures but also socio- and cultural structures, which were reconceived previously as having followed relatively independent reproduction processes, which could be embedded in more than one structural principle. Even though these examples document a high independence, this is not to say that structural properties were uncoupled from the respective structural principle. A dependence, although sometimes low, is interpreted to have existed. The shift towards more flexible products and less costly means of distribution, so as to be in line with norms of the structural principle, are reflections of this dependence or responsiveness.

The tightly coupled systems are intersubjectively interpreted to have prevailed when and where a high dependence and a low independence resided between structural properties and a structural principle. A general characteristic is that very few techno-, socio- and cultural structural divergencies are identified. The scope of possible interactions of structural properties that were in line with the norms of a structural principle was then relatively to loosely coupled systems more restricted or narrow. The respondents express that there existed a lower ambiguity about what structural properties were to correspond to structural principles than to times and settings of loosely coupling. A distinct example of a tightly coupled system is the intercontextually defined system that revolved around the calculative principle tied to the investment operations. Very similar valuation and trading techniques were applied by those who conducted these operations. The intensified “professionalization” of the investment function, as discussed earlier, recalls a narrowing of the scope of possible technostuctural solutions that were considered to meet the calculative norms.¹³¹ Another example of a tightly coupled system is Allmänna- Änke och Pupillkassan. Here, the genuine principle had over the years become well embedded in certain techno- and sociostructural routines. For instance, only survivors’ pensions and mutual ownership were apparently considered to comply with the shared norms. Among the ideational principles, it is particularly the one of Ansvar Liv that is associated with a tighter coupling than the others. For instance, the investment function of Ansvar Liv was not as autonomous as in other ideationally-oriented companies. The ideational principle of Ansvar Liv is claimed to have expressed a relatively low degree of ambiguity about what structural properties with linked interactions that complied with that principle.

¹³⁰ Compare with the empirical illustration on pages 154-155, 184 (bottom), 185 (top), 191.

¹³¹ Ibid.

The managers interviewed at Ansvar Liv and Allmänna Änke- och Pupillkassan posit that the integration of interactions was established in both techno-, socio- and cultural structures. To undertake dynamic reproduction of these structural properties, such as diversifications into new markets by Allmänna Änke- och Pupillkassan or investments in the drinking and the war industry by Ansvar Liv, should, according to the interviewees, be the same as questioning the very foundations of these companies. The tightly coupled systems had, more than the loosely coupled systems, a kind of built-in preservation of a structural principle. The primary empirical sources indicate that there resided a low independence of structural properties in relation to a structural principle in the tightly coupled systems. Hence, structural properties did not follow as autonomous reproduction processes as was discerned above as a general interpretation of loosely coupled systems.

It is a widespread belief that the relative degree of coupling was contingent on the extent to which norms of the structural principles were more specified or defined in terms of informative content from the viewpoint of shared preconceptions (i.e. knowledge). A high degree of specification of shared preconceptions was associated with a relatively tight coupling, and vice versa. The scope of conceivable interpretations that were in line with a certain structural principle is said to have been more extensive when a low degree of specificity prevailed.¹³² Here, the ambiguity about how to interpret the norms of structural principles is recollected to have been low among managers. The scope of interpretations were then, if statically reproduced, embedded in the structural properties, which in turn had an effect on the scope of physical actions. For instance, the high degree of specification of the calculative principle was embedded in highly specialized valuation and trading techniques.¹³³ The degree to which a structural principle was specified is then taken to have been manifested in more specified routines of the structural properties (see further below). Such an ongoing fine-tuning or reinforcement of a structural principle (i.e. static reproduction) is here documented to generally have been concurrent with ongoing tightening of the coupling, as was the case with the “professionalization” of the investment function.

It is a general standpoint among the respondents that situations of tight coupling made it possible to predict better interactions that were to emerge from a structural principle. It was then hardly surprising for them that, for instance, the possibilities to spread risks along side the deregulation of the financial markets were widely used as this development was taken to be in line with the calculative principle. This predictability can be linked to the lower degree of ambiguity about interactions that complied with the norms of a structural principle in the tightly coupled systems.

¹³² Compare with the empirical illustrations on pages 174, 215 (bottom), 219.

¹³³ Compare with the empirical illustrations on page 154.

Notably, the discerned demarcations between loosely and tightly coupled systems are not always as clear. The degree of coupling ought therefore to be related to a continuum that stretches from loose to tight. When focusing on the analytical dimensions of time and space, some additional findings come to light.

The contextual and intercontextual systems of the structural principles derived above were also coupled to varying degrees. Loose coupling are by far most common when it comes to the ideational principles. As an example, even though Länsförsäkringar Liv and Folksam Liv were coupled to, respectively, the agricultural and the popular movement ideational collectives, the dependence was low and the independence high in relation to Ansvar Liv's coupling to the temperance ideational collective. Ansvar Liv did not even have a concession to sell their insurances to other than absentees. Among the ideationally-oriented companies, it was Ansvar Liv that is interpreted as having been most tightly coupled to an intercontextual sphere. The companies' ideationally most loosely coupled intercontextually are recalled to primarily have been the two largest firms, Trygg-Hansa Liv and Skandia Liv, and the two newly established firms of Livia and SparLiv.

From a evolutionary perspective, it is possible to uncover some trends in the insurance sector in addition to three distinguishable evolutionary processes. The observed "enlargement" of ideational principles can then be viewed as an evolution of loosened coupling in which the underlying norms became more widely defined in that they no longer excluded as many techno- and sociostructural solutions. The emanation of technosstructural variations in, for instance, sales distribution and the degree to which operations were outsourced, reflect this loosened coupling. The traditional practices that life insurances were to be sold via employed sales forces and that all of the three primary functions mainly were to be undertaken by the single companies were called into question during the period studied.¹³⁴ It is then necessary to distinguish between knowledge and knowledge that was ingrained with institutionalized norms. The notion of practice is here defined as capturing the presence of technosstructural knowledge that is implicitly denoted to have been institutionalized. Three distinguishable evolutionary processes that address the coupling between the structural properties and principles are presented:

Process of reproductional transition: Empirical support is given here that a structural principle was deinstitutionalized as the regulating status of inherent norms was subverted by those sharing it. Meanwhile, there was an emerging creation of a new structural principle which subsequently replaced the old one. The coupling was thereby loosened as it is observed that it came to embed a broader variety of interpretations and

¹³⁴ Compare with the empirical illustrations on pages 151, 166, 168.

interactions. In parallel with this process, a static reproduction of both physical and psychical interactions in relation to the new structural principle led to a tighter coupling between norms of the new principle and interactions of embedded structural properties. This evolutionary process can be illustrated from the foundation of project organizations that were given a certain independence in relation to other operations. Among the organizations that are described to have been set up like this are Aktiv Försäkring, Skandia Link, SparLiv and SparFond. The independent status of these firms was given to get those involved to replace their previously shared norms with new ones that were to emerge as the project went along - see further section 5.6.¹³⁵

Process of reproductional reversion: As in the processes of reproductional transition, a structural principle is acknowledged to have been deinstitutionalized. Concurrently, that there was no new principle emerging as a replacement. Instead, the old principle was reinstitutionalized. The interactions of the structural properties are revealed to have not helped strengthen any new couplings to other structural principles than the old one. For example, the insurance group Skandia, including Skandia Liv, had a cooperative alignment with SE-Banken which is portrayed as having grown stronger during the beginning of the studied period. The integration of the companies came to a halt at the end of 1991.¹³⁶ Among reasons given by the management at Skandia, such as a lack of synergy between the businesses of banking and non-life insurance, further cooperation is recognized as not having been consistent with the norms of Skandia.¹³⁷ Further, these norms had come to be embedded in the techno- and sociostructures of Skandia as described and illustrated above. For instance, Skandia relied to a high extent on sales and marketing via their employed sales force. Sociostructurally, this force is believed to have been very strong. These are examples of a kind of in-built inertia to dynamically reproduce the structural principle of Skandia due to the over the years developed coupling to structural properties.

Process of reproductional oscillation: Here, it is empirically affirmed that the deinstitutionalization of a structural principle neither followed in line with the emergence of new principles nor did any reinstitutionalization occur. A precedingly tight coupling was then replaced by a condition of loose coupling, stemming from the old principle, or sometimes the lack of any coupling - i.e. a kind of "vacuum". These situations implied a governing of interactions which is observed not to have imposed a distinctive integration of interactions in relation to any structural principle.¹³⁸ This state of ambiguity is considered to have opened up a broader scope of interpretations and

¹³⁵ Compare with the illustrations on page 223.

¹³⁶ The annual report of Skandia (1991).

¹³⁷ Compare with the illustrations on page 168 (middle). See also, for instance, the annual report of Skandia (1991), Veckans affärer (39/1991).

¹³⁸ Compare with the illustrations on pages 174, 215 (bottom), 219.

interactions. This process appears to have occurred during periods of varying length before an old principle with an ongoing tightening of the coupling was institutionalized.

Before returning to the coupling between structural principles and properties, the roles and influences of agents active in this coupling need to be considered.

5.5 Strategy formation and managerial agency

The knowledge saturation encapsulating the research question on managerial roles and influences (i.e. managerial agency) in the strategy formation of firms will now to be discussed. Hence, in line with the research question, the roles and influences of managers will be delineated in relation to structural properties and principles, and then from both the spatial and temporal dimension.

5.5.1 Managerial agency and organizational structural properties

The knowledge of managerial roles of specialists and generalists is extended in relation to the theoretical analysis, in that the empirical sources indicate the influence linked to each of these roles. The influence of managers is uncovered from both the freedom of interpretation and physical action. Notably, the managerial agency in relation to techno- and sociostructural cultures will be regarded under the same sections as techno- and sociostructures, respectively.

5.5.1.1 Managerial agency and organizational technostuctures with related cultures

A broad crystallization is made between those top managers who had a specialized or a generalized role in the transformative work-flows of technostuctures discerned. It is further pointed out that the specialists were directly engaged in the every-day operations of particular technostuctural functions, whereas the generalists had a role that spanned across more than one of these functional areas. In the large majority of companies, it is observed that the top managerial specialists also had a generalist's role in that they participated in various decision-making committees that confronted "multi-technostuctural" issues. For example, the head managers of the actuarial, sales and marketing as well as the investment functions were most often specialists in their respective fields, but at the same time they participated, not only as functional experts, in the mentioned decision-making committees that addressed more general matters.

According to top managers themselves, the distinction between the roles of specialists and generalists is crucial in order to capture the managerial influence in the strategy formation processes of structuration. It is the specialists rather than the generalists who are acknowledged to have shared the technostructural cultures denoted above. It is a widespread insight that it often had been the generalists, of whom some held a background from other industries, who had questioned the use of institutionalized technostructural routines that had been widely shared among specialists. It is then above all the generalists who are recognized to have had a higher degree of freedom of interpretation about the technostructural transformations than the specialists had towards their respective field of practice. *Empirically illustrated from the viewpoint of two company presidents:*

"I may say that we recruited a lot from the other companies so that we could get hold of insurance knowledge. The knowledge that they needed was however from another age. It was an old professionalism. I usually remark that we have too many middle-aged employees with too much knowledge of insurance and too little motivation to pursue change by looking at things differently. There easily emerges a perspective like: we have been through this before."

"The change process is very weak in many companies, and that is due to actuaries who want insurance products with snarled-up technical ingredients. They complicate rather than simplify the products."

The relative focus on wide and multi-technostructural issues by generalists is described as having implied a certain distance to specific technostructural operations. *Empirically illustrated from the viewpoint of a company president:*

"I sometimes pay a visit to the investment function in order to listen to their morning meetings. They (i.e. referring to those active in the investment operations) use a terminology and a way of approaching problems that makes me feel like an outsider. I am standing there, trying to look as if I understand something. I am very pleased that they do not ask me for advice."

Accordingly, it is remarked that the degree of freedom of physical action, in contrast to the degree of freedom of interpretation, was larger for specialists than for generalists. This is believed to have been due to specialists' closer or operative contact with their respective work-flow transformations, and that they here had a "deeper" technological knowledge than generalists in common. *Empirically illustrated from the viewpoint of a specialist:*

“The actuary has a special competence which provides him with a certain status. This means that... if I express my opinion as a professional actuary there are very few questions about it internally in a company like this, since there is no one who has the competence to see through it. There are a lot of bright people who do not have the actuarial knowledge but rather the experience or the general ability to get acquainted with what the actuarial issues really are. These persons can question certain conclusions, others have to accept...”

Given the interrelationship between the roles and influences of managers, the technostructures (i.e. the operating technology, the technological knowledge and the materials technology in work-flow interactions) with associated cultures are observed to have had an affect on the managerial influence. This influence is, thus, defined from the juxtaposition of the freedom of interpretation and the freedom of physical action. *Empirically illustrated:*¹³⁹

“The implementation of strategies encompasses a substantial inertness. It only takes me a couple of weeks to formulate a product that seems good, but it can then take two years to get the product implemented into technical systems.” (A manager at Trygg-Hansa)

“If you have an employed sales force you are dependent on their values and ways of thinking... We cannot change this easily. Instead, we have to take into account how they think and function when we want to make a change... There are, accordingly, professional groups in these groups as every other industry.” (A manager at Wasa)

“The technical systems really create an inertness, which also involves those that handle these systems because of their competence level outlook.” (A manager at Förenade Liv)

5.5.1.2 Managerial agency and organizational sociostructures with related cultures

The roles of managers are recalled to have been tied to asymmetrical control held in relation to interacting parties. The managerial influence was then subject to these sociostructural roles and the will to exercise the inherent control. Here, the combined possession of and/or access to resources, legally enforceable rights and sanctioning norms are taken to constitute the sociostructural roles.

The asymmetrical control based on resources is distinguished depending on the technostructural roles of managers. The possession of and/or access to information and

¹³⁹ Compare with the illustrations on pages 166, 206 (bottom), 212, 214, 218, 222-223.

technological knowledge could thereby, as the previous illustrations uncover, vary between so-called specialists and generalists. The respondents, who all were members of top managerial teams, divulge that they had roles as information catalysts. In some firms they had even employed managerial informants in addition to the use of management information systems. Given the widely adopted use of top-down directed flow of contractual rights (see above), the managers, and especially those at the top, enjoyed a strong asymmetrical control in this respect.

An example of divergence regarding the managerial roles is made explicit in the discussed federative form wherein organizations of the same group constellation owned the life insurance company together. In the transformations undertaken by the owning organizations, the managers of the life insurance company did not have any contractual position that clearly exceeded the positions of the managers of the owning organizations.¹⁴⁰ It is affirmed that this division of contractual rights was strongly sanctioned by established norms, which further prevented the full use of sociostructural positions. *Empirically illustrated:*

"The federative organization involves an inertia. One characteristic is, once one is focused it functions well in a certain direction. There is, however, an inertia when trying to unite the organization to follow one direction. I have no formal (i.e. contractual) rights to hierarchically direct those organizations that we operate through... the owners constitute our sales organization... We have to work by taking initiatives and negotiating. We cannot exchange managers, make budget demands or draw up an incentive system. These are things that we can propose but not impose on them. There is also a requirement from the owners that things are to be treated equally. This has complied with the spirit of solidarity... A distinctive feature of the federative organization is that it comprises a lot of implementation work which makes politics an organizational main theme." (A manager at Länsförsäkringar)

The sociostructural constellation of intra-group ownership was, besides the two life insurance firms with federative ownership relations, a vertical-flow of authority from which the group president had the strongest contractually based sociostructural role.¹⁴¹ In relation to other collectives within the companies, the sociostructural influence of the top managers was, from their own interpretations, in general high. Other collectives that had a strong sociostructural position, and could thereby potentially counteract the influence of managers, are signified to have mainly involved those actors that had consolidated their asymmetrical control, such as in the form of unions. *Empirically illustrated:*

¹⁴⁰ This federative form was applied within Länsförsäkringar Liv and Länsförsäkringar Fondliv.

¹⁴¹ See, for instance, the annual reports of all studied companies between 1986-1991.

"We cannot launch our inexpensive group life insurance since we must consider the employed sales force. There are three parties involved in this game, and that is the customers, the company and the employees. If one invests in cheap products, one group of employees will be badly off. This is troubling." (A manager at Skandia)

"I have to say, on the basis of my experiences from other companies and insurance companies, that I never have observed the trade unions' rights of co-determination to be as deeply institutionalized as they are here." (A manager at Wasa)

Notably, even though these groups had strong sociostructural roles, there was seldom, as shown, a strong will to practice these roles on managers, and vice versa. The influence is depicted to have been rather indirect in that managers had to coopt these sociostructurally strong groups in the decision-making processes, or at least to take their interests into account. *Empirically illustrated:*

"It is important to be aware of the people one wants to change." (A manager at Skandia)

"The decision-making processes were often pursued so that we tried to establish consensus by coopting a lot of people. People mean so much for the production of services. There can be a passive resistance if the decisions do not have the proper support... It is difficult to make radical decisions." (A manager at Wasa)

The latter illustration uncovers the influence that was exercised via the widespread presence of decision-making committees (see above). This is seen as a direct source of influence since proposals were submitted to these committees for consideration and debate.

5.5.2 Managerial agency and intercontextual structural properties

The analysis of the roles and influences of managers in relation to the rendered intercontextual socio- and technostructures, with associated cultural structures, gave rise to the interpretations as follows.

5.5.2.1 Managerial agency and intercontextual technostructures with related cultures

In the intercontextual mediating technostructure, we noted earlier that the companies had different roles depending on how and to which extent they pursued transformative

operations. Those firms that were relatively more intercontextually dependent had to rely more on the technostructures of other actors.

It is not empirically clear whether the companies with a high intercontextual dependence were technostructurally more contracted in their actions than those that were relatively more contextually oriented. *Empirically illustrated.*¹⁴²

"There is a fairly common pole of resources and a movement of personnel between the companies." (A manager at Skandia)

The managers generally regard their roles as having been linked to the intercontextual roles of companies. This means that the managers at companies that had an extensive mediating role, in that they undertook all of the three transformative functions, portray their roles as quite different in relation to managers of firms that only had minor roles in the intercontextual mediation of resources. As will be discussed later, the variation of the sociostructural influence of managers was subject to these technostructural roles of companies.

The divergent roles of specialists and generalists are also raised from the intercontextual dimension. It is apparent that the specialists' roles were accentuated by the division of transformative operations in the intercontextual mediation of resources. It is then observed that managers of the actuarial, sales and marketing as well as the investment function shared similar roles in these transformations. Concurrent to this functional convergence, specialists, in particular those who undertook investment activities, are argued to have come to share (i.e. internalized and externalized) a more specified normative knowledge than generalists. *Empirically illustrated.*¹⁴³

"The investment function is, however, participating on the financial market." (A manager at Wasa)

That is, the generalists' roles are considered to have been relatively more firm-specific, and thus connected to the overall technostructural role of the respective companies, whereas the roles of the specialists were more "function specific" in the intercontextual setting of the life insurance sector.

In close conjunction with findings from the analysis of the contextual dimension, it is observed that the managerial roles and influences were inextricably linked. The function-specific knowledge of specialists increased their degree of freedom of physical action in relation to generalists. In their recurrent use of such functional knowledge,

¹⁴² Compare with the illustrations on pages 148, 207.

¹⁴³ Compare with the illustrations on pages 184 (bottom), 185 (top).

specialists had (see above) come to share a highly specified knowledge governing their technostuctural interactions in recurrent situations. Managers recognize that these so-called technostuctural cultures were not shared to the same extent by generalists, who are said to consequently have had a higher degree of freedom of interpretation than specialists. The influence of top managers is accordingly dissected to have involved varying forms of freedom contingent on whether they had the role of a generalists or a specialists. Irrespective of these variations, it is the juxtaposition of the freedom of physical action and the freedom of interpretation that unfolds managers' scope of influence in various times and settings.

5.5.2.2 Managerial agency and intercontextual sociostructures with related cultures

The sociostructural role of managers, defined in terms of asymmetrical control, is by managers claimed to have been linked with the asymmetrical grounds associated with the respective company. Hence, besides the sociostructural roles that managers are noted to have held in relation to interacting parties within the respective life insurance company, the intercontextual dimension suggests that managers could act as representatives of the sociostructural positions of the respective firm. *Empirically illustrated:*

"In relation to the environment we, as representatives of the company, have the negotiating role." (A manager at Ansvar)

To picture the influence enjoyed through the resource asymmetrical grounds of the life insurance companies, it is made known that the possessions of and/or access to resources of other intercontextual parties, in particular scarce and important ones need to be given attention. For example, asymmetries based on resources were dependent on the technostuctural roles of each company in the intercontextual mediation of savings and risks. These roles thus included the possible access to resources that was attained through network relations. *Empirically illustrated:*

"We cannot make a fuss over too much, since the size and the resources of the organization imply certain limits. One of these limits concern the cooperative agreements we have entered into... This means that we cannot act entirely freely." (A manager at Livia)

"Compared to others, we are a follower in that we are seldom first out with products etc. This is due to our scarce economic resources for building up data systems and competence." (A manager at Länsförsäkringar)

The dependence on other actors is then observed to have diminished in line with the increase of the possession of and/or access to the three primary and scarce technostuctural functions. The knowledge affiliated with these functions had an impact on the sociostructural roles and influences. A common empirical illustration is that the supplier of data information systems had as compared to the insurance companies a strong sociostructural role or position due to the scarcity and importance of their resources. It is recollected that a counteractive affect was achieved by management at the life insurance companies that conducted systems engineering in-house. Another counteractive affect is considered to have been obtained if the resources of the life insurance companies could be used so that customer dependence became stronger. *Empirically illustrated:*

"After quite a lot of discussion we choose to buy the majority of shares in an existing computer service company called Finansrutin... we decided to buy some 92% (i.e. of voting power). The idea was that the company should remain listed on the OTC market. Secondly, I did not want Finansrutin to be 100% dependent on us, rather that we should only answer for some 25% of their turnover. In other words, I wanted them to meet open competition... If we are to receive good prices, which is crucial in this kind of business, we have to get those prices from someone who can show that they have a raison d'être on the market. We have thereby tried to distinguish the ownership relations from the customer relations, at least in the daily operations. The ownership is used to control that the supplier follows the same course as we in the long run." (A manager at Förenade Liv)

The possession of and/or access to financial resources of the companies is also exemplified to have had an affect on the managers' abilities to exert influence. It is, for instance discerned that financial resources opened up alternative routes of conduct which made the companies less dependent on single suppliers etc., and vice versa.¹⁴⁴

The presence of legally enforceable rights obviously had implications on the sociostructural roles.¹⁴⁵ Even though hierarchical-like vertical division of authority is not discerned intercontextually, ownership relations and cooperative alliances contained contractual rights which were legally enforceable. The possession of and/or access to asymmetrically favorable contracts could thereby strengthen a sociostructural role. The existence of such favorable contracts is remarked to have been contingent on the strength of the asymmetrical grounds of both resources and norms. Moreover, the legislative framework is interpreted to have contracted managers' degree of freedom of physical action. *Empirically illustrated:*

¹⁴⁴ Compare with the illustration on page 206 (bottom).

¹⁴⁵ Compare with the illustrations on page 169 (middle & bottom).

"We have had, and still have, old regulations obstructing the product development. The new products are therefore bound to be unnecessarily complicated." (A manager at RKA)

"The fiscal legislation produces a general inertia, and I am thinking about the provisions of the Local Taxation Act." (A manager at Wasa)

"The provisions of the Local Taxation Act, how much risk that can be contained in an insurance, have hampered product development." (A manager at Skandia)

Further, the sociostructural role based on norms is documented to have been closely tied to the above uncovered idealistic collectives. For example, in relation to other life insurance companies, Folksam Liv held a strong sociostructural role towards "employees' ideational collective" and Ansvar Liv held a similar role in relation to the "temperance ideational collective". However, it is observed that the managers as representatives of the life insurance companies could not fully use their respective companies' sociostructural positions due to the shared norms expressing a weak will to exercise asymmetrical control.

In order to capture the managerial influence, the full extent of the sociostructural role of the companies they represent apparently needs to be taken into account. It is possible to discern that each life insurance company had a firm specific sociostructural role towards intercontextually related actors. The managerial agency was then highly dependent on the sociostructural role of each firm. Since these roles partly were grounded on the possession of and/or access to resources, the technostructural roles of the companies in the intercontextual mediation of resources also need to be considered so as to encapsulate the complexity of managerial roles and influences.

5.5.3 Managerial agency and structural properties from the evolutionary dimension

We will here observe the interrelationship between the managerial agency and the static and dynamic reproduction of the structural properties. The roles and influences of managers are empirically disclosed to have shifted over time.

5.5.3.1 Managerial agency and technostructures with related cultures from the evolutionary dimension

The static reproduction of technostructures is outlined to have conformed with a contraction of the scope of managerial influence (i.e. both the scope of interpretation and physical action). The increased specification of the technostructural routines had notably a two-fold effect on managerial influence. Firstly, the degree of freedom of interpretation is believed to have diminished due to an accentuated habitualization (i.e. institutionalization) emanating alongside static reproduction of technostructural proceedings. Secondly, it is exposed that the scope of possible physical actions was contracted, in that the specification of transformative routines and knowledge was conjoined with an increased need of integrating the routines. This routinization also restricted the scope of possible interpretations. *Empirically illustrated:*¹⁴⁶

"It is my belief that the companies were caught up in their own history. There was a lot of tradition in the companies on how to operate a life insurance business." (A manager at SparLiv)

"Experiences have been a burden in a changing world." (A manager at Skandia)

"There is no doubt that our most extensive restriction concerns our ability to keep up with data systems development. One receives a considerable respect for data systems and system development in this industry. To build data systems is not solely a question of engaging more people to work on different parts since the parts must, in resemblance with the pyramids, be supported from the bottom. It is then not possible to build all the parts in parallel... this is time consuming." (A manager at Aktiv Försäkring)

To fully grasp the interrelationship between the contraction of the scope of managerial influence and static reproduction, both the contextual and intercontextual technostructures have, accordingly, to be analyzed. For example, the static reproduction of the investment function, contextually and intercontextually, is argued to have coincided with a contraction of the scope of interpretation and physical action. As earlier illustrated, deviations from the routines in operations, like valuation and trading occurred more seldomly, whereas dynamics of sales and marketing activities intercontextually are documented to have expanded the scope of possible interpretations and physical actions. However, in those few denoted examples of contexts wherein the sales and marketing function expressed less dynamics (see above), the scope of both interpretations and physical action (i.e. managerial influence) was relatively more contracted.

¹⁴⁶ Compare with the illustrations on page 154.

The static evolution of the technostructures is attested to have fostered an increased distinction between the roles of specialists and generalists. Empirically, this can be illustrated by the increased autonomy for the investment function in the transformative work-flow operations.¹⁴⁷ The “processual” influence of top managerial generalists was, in these every-day operations, clearly not as high relative to top managerial specialists. The empirical sources indicate the necessity to distinguish the managerial roles and influence the basis of the normative knowledge held about technostructural operations, which, in turn, can be linked to the spatial and temporal closeness to reproduction of every-day interactions. Bearing is also given to the interpretation that specialists from these dimensions were relatively more “close” than generalists to the static reproduction of technostructures and associated norms. This immediacy to static reproduction is hence related to a higher degree of freedom of interpretation for generalists and a higher degree of freedom of physical action for specialists.

The static evolution of technostructures and technostructural cultures is affirmed to have followed in line with a specification of routines of a normative knowledge that contracted the scope of influence to undertake dynamic interactions. Specialists are conceded to have had, relative to generalists, a more extensive influence to pursue further statics that corresponded to the preceding technostructures. In the case of dynamics, specialists could not use their knowledge to the same extent, which accordingly contracted their scope of physical action. It is not clear if specialists in these situations still had a larger degree of freedom of physical action than generalists.

5.5.3.2 Managerial agency and sociostructures with related cultures from the evolutionary dimension

The earlier asserted findings on the static evolution of sociostructures generally implied a maintenance or reinforcement of managers’ sociostructural roles in terms of held asymmetrical control. Likewise, the dynamic reproduction of sociostructures was often concurrent with a dynamic reproduction of managers’ sociostructural roles to exert influence. For example, managers’ possibilities to exert control over employed sales forces increased during the beginning of the 1990’s. This is recognized to have been due to factors such as that it was easier to substitute an employed sales force by other means of distribution than before. There was, for instance, no marketing agreement prohibiting the usage of brokers, and so on. Further, the demand for individual life insurance decreased and the number of companies supplying insurances via means other than employed sales forces increased. The employed sales forces were then not needed to the same extent.

¹⁴⁷ Compare with the illustrations on page 205 (bottom).

In order to interpret managerial agency the reproduction of the associated norms also needs to be uncovered, expressed as a weak, neutral or strong will to exercise asymmetrical position. Thus, the dynamic eruption of a weak will towards a strong will to exercise sociostructural roles had an affect on the managerial influence even though the respective roles were statically reproduced. It is not empirically clear which of the norms, related to a weak, neutral or strong will, contracted the scope of managerial influence the most. A weak will apparently restricted the use of the full potential of the asymmetrical grounds enjoyed. For example, managers recall that they had no interest, in order to uphold a long-term relationship, to practice the full extent of their asymmetrical control held towards their respective customer bases. This normative influence is not detected to have been established when the interacting parties shared a strong inclination to use their respective asymmetrical roles. On the other hand, a strong will to exercise asymmetrical control usually contracted the scope of physical action and, in turn, the scope of managerial influence.

In accordance with earlier observations, an emphasized will by the managers to utilize the sociostructural roles of the life insurance companies they represented towards one another is supported by the empirical sources.¹⁴⁸ This increased will to compete, through, for instance, premiums and rates of dividends, seems to have contracted the scope of managerial influence in that competitors pursued counter-actions. Especially in the case of positive feed-back from the customers, the counter-actions are indicated to have been strong. *Empirically illustrated:*

"If one actor introduces a product that is well received on the market, the other actors will follow suit." (A manager at Aktiv Försäkring)

"Everything that receives a positive feed-back from the market is imitated. I guess it is a characteristic of an oligopoly." (A manager at Skandia)

In addition, the precedingly discussed dynamic reproduction of the legislative framework, like the deregulation of the financial markets, is referred to have expanded the managerial scope of physical action.

From the given examples and illustrations, it is apparent that managers were influenced by the sociostructural positions of both contextual and intercontextual parties. *Empirically illustrated:*¹⁴⁹

¹⁴⁸ Compare with the empirical illustrations on pages 148, 153 (bottom), 176 (top).

¹⁴⁹ Compare with the illustrations on the pages 145, 166, 168, 169 (bottom), 208.

“The overall issues involve few people, but there are many parts in which more and more people get engaged... An important prerequisite for success is to get an acceptance for those things that management wants to implement.” (A manager at Trygg-Hansa)

“We use committees in which, for instance, the sales organization of Sparbanken is a party. The committees can be seen as bodies to which decision proposals are submitted for consideration.” (A manager at SparLiv)

Due to these sociostructural dependencies, it is a common belief that the decision-making processes took longer time and that the implementation of these decisions took shorter time, in relation to those cases where managers did not consider these groups.

5.5.4 Managerial agency and structural properties in sum

The knowledge reached from the analysis signifies a close interrelationship between managerial agency and techno-, socio- and cultural structures. Managers are categorized as either specialists or generalists in relation to the technostructural interactions. Here, it becomes obvious that the influence of managers can be linked to this sub-division of technostructural roles. In situations of static evolution of technostructures, specialists are asserted to have had a lower degree of freedom of interpretation and a higher degree of freedom of action than generalists. Differently put, specialists had more of a processual influence in the every-day static reproduction of transformative interactions.

The sociostructurally defined roles of managers are interpreted to have been subject to the spatial dimension considered. The sociostructural role, which captures the relative strength of the asymmetrical control over interacting parties, was based on the conjoined possessions of and/or accesses to resources, legally enforceable contracts and a normative sanctioning. Depending on the contextual or intercontextual role of managers, these asymmetrical grounds diverged. Some asymmetrical grounds were context-specific since they only could be used towards interacting parties within the given realms of the respective life insurance company. In addition, the intercontextual dimension unfolds that managers could have a sociostructural role as representatives of the companies. The managers then often used different sociostructural roles in various social realms so as to attain a larger influence towards interacting parties. However, given the empirical observations it is not possible to illustrate a general stand that the degree of freedom of physical action should be larger in either of the two spatial dimensions.

As elucidated, the norms of the technostuctures framed, although in different respects, the managerial agency for both specialists and generalists. The degree to which managers were framed is noted to have increased alongside the static reproduction of technostuctures. Also, the sociostructural norms, expressed as a weak, neutral or strong will to exercise the asymmetrical positions, is illustrated to have affected the freedom of interpretation and physical action. Further empirical exemplifications make explicit the interrelationship between the managerial agency and the structural properties from the evolutionary dimension. The static and dynamic reproduction of techno- and sociostructural roles of managers did not have to coincide with the temporal variations of managerial influence, and vice versa, even though this was sometimes the case.

5.5.5 Managerial agency and structural principles from the context specific dimension

When here delineating the roles and influence of managers it is crucial to reemphasize that a structural principle consisted of a coherent system of shared norms which variably (i.e. from tight to loose) could be coupled with structural properties. This implicates a need of uncovering, not only the freedom of interpretation, but also the freedom and physical action associated with the physical interactions of socio- and technostuctures. It is now the knowledge of the roles and influence of managers towards the psychical interactions of the structural principles that will be articulated.

The managerial roles in relation to the structural principles, can be distinguished on the basis of the knowledge about the norms of structural principles - i.e. shared preconceptions. The structural principles are considered to have transpired from shared norms among collectives of top managers about the coupling between structural properties and a structural principle (see above). This observation can be related to the systems integrating nature of principles, since close to all these top managers revealed that they devoted considerable attention to the overall coordination of interactions within the boundary specific realms of the life insurance companies. Also the technostuctural specialists are indicated to have been highly knowledgeable about structural principles since they participated in top managerial decision-making committees.

The managerial roles of coupling interactions can here be linked to the question of managerial influence. The general finding is that; the higher the degree of specification of shared preconceptions (i.e. knowledge), the more contracted were the scope of possible interpretations that were in line with that knowledge. The interviews reveal that interpretations about a so-called "vision", "culture", "logic of action" and the like, of the studied firms could vary within and across the top managerial teams of the respective companies. For instance, the managerial team of a certain company could

share knowledge of a structural principle that diverged on the basis of the informative content from the knowledge shared within another management collective. The top managers also stress that their knowledge of a structural principle deviated from the knowledge generally shared by the employees within the organizations. The managers were, however, often aware of this since it was a purposeful act to not overly specify a structural principle (see further below).

The degree to which this normative knowledge was habitualized (i.e. internalized and externalized) by the single manager is empirically unfolded. The higher the degree of an indicated habitualization, the more contracted was a manager in his/her scope of interpretations. This influence on the freedom of interpretation did discernibly have an effect on which physical actions that were interpreted to confirm the norms of a structural principle. *Empirically illustrated:*

“I take the norms and values of the ideology for granted. It is as evident as if I do not even think about it, and if I should do something not corresponding to the ideology I would be reminded by others.” (A manager at Ansvar)

“We are talking about the corporate identity... For me it is a presumption and a point of departure. One does not make decisions not to conform to the ideology and strategy. This is a natural consequence of a shared outlook and the relations to a specific part of the market... I feel that I have to legitimize the decisions to myself and to the organization.” (A manager at Trygg-Hansa)

In situations where managers shared more abstract or less specified norms, their influence is notified to have been more extensive due a larger degree of freedom to interpret the physical actions that were to be line with a structural principle. Differently put, the scope of possible interpretations was wider in cases where shared preconceptions of structural principle were less specified or more abstract.¹⁵⁰

5.5.6 Managerial agency and structural principles from the intercontextual dimension

Managers of life insurance companies apparently had somewhat different roles and influences regarding the intercontextual structural principles than the company-specific ones. The knowledge about the calculative principle of investment transformations is believed to have varied most significantly among those participating in the top managerial teams. It is acknowledged that those who had the technostructural role as specialists had relatively specified knowledge (i.e. shared preconceptions) about the

¹⁵⁰ Compare with the illustrations on pages 151, 216, 219.

actions complying with the calculative principle.¹⁵¹ In comparison, the ideational principles are considered to have been more widely shared among the various management collectives. The degree to which the knowledge shared within a collective of managers as taken for granted also had an effect on their freedom of interpretation and, in turn, their scope of influence: *Empirically illustrated*.¹⁵²

“There existed and still exists an interrelationship between Föreningsbanken och Länsförsäkringar, since both companies had their roots in the agricultural sector and on the countryside. We have several joint trustees as well as a certain connection with the Federation of Swedish Farmers (“Lantbrukarnas Riksförbund”). This long term alignment made us drift into this (i.e. referring to the sales and marketing of life insurance through the bank offices of Föreningsbanken). This was not a strategic choice... If we had made a strategic analysis, I am sure we would have reached the conclusion that Föreningsbanken was not the right choice.” (A manager at Länsförsäkringar)

In other intercontextual collectives of top managers, the scope of possible interpretations of action are recalled to have been extensive. *Empirically illustrated*:

“For the moment nobody really knows what the best choice is, and one can accordingly observe an increased variation regarding the sales distribution among the companies... There is no longer a predetermining praxis in the industry.” (A manager at Skandia)

5.5.7 Managerial agency and structural principles from the evolutionary dimension

The static reproduction of a structural principle is claimed to have propelled an increased specification of a structural principle in terms of the informative content of shared preconceptions. Parallel to this process, the scope of managerial influence became more contracted, in that norms sanctioned a more well-defined and “narrow” scope of possible actions. It is further indicated that in addition to this specification of norms was an accentuated habitualization (i.e. institutionalization) of which interpretations were to follow in recurrent situations. This is exemplified from the illustrations earlier of the highly institutionalized principles of operating life insurance business prior to the introduction of the reflex insurance and other concurrent events.¹⁵³ Top managers who shared these norms subsequently received a diminishing degree of freedom of interpretation. As illustrated, it is empirically reflected that those managerial specialists involved in the investment function never, or seldom, questioned

¹⁵¹ Compare with the illustrations on the pages 154, 201 (bottom).

¹⁵² Compare with the illustrations on page 151, 216, 219.

¹⁵³ Compare with the illustrations on page 145.

the calculative principle. Alongside this static reproduction, the degree of freedom of interpretation decreased. Divergencies among companies in their investment activities are reported to have diminished in accordance with this static evolution.¹⁵⁴

The managerial influence in the three kinds of dynamic reproduction processes of the ideational principles depicted is observed to have involved a more extensive degree of freedom of interpretation than during static processes. The discussed "enlargement" of ideational principles, via the accentuation of the calculative ideal,¹⁵⁵ is described by the interviewed top managers as having helped them attain an awareness about alternative routes of conduct. Prior to this "objectification", top managers among the group of ideationally-oriented life insurance companies had been relatively more devoted to historical logics of doing life insurance business. *Empirically illustrated*.¹⁵⁶

"Previously, the companies followed one another closely... The conscious strategic choices have increased. Consider for instance the distribution of insurance where RKA and Trygg-Hansa are substituting their employed sales(wo)men, whereas we want a big and strong employed sales force that is to be complemented with other channels of distribution." (A manager at Skandia)

"There existed a reactionary culture within the industry." (A manager at Wasa)

The top managers' descriptions of their actions uncover a distinction between proactive and a reactive managerial influence from the evolutionary perspective. The combined statics of a structural principle and coupled properties bring forth the presence of a reactive agency in relation structures in the structuration process. The top managers thereby mainly drew upon, often with a low degree of awareness, the existing structures in their organizing efforts. The more proactive agency is exemplified to have predominately been present in times of dynamic reproduction of a structural principle. In these latter situations, the top managers had, according to their own depictions, a higher degree of awareness, in that their scope of interpretation was broadened to include more variation of possible actions (see further below).¹⁵⁷

¹⁵⁴ Compare with the illustrations on pages 154, 191.

¹⁵⁵ Compare with the illustrations on page 192.

¹⁵⁶ Compare with the illustrations on page 174.

¹⁵⁷ Compare with the illustrations on pages 151, 174-175, 215.

5.5.8 Managerial agency and structural principles in sum

The roles and influences of managers towards the structural principle were closely related. The roles are made distinct on the basis of knowledge about norms as shared preconceptions of a structural principle. Shared preconceptions that encountered a high degree of specification about the content of these norms are here distinguished from those preconceptions which only captured a low informative specificity. Those who shared highly specified preconceptions were more narrow in their interpretations about recurrent situations than those that were not knowledgeable about this high specificity. Periods of static reproduction of a structural principle are recalled to have fostered increasingly more specified or less abstract preconceptions about the norms of a structural principle. It is also unfolded that these shared preconceptions were increasingly habitualized by virtue of this static reproduction, which then further contracted managers' scope of interpretation.

In times of dynamics of structural principles, the scope of interpretation is said to have expanded. For the managers, the increased influence followed parallel with an increased deinstitutionalization of precedingly statically reproduced norms. Enactments of existing or expected anomalies, or negative feedback, have, in this case, indulged an enlarged awareness and an eruption of an established degree of specification of norms. The scope of interpretation was expanded to encompass a larger scope of physical actions.

5.6 Strategy formation and the interrelationship between managerial agency and the coupling of structural properties and structural principles

The research question specifically aiming at the roles and influence of managers has now been asserted from both a spatial and a temporal dimension. In relation to the structural properties, a divergence is conceivable between the techno- and sociostructural roles of managers. A variation of the managerial roles is also evoked towards different structural principles. The illustrations further reveal close links between the roles and influence of managers. Due attention is, however, not given to the overall interrelationship between managerial agency, structural properties and structural principles. There is then a thrust for focusing on the managerial roles and influences in relation to the relative coupling, stretching from loose to tight, between structural properties and principles. The knowledge reached from the analysis makes explicit the key role of managers in exerting influence by coupling interactions.

The descriptions given by the managers interviewed indicate that when and where a tight coupling resided, their roles were affected so that their scope of interpretation and physical action was generally contracted.¹⁵⁸ These descriptions give further bearing to the finding that the freedom of interpretation about actions that were to stem from shared norms was specified (i.e. became less abstract).¹⁵⁹ Due to the tight coupling of these norms in the structural properties, the scope of physical actions was also contracted. Through their retrospective interpretations, managers describe their roles during the periods of tight coupling as merely symbolic. For instance, the earlier empirical illustrations on managers' roles and influence in the investment operations cover this contraction. To take part in the financial markets required a specific knowledge of valuation and trading. Very few deviations from these institutionalized practices are recorded to have occurred. That is, the large majority of managers pursued, without questioning, interactions that statically reproduced the structural properties and principles of those settings in which they were active. Further examples given by managers make known the low ambiguity about the interactions that would follow from a structural principle in times and settings of tight coupling.¹⁶⁰ A high correspondence is experienced between intentions and actions as long as the intentions maintained or reinforced (i.e. statically reproduced) the norms of a structural principle in these systems of relatively tight coupling. For example, planned changes in the portfolio of investments are not believed as too problematic to realize.

The contraction of the scope of managerial influence in situations of tight coupling is recognized to have been due to reproduction rigidities to pursue interactions that did not maintain or reinforce a structural principle. This "interlocking" could seemingly turn into some kind of self-reproducing processes of structuration. The techno- and sociostructural routines in conjunction with deeply institutionalized norms that sanctioned these routines were statically reproduced in a, for managers, highly predetermined and predictable course. *Empirically illustrated:*

"There is so much that is inherent in the structures of the company that makes us adhere to one line of thought." (A manager at Folksam)

The presence of a tight coupling both intercontextually and in the respective life insurance firm is illustrated to have coincided with a distinct contraction of both the scope of interpretation and physical action. It is exemplified that the tight coupling of the calculative principle of the investment function, intercontextually defined, clearly contracted the scope of influence of the managers involved.

¹⁵⁸ In this section, as above, a tightly coupled system refers to relatively more responsiveness than distinctiveness between a structural principle and structural properties.

¹⁵⁹ Compare with the illustrations on page 154, 191, 201 (bottom), 214 (top).

¹⁶⁰ Compare with the illustrations on pages 154, 183, 186, 191, 193.

In loosely coupled systems, managers' degree of freedom of interpretation and physical actions is said to have been more extensive than in systems with tighter coupling. This can be linked to the previous finding that tightening coupling synchronized with a static reproduction of involved interactions, whereas loosening coupling was more often-recurrent parallel to dynamic evolution. Managers' observations further demonstrate that their degree of freedom of interpretation and physical action was more extensive the looser the coupling. *Empirically illustrated:*

"Many of the norms shared among firms within the industry have disappeared, and it is now possible to work more freely regarding many issues." (A manager at Länsförsäkringar)

Despite these freedoms, managers recollect that the looser the coupling, the higher was the ambiguity or indeterminacy about actions that complied with a structural principle.¹⁶¹ That is, the scope of managerial influence was then contracted in the sense that there was increased ambiguity about whether plans and intentions could be realized along side a loosening coupling.

In the realm of a life insurance company, it is remarked that both a tightly and a loosely coupled system could coexist. That is, an intercontextually interpreted tight coupling of interactions, like the one associated with investment operations, could reside alongside a loose coupling of other interactions like the ones tied to the sales and marketing function. Loose coupling is empirically asserted by the existence of several techno- and sociostructural solutions with the realm of a certain structural principle (see above). It is also observed that the tighter the coupling of the interactions, defined contextually or intercontextually, the higher the inertia involved to pursue dynamic reproduction both physically and psychically (see below).

The question of managerial agency in relation to the degree of coupling between the structural properties and principles can be uncovered as having been either proactive or reactive. The depiction of managers divulges that the reactively-oriented intentions and interactions were interlinked with the tight coupling, whereas proactive management are believed to have been more common in times of loose coupling.¹⁶² The reactive intentions and interactions were apparently dedicated to statically reproduce a certain degree of coupling, like in the self-reproducing processes of structuration. It is indicated that the proactive intentions and efforts were meant to dynamically reproduce a certain state of coupling, which followed in parallel with the deinstitutionalization of old norms. As managers began to realize that interactions confirming the prevailing norms did not help solving existing or expected problems, they denotatively received a

¹⁶¹ Compare with the illustrations on pages 215 (bottom), 216, 224.

¹⁶² Compare with the illustrations on pages 174-175, 215-216.

more objectified and higher degree of awareness of norms that had influenced their interpretations. The degree of freedom of interpretation is thereby recognized to have expanded from enactments of anomalies in the ongoing problem solving by virtue of interactions. These anomalies are exemplified as having been more difficult to enact in the beginning of the process, since also the definition of problems, and not only the solutions, could be governed by norms of the existing structural principle.¹⁶³

Hence, in times of a low degree of freedom of interpretation, institutionalized norms framed managers to define problems so that these were in line with the solutions that could be sanctioned by shared norms. That is to say, the managers' interpretations signify that present or expected negative feedback propelled a more critical awareness towards norms, which in turn fostered proactive intentions in relation to those norms.¹⁶⁴ For instance, the positive feedback, in terms of market shares, to distribute simple insurances through banks is described to have increased the degree of awareness of managers at those companies that sold and marketed their insurances through employed sales forces.¹⁶⁵ As a result, it was interpreted that the employed sales forces had received negative feedback in the sales of simple insurances with low premiums. The technostructural solution to distribute simple insurance through banks became, in combination with a recurrent positive feedback, a widely shared practice - i.e. institutionalized knowledge - during the first two years of the 1990's.¹⁶⁶

Proactive interactions that did not maintain or reinforce the prevailing structural properties occurred quite seldom as long as the managers experienced or expected positive feedback from these structures. In compliance with earlier illustrations, it is described that the traditional practice of using employed sales forces was not questioned until the managers foresaw a situation in which this line of distribution was too costly to be competitive on the market for simple life insurances. Managers note that they expected positive feedback by adapting the distribution channels to the demands and requirements of various customer groups. These expectations are considered to have given rise to the general turn towards the use of several channels of distribution. The relative emphasis on various customer groups then came to guide the respective companies' setting up of channels, as discussed.

¹⁶³ Compare with the illustrations on pages 174, 175 (top), 216.

¹⁶⁴ Compare with the illustrations on page 168 (top).

¹⁶⁵ Compare with the illustrations on page 174.

¹⁶⁶ Compare with the illustrations on page 175 (bottom).

It is further possible to delineate three managerial approaches to influence the structural properties to match structural principle from the primary empirical sources. In one of these logics, which can be called processual or incremental, managers describe their use of techno- and sociostructures as the means to implement, and thereby over time reproduce, structural principles. The ongoing interactions were then influenced as to be in line with certain norm systems. For example, the technostructural interactions were used to over time statically, or dynamically, reproduce a structural principle. It is remarked that people could come to share a structural principle by getting involved in recurrent interactions embodying that principle. In affiliation with previous observations that a structural principle is composed of shared preconceptions among a collective of managers, the interviewed managers make the reflection that their knowledge does not have to be shared among those active in the structural properties. In other words, those who were to realize a structural principle did not need to make the same enactments as the top managers, especially not in cases of proactive management in relation to structural properties. *Empirically illustrated:*

“In general, changes within a service company always impose inertia. If I, for instance, would like to make a new product or a new concept of a product, it will take four to five years before people begin to be mentally aware of what they are doing...” (A manager at Trygg-Hansa)

It is thereby argued that the “themes”, referred to above, which were the techno- and sociostructural routines consolidating a structural principle, did not have to be interpreted as being in compliance with a structural principle. Thus, the themes compliance to a structural principle, as it was shared by a collective of top managers, was foremost in the awareness of these top managers. Top managers underline that it would have taken too long to pursue change if the employees were to know what they knew so as to enact what they enacted (see further illustrations below). The long-term objective was often to increase the knowledge about the coupling to the, by them, held structural principle among employees.¹⁶⁷ In line with the preceding illustration, and some coming illustrations, this is recorded as a slowly emerging process.

A second route to tighten the coupling between structural properties and principles was more revolutionary in that the existing norms of the structural properties were questioned by the managers to be in line with the structural principle. The managers recall that they in these cases became more aware, through the enactments of the ongoing interactions, about the need of dynamically reproducing the existing techno- and sociostructural cultures given the present and anticipated situation. Dynamics of structural properties did not have to encounter dynamics of the structural principle.

¹⁶⁷ Compare with the illustration on pages 222, 224.

Both managerial logics to get structural properties to match a structural principle are observed to have involved a certain time to deinstitutionalize individuals from old norms and to institutionalize new ones through recurrent interactions. This is distinctively described in those cases that involved a dynamic reproduction of ideational principles. However, the deinstitutionalization sometimes only took the norms of the cultures of, respectively, techno- and sociostructures, into account. *Empirically illustrated.*¹⁶⁸

“Culture and tradition are restrictions to change... Change is regarded as a threat.” (A manager at Skandia)

“We of the group management have put a lot of effort into altering attitudes and norms, because these things do not change by themselves... The software of a strategy is to influence the attitudes and to get people to believe in something. This we try to create through education and information. For the moment, we are in the group management team discussing a process of communicating a description of the changes that have been conducted until now, where we stand and where we are going... My job has been that of a missionary in marketing the idea that change is needed.” (A manager at Trygg-Hansa)

“For six years I have claimed that it is better to live with uncertainty than with insecurity so as to create a change inclined organization. It is difficult to interpret any direct results more than that people today are less afraid of hearing about change.” (A manager at Ansvar)

“Peoples’ attitudes and frames of mind take time to change. If I am to mention a specific group of people I pick the employed sales(wo)men. They were used to handle their operations in a certain way that had remained the same. It became an extensive change for them when their monopoly disappeared.” (A manager at Wasa)

“There most certainly exists a banking culture in our sales channel through the bank. Based on our acquired experiences, this was something new. It works, but a condition has been to adjust one’s earlier experiences to get the bank to accept our products.” (A manager at Livia)

The managers point out that it was difficult to cut the time taken to deinstitutionalize norms and to institutionalize new ones by applying either the processual or revolutionary logic. In addition to this “psychical inertia” (i.e. a kind of inertia of interpretation), a “physical inertia” (i.e. a kind of inertia of physical action) expressed from the techno- and sociostructures is documented to have slowed down firms’ capabilities of coupling the interactions of structural properties to be in line with

¹⁶⁸ Compare with the illustrations on pages 174-176.

structural principles as interpreted by the respective top management collectives. *Empirically illustrated.*¹⁶⁹

"We were suffering from a data system that was built during the mid 70's, and we are still working on gradually replacing it to handle flexibility and new products. This is certainly an interfering factor. When we introduced unit-linked, we have therefore built an entirely new system, and Allemanspension (i.e. an insurance product of Skandia) also has its own system." (A manager at Skandia)

"I have to take into consideration those people who are to realize the decisions, which makes me circumscribed. I am further restrained by the market possibilities." (A manager at Wasa)

Both the physical and psychical inertia, as the time lag between a management collective's intentions and the realization of these intentions, is generally considered to have been more extensive during periods of proactive rather than reactive management.¹⁷⁰

An alternative to these two managerial logics to enable the structural properties to correspond to a structural principle within the boundary specific context of the life insurance companies, can be labelled as the "parallel formation process". Here, the managers consciously avoided the existing structural properties, and some cases also structural principles, by setting up parallel operations. *Empirically illustrated.*

"For all new products we build new data systems in order to prevent adaption difficulties to the old systems... We set up projects that are run parallel to the existing operations so as to avoid working against norms and tradition. The detached projects are future oriented, and at the time when they are ready there will be a higher acceptance... It then takes a couple of more years to get the rest of the people in the organization to fully work for the new, and at that time we integrate the operations... We have to show a humility towards history, otherwise we will be fighting an impossible war. It does not work to say that things have been done wrong. Instead, we have to say that things that worked in the past will not work in the future." (A manager at Skandia)

"We have chosen to run this operation separate from SE-Banken in order to create an entrepreneurial spirit. We have engaged people that are capable of being project leaders." (A manager at Aktiv)¹⁷¹

¹⁶⁹ Compare with, for instance, the illustrations on pages 166, 202 (middle), 209 (top).

¹⁷⁰ Compare with, for instance, the illustrations on pages 145, 166, 202 (middle).

¹⁷¹ Approximately two years after the foundation, in January 1992, Aktiv Försäkring became a subsidiary of SE-Banken.

A further managerial insight is that an elaboration of the degree of coupling between the physical and psychical interactions could be used to handle uncertainty. During times of a perceived increased uncertainty, the managers generally tried to loosen up the coupling by not specifying the guiding norms as much as they had in the past. *Empirically illustrated.*¹⁷²

"We have considered it essential to get those that work with life insurances to realize that the accustomed ways of operating are no longer as self-evident, given the needs and requirements of the future. The traditional detailed direction has been replaced by a frame of guidance over the years..." (A manager at Skandia)

"I am not communicating that we must go in a certain direction, but rather that we will approximately go this way but we are not to go that way. This is the picture I try to implement. So far the vision has not been changed since it has been so flexible... When talking to people in the organization, I am attempting to envision scenarios so as to create uncertainty, and describe a structure in that chaos." (A manager at Trygg-Hansa)

Hence, managers tried to direct the structuration in times of uncertainty through norms without highly specifying the techno- and sociostructural solutions that could to be in line with those guiding norms. Albeit, only a certain consistency in the interactions over time is believed to guarantee that the norms could remain their regulatory status.

To sum up, the managerial influence varied with the degree of coupling. The scope of conceivable interpretations and physical actions was more restricted the tighter the coupling between a structural principle and structural properties in a system, defined contextually and/or intercontextually. However, the ambiguity about the realization of plans and intentions that maintained or reinforced (i.e. statically reproduced) a structural principle was higher the more tightly coupled a social system. Both the physical and psychical inertia to pursue dynamic reproduction or proactive intentions were more extensive the tighter the degree of coupling. It has then been possible to ascertain that managers both influenced and were influenced by the coupling between structural properties and structural principles. Three kinds of managerial logics to exert influence by virtue of the coupling between structural properties and structural principle are uncovered. It is also observed that managers tried loosen the coupling in order enhance flexibility and responsiveness in relation to demands expected to emerge.

¹⁷² Compare with the illustrations on page 222.

Chapter 6

THE SYNTHESIS

6.1 Introduction

This synthesis is an abstraction of the knowledge reached in the two-stage analytical process that was initialized by themes expressed in the research questions. These themes addressed the structures, processes and managerial agency (i.e. the roles and influences of managers) involved in the strategy formation of firms. The first stage of the analysis embodied the thematic bridging of theoretical texts. The result of this interdisciplinary conduct was the state of knowledge depicted in chapters three and four. The thematic analysis continued with the inclusion of empirical texts so as to possibly retain and extend the themes of the theoretical analysis. The state of knowledge attained from this second stage of the thematic analysis was asserted in the foregoing chapter. This implies, in conjunction with the outlined methodology, that the present synthesis will not add any knowledge to the knowledge already articulated. Instead, the synthesis ought to be seen in the light of the purpose to construct theory.

Since a theory in this study is viewed as an intersubjective interpretation of socially constructed phenomena, the synthesis constitutes such an interpretation drawn from the specific theoretical and empirical texts underlying the thematic analysis. Due to its inextricable relation to the underlying texts, the knowledge of the second stage of the analysis cannot be regarded as having either a solely deductive or an inductive origin. This means that the intersubjectivity of this knowledge is not to be confused with the intersubjectivity that conceivably could result from a consideration of only the empirical texts. In order to communicate the theory constructed from this logic, the synthesis will be delineated by the use of a rhetoric more “distanced” from the empirical texts than that of the delineation of the same knowledge in the previous chapter. It is of crucial methodological importance to note that the synthesis only incorporates those interpretations that were given empirical support. This is a prerequisite to attain higher degrees of intersubjectivity (i.e. objectification), which is the overall criterion of a more plausible theory. For pedagogical reasons, some thematically representable empirical examples of the general analysis will be recollected so that readers are not led to believe that the synthesis is “external” to the empirical texts.

In the outset of this chapter, it is foremost the synthesis of the first research question of the structures and processes involved in the strategy formation of firms that is disclosed. The roles and influences of managers (i.e. managerial agency) in relation to these structures and processes, which refer to the second research question, are subsequently turned to. These two parts of the synthesis, associated with two research questions, will be bridged in a final section that more specifically focuses on the research purpose. In the next chapter, the synthesis will be discussed in comparison with theories of the theoretical analysis.

6.2 Structures and processes involved in the strategy formation of firms

Strategy formation of firms has theoretically as well as empirically been uncovered as a process of structuration encapsulating distinguishable structures, processes of interaction and actors (or group of actors). The underlying observation is that strategy formation is made up of interactions providing the binding of time and space: where time refers to the unfolding of a process; and space to a boundary defined area of social life.

From a dissection of the constitutive interactions emanates a *physical* and a *psychical* dimension. The former dimension captures the content of an interaction in itself, *per se*, which, in turn, includes the transfer of *tangibles* - i.e. like goods - and/or *intangibles* - i.e. like information. These physical interactions can be further categorized according to whether they accommodate, on various grounds, an asymmetrical control between interacting parties or not. The psychical dimension relates to the normative content providing an interpretation- and action-readying mode of governance for individual beholders. Since norms are represented as socially shared cognitive preconceptions, they have an effect on both an individual's meaning creation out of actions (i.e. enactments) and conduct of actions so that preconceptions are confirmed. These norms can express a variety of cathectic contents like different values and emotions. If either of these two dimensions of an interaction is intersubjectively interpreted to show a pattern of continuity over time, a structural configuration appears. Such a structure can, for instance, stem from interactions among actors exchanging products or services.

On the basis of the separation of interactions, a pattern of continuity originating from physical interactions can apparently, depending on the asymmetrical content in terms of controlling an interaction, be categorized as *technostructures* or *sociostructures*. It is

the asymmetrical interactions that make up sociostructures while the other, symmetrical, physical interactions embody technostructures. The normative content of the psychical dimension associated with the interactions of these techno- and sociostructures form *cultural structures*.

The study has led us to the interpretation that the complexity of techno-, socio- and cultural structures broadly can be surfaced from a further specification of the inherent *content* of the respective underlying interaction. Accordingly, it has been entailed that technostructures can be analyzed from the *techniques, materials* and *knowledge* used in symmetrical work-flow interactions. The techniques are made known from the nature of resource dependencies involved in the work-flow procedures to transform tangible and intangible resources from one physical state to another. For instance, the interactions that enabled the supply of life insurance followed a kind of semi-sequential work-flow dependence in that some, although not all, transformations had to be accomplished before others could be conducted. Another type of technosstructural dependence involved the mediating interactions pursued to resolve resource heterogeneities of actors

Similar to technostructures, sociostructures are also dissectable from the nature of dependencies between interacting parties. The asymmetrical control that is exerted through physical interactions of sociostructures can then be distinguished according to whether it is based on a possession of and/or access to: *tangible* and *intangible resources*; *sanctioning norms*; and/or *legally enforceable rights*. An analysis of the potential control of defined actors, or groups of actors, among one another, needs to take all these grounds into account.

When it comes to discretion over resource dependencies, the potential to exert control can result from possession of and/or access to, in relation to an interacting party, scarce (i.e. contingent on the relative supply of and demand for resources) resources and resources interpreted as important by the actors involved.

A sanctioning by norms is discernible according to whether it is established on a legitimization of tradition, like habitualized practices, and/or of an anticipated future. For instance, it was discovered that there can reside a belief that an actor is to possess a scarce resource in the future, which then provides the actor with an asymmetrical control as if the actor already possessed that specific resource. Likewise, a disbelief in that an actor would preserve certain grounds of control, could subvert the actor's possibilities to exert control in the present.

Finally, the enforceability of legal rights is obviously founded on the exclusive authority of the state to impose penalty through the judiciary. The empirical study gave notice of a coexistence of both a public regulatory, as specified by the law texts, and a self-regulatory of contractual arrangements that was settled by the interacting parties themselves. These contracts were, in turn, legally enforceable. Hence, firms which were competing, by supplying similar products, had entered into self-regulatory contracts that went beyond the public regulation. Specific organizations and committees supervised the self-imposed regulation. It was further recognized that professional groups, regardless of company belonging, could benefit from such a self-regulation. For example, employed sales forces of insurance companies were acknowledged to have had a monopoly-like control of their professional function for a long term. This was recalled to partly have been due to the self-regulation that more or less excluded the possibility to use brokers.

The cultural structures that can be linked to sociostructures are separable from the cultural structures of technostuctures. Hence, the *technostructural cultures* contain intersubjectively shared norms that with a temporal continuity specifically govern the interactions of technostuctures. The presence of such shared norms in work-flow interactions can be distinguished on whether technological knowledge is impregnated with norms or not.¹ Normative knowledge is then to be distinguished from knowledge less habitualized or taken for granted - i.e. not as institutionalized. The technostructural cultures denoted in the empirical study were shared among collectives of individuals involved in recurrent interactions of definable technostuctures.

The *sociostructural cultures* are composed of those norms that recurrently govern interactions of sociostructures specifically. These cultures signify the will or inclination of the interacting parties to use their respective sociostructural position - i.e. their combined possession of and/or access to the three asymmetrical grounds precedingly asserted. The empirical sources conceive that defined collectives of interacting parties can share a *strong*, a *neutral* or a *weak* will to use their respective sociostructural position. In collectives of a weak, the parties were, at the most, only using a small extent of their potential sociostructural positions. The shared norms of a neutral will governed the parties of these collectives to exercise their sociostructural positions to a reduced extent, although clearly closer to the full extent than if a weak will would have resided. In situations of a strong will, the parties' intersubjectively shared norms made them more or less fully to use their sociostructural positions towards one another. Shared interests were interpreted to have fueled the institutionalization of the various will - i.e. mutual interest fostered a weak will, and vice versa.

¹ The meaning given to the notions of internalization and externalization follows from Berger & Luckmann (1966) - see page 64.

6.2.1 Structural principles as systems integrating modes of governance

The synthesis has so far been devoted to an analytical severance of structures with united processes comprising strategy formation of firms. We have only considered the time-space dependencies of interactions underlying each of these structures, which ought to be amplified by the dependencies between such structures. It is the *degree of coupling* of the duality of the relative dependence and independence of interactions over time, interpreted from respectively the relative responsiveness and distinctiveness, that defines interrelations between structures.² In times and settings of at least an intersubjectively interpreted loose coupling of structures, systems integrating modes of governance, called *structural principles*, were empirically evoked by individuals who had an active role in the coupling of the structures discerned above. Accordingly, such a structural principle embedded *structural properties* as techno- and sociostructures with associated cultural structures.

In more specific terms, a structural principle relates to the one coherent system of shared norms that with a temporal continuity predominantly, relatively to other coherent systems of shared norms, govern interactions of defined social systems. This implies that a structural principle, similar to a cultural structure, is made up of psychical interactions that are intersubjectively shared and cognitively held. When defining a structural principle, the notion of a coherent system assigns to the categorization of the normative content of constitutive interactions. These norms can express a coherence towards a *calculative*, an *ideational* or a *genuine* content.³ The empirical study of the life insurance sector in Sweden conveys that the lines of demarcation among these contents were interpreted as more or less indistinct (see below).

For the individual beholder, a structural principle consists of those socially shared cognitive preconceptions that govern interpretations and interactions in recurrent social exposures. These preconceptions, which are results of the individual's experiences, govern cognitive processes so that both interpretations and interactions are influenced. A structural principle not only exerts governance from the preconceptions of individuals' cognitions, as also the coupling between a structural principle and structural properties needs to be analyzed in order to more fully entail a structural principle's role of governing interactions.

² A system is tightly coupled if there is responsiveness without distinctiveness among defined elements and loosely coupled if there is both responsiveness and distinctiveness among elements. These concepts are in line with those defined by Orton & Weick (1990) - see page 66 for a more detailed description. Notably, tight coupling is an extreme position that has not been empirically retained in this study. However, among the loosely coupled systems elicited, some have involved relatively more responsiveness than distinctiveness - i.e. tighter than loosely coupled. References to tight coupling in this chapter attributed to such systems of relatively more responsiveness than distinctiveness.

³ This content definition of norms follows a taxonomy of Sjöstrand (1991) - see page 69. It was empirically denoted that the idealistic content could differ among collectives.

A *social system* is an area of social life in which structural properties with a temporal continuity are at least loosely coupled to a structural principle. A structural principle predominates the governance of interactions within such a system relatively to other herein possibly contemporary coherent systems of shared norms. It is thereby the predominance of the coupling of interactions, linking techno- and sociostructures with associated cultural structures, that distinguishes a structural principle from other psychical structures. On that account, a structural principle can govern or “superinfuse” the techno- and sociostructural cultures within a social system.

It is made empirically transparent from the coupling between a structural principle and structural properties that the coherent system of norms do not need to be predominantly shared by individuals within such a social system. The individuals active in the interactions constituting the structural properties does not have to be aware of the, by others, shared norms that are confirmed by virtue of the interactions of the structural properties. For example, a top manager or, as most often seems to be the case, a group of top managers, can use a technostructure to reinforce a structural principle without trying to get the people active in this technostructure to be aware of the underlying meaning of their conduct. The managerial interpretation(s) of meaning out of these interactions (i.e. enactments) then do not have to converge with the enactments made by the ones undertaking the interactions.⁴ That is to say, *first when one is knowledgeable (i.e. shares the preconceptions) of a structural principle will one be aware of what one is doing is coherent with the structural principle*. In short, one has to know of a structural principle to be aware of it.

Hence, even though companies used similar techno- and sociostructural solutions, like the distribution through banks, these conducts are interpreted to have complied with different structural principles. The collective of managers, not necessarily belonging to the same firms, interpreted the structural principles, that governed the various firms, more or less divergently. Structural properties could then possibly be interpreted to comply with preconceptions that were shared among managers at different firms.

The relative predominance of a structural principle can be analyzed from the degree of coupling to structural properties over time. The coupling relates to the duality of the responsiveness and distinctiveness between psychical interactions of a structural principle and: physical interactions of the techno- and sociostructures; and psychical interactions of techno- and sociocultural structure. A characteristic of a relatively tightly coupled system is that the scope of possible interactions in line with the norms of a

⁴ This observation diverges from the thematic representation of a structural principle in the theoretical analysis, in that a structural principle does not have to be shared among a predominate part of those active in a social system. Even so, a principle can, due to the embeddedness into structural properties, come to function as the one of coherent systems of shared (i.e. although not necessarily by the majority) norms that predominately governs interactions of a social system.

structural principle is more narrow than in more loosely coupled systems. It was empirically revoked that there most often existed a lower ambiguity about the structural properties that were coherent with a structural principle the tighter the coupling in a social system. As a manifestation, several techno- and sociostructures could be interpreted to comply with a structural principle in loosely coupled systems.

6.2.2 Structural properties and structural principles from an evolutionary perspective

From the notion of coupling it is observed that binding of space is subject to the binding of time. Since strategy formation incorporates the binding of both space and time, due attention have to be placed on evolutionary aspects. The interactions underlying the discerned structural configurations of strategy formation can be interpreted as either static or dynamic in relation to the patterns of continuity of these structures. *Static reproduction* is linked to interactions reinforcing or at least maintaining structural gestalts of continuity, whereas *dynamic reproduction* signifies an eruption of such a gestalt. It has been empirically revealed that dynamic reproduction either can subvert or extend the content associated with structural configurations. In the former case, reproduction was interpreted as being clearly contradicted or excluded by the structural content, while an extension involved the paralleling of an existing content with an emergent content not deduced from the existing. For example, the technostructure of selling life insurance was once more or less exclusively centred on the distribution channel of employed sales forces of life insurance firms. Subsequently, this praxis, habitualized over the years, was questioned and firms began to a greater extent paralleling the employed sales forces with other means of distribution like brokers, banks and so-called direct mail.

The empirical texts further document a more fine-tuned categorization of reproduction processes than these previously described, and from the knowledge reached in the theoretical analysis. Even though it hardly seems possible to analyze every single interaction embodied in the strategy formation of firms, the variation inherent in reproductional processes can come to show a rich variety of patterns. There might, for instance, be a divergence between intersubjectively approved dynamic processes and processes which individuals disapprove of, whether they imply statics or dynamics.

Also the degree of coupling between a structural principle and structural properties can shift over time, and three reproductional processes can be extracted (see below). The degree of coupling to a structural principle implies that a structural principle can be institutionalized to a varying degree. The evolutionary dimension have laid bare the insight that the normative content of a structural principle can be bracketed into *themes*

in relation to structural properties. Such themes of a structural principle can be dynamically reproduced when other themes are statically reproduced. Consequently, themes representing the normative content of a structural principle can be more or less institutionalized at a given point in time. This can be recalled from the observations that dynamic reproduction of some structural properties, as in sales and marketing, was contemporaneous with a static reproduction of other structural properties, as in the investment operations. Other examples show that some firms remained more static in relation to a certain structural property than other firms during the same period of time.

A certain theme may express the knowledge to be used in work-flow procedures while other themes may define the will of exerting control, etc.. The themes may also be impregnated in the public and the private regulation. For instance, the general deregulation of the financial markets is interpreted to have complied with an accentuation of economic rather than idealistic interests of customers. Even if each theme is a representation of a structural principle, one has to, as noted before, share the preconceptions of the structural principle to be aware of the holographic nature (i.e. to see the whole in the single parts) of the themes. Differently stated, one has to know of the structural principle so as to see it being represented in each and every theme.

6.2.3 On the tightening and loosening of the coupling in social systems

The theoretical and empirical texts unfold several interpretations of what is concomitant with the tightening and loosening of the coupling between a structural principle and structural properties. Such tightening and loosening can be ascribed to as, respectively, a *structural convergence* and *divergence* of structural properties and a structural principle in the ongoing structuration process of strategy formation.

A distinct observation is the reduction of ambiguity about the scope of possible interactions that are in coherence with a structural principle that succeeds from an interpreted positive feedback. It was empirically revived that such a feedback fueled static reproduction of structures and concurrent tightening of the coupling between a structural principle and structural properties. The opposite, that an interpreted negative feedback fueled dynamic reproduction, was rather concurrent with loosening of the coupling. What was interpreted as negative and positive feedback was contingent on the actors, the time and the place. The intersubjective interpretation of feedback could diverge with shared preconceptions among interviewed managers. However, the proliferation of the calculative structural principle came to blur the lines of demarcation among the respective company's management collectives' shared interpretations of feedback. The following illustration appears appropriate:

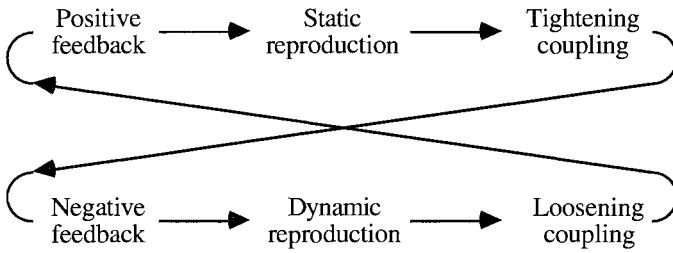


Figure 6.1: Loosening and tightening of the coupling in social systems from interpreted feedback.

The arrows of this picture are not to be regarded as causal relations as they are only abstractions of a much more complex social milieu in which influences are often iterative and reciprocal. The picture shows that interactions derive from relatively tightly or loosely coupled systems, which can be interpreted as either positive or negative. This is likely to have an influence on whether future actions are held to be in line with preceding interactions or not.⁵

Another distinct observation is that individuals could share technological knowledge that reinforced or statically reproduced a certain structural principle. For instance, the technological knowledge generally shared among institutional investors was grounded on valuation and trading techniques that were in line with the normative content of a calculative principle. Various forms of authoritarian coerciveness of sociostructures can also be concurrent with tightening or loosening of the coupling. An eruption of such coerciveness is, for instance, exemplified to have fostered dynamic reproduction, and, in turn, loosening coupling. When the self-regulation imposed by the so-called sector-related organizations was more or less removed, it opened up the scope of possible technostructural solutions. Soon to follow was a dynamic reproduction of several technostructures and loosening coupling in relation to in particular those structural principles which also were dynamically reproduced.

6.2.4 An *a priori* versus an *ex post* definition of social systems

The spatial extension of the structures and processes of strategy formation of firms has been found to go beyond the boundaries of the specific firm. It has been empirically recollected that the boundaries can be defined both *a priori* and *ex post*.⁶

⁵ Notably, the notions tightening and loosening indicate that the coupling is getting tighter and looser, and not that the coupling is either tight or loose.

⁶ In this study, the notion of *a priori* relates to prespecifications of analytical dimensions out of theory, whereas *ex post* defines these dimensions on more of an empirical ground. The two concepts are, however, not taken to capture a purely deductive or inductive logic, respectively. Obviously, theories can involve empirical elements, while an empirical ground is likely to be subject to various theoretical underpinnings.

If the spatial breadth is determined on an *a priori* basis, like a juridical separation of companies, only those structures and processes stemming from that boundary-specific realm are considered. Due to the predominance criterion of a structural principle, the depiction of social systems from the coupling of a structural principle and structural properties can be linked to a specified realm. The implication is that only one structural principle can prevail in such a boundary set system. An *ex post* definition of social boundaries, on the other hand, emanates from the spatial stretch of structural properties being at least loosely coupled with a structural principle. This may lead to the observation that more than one *ex post* defined structural principle can be found to govern interactions of various spheres in an *a priori* defined setting. The empirical texts extended the knowledge of the theoretical analysis by showing that an *ex post* defined social system of relatively tight coupling can reside within a more loosely coupled *a priori* defined system. An example of this was the presence of tight rather than loose coupling between a structural principle and structural properties in the investment operations within those life insurance companies where meanwhile an idealistic structural principle was dynamically reproduced.

A social system defined *ex post* does not have to be a legal entity like the associative forms of limited or mutual companies. For instance, a social system was empirically found to have embraced those interacting in investment operations. This system, which was regulated by a calculative principle, arched across firms. Further, the *ex post* definition of social systems has made known that a triadic governance in *a priori* defined setting might coexist. It is the normative content of calculative, ideational and genuine structural principles that together amounts to this triadic governance.⁷

If the analysis is conditional to only a boundary-specific realm, the possibly uncovered structural principle can be referred to as an *organizational principle*, whereas an *ex post* depicted structural principle can be referred to as a *principle of organizing*. The organizational principle can then potentially come to ingrain a number of principles of organizing. Under these circumstances, an organizational principle becomes a less reliable predictor of the patterns in the streams of enacted (inter)actions (i.e. strategies) generated by each of those parts of the organizations governed by specific principles of organizing. It may also be so that there does not exist an organizational principle, based on the criterion of predominance (see above), and that a more differentiated governing from various principles of organizing ought to be analyzed. The *ex post* definition opens up for less endogenetic views. Even though the interest is on organizations, an intercontextual dimension, from which the context of an *a priori* defined organization is related to other possible *ex post* depicted contexts, can potentially add to our interpretation of organizing aspects within organizations.

⁷ The empirically most distinct separation of governing norms was between those that were cathectic "free" - i.e. calculative - and norms that expressed various cathectic modes like idealistic commitments.

6.2.5 Strategy formation in retrospect

The identified structures and processes, and the spatial and temporal interrelationship between these, which together constitute the strategy formation phenomenon can be displayed as follows:

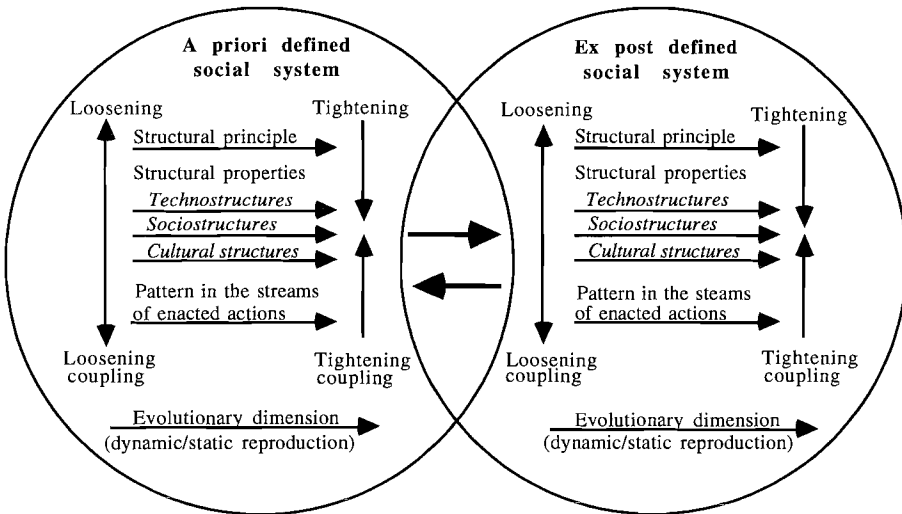


Figure 6.2: Structures and processes involved in the strategy formation of firms.

The figure outlines those structural properties (i.e. techno- and sociostructures with associated cultural structures) and structural principles potentially being involved in the strategy formation of firms (that are legally separable entities). Such a firm is represented as an *a priori* defined context from which to analyze the possible predominance of a structural principle as an organizational principle. This endogenetic perspective can then be extended by the inclusion of all those other social systems, defined from at least a loose coupling of structural properties and a structural principle, to which the *a priori* defined social system is coupled. This inclusion of an *ex post* depiction of social systems is relevant if it turns out that some structures and processes within the organizations are governed by other structural principles than the organizational one. The degree of overlapping of *a priori* and *ex post* defined structures and processes of social systems is expressed by the lateral arrows between the two circles.

It is also of interest to analyze the spatial stretch of the various structural properties in themselves, in order to interpret their functioning within the respective social system. For example, the strong sociostructural position once held by employed sales forces within life insurance companies, was intersubjectively seen as a consequence of an

intercontextual concentration of resource discretion by this group of professionals so as to realize their shared interests. This observation can then help us interpret why employed sales forces, due to their own interests, did not always work for the firm owners' best interests. The interrelationship between structural principles is a further aspect that can add to the picture. Consider, for instance, that the strong sociostructural position held by the employed sales forces in some cases enabled them to exert control so that no other technostructures were sanctioned to substitute the technostructure in which they themselves were engaged. This finding can benefit an interpretation of the static reproduction of technostructures in these specific situations.

The figure discloses from an evolutionary perspective, as captured from lateral arrows, the severable patterns of continuity which refer to a structural principle and to the various structural properties. Together, the static and dynamic interaction processes of these structural configurations amount to the interactions (i.e. both physical and psychical) proceeding from a defined social system. In all these actions, it might be possible to render *patterns in the streams of enacted (inter)actions* (i.e. strategies) that in themselves are structures or patterns of continuity. This definition makes allowances for divergencies in the interpretations of what the strategy is. In conformity with our earlier findings: *those who share the preconceptions of a structural principle may interpret a strategy differently than those who do not share these preconceptions.*

The vertical arrows in the figure illustrate the ongoing tightening and loosening of the coupling of the interactions of all definable structural configurations. This means, as will be discussed, that a strategy as the pattern in the streams of enacted actions can be analyzed from the coupling between a structural principle and structural properties.

We have defined those structures, processes, and the coupling between these, that are involved in the strategy formation of firms. Before further attention, in particular on the coupling between a structural principle and structural properties, the research question about managerial roles and influences will be focused on.

6.3 Strategy formation and managerial agency

The roles and influences of managers (i.e. the managerial agency) in relation to the structures and processes of strategy formation discerned will now be outlined from both a spatial and a temporal dimension. After having contemplated these roles and influences, the emphasis will more specifically be placed on the managerial role of influencing the coupling between a structural principle and structural properties.

6.3.1 Managerial roles and influences in relation to structures and processes

Towards structural properties, a distinction can be made between managers' *techno-* and *sociostructural roles*. The former roles can be crystallized between those managers who have a *specialized* or a *generalized* role in the transformative work-flows of technostructures. The empirical study showed that specialists were relatively more engaged, spatially and temporally, in transformative work-flow interactions of specific technostructures, whereas generalists foremost had a role that spanned technostructures. In most companies examined, the top managerial specialists also had a generalist's role in that they participated in various decision-making committees that confronted "multi-technostructural" issues.

The sociostructural roles of managers can be linked to established asymmetrical control in relation to interacting parties. The roles, which are likely to vary depending on the interacting party, are based on the combined possession of and/or access to: resources; sanctioning norms; and legally enforceable rights (compare with above). Finally, the managerial roles towards structural principles follow from the interactions pursued in order to couple the norms of a structural principle with structural properties.

Since all managerial roles are contingent upon the structural configurations at hand, the roles may differ with the chronological and spatial context. For instance, we recognized empirically that a manager's sociostructural role could alternate according to whether s/he wanted to exert control over a party within or outside the organizational borders. Since access to resources is one of the pieces defining a sociostructural role, a specific manager's role diverged with the company s/he represented.

Apparently, the roles of managers are closely connected to the influences of managers. Due support has been given for a separation between managers' *freedom of interpretation* and their *freedom of physical action*. The freedom of interpretation is conditional to the social influences on each manager's cognitive preconceptions. These internalized and externalized preconceptions, which are both interpretation- and action-readying, from social exposure can, as we will see, vary over time and in space. For instance, those sharing a sociostructural norm in recurrent situations, expressed as either a weak, neutral or strong will to exercise asymmetrical control, may be preconceptually "framed" to use the potential influence related to their sociostructural roles. The freedom of interpretations is, however, not only subject to which degree preconceptions held lead to habitual or active cognitive processing, but also to which extent the preconceptions are specified. Such preconceptions (i.e. knowledge) can then be compared on the basis of the degree of specification of the informative content. It is empirically indicated that managers could share preconceptions with differently

specified informative content. Specialists shared more specified or less abstract preconceptions about their technosstructural field than generalists commonly did about this field. This is not to say that generalists were not knowledgeable about such preconceptions. Moreover, an individual can be knowledgeable of more than one structural principle at the same time. The freedom of physical action, on the other hand, is about the relation to physical interactions of socio- and technosstructures.

Before further elaboration, the complexity of the roles and influences of managers in relation to structures and processes can be captured by the figure below.

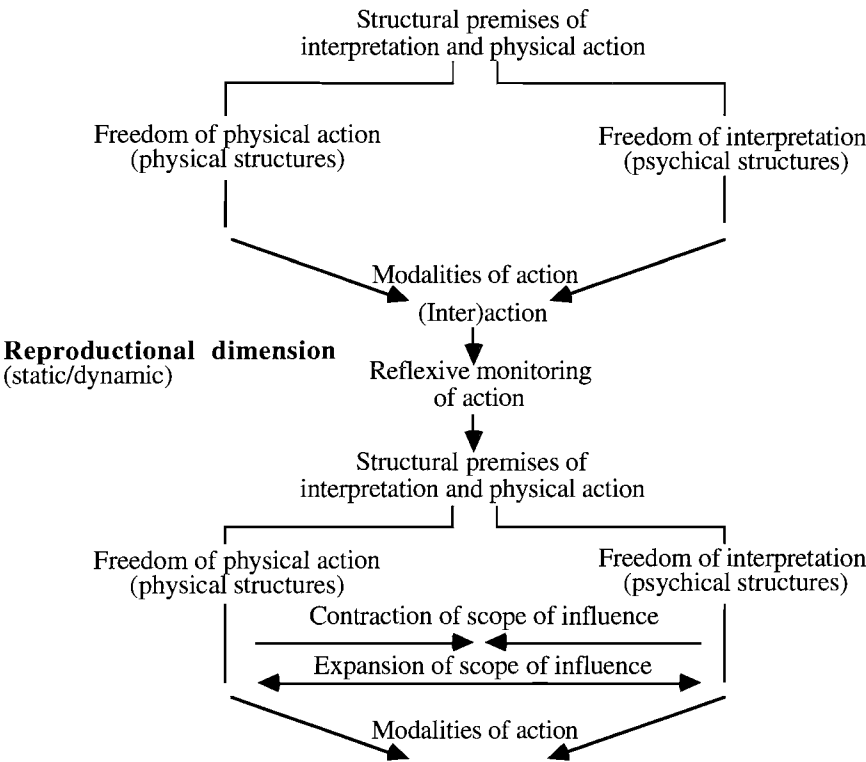


Figure 6.3: Managerial agency in the strategy formation of firms.

The illustration pictures the roles and influences of individuals in the structuration process of strategy formation.⁸ For these individuals, and thus managers, certain structural properties and structural principles are the *premises* that exert influence on their ongoing interactions. That is, the managers act within and across socially constructed structures. It is the discerned techno- and sociostructures - i.e. the physical

⁸ This model is an extension of Giddens's (1984) illustration of reproduction in structuration processes - see page 78. The outline of the figure is inspired by a model by Aspling (1986) on the content of interactions.

structures - which define a manager's freedom of physical action, while the freedom of interpretation follows from the cultural structures associated with physical structures and structural principles - i.e. the psychical structures. Together, these two freedoms define the *scope of influence* a manager has in a certain situation. This scope is in the figure portrayed as the breadth of the area between the two "forks" of the freedom of interpretation and the freedom of physical action.

The *modality of action* expresses that the physical and psychical structures are also the means on which individuals interact. The structures are then both the means and the outcomes of interactions undertaken, and thus always both enabling and constraining. Individuals draw upon the physical and psychical structures to realize their scope of influence in a social system, and by the same token statically reproduce these structures. In this case, the structures are functioning as facilitators to interact. The structures can also function as impediments to interact if the individual is trying to pursue dynamic reproduction in relation to these structures. By doing this, the individual may draw upon other structures which, in turn, are statically reproduced. Thus, an interaction, being dynamic or static, is (in the figure) seen as an evolutionary conduct in relation to structural premises.

Individuals enact interactions with a varying degree of reflexivity or awareness. This *reflexive monitoring of action* is dependent on each individual's cognitive processing, ranging from active to habitual, of laid down preconceptions.⁹ The individual's monitoring of action assigns the active role as an agent in the reproduction process of structuration. The relative influence from preconceptions can thereby oscillate from one situation to another, but no empirical ground has been found that individuals not always have a certain, although low, degree of reflexivity. Differently put, within the forks of the scope of influence, there is always some degree of *private sense* present, even though the social influence may be substantial. The degree of reflexivity working to create meaning out of interaction is also subject to the psychical dimension of interactions, and thus cultural structures as well as structural principles.

Both before and after interaction, the freedom of interpretation is contingent on the relative influence from intersubjectively shared norms. In general, shared norms that have been internalized and externalized impose preconceptions that lower the degree of reflexivity, and, in turn, the degree of freedom of interpretation.¹⁰ As noted, the shared norms, from internalization and externalization, can impose preconceptions with a divergent specification of informative content. Those who have institutionalized a

⁹ The meaning of preconception is here similar to that discussed by Weick (1988) - see page 56.

¹⁰ The notions of internalization and externalization are here given the same meanings as those described by Berger & Luckmann (1966) - see page 69.

high degree of specificity about a norm in their cognitive preconceptions are likely to have a more restricted scope of interpretation about the interactions being in line with that norm than those who have only share a low degree of specificity of the norm. Thus, the scope of possible interpretations complying with a shared norm system is getting more contracted as the degree of specificity of inherent norms increases.

The social influences on cognitive preconceptions have been discussed as following from techno- and sociostructural cultures as well as structural principles. In relation to the roles of managers, the degree of freedom of interpretation can differ due to the temporal and spatial immediacy to psychical interactions. It was empirically observed that those who had roles, like specialists, so that they were recurrently engaged in structural reproduction generally shared a more specified knowledge of the norms of such structures than those who did not have this ongoing social exposure. Hence, it is made known that during static reproduction of technostructural norms, those with a specialist's role were more constricted in their interpretations than the generalists were. Likewise, those who had come to share, relative to others, more specified preconceptions of sociostructures or structural principles were more restricted in their interpretations. It was also recognized that a manager can be influenced from several structural principles, and that this can increase the degree of freedom of interpretation - i.e. through a kind of objectification. The experiences a person have received from participating in a particular organization can then help him/her to attain a higher degree of freedom of interpretation. Similarly, a collective of specialists and generalists can presumably objectify one another, which gives each of them a higher degree of freedom of interpretation.

From an evolutionary perspective, it is conceivable in the figure that the managerial scope of influence may be expanded or contracted. The relative scope is dependent on whether there is an increase or decrease of the degree of freedom of interpretation and the degree of freedom of physical action. As a consequence, a manager can potentially have a relatively low degree of freedom of physical action and a relatively high degree of freedom of physical action in a certain situation, and vice versa. Hence, an analysis of managerial influence ought to take this duality of influence into respect. If not, the conclusion can be reached that the scope of influence is extensive when in fact the degree of psychical freedom of action is very low and the degree of freedom of physical action is very high. In such a situation, it may be so that the manager is not aware of his/her freedom of physical action, and therefore is mentally molded to exert this influence. Moreover, a high degree of freedom of interpretation does necessarily imply that there exists a possibility to pursue physical interactions that are in coherence with one's proactive intentions. The arrows in the figure below symbolize either an increase or a decrease of the degree of freedom of interpretation and physical action.

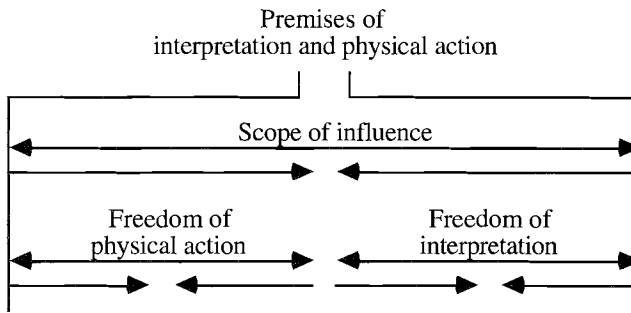


Figure 6.4: Expansion and contraction of the scope of managerial influence.

It was observed in the case study of this project that static reproduction of physical and psychical structures most often was concurrent with a decrease in the degree of freedom of physical action and interpretation, respectively. As a result, the scope of influence was contracted. In social systems where both the physical and psychical structures were statically reproduced, the managerial scope of influence was observed to have been distinctively contracted. Shared norms were often increasingly more specified along static reproduction, which contracted the scope of interpretation. Parallely, structural properties came to reflect this specification of norms, and then also the scope of possible physical actions was contracted. Hardly surprising, dynamic reproduction of either psychical or physical structures was relative to static reproduction more coterminus with an expansion of the degree of freedoms of interpretation and physical action, respectively. In situations of dynamic eruption of both the structural properties and principles, on the other hand, the scope of influence was elicited to have marked a most distinct expansion. A final observation is that there might not exist any psychical structures within a social system, and the freedom of interpretation was interpreted to be have been extensive relatively to those systems where psychical structures existed.

6.3.2 The managerial role of exerting influence through coupling structures and processes

The empirical study documented that managers interpreted their role towards structural principles as having do to with the coupling of an often large number of techno- and sociostructures with associated cultural structures. In this respect, a manager's interactions to exert influence can be uncovered as *proactive* or *reactive*. Proactive influence categorizes the efforts to match structural properties with a structural principle that erupts or dynamically reproduces an existing structural principle and, in turn, a certain state of coupling (between a structural principle and structural properties). The reactive influence is about maintaining or reinforcing an existing state of coupling, and

thus a structural principle. The emergence of growing proactivity was empirically entailed to have succeeded alongside an increased freedom of physical action that was based on enactments of existing or expected anomalies in the ongoing problem solving through interactions. The reactively oriented interactions were more usual the tighter the coupling, whereas proactive interactions were more common the looser the coupling.

Three managerial approaches to influence structural properties to match a reactively or proactively intended structural principle can be asserted. Let us unfold these approaches from their representation in the empirical study. In one logic, the *processual* or the incremental, managers drew upon the techno- and sociostructures as means to implement, and thereby over time statically reproduce, a certain structural principle. The many techno- and sociostructures were then statically or dynamically influenced to be in coherence with the managers' knowledge of a structural principle. Hence, the coherence to a structural principle was foremost in the awareness of the knowledgeable management collective, especially during proactive management. The knowledge of those active in techno- and sociostructures about the coupling to the structural principle held by management was recorded to have been subject to managers' efforts to provide them this knowledge.

A second management pursuit was more *revolutionary* in that the norms of structural properties (i.e. the techno- and sociostructural cultures) were questioned to be in coincidence with a structural principle. The managers had received an awareness, via enactments of ongoing interactions, about the need for dynamically reproducing the existing cultural structures of the structural properties given the present and anticipated situation. This implies that dynamics of structural properties do not have to involve dynamics of a structural principle under reactive management. An example of dynamic reproduction of techno- and sociostructural cultures followed from the questioning of the professionalism centered around complicated products sold through employed sales forces and a weak will to exercise asymmetrical control towards competitors. Concurrently, there proliferated an accentuated belief in a calculative principle to which the existing cultural structures not were considered to match.

A third managerial approach to get structural properties to correspond with a structural principle, which was not discussed in the theoretical analysis, can be depicted as a *parallel formation process*. Here, the managers consciously avoided existing structural properties, and in some cases also the structural principle(s), by setting up operations parallel to the present one(s). The managers tried to circumvent the possible destruction of established routines. Such a parallel set-up was recalled as having been more future (proactively) oriented and less governed by institutionalized practices.

The three modes of management indicate the efforts to statically or dynamically reproduce a state of coupling between a structural principle and structural properties. Such efforts were empirically revoked to often have required a certain time to deinstitutionalize individuals from old norms and to institutionalize new ones through recurrent interactions.

Further, an elaboration of the degree of coupling between physical and psychical interactions can be used as to handle business fluctuations and other forms of uncertainty. During times of perceived increased uncertainty, managers tried to loosen up the coupling by not specifying either the guiding norms as much nor the techno- and sociostructural solutions that were to be in line with these norms. The scope of influence was then enlarged to accommodate increased uncertainty.

6.4 Strategy formation of firms

Together, this study reinforces an interpretation of strategy formation of firms as portrayed in the following figure:¹¹

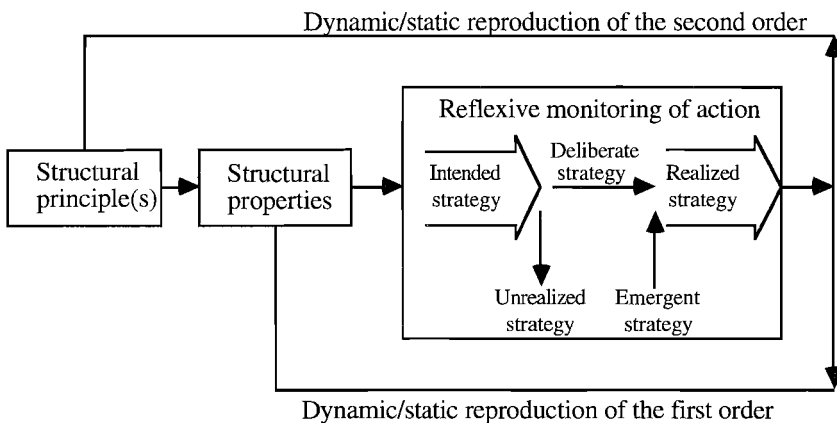


Figure 6.5: Strategy formation of firms.

In the essence of the model is the observation that interactions continuously constitute the strategy formation phenomenon. These interactions can, to an alternating degree, statically or dynamically, reproduce interaction patterns of continuity in presence (i.e. structures). Since structural principles and structural properties exist through nothing

¹¹ This figure on strategy formation can be seen as an extension of Mintzberg & Water's (1985) model - cf. page 14.

but ongoing interactions, these structures both influence and are influenced by the conduct they are recursively organizing or structuring.

The model denotes the *reflexive monitoring of action* in which structural principles and properties both enable and constrain interactions under the influence of individuals (see above). The interactions bind structures, processes and actors across time and context. The influence of the individual in this formation process follows from the degree of freedom of interpretation and physical action. An *intended strategy* is signifying the active role of individuals in the strategy formation. It is these intentions that can be categorized as either proactive or reactive. The proactive intentions are about pursuing change that dynamically reproduce a structural principle, and in turn the state of coupling between a structural principle and structural properties. The reactive intentions categorize an underlying guidance to maintain or reinforce a state of coupling in presence. It is worth recalling that both proactive and reactive intentions are laid down in cognitive preconceptions that exert influence on both the meaning creation of interactions (i.e. enactments) and the interactions so that these confirm preconceptions. Intentions then follows as well as precede interaction.

The enacted interactions, with which a pattern of continuity amounts to a *realized strategy*, are then either statically or dynamically in compliance with the norms that govern individuals to pursue these actions. Similarly, the physical structures, comprised of techno- and sociostructures, further affect actions either implicitly, in that consideration to these structures are taken before action, or explicitly in that actions are not realized as intended. Those involved in the strategy formation, defined contextually and/or intercontextually, can be divergently affected by structural principles and structural properties in their recurrent social exposures in everyday interactions. The relative influence on the freedom of interpretation and physical action then has an effect on both intended and emerging elements that constitute a realized strategy over time. This implies that the notion of intended strategy (in the figure) encompasses a cognitive dimension, as represented by psychical structures, and a physical dimension, as represented by techno- and sociostructures. Respect is accordingly given to the embeddedness of cognitively defined intentions. This means that an *unrealized strategy* refers to actions not realized even though they were intended in line with norms of psychical structures. An *emergent strategy* then amounts to those realized actions that have been “unintended” in relation to norms of psychical structures.

The physical and psychical interactions undertaken, which are parts of a realized strategy, influence both structural principles and structural properties. That is, all interactions can be related to preceding structures from an evolutionary perspective. The physical and the psychical dimension of an interaction imply either a dynamic or a static

reproduction of the physical structures (i.e. techno- and sociostructures) and the psychical structures (i.e. structural principles and cultural structures), respectively.

In general, static reproduction fosters an accentuated specification of structural configurations. It was empirically illustrated that norms of psychical structures generally were more specified and that physical structures involved more well-defined routines and themes of knowledge during static rather than dynamic reproduction. Further, a concurrent static reproduction of physical and psychical structures most often followed in line with tightening of the coupling between structural principles and properties. A tightening coupling thereby came to impose a higher specification of structures. This can be exemplified with the discussed "professionalization" of the investment function where actors over the years refined valuation techniques so that the price of any asset could come to reflect the risk of the asset. The prolonged interactions between the life insurance companies and their respective customer groups implied that the companies specialized structural properties and principles to meet the needs of "their" customer group. Due to this social construction of systems of making business - i.e. something of *business systems* - with customers, some firms can be categorized as having been interlocked.

Situations of tight coupling may develop in self-reproducing processes of structuration.¹² Highly specified routines of techno- and sociostructures in parallel with institutionalized norms which sanction these routines, here uphold a static reproduction of interactions in a, relatively to situations of loose coupling, predictable course of interaction in relation to a structural principle. In systems with tighter than loose coupling, it was observed that both the definition of problems and solutions to these problems followed in line with the norms of a certain structural principle. Managers often entailed that their role in such systems was merely symbolic, in that they, due a low degree of freedom of interpretation and physical action, mainly pursued interactions that statically reproduced the structural properties and principles of a particular system. The managerial efforts to change these relatively tightly coupled systems, thereby usually involved a deinstitutionalization process to evoke a higher awareness about the situation in combination with an alteration of physical interaction routines (see above). For the managers themselves, we earlier noted that a manager's participation in an intercontextually defined loosely coupled system can increase the freedom of interpretation of that manager in more tightly coupled organizations. The presence of a tight coupling both within and across social systems was often concurrent with a most definite contraction of the scope of influence. Even so, managers recalled that the more loosely coupled a system, the higher was the ambiguity about which actions that complied with a structural principle. A manager's scope of physical action

¹² In this section, as above, a tightly coupled system refers to relatively more responsiveness than distinctiveness between a structural principle and structural properties.

was then contracted along this increased ambiguity about whether plans and intentions could be realized in loosely coupled systems.

From the case study, there emanated the observation that the tighter the coupling of interactions the more the *inertia* involved to conduct *dynamic* reproduction as intersubjectively interpreted by a collective of managers. This can be expressed by both a *psychical inertia* (i.e. a kind of inertia of interpretation) and a *physical inertia* (i.e. a kind of inertia of action) which slow down a firm's capabilities to couple structural properties to be in line with a structural principle as interpreted by a management collective. These *structuration rigidities* are then conditional to the time period and spatial setting in question. Both the physical and psychical inertia, as the time lag between a management collective's intentions and the realization of these intentions, was generally considered to have been more extensive when the managerial intentions were proactive (i.e. imply dynamic reproduction) rather than reactive. Rather, structures were interpreted by managers interviewed to be facilitators when involved with statically oriented interactions.

The model on strategy formation further discloses a separation between *dynamics of the first and the second order*. The former order relates to dynamic reproduction of only structural properties defined *a priori* and/or *ex post*. There can be a dynamic evolution of structural properties without dynamics of an associated structural principle (see above). The dynamic reproduction of the second order concern the structural principle(s) defined *a priori* and/or *ex post*. The notion of second order posits the "superimposed" role of a structural principle on the coupling of structural properties. In this respect, three evolutionary processes can be presented from the empirical texts:

Process of reproductional transition: The structural principle was *deinstitutionalized* in that the predominating status of the inherent norms was subverted within the collective sharing them. Meanwhile, there was an emerging creation of a new structural principle which subsequently replaced the old one. The coupling thereby became more and more loose as it came to embed a broader variety of interpretations and interactions, whereas a new coupling *parallelly* grew more tightly through static reproduction through both physical and psychical interactions.

Process of reproductional reversion: As in the processes of reproductional transition, the structural principle was *deinstitutionalized*. Alongside, no new principle emerged as a replacement. Instead, the old principle was *reinstitutionalized*. Managers pointed to the difficulties in adapting the structural properties in parallel to any new structural principle. The physical and the psychical inertness from techno- and sociostructures with associated cultural structures were said to have been extensive so as to enable the

dynamics necessary for a new structural principle to emerge. Differently put, the interactions of the structural properties did not foster any new couplings to structural principles other than the old one.

Process of reproductional oscillation: The deinstitutionalization of a structural principle neither followed in line with the emergence of new principles nor did any reinstitutionalization occur. A precedingly tight coupling was then replaced by a situation of loose coupling, stemming from the old principles, or sometimes the lack of any coupling - i.e. a kind of "vacuum". These situations implied a governance of interactions that did not impose a distinctive integration of interactions. This state of ambiguity was recalled by managers to have opened up for a broader scope of possible interpretations and interactions. This process was believed to have been present during periods of varying length before a principle, that imposed tightening coupling, was institutionalized.

The physical inertia involved in these reproductional processes was referred to have resulted from the systems integration of structural properties that embodied a structural principle. In tightly coupled systems, the dynamic reproduction of structural elements raised demand on dynamically reproducing other elements of the system. The alternative was the establishment of new couplings along an emergent structural principle. Further, in the light of these processes it is worth reconsidering that the empirical texts uncovered the existence of degrees of dynamic reproduction (see above).

Finally, there is no need to belabor the assertion that our synthesis is only an abstraction of a much more complex socially constructed reality.

Chapter 7

DISCUSSION

7.1 Introduction

This chapter is seen as a discussion void of any methodological concerns. Instead, our own values and thoughts are used so as to place the present study in relation to other research. At the center of the comparison are the methodological, empirical and theoretical insights of this study. Subsequently, suggestions for future research are presented.

7.2 A methodological comparison

We believe it is important to give due attention to the correspondence between ontological assumptions and research questions. For example, the long-debated question on voluntarism and determinism can in its essentials be seen as an ontological problem. A position assuming the existence of “natural” or “super individual” logics will undoubtedly end up with deterministically flavored findings. In order to avoid such predetermining views, the ontological premise of this project is rooted in social constructivism. Here, the interrelation between individuals and socially constructed realities is seen as reciprocal, in that the individual and his/her social context are affecting one another. The double hermeneutics is accordingly chosen with regard to its “neutral” ontological view vis-à-vis the research questions.

Obviously, the techniques for collecting empirical data also have an effect on research results. If the complexity of human cognition is overlooked, we may reach the finding that individuals lack a certain degree of freedom of interpretation. The semi-structured questionnaire and the use of “how” and “why” questions can then be utilized, as in this project, to reduce the risk of over-abstracting the complexity of empirical data.

Somewhat divergent to traditional qualitative research methods, we have been devoted a “semi-deductive” approach. Here, the logic was to follow a two-stage process of creating knowledge so as to construct theory. The choice of this logic resulted from the

interpretation that existing theories could be interdisciplinary related, in an effort to capture the complexity of the phenomena of interest. We, for instance, observed strategy formation to be a multilevel phenomenon and that the roles and influences of individuals need to be seen from a broader perspective than that from within the context of organizations. Hence, during the first stage of the knowledge creation process we attempted to extract the knowledge inherent in existing theories. To choose more of an inductive pursuit would, as we see it, be not to make use of existing knowledge. From the thematic analysis of theoretical texts, we arrived at a state of knowledge where additional texts only reinforced the informative content of prior themes. Notably, the theoretical texts considered in this thematic analysis were methodologically treated as empirical texts usually are in inductively-oriented research.

Another underlying premise of the semi-deductive approach is that of an open knowledge creation. That is, no intra-paradigmatic postures were chosen from which to interpret a phenomenon. The themes that emanated from the analysis of theoretical texts were not only retained but also extended by virtue of empirical texts. By maintaining this inclination, the semi-deductive approach helped us to circumvent a mere retainment of theoretical predispositions of a phenomenon. Thus, the semi-deductive approach offers answers to criticism of both inductive research efforts for not conceiving theoretical predispositions and deductive research efforts for only confirming theoretical predispositions.

Further, the semi-deductive approach introduces the criterion of objectification. This is seen as prerequisite for reducing subjective influences from the individual researcher's and sender's interpretations of a phenomenon. Instead, in an empirical study it is the intersubjective interpretation of those senders, active in the constitution of a phenomenon, that the semi-deductive approach ideally strives to uncover. Accordingly, the empirical data being retrieved is not constricted to the thematic representations of a phenomenon in theoretical texts. The notion of objectification is brought into the picture to distinguish this strive to reveal intersubjective interpretations from a belief in "objective" realities.

It is not unusual to read qualitative studies in which research is assessed by validity and reliability criteria corresponding to an ontological assumption held by positivists. Reliability is, for instance, sometimes referred to as the degree of "correctness" to which a theory describes reality, as if there was one correct interpretation of reality. Rather, we position validity and reliability within the frame of a plausibility criterion in which the achievement is to increase the degree of intersubjectivity or objectification of a theory. We were likewise dubious of the meaning of generalization as it is commonly used in the literature. Since a theory is an abstraction of reality, the degree to which the

abstraction is specified appears momentous. A high degree of specification, in terms of informative content, may be less generalizable than a theory which contains a low degree of specification. Our theory, as it is represented in the synthesis, is perhaps not as specified as intra-paradigmatic research contributions. On the other hand, our theory ought to be seen as an effort to cover not only the “depth” but also the “breadth” of a phenomenon. Another aspect is then how deep a theory is given a certain breadth. We still think, due to the remaining high degree of abstraction, that our theory can be applicable to firms in a number of industries. It is, however, those active in these contexts that have to make that final judgement. Given, the underlying interdisciplinarity of the theory, researchers in several fields can presumably apply it. Also here, we leave it to the single individual to make that conjecture.

It is our impression that interdisciplinary research can foster knowledge creation in areas with vast theoretical interest. To conduct inductive-oriented research based on a so-called “lack” of theories without considering the possible richness of theories addressing a phenomenon of interest is in our opinion the same as not making use of knowledge. Therefore, it is crucial to be aware that qualitative research grounded on a narrow-sighted respect to one discipline of theories, similar to a lot of quantitative research, delimits knowledge creation to one discipline.

7.3 An empirical comparison

Time and space are two analytical dimensions which seem useful when comparing our empirical study with others focusing on similar phenomena.

Three temporal concerns can be distinguished, namely: the past, the present, and the future. In our partly real time but foremost retrospective study, all of these temporalities are included by letting respondents give their interpretations of the creation of events. The documentation of tradition and expectations about the future, as having propelled the creation process, is related to each present situation.

The debate in qualitative research results in certain questions. Are real time interpretations “better” than retrospective interpretations? We do not believe they necessarily are. If the researcher consciously tries to go beyond the respondent’s rationalizations by asking questions like “how” and “why”, the criticism towards retrospective interpretations as only capturing “nice” narrations can be prevented. The advantage of retrospective interpretations is likely to be that the individual respondent may have problems in articulating real time events. This is probably not the case when

the respondent takes things for granted. Since the interviewer is unaware of things taken for granted, there is a risk that central aspects are not empirically surfaced. It is also our experience that real time data is more sensitive to sensitive subjects.

Apart from the pros and cons of real time and retrospective interpretations, we would like to argue that the perhaps single most important thing is to get hold of relevant interpretations. Where do we find such relevant interpretations and what are they? In agreement with our posture in social constructivism, it is the interpretations of those active in interactions constituting a phenomenon which are relevant. Differently put, a phenomenon unfolds from the intersubjective interpretations of a certain collective of actors. In our specific study covering the period from 1986 to 1991, the interviewees had to have been active during this period. Of course, this does not mean, as indicated above, that historical matters interpreted to have had a bearing on interactions during the period were excluded.

The spatial breadth is also of importance when selecting interpretations. In this respect, the present study takes on the sector level of analysis. Two dimensions are discerned: a contextual, and an intercontextual. It is the latter dimension that makes the sector level unbound to spatial restrictions created by researchers. That is, the intercontextual dimension implies that one can not predetermine the spatial stretch of phenomena. To demarcate a study in space by only considering the industrial level as defined by SIC (i.e. Standard Industrial Classification) code can be compared with a delimitation of time by disregarding historical influences preceding a set point in time. Even though it is probably utopian to believe that one can cover the full spatial extension of a certain phenomenon, an *ex post* depiction on the basis of empirically collected intersubjective interpretations provides a route so as to avoid arriving at an over-simplified portrait of a phenomenon.

To recognize the sector level raises some empirical challenges on research. It is crucial not to uncover a phenomenon with couplings to the sectorial level from the intersubjective interpretations of actors within a specific company. Such an endogenetic view can be misinterpreted since there are, due to the spatial extension of a phenomenon, other actors involved in the formation of it. As a consequence, when studying a phenomenon with a certain revoked spatial extension it is our conviction that the aspiration should be to receive less endogenetic interpretations. A phenomenon can surely be interpreted by an infinite amount of individuals. When selecting the collective from which to receive interpretations, we decided to include individuals with a certain role towards the phenomena of interest. Since our research purpose points out the spatial level of firms (i.e. juridically defined associations), the individuals also had to be representatives of these realms. Hence, our prime objective was to interview all top

managers in all firms within a chosen industry. With the help of a “snowball” sampling method, we also succeeded in interviewing all top managers of all firms (or at least some 99% of the market over the years) that operated a certain SIC codified business within a country during a six year time period - see appendix C.¹ For aspects of the phenomena studied that were not of an intraorganizational concern, we had to encompass top managerial representatives from so-called sector-related organizations and government offices (see sources). Owners were, because of the specific circumstances of the life insurance sector in Sweden (see methodology), not considered relevant to interview. The voice of customers on this consumer market was observed via secondary sources such as surveys conducted by life insurance companies.

This study may be criticized for having a top managerial endogenetic view. However, given the interest in the problems and issues faced by top managers, this perspective appears relevant. The study is then, as we see it, primarily to be related to studies with this focus. In comparison to many other studies devoted to similar phenomena, it is perhaps the only qualitatively oriented research embracing all top managers in all firms on an oligopoly like supplier market. At least, we have not found a study with this spatial breadth. Encouraged by our own study, we think it is vital to make as few spatial as well as temporal *a priori* demarcations of the formation of social phenomena. From our methodology, we may even say that the plausibility of an overly endogenetic interpretation of a phenomenon can be questioned due to a low degree of intersubjectivity or objectification.

An alternative to intersubjective interpretations of actors is held by some researchers to be quantitative measurements. In their efforts to uncover the complexity of a phenomenon from the durability and number of interactions, they may run the risk of underestimating the psychical dimension of exchanges. The institutionalization of, for instance, technological knowledge or a certain will to exercise asymmetrical control, are examples of what a disregard of psychical content of interactions misses out. In such an approach we may also be tempted to reveal interactions, as between suppliers and buyers, where the physical content can be observed, while psychically oriented interactions, such as among competitors, remain neglected.

Further, the experiences from this study have lead us to the impression that it is important to be careful to rely solely on quantitative research which focuses on the mapping of human cognitions. For decades, cognitive theorists have shown that human cognitive processes are complex and that memory traces are highly personal. If a researcher goes out and maps a collective of individuals' cognitions from preset

¹ In some cases, these top managers belonged to both the corporate group level of insurance firms and the corporate business level (i.e. from the SIC code) of life insurances. In other cases, the corporate and the business level were the same.

causalities, there is a risk that the complexity of each individual's cognitions are overlooked. For us, the relative "depth" of cognitions must be accounted for (see further below). The employment of a semi-structured questionnaire appears essential.

7.4 A theoretical comparison

The themes which emerged from the analysis of theoretical texts and the subsequent analysis by the inclusion of empirical texts disclose the complementarity that can prevail among theories focusing on certain phenomena. To relate our constructed theory, as it is represented in the synthesis, is not an easy task given the interdisciplinary heritage. However, we see no point in comparing the theory constructed to any individual discipline since we are not dedicated to intra-paradigmatic "accumulations" of knowledge. Let us instead make some comprehensive reflections.

In order to judge the "uniqueness" of our constructed theory, the "whole" of it must be taken into account. Separate themes of the theory are likely to be less unique in comparison to other theories. The theory affirms reciprocal relations among individuals, social structures and processes. Rather than only asserting that the relation is reciprocal, we have come to show that the roles and influences of individuals can vary considerably over time and in context. Hence, the temporal and spatial dimensions make it possible to capture the complexity regarding individual and social influences on the formation of a phenomenon. In our opinion, theoretical abstractions ought to give firm notice to this complexity following from spatial and temporal variations. For instance, Mintzberg & Waters (1985), in their often-cited model, do not provide much insight about how and to which extent "*realized*" strategies affect future actions.

If we only consider the temporal dimension, it is often observed that both the past, the present and the future are of importance. Attempts to go into greater depth with this general premise appear unfortunately less often. Our theory falls into this latter category, as we acknowledge that these three temporal dimensions vary in context. Here, for example, we observed that the past is more influential than the future the tighter the coupling of social systems which were going through periods of static reproduction of structural properties and a structural principle.

Moreover, temporal connotations like inertia are not seldom introduced without any reference grounds. In our theory, inertia is seen as the interpreted time lag between a management collective's intentions and the realization of these intentions. Here, we further recognized that structures can function as both facilitators and impediments to

either dynamic or static processes. These structures did, however, not have to be firm specific. Managers could then make use of existing structures which had not been practised in a firm before. By doing this, the managers often came to dynamically reproduce prior structures of a firm, and meanwhile statically reproduce the structures adopted.

From the spatial dimension, our theory diverges from a number of theories concerned with similar phenomena. The dual attention to both a contextual and an intercontextual realm are far from always observed in theories. The *ex post* depiction of social systems is, to our knowledge, even more uncommon. The theory recognizes that such a social system does not need to follow any organizational boundaries. It is observed that an individual can concurrently be active both in *a priori* set organizational contexts and in *ex post* defined contexts. For instance, employees can work against the interest of the organization because they have other interests that they would rather attain. Theories placing individuals in organizations and portraying everything outside the so-called boundaries of an organization as external are in this respect somewhat escaping the complexity of the individual as an active, thinking subject. Even so, some scholars, such as systems theorists and population ecologists in general, appear to more or less neglect the role of the individual from a cognitive perspective. For them, an organization is a social organism that is to be treated as an acting subject. The aggregation of society into levels of analysis is made by garnering organizations, thus leaving out the individual.

The academic interest in shared beliefs is extensive. We would like to suggest that several of these theories have a kind of “harmony view”. That is, they make the generalization that organizational members share certain beliefs implying a low ambiguity about interpretations of social exposures. In our theory, we do not deny that during certain times and settings a low ambiguity about interpretations might exist. In addition to the theories mentioned, we recognize that interactions can be interpreted in a number of ways. The ones active in the daily interactions may then be unaware of the interpretations made by others. For example, the employees active in a certain technostructural work-flow routine do not necessarily share the same interpretation of that routine as the management team of that company. Hence, an interaction can come to express a plethora of normative contents from the viewpoint of individual interpreters. Whether interpreters make similar interpretations due to shared preconceptions needs to be carefully studied from interviews and not only assumed on the basis of managerial depictions.

Our theory claims that a coherent system of shared norms can, due to its structural embeddedness, come to predominantly, relatively to other coherent systems of shared norms, govern interactions in a social system, without being shared among a predominate part of those active in that social system. Taken for granted adaptations to various forms of control (sociostructures) and routinized knowledge-impregnating work-flow operations (technostructures) can function as substitutes for a normative guidance. By statically reproducing these socio- and technostructures, the norms of others than those undertaking the conduct can concurrently be statically or dynamically reproduced. This regard for embeddedness of norms makes our theory somewhat diverge from theories that accentuate that it is foremost the sharing of norms that drive collective action.

We also detect that shared preconceptions can be distinguished to the degree to which they are specified in terms of information content. An employee and a top manager can thus make a similar interpretation but only on a very abstract level. The "deeper" we go into their preconceptions the more likely is it that we observe divergencies. This concern for the informative specificity of knowledge is an aspect we recall to be far from usually provided for.

In further divergence with a number of theories, we dissect the individual's scope of influence into a freedom of physical action and a freedom of interpretation. The increase and decrease of the degree of these two freedoms are notified to vary over time and in relation to space. The individual's scope of influence ought to be analyzed from the dual attention to both freedoms. Otherwise, we may be under the delusion that an individual's scope of influence is more or less extensive than is the case. For instance, a manager may have a large degree of freedom to pursue physical action due to the know-how and financial resources of a company, but perhaps s/he shares norms that contract the scope of influence because the degree of freedom of interpretation decreases.

Managerial interactions are described in this study as proactive or reactive in relation to defined structures. The argument can of course be made that managers always follow reactive processes. Once again it is a question of going beyond highly abstract theorizing as we connect managers' conduct to certain structures. Naturally, what might be a reactive process in relation to the structures in one company can be a proactive process in another company. The complexity accelerates as we bring in the structures of *ex post* defined social systems.

It is worth remarking the propensity to establish dichotomies that appears vivid in the strategic management literature. In this respect, our theory pictures more continua. This applies to, not least, the notion of coupling. To define tightly coupled systems on the basis that elements show responsiveness without distinctiveness (cf. Orton & Weick, 1990), can be seen as an extreme position that has not been recollected in this, if in any, study. Since the next degree of coupling, the loose coupling, involves both responsiveness and distinctiveness, there is no alternative for those cases that invoke, as in our study, systems with relatively more responsiveness than distinctiveness.

In addition to the temporal and spatial dimensions, we would like to discuss the analytical content dimension. Our theory places an emphasis on the conceptualization of the content of interactions constituting social phenomena. For us, an interaction is not an interaction is not an interaction. By this we mean that we ought to search for the uniqueness in every interaction, thus avoiding overly generalized interpretations. Similar to our temporal and spatial considerations, this makes it possible to unfold the complexity of the formation of a phenomenon. Criticism may be raised against our crystallization of the contents of structures and processes of interaction, but at least we have tried to uncover complexity. It is our conviction that research which does not attempt to deal with complexity overlooks a lot.

7.5 Suggestions for future research

Throughout this chapter, we have discussed a number of methodological, empirical and theoretical concerns that in our view ought to be taken into consideration. Moreover, in line with our socio-cognitive theory it would be of interest to give recognition to the following aspects:

- To include the *ex post* depiction of social systems when analyzing organizations and organizing. The social systems that arch across organizational boundaries need to be focused on, in order to reveal structuration or organizing processes in this context. The consequences of such a perspective may have widespread effects so as to give notice to hybrid organizing forms, such as the federative one, between markets and hierarchies.
- Given our interest in structuration (i.e. organizing) processes within social systems a central question is brought to light. What are the effects of different degrees of coupling of elements in the structuration processes? This question can help us come to terms with how tightly to structure a social system, or a business system (if that notion is preferred), to receive certain results. It would be appropriate to compare the degree of

coupling within social systems in leading industrial countries such as Japan, Germany, the USA, Great Britain and Sweden.

- Ambiguity in structuration processes is another field that can lead the way to new insights, not the least in the management of innovation literature. One question appears obvious: How much and what kind of ambiguity fosters static (i.e. exploitation) or dynamic (i.e. experimentation) reproduction of knowledge?

- A call for research may also encompass the meaning and functioning of routines in the structuration processes. What norms are embodied in a routine, and who is aware of these norms? Here, it is our experience that not only critical events or changes of a certain magnitude are important, even though this certainly would make research an easier task. Instead, our research shows the need not to forget ongoing every-day interactions. It is from these routines that we can disclose established norms so as to help objectify those involved by putting their awareness in relation to other perspectives.

- Even though it most certainly is of interest to study critical incidents and dynamic changes, it is of great importance not to disregard incremental or static interactions. This latter type of interaction is always likely to imply a certain degree of change, which can then help us to invoke the direction of path-dependence. We may also receive insights about how and why certain norm structures are upheld.

- For the interest in industrial evolution, our study affirms the need to consider not only the contemporary evolution of techno-, socio- and cultural structures, but also the degree and nature of the coupling among these three dimensions over time.

SOURCES

1 Introduction

The sources consulted are categorized into references, primary sources, and secondary sources. This separation is chosen in order to give an overview of the sources of the theoretical analysis (i.e. references) and the empirical study (i.e. primary and secondary sources). The secondary sources are divided into: bibliographic sources; official publications; publications issued by firms and sector-related organizations; documents; and magazine articles.

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<u>1 Government offices and supervisory authorities</u>	Date of interview (year/month/day)
1.1 The Ministry of Finance	
Head of the Financial Secretariat, Stefan Ingves	910410
Head of the Legal Secretariat, Hans Jacobson	910502
First Secretary of the Life Insurance Committee, Margaretha Kettis	910410
1.2 The Swedish Private Insurance Supervisory Service (former)	
Director-General, Edmund Gabrielsson	910424
Vice Director-General, Thomas Utterström	910426
Director, Rolf Mehlin	910408
Director, Sven Svedberg	910416
Director, Jan Enfors	911105
1.3 The Office of the Swedish Competition Ombudsman (former) ²	
Vice Director-General, head of insurance business, Ulf Malmström	910508

2 Sector-related organizations

2.1 The National Federation of Swedish Insurance Companies (The Swedish Insurance Federation from 1990)	
President, Richard Schönmeier (1965-1990)	910502
President, Olov Hertzman (1990-)	910507
Vice President, Linnéa Perttu	910415
2.2 The Service Company of Swedish Insurance Industry Ltd	
President, Richard Schönmeier (1972-1990)	910502
President, Lars G. Göransson (1990-)	910810
Vice President, Jan Granmar	910810

¹ Titles are relating to date of the interviews unless otherwise stated.

² This authority merged with the Swedish Price and Competition Board ("Statens Pris- och Kartellnämnd") into the Swedish Competition Authority ("Konkurrensverket") on July 1st, 1992.

3 Life insurance firms and associated groups^{3 4 5}

3.1 Allmänna Änke och Pupillkassan (mutual life insurance company)

President (B), Rosel Tannebaum 911114

3.2 Aktiv Försäkring (limited life insurance company)

President (B), Anders Mossberg 911220

Vice President & head of sales and marketing, Peter Nilsson 911206

Head actuary, Sven Åstrand 911205

3.3 The Ansvar Group

3.3.1 Ansvar Liv (mutual life insurance company for non-drinkers)

President & Chief Executive Officer (B), Siewerth Karlsson 920324

Vice President, Göran Sandén 911216

Head actuary, Tom Strömberg 920319

Head of investment operations, Sören Storm 911216

Head of sales and marketing, Lars-Erik Grubbström 911210

3.4 The Folksam Group

3.4.1 Folksam Liv (mutual life insurance company)

President & Chief Executive Officer, (B), Hans Dahlberg* 911106

Head actuary, Göran Ronge 911106

Head of investment operations (B - SparLiv & SparFond), Lars Öhrstedt* 911202

Head of sales and marketing, Bengt Lindström 911119

Director, Kai Blomquist 920909

Director, Håkan Bystedt 911204

Director (B - SparLiv & SparFond), Birgitta Frejhagen* 911218, 920911

Director, Urban Green 920331

Director, Rut Hammarström* 911106

Director, Per-Olof Näsström 911128

* Members of the group executive board.

3.4.1.1 SparLiv (limited life insurance company) & SparFond (limited life insurance company)

President (B), Leif Nyström 911126

Head of sales and marketing, Ingrid Johansson 911206

Director, Claes Herdenborg 911219

³ Membership in the board of directors of the respective life insurance companies is marked (B).

⁴ The complete firm names are listed in appendix A - see pages 306-312.

⁵ In addition to respondents listed, informants were (even though they did not answer the questionnaire); Director Gunno Armyr (Ansvar), Director Gunvall Grip (Folksam), Director Lennart Eriksson (Förenade Liv), and Director Lars Rosén (Wasa).

3.5 Förenade Liv (mutual group insurance company)

President (B), Kjell-Åke Persson	920914
Head actuary, Gösta Bergman	911217
Head of investment operations, Magnus von Zweigbergk	911217
Head of sales and marketing, Urban Jirner	911217

3.6 Livia (mutual life insurance company)

President (B), Per-Erik Coos	911004
Head actuary, Bengt Björklund	911004
Head of sales and marketing, Henrik Dawidson	911007

3.7 The Group of Länsförsäkringsbolagen

3.7.1 Länsförsäkringsbolagens Förening

President (B - Länsförsäkringar Liv & Fondliv), Lars Nyberg	911030
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3.7.2 Länsförsäkringsbolagens AB

President, Per Lind	911104
Head of investment operations, Bo Ennerberg	911024
Head of sales and marketing, Tomas Petti	920323

3.7.3 Länsförsäkringar Liv (limited life insurance company) & Länsförsäkringar Fondliv (limited life insurance company)

President (B), Ulf Blomgren	911017, 920323
Vice President & head of sales and marketing, Olle Nilsson	911112
Head actuary, Toumo Virolainen	911030

3.8 RKA (mutual life insurance company) & Svenska Fondförsäkringsaktiebolaget (limited life insurance company)

President (B), Magnus Ohlsson	910926, 920326
Vice President & head of sales and marketing, Lars Lindmark	911002
Head actuary, Regine Norberg	911004
Head of investment operations, Lars Wedin	911003

3.9 The Skandia Group

3.9.1 The Skandia Group Försäkringsaktiebolag

President & Chief Executive Officer (B - Skandia Liv), Björn Wolrath	920102
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3.9.2 Försäkringsaktiebolaget Skandia

President (B - Skandia Liv & SkandiaLink), Leif Victorin	910930, 920323
Vice President (B - SkandiaLink), Lars Arfwidson	911017, 911213

Head of the Market Division (1986-1991), Göthe Gustafsson	920331
Head of the Market Division (1991-), Bengt Green	920331

3.9.3 Skandia Investment Management

President (B - Skandia Liv & SkandiaLink), Björn Hall	911008
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3.9.4 Skandia Liv (limited life insurance company)

President (B), Leif Victorin	910930, 920323
Vice President (1988-1991), Göran Flood	920402
Head actuary, Bengt von Bahr	911024

3.9.5 SkandiaLink (limited life insurance company)

President (B), Leif Passmark	911024
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3.10 Trygg-Hansa SPP Holding

3.10.1 Trygg-Hansa SPP Holding AB

President & Chief Executive Officer (B), Björn Sprängare	920318
Head of the Swedish Market Division, Björn Rosén	920325
Head of the Investment Division, Björn Kårfalk	911115

3.10.2 Trygg-Hansa Liv (mutual life insurance company)

President (1986-1990) (B), Björn Sprängare	920318
President (1990-) (B), Lars Lönnborg	920325
Vice President (1986-1991), Svante Ödman	921016
Head actuary, Carl-Olov Jonasson	911125
Head of sales and marketing, Sune Lennstrand	911220

3.10.3 Trygg-Hansa Fri Placering (limited life insurance company)

President (B), Hans Karlsson	911125
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3.11 The Wasa Group

3.11.1 Wasa Liv (mutual life insurance company) & Wasa Fondförsäkring (limited life insurance company)

President & Chief Executive Officer (B), Carl-Erik Hedlund (1987-1991)	911203
President & Chief Executive Officer (B), Rolf Back (1991-)	911121
Vice President, head of life insurance (B), Stig Sjöström	911202
Head actuary, Leif Källström	911120
Director of investment operations, Henrik Wiman*	911217
Head of sales and marketing, Zeth Nyström	911114

* Wiman was sampled to represent the investment function due to change of management of the head post.

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(Only sources cited in the general analysis or the appendices are listed.)

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Annual reports, 1986-1990, the National Federation of Swedish Insurance Companies ("Sveriges Försäkringsbolags Riksförbund").

Annual reports, 1986-1991, the Service Company of Swedish Insurance Industry Ltd ("Försäkringsbranschens Serviceaktiebolag").

Annual report, 1991, the Swedish Insurance Federation ("Sveriges Försäkringsförbund").

Svensk Försäkringsårsbok, 1986-1991, the Swedish Insurance Society ("Svenska Försäkringsföreningen").

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APPENDIX A

1 Introduction

The purpose of this section is to present comprehensive summaries of the secondary information about some aspects raised in the methodology and in the general analysis. The beginning of this section deals with the criteria used to select the firms included in this study. A background to the products and services supplied by these companies will also be depicted. Since our study involves the sector level, which is a wider concept than an industry, we will subsequently turn to the legislative framework of the life insurance business in Sweden. This description attempts to clarify the central legislative principles and the alterations of these, the supervisory, associative forms, and the deregulation of the financial system. Finally, the defined life insurance companies will be compared on the basis of certain qualitative grounds. A historical retrospect is given on the cooperative alignments among firms prior to 1986.

2 Selecting the firms

The SIC (i.e. Standard Industrial Classification) code brackets the life insurance industry, rather than the sector, on the basis of the products and services being offered. The five digit precision on the SIC code (SE-SIC, 1992) classifies the industry into: “*unit-linked insurance*”; and “*other life insurance*”.¹ A more detailed classification follows from the Official Statistics of Sweden in which “*other life insurance*” is separated into: “*direct individual life and health insurance in Swedish life insurance companies*”; and “*direct group life and health insurance in Swedish life insurance companies*”.² In the latter category, a further distinction is made between: “*labor market insurance*”; and “*other group insurance*”. Due to agreements between parties on the labor market, labor market insurances were supplied to some 98 to 99 percentages by two companies (i.e. AMF-pension and SPP) during 1986-1989. Because of this monopoly-like situation, this part of the industry was not included in this study, even though SPP’s sole right to provide insurances to certain associations on the labor market was cancelled on July 1st, 1990.

¹ SE-SIC 1992 (“Swedish Standard Industrial Classification”) is a revision of SE-SIC 1969. The unit-linked insurance has only been on the Swedish market since November 1990.

² SOS (1990).

When it comes to the “*direct individual life and health insurance in Swedish life insurance companies*” and “*other group insurance*”, the official statistics make some clear grounds for further categorization of companies. The former group is divided into: “*individual life insurance with approved technical bases*”; and “*health and accident insurance with approved technical bases*”. A distinction is made between: “*individual life insurance with approved technical bases*”; and “*individual life insurance without technical bases*”. The latter category has not been included in our sample since it amounted to less than one tenth of one percent of the former category from 1986 to 1991. “*Health and accident insurance*” was also excluded since this part, in terms of premium incomes, only amounted to between 2,20% and 3,24% of the “*direct individual life insurance*” from 1986 to 1991. In addition, health and accident insurances are also provided by non-life insurance companies (i.e. “*sakförsäkringsbolag*”). The same grounds for exclusion were used for “*other group insurance*”, which contains: “*group life insurance with or without technical bases*”; “*group health and accident insurance with or without technical bases*”; and “*group pension insurance with approved technical bases*”. In terms of premium incomes, the “*group health and accident insurance*” varied between 8,65% and 12,87% over the years of interest, whereas the figures for “*group pension insurance*” was only given in 1989 and then corresponding to some 6.53% of “*other group insurance*”.³

The life insurance industry, as defined by the SIC code, has now been delineated to comprise the firms that provide: a) “*unit-linked life insurance*”; and b) “*other life insurance*”, and herein, “*individual life insurance with approved technical bases*” and “*group life insurance with or without technical bases*”. From these categories of the insurance industry, some further considerations were taken into account when selecting specific companies. For all lines of business, the firms with less than 1/10 percentage market share of the premiums were excluded as well as the firms that only supplied a certain kind of insurance less than 12 months during the period 1986-1991.⁴

The following firms with their respective lines of business were included in the empirical inquiry (the complete firm names are listed in the section “the life insurance companies” below):

Individual life insurance with approved technical bases:

Allmänna Änke- och Pupillkassan, mutual life insurance company.

Ansvar Liv, mutual life insurance company for non-drinkers.

³ Ibid.

⁴ From this principle, the firms excluded are: Nya Liv - which took over parts of Länsförsäkringar Liv's group insurances without technical reserves the first of September, 1991; Trygg-Hansa SPP Liv AB - which was founded though the merger between Hansa Liv AB (i.e. a wholly owned subsidiary of Trygg-Hansa Liv) and parts of SPP in August 1991; and the insurance company Sverige which had far less than 1/10 percentage of the total annual premium incomes of the market for group life insurances.

Folksam Liv, mutual life insurance company.
 Livia, mutual life insurance company.
 Länsförsäkringar Liv, limited life insurance company.
 RKA, mutual life insurance company.⁵
 Skandia Liv, limited life insurance company.
 SparLiv, limited life insurance company.
 Trygg-Hansa Liv, mutual life insurance company.⁶
 Wasa Liv, mutual life insurance company.⁷

Group life insurance with or without technical bases:

Ansvar Liv, mutual life insurance company.
 Folksam Liv, mutual life insurance company.
 Förenade Liv, mutual group insurance company (1).
 Livia, mutual life insurance company.
 Länsförsäkringar Liv, limited life insurance company (1).
 RKA, mutual life insurance company.
 Skandia Liv, limited life insurance company (1).
 SparLiv, limited life insurance company.
 Trygg-Hansa Liv, mutual life insurance company (1).
 Wasa Liv, mutual life insurance company (1).

(1) Group life insurance with or without technical bases that were announced under joint responsibility between these companies. Länsförsäkringar cancelled their contractual involvement in 1990.

Unit-linked life insurance:

Aktiv Försäkring, limited insurance company.⁸
 Länsförsäkringar Fondliv, limited insurance company.
 SkandiaLink, limited insurance company.
 SparFond, limited insurance company.
 Svenska Fondförsäkringsaktiebolaget.⁹
 Trygg-Hansa Fri Placering, limited insurance company.
 Wasa Fondförsäkring, limited insurance company.

⁵ Since 1992 a wholly owned subsidiary of Handelsbanken under the name of Handelsbanken Liv.

⁶ During 1990 the name was changed from Trygg.

⁷ Wasa Liv is a merger of Valand and Vegete Liv that began its operations January 1st, 1987.

⁸ Since 1992 operated under the name of Fondförsäkringsaktiebolaget SE-Banken Försäkring.

⁹ Since 1992 a subsidiary of Handelsbanken under the name of Handelsbanken Liv Fondförsäkringsaktiebolag.

3 A background to life insurance¹⁰

From the perspective of the insured, a life insurance can be regarded as a “package” of three components: savings; life benefit insurance (“livsfallsförsäkring”); and death benefit insurance (“dödsfallsförsäkring”).

The savings component is a kind of “life cycle” savings with the purpose of spreading the consumption over the life time of an individual by allocating savings for the age of pension. The two other components more directly correspond to what traditionally is associated with the insurance business. Life benefit insurance is an insurance to supplement the costs of a long life. It is about getting a guarantee for a reasonable cost and consumption also in one’s old age. Such a guarantee can be difficult to arrange from personal savings only, in that the savings capital is likely to run short in the case of a longer than average life-span.

The death benefit insurance, on the other hand, provides a coverage against the economic consequences of an earlier than average death. It can, for instance, be a down payment for the surviving relatives in order to cover the economic default related to the death. The death benefit insurance can be distributed as continuous payments, sometimes during fixed time periods, to survivors of the deceased.

Life insurance (“livförsäkring”) can, as discussed earlier, take the form of an individual or a group insurance. The protection of a group insurance is most often less complex than for an individual. Accordingly, group insurance requires relatively less administration, which then has an effect on the costs. For group insurance, which does not include a life benefit insurance (“livsfallsförsäkring”), the premium is negotiated annually. The terms of agreement for an individual insurance usually cover longer time periods, which may be of benefit if the insured’s health changes radically for the worse. In this scenario, the insured would have to pay a higher premium for the death benefit insurance if the agreement needs to be renegotiated each year. A conflict may, however, arise between policy-holders with different health conditions, since the healthy ones pay a relatively high premium for their death insurances in comparison to the ones with bad health. General rules concerning the premium, size and population of group insurances have been developed to avoid such conflicts.

A life insurance premium is generally based on: the expected payments; the risk premium; and the administrative costs. Here, the risk premium is the compensation the insurance companies require for taking the risk that cannot be eliminated by diversification. Hence, this risk premium is likely to decrease as the number of policy holders increases and the statistics of the probability of death become more precise. The statistics are presented in mortality tables which, together with the discount rate for calculating the capitalized value of future payments, can be found in the technical bases

¹⁰ This section is to a large extent based on SOU (1991b:89-99).

("försäkringstekniska grunderna") of the companies. It is a general principle that the discount rate is precautionary measured in order to enable future reimbursements.

Due to the low discount rate expressed in the technical bases, it was more or less riskfree for the insurance companies to guarantee a certain annual return on the policyholders' savings from 1986 to 1991. The surplus from capital investments that exceeds the guaranteed rate of return is then funded by the insurance companies. This implies that the amount to be refunded to the insured cannot be fully determined at the time of the signing of the insurance agreement. The actual price of the life insurance is therefore established afterwards when the refunds are known. Instead of guaranteeing the whole amount to be refunded in the agreement, the insured receives a type of option in the form of guaranteed lowest rate of return with the opportunity to receive potentially higher returns. This method of a certain guaranteed rate of return generally only applies to those cases where the premium is paid at the single occasion when signing the agreement.

If the premium is paid annually or monthly, especially over an extended time period, it becomes difficult for the insurance company to guarantee a rate of return in the agreement. The underlying reason is the uncertainty of predicting the market interest rate. For one-off payments, however, the insurance company can invest the premium in a long-term bond at a fixed return. The risk associated with consecutive payments implies that the insurance companies can only, as in the previous example, guarantee a low rate of return to avoid the risk of not fulfilling agreements entered. An alternative to this method of equally consecutive premiums (i.e. fixed installments) is to let the premiums fluctuate with the current rates of interest - i.e. an increase in the interest rate, relatively to the predicted rate of interest in the entered agreements, should mean a reduction of the current premium and vice versa.

Notably, in the examples given the underlying technical method is the principle of equivalence in which the premiums are determined, backwards, from the agreed reimbursements by the insurance company to the insured. An additional general principle is that the insurance agreement is formulated as a kind of option contract - i.e. a guaranteed rate of interest plus the possibility to receive higher returns.

When it comes to the death benefit insurances the most basic contract is a life insurance agreement with a complementary down payment by the insurance company in the case of the policyholder's death. This type of death benefit insurance always contains some amount to be paid since it is agreed that the down payment is to be given "*sooner or later*". If the contract is "*temporary*" ("T-insurance"), the amount to be reimbursed is only given if the policyholder dies before a date specified in the contract. Theoretically, the specified date in the temporary contract can be set far in the future or a refund is guaranteed. Similar to the life insurance, the death benefit insurance can be determined

with the principle of equivalence. By using certain underlying probabilities, the premium is measured as the capitalized (i.e. present) value of the future reimbursement. The interest rate of capitalization is set low to assure the fulfillment of the agreement. Returns above this guaranteed rate can either be paid to the policy-holder or to increase the death benefit insurance.

3.1 Unit-linked life insurance

Life insurance associated with funds of securities ("fondförsäkringar") is a new financial instrument on the Swedish market. The first company received its concession in November 1990. Like traditional life insurance, the contract can be divided into three components: savings; life benefit insurance ("livsfallsförsäkring"); and death benefit insurance ("dödsfallsförsäkring"). One basic idea behind the unit-linked life insurance is that the insured should have the possibility of influencing the investment of the premium.

The unit-linked company not only takes care of the administration but also provides certain investment strategies and funds with various underlying securities. The setting up of strategies and funds is restricted by the unit-linked company's own rules, which, in turn, has to be in accordance with the unit-linked life insurance act of 1989 ("lagen om värdepappersfonder"). The established practice, when approving the technical base of the unit-linked companies, signifies that the insurance companies cannot leave any guarantees concerning a certain rate of return. On the other hand, during the time of the insurance agreement the insured has the possibility to move savings from one fund to another.

In contrast to some European countries, the unit-linked insurance and the traditional life insurance must be provided by different legal entities in Sweden. Moreover, a specific fund company is a single legal entity which is then separated from the unit-linked insurance company. The logic behind this legal construction is to divide the savings part from the risk-taking part of the insurance agreement. This means that the insurance company administer a life insurance ("livsfallsförsäkring") and/or a death benefit insurance ("dödsfallsförsäkring") whereas the savings part is administered by a specific fund company.

4 The regulatory and supervisory framework

In this description of the legal aspects associated with the insurance sector in Sweden, it is primarily those parts of the legislative acts that have undergone changes during the period 1986-1991 that will be discussed. In addition, a brief historical résumé will be

given so as to provide insights on some of the legislative principles governing the insurance sector. Since the sector was comprised of limited as well as mutual companies, there will also be a discussion of the legal framework regulating associative forms.

4.1 A historical background

The existence of insurance can be traced back to the Roman Empire and the well-developed usage of funeral expenses funds (“begravningskassor”) (SOU, 1990b). In Sweden the community acts (“landsskapslagarna”) are the earliest documents including directions concerning insurances. In accordance with the Act of Östergötland, people had the right to lodge a complaint against those who not had given the proper compensation in, for example, the case of fire (SOU, 1990b). During an extensive period of time it was exclusively non-life insurances that were regulated by Swedish law. It took until the middle of the nineteenth century for life insurance to gain wide acceptance. Before then, it was considered unethical to speculate about the length of peoples’ lives (Larsson, 1991).

Despite the moral issues surrounding life insurance in Sweden, the modern equivalents to the Roman funeral expenses funds were founded. These funds, which still exist in a great number, are usually referred to as benevolent associations (“understödsföreningar”) whose members want to financially protect their respective survivors. In general these associations are attached to a certain occupational group. The oldest existing benevolent association is the “Skeppargillet i Visby” which was set up in 1632. The members, who must be sea captains from the island of Gotland, are referred to as “*participants*” in the regulations (SOU, 1990b).¹¹

A new era for life insurance emerged in Sweden parallel to industrialization in the middle of the nineteenth century. Since several occupational groups in urban and industrialized society involved a time-limited working life, there was an increased demand for life insurance. Societal changes, which required more trade and investments in production facilities, also dramatically raised the demand for non-life insurance. The first limited insurance company in Sweden, Skandia, dates its origin from 1855 (Larsson, 1991). The industrialization of Sweden can be divided into various phases and it was especially the one at the end of the nineteenth century that had the most rapid increase in the demand for insurances. For example, the premium incomes for life insurances rose by 700 % during a thirty year period which began in the first half of the 1880’s (Larsson, 1991).

¹¹ Due to the selection principles of the empirical inquiry these benevolent associations are not considered in this research project.

Even though government regulation of the insurance sector has, as described, a long tradition, the second half of the nineteenth century was in several respects a period of intensified government involvement. The Act of Limited Companies of 1848 states, for example, that the king has the right to incorporate directions into the articles of association with the purpose of safeguarding the liabilities given by the companies. The Act provided the public authorities, as represented by the Minister of Public Administration, the right to audit the accounts and other documents. In the case of insurance companies, the Government appointed specific supervisors. Since some insurance companies went bankrupt despite these regulations, the Government had to install a special supervisory office in 1886 (SOU, 1991a).

The Insurance Business Act of June 23, 1903 was a hallmark event, in that it was the first act specifically addressing insurances. According to this act, insurance companies are not entitled to do business other than insurance business. This regulation was motivated as a general principle applied among the insurance companies. It is worth noting that lending activities were not considered as "*other business*" (Larsson, 1991).

In 1904, The Swedish Private Insurance Supervisory Service was founded to enforce the Insurance Business Act. The service was organized around four regulatory principles: "Publicitetssystemet" - i.e. the demand for a public annual report; "Normativsystemet" - i.e. the regulation regarding the kind of business insurance companies are entitled to do; "Koncessionssystemet" - i.e. the right of the government to examine the fundamentals of the technical bases of a planned insurance company; and "Materiella statsuppsikten" - i.e. the right of the government to continually control the business activities (Englund, 1982:51).

The relationship between the government and the insurance companies became a key issue during the 1930's.¹² A central driving force for debating the relationship was the economic crisis which several insurance companies had experienced. The debate focused on whether the industry should be state-owned or not. Among politicians there was a prevalent discontent with the insurance companies. O A Åkesson, the Director-General of the Private Insurance Supervisory Service, levelled criticism against the generally low efficiency. In 1935 the member of the Swedish parliament and the social democratic party, Albert Hermansson, submitted a bill in which he considered the state-ownership as a solution to high administrative costs and the holding of financial assets. The bill was turned down by the parliament and as a response Hermansson submitted a new bill in which the Private Insurance Supervisory Service was to be given more authority. The bill also expressed the need of increasing the power of the insured. A committee was formed in 1937 to inquire about Hermansson's bill. The work of the committee was, however, terminated by the minister of commerce in beginning of 1940. Two and a half years later, a new committee was set up to predominantly

¹² This section is to a large extent based on Grip (1987) and Larsson (1991).

continue the framework of the committee of 1937. The issues of concession (i.e. the governmental right to control the establishing of insurance companies) and solidarity (i.e. the control of the insurance companies' ability to fulfil the insurance agreements entered into) were here given central attention. The amendments of the committee were presented in 1946 and became an important preparatory work to the Insurance Business Act of 1948.

Already at the time when the 1948 Act acquired legal force it was questioned. Once again it was Hermansson who had submitted a bill. The appointed committee was to suggest amendments on how to rationalize the insurance business in different respects (SOU, 1987). The report of the committee implied certain modifications of the 1948 Act, which subsequently were expressed in the Insurance Business Act of 1952. The strive towards democracy was intensified by stating the obligation of customer representation and by giving mutual companies priority to receive concession (SOU, 1987).

The rapid economic growth and the introduction of several social reforms during the 1950's led to a new act, the Insurance Business Act of 1961. In relation to the preceding acts, especially those of 1948 and 1952, the 1961 Act did not impose any major changes besides the allowance to let insurance companies do other business than insurance business if and only if "*particular reasons*" existed. The insurance companies also obtained the possibility to acquire up to 5% of the voting power of the shares in foreign companies. During the 1960's and 1970's the investment operations and assets of the insurance companies became subject to a considerable debate. The concern was here not only focused on which investments the companies should be entitled to do, but also which funds should be at the companies' disposal. Albeit the debate, the most substantial regulatory changes in these matters were not realized until the later half of the 1980's - see below (SOU, 1991a).

Historically, the second half of the 1980's and the beginning of 1990's can be categorized as a period of inquiries and regulatory changes. Among the major state official reports of various committees can be found: "Försäkringsmäklare i Sverige" (SOU, 1986a) "Personförsäkringslag" (SOU, 1986b); "Soliditet och skälighet i försäkringsverksamheten" (SOU, 1986c); "Försäkringsväsendet i framtiden" (SOU, 1987); "Livförsäkring med fondanknytning" (Ds, 1988); "Branschglidning i den finansiella sektorn" (Ds, 1990); "Allmän pension" (SOU, 1990a); "Försäkringsföreningar" (SOU, 1990b); "Finansiell tillsyn" (SOU, 1991a); and "Försäkringsrörelse i förändring" (SOU, 1991b). Apart from some extensive alterations of the Insurance Business Act of 1982 - see below, the new acts of the period includes: the Act on Insurance Brokers ("Lagen om försäkringsmäklare") which came into force on January 1st, 1990; and the Unit-Linked Life Insurance Act ("Lagen om livförsäkring med anknytning till värdepappersfonder") which came into force on February 1st, 1990.

4.2 Central legislative principles¹³

The main regulation regarding insurance business during the period of 1986 to 1991 has been the Insurance Business Act of 1982, which came into force on January 1st, 1983. The act contains provisions governing the mutual as well as the limited stock insurance companies and provisions concerning the supervision of the insurance industry. Some “*principles*” that were of great regulatory importance are expressed in the act.

The Principle of Need (“Behovsprincipen”), which can be traced back to the Insurance Business Act of 1948, concerns the issue of concession. A consolidation of the insurance industry is seen in the amendments to the 1948 Act as a way to attain synergies and thereby higher cost efficiency. By only giving concession in those cases where it was necessary to support a sound development of the industry (i.e. above all the consolidation of the industry), the number of new entries were to be kept down (Larsson, 1991). In practice this meant that only one life insurance company and four labor market insurance companies were given concessions between 1948 and the end of 1984, when the principle was cancelled. During the same period, the industry was consolidated through mergers and acquisitions (SOU, 1991b).

The Principle of Reasonableness (“Skälighetsprincipen”) can be related to the moral concern for life insurance. The amendments of the 1948 Act declare that the insured’s costs (i.e. the premium minus the potential refunding) for having a life insurance “*should be reasonable with respect to the type of insurance*” (FRL, 7 chapter, 2 paragraph). Also other terms than the premium must be reasonable with respect to the protection that the insurance provides and other circumstances (FRL, 19 chapter, 6 paragraph). Even though the principle is central in the supervision of the life insurance companies, it has been difficult to specify its exact meaning (SOU, 1991b).

The Principle of Soundness (“Sundhetsprincipen”) can be regarded as the remaining of the Principle of Need. That is, concession is accorded if the planned business cannot be judged as incompatible with a sound development of the insurance business (FRL, 2 chapter, 3 paragraph). In relation to the Principle of Need, the burden of proof is reversed in that the planned business does not have to be proved to be in line with a sound development of the insurance business (SOU, 1991b). The principle is, however, so generally stated that it can possibly prevent new entries on the ground that the market is considered to have reached saturation in terms of the number of life insurance firms (SOU, 1991b:135).

¹³ The Insurance Business Act of 1982 will be referred to as “FRL” (“Försäkringsrörelselagen”).

The Principle of Mutuality (“Ömsesidighetsprincipen”) establishes that no dividends should be paid to stock holders or other interests. The profits should instead be deposited in a fund of dividends to be paid back to the policy-holder. Notably, unit-linked life insurance is not subject to this principle. For the Insurance Committee of 1990, the principle has affected the number of entries since it came into legal force along with the 1948 Act. In the committee report of 1990, the argument is that the principle lessens the incentives to invest the capital necessary to increase the efficiency of the business. In contrast to the amendments of the 1948 Act, in which consolidation is regarded as the key to obtain efficiency, it is stated in the report that: “*Since the prohibition of dividends weakens the economic incentives to establish traditional life insurance companies there accordingly exist disadvantages in terms of efficiency*” (SOU, 1991b:136). It is also worth observing that the Principle of Mutuality is tightly connected with the principle of maintaining the total cost of the life insurance at a reasonable level (i.e. the Principle of Reasonableness) (SOU, 1991b).

The Principle of Solvency (“Soliditetsprincipen”) stipulates that the technical bases which are in compliance with the second chapter and sixth paragraph of the insurance act - see above - are to safeguard the company’s ability to fulfil the liabilities of the agreements entered into (FRL, 1982, 7 chapter, 2 paragraph). The technical bases are ratified by the Government when approving concession or when altering the technical bases (FRL, 1982, 2 chapter, 2-3 paragraphs). As earlier discussed, the assumptions underlying the technical bases, like death rates, interest rates and administration costs, are according to 1982 Act to be set in a way that ensures solvency. Deviations from this requirement are few and regulated in the Act. Besides the technical bases, there are several more provisions that relate to the Principle of Solvency. Here, the Insurance Committee of 1990 denotes (SOU, 1991b): the rule that insurance companies are not entitled to do other business than insurance business (FRL, 1 chapter, 2 paragraph); the Principle of Separation - see below; the permission by the Supervisory Service to submit reinsurances in the same situations (FRL, 7 chapter, 14 paragraph); the direction to show accounts on the value of the liabilities entered into (FRL, 7 chapter, 1 paragraph); the regulations concerning the classifying and the valuation of assets (FRL, 11 chapter); the rules of covering losses (FRL, 12 chapter, 5-8 paragraphs); the prohibition to give dividends (FRL, 12 chapter, 2 paragraph); the directions governing the placing of assets (FRL, 7 chapter, 9-9a paragraphs) and the registration of those assets amounting to the technical reserves (FRL, 7 chapter, 10a paragraph).

The Principle of Separation (“Separationsprincipen”) states that the life insurance business and the non-life insurance business must be kept separate (FRL, 1 chapter, 3 paragraph). This principle, which relates to the Principle of Solvency, further supports the safeguarding of the life insurance companies’ solvency (SOU, 1991b).

In addition to the regulatory frame provided by the Insurance Business Act of 1982, the fiscal legislation is worth describing since it, according to the Insurance Committee of 1990 (SOU, 1991b), had a great influence on the insurance market during the 1980's. For a long period of time life insurances had been treated favorably in relation to other forms of saving from a fiscal point of view (SOU, 1991b). It was especially those insurances being classified as "*p-insurances*" ("*p-försäkringar*") that were most preferentially treated by the fiscal legislation during the period 1986-1991.¹⁴ The insured had, for instance, the possibility to deduct the premiums in the income-tax return form and, thereby, postpone taxation until the pensions were refunded.

Furthermore, there was a lower taxation rate on the returns on the life insurance companies' investments in comparison with other saving forms, and neither the insured nor the life insurance companies were subject to wealth (i.e. capital/property) taxation (SOU, 1991b). Despite the tax reform in 1990, the *p-insurances* were still preferentially treated, although not to the same degree, during the period 1990-1991 (SOU, 1991b). For the insured, however, the premiums paid for a *p-insurance* could not, as opposed to a "*k-insurance*" ("*k-försäkring*"), be repaid.¹⁵ Another consequence of the tax legislation was that life-insurances provided by foreign companies were classified as a "*k-insurance*", even though the conditions of a *p-insurance* were fulfilled (SOU, 1991b).

4.3 Associative forms

According to the Insurance Business Act of 1982, concession to run an insurance business is only given to limited stock or mutual companies. The limited stock corporations are owned by their stock owners, whereas the insured are the owners of the mutual firms. Besides the unit-linked companies, which all are based on a limited stock, approximately half of the life insurance firms are mutual - see below. In a comparison of the two associative firms, some legislative divergencies can be found, and the 1990 Insurance Committee observes the following (SOU, 1991b).

The limited stock associative form is a "*capital association*" (SOU, 1991b:142) in which the stockholders answer for the risk capital. In compensation they have the right to potential surpluses from the business. In some respects, the limited stock companies function like mutual ones since the earlier asserted principles are with some few

¹⁴ To be classified as a *p-insurance* the agreement has to contain an insurance part and not only a savings part. The insurance part is here understood as the insurance companies' assessment of the number of inheritance surpluses in collectives and the distributing of these surpluses to survivors in these collectives (SOU, 1991b).

¹⁵ A *k-insurance* is the labelling of an endowment insurance, which only consists of a savings part.

exceptions applicable to both forms. An obvious example is the prohibition on all life insurance companies, besides those providing unit-linked insurances, to pay dividends. The mutual form is, in turn, based on the owners' (i.e. the policyholders') common interests. The company is to be run by the policy-holders themselves and on their account. This implies that the insured have a two-fold role as both owners and debtholders. The mutual company is accordingly viewed as "*personal associations*" (SOU, 1991b:143). In contrast to limited stock companies and economic associations ("ekonomiska föreningar"), in which the owner's financial responsibility is limited, the owners of mutual companies, common firms ("enkla bolag") and trading companies ("handelsbolag"), have a certain, but not unlimited, personal responsibility for the debts of the company. In practice, this responsibility is only relevant for non-life companies, since it is only the assets of these companies that are to be used to meet the liabilities entered into (SOU, 1991b:142-143).

When it comes to the influence of the owners and the insured in the two associative forms, there are specific legislative directions. For the owners of limited stock insurance companies, the directions are equivalent to those of traditional limited stock companies. The highest decision-making authority is the shareholders' meeting where the holders of limited stock have the right to vote in accordance with their registered voting share. Besides the members being appointed at the shareholders's meeting, the board of directions has to include one or several members who represent the interests of the insured. These representatives shall be appointed by the insured or interest groups associated to them, the government or the supervisory service. Behind this principle of the insurers' representativeness is the idea that the insured should have no influence in those firms in which they themselves are the owners. The Insurance Committee adds that it is the financial assets of the insured, in the form of the life insurance company's debt to them, which in practice provides the firm with a risk capital which generally, except for newly founded firms, is several times larger than the capital (i.e. share-) stock.

In the mutual life insurance companies, the insured as an owner can exert influence both directly, by using the right to vote at the general meeting, or indirectly through the delegates chosen by the insured at local meetings. The more precise structural system of influence that a mutual insurance firm uses is dependent upon the size and the geographical distribution of the firm, the kind of business, and the possible attachments to other organizations (SOU, 1991b:144). Also the guarantors for the starting capital can have a right to vote as long as they have not been repaid.

The Insurance Committee further states that the owners (i.e. the insured) of a mutual life insurance company have limited possibilities to leave the company for another

company due to the long terms of agreements and the difficulties to repurchase insurances (especially in the case of p-insurances). The owners of a limited stock company, on the other hand, always have the freedom to sell their stocks. In the case of the unit-linked life insurance companies, which are all limited stock associations, the insured will also have the legislative freedom to shift companies without any major costs or other obstacles. The 1990 Committee adds that the potential increases in the value of the firm are given to stock owners at the date of selling the stocks, whereas the owners of a mutual firm can receive their share of the value increase through either a liquidation of the firm or refunding (SOU, 1991b).

After now having discussed demarcations between the limited stock and the mutual associative forms, there is a need to delineate the legislative definition of a group of companies since the Insurance Business Act of 1982 contains regulations that concern groups. The Act here expresses three possible prerequisites for a group to be at hand (Garbriellson et al, 1983:46-47):

- If an insurance company owns more than 50% of the voting power of the limited stock or shares of interest in a legal entity, the insurance company is the parent company and the legal entity is the subsidiary.
- If an insurance company, in cases other than above, has, due to the possession of limited stock or shares of interest or a guarantee agreement or another agreement, the right of determination over a legal entity and a substantial share of its operating result, the insurance company is the parent company and the legal entity is the subsidiary.
- If the Supervisory Service decrees that the regulations of the Insurance Business Act, wholly or partially, are to be applied to a group of insurance companies that have a mutual or in substance a mutual administration and management, the companies decide which is to be the parent company. If the companies do not appoint the parent company, the Supervisory Service can promulgate directions about this.¹⁶

4.4 Deregulation and other adjustments of the financial system

In 1990, a committee was set up by the Government to investigate the supervision of financial institutions and markets. The committee summarizes the deregulation and other adjustments of the financial systems as follows in its report (SOU, 1991a:30):

¹⁶ The groups with their respective incorporated companies that during 1986 and 1991 were registered at the Supervisory Service follow from the comparison of the life insurance companies below.

- 1978: the bank deposit interest is deregulated.
- 1980: the bank certificates ("bankcertifikaten") are launched; the beginning of the free setting of interest rates when issuing industry bonds ("industriobligationer").
- 1982: the introduction of the state debt bills ("statsskuldsväxlar").
- 1983: the national bonds ("riksobligationer") are brought into the market; the abolition of the banks' liquidity ratios ("likviditetskvoter").
- 1985: the interest on bank loans is deregulated; the regulations on lending operations for banks and other credit institutions are abolished; the opening of a market for forwards; the trading of options is launched; the introduction of a step system for interest-rates ("räntetrappan") on bank loans in the federal bank; foreign banks are permitted to establish affiliates in Sweden; the rules for receiving concession to operate insurance business are liberalized (i.e. The Principle of Need is taken away).
- 1986: the obligation to invest in state bonds ("statsobligationer") and housing bonds ("bostadsobligationer") is withdrawn for the insurance institutions.
- 1987: Swedish banks are given the right to establish subsidiaries in foreign countries.
- 1988: the control of issuing bonds is market adjusted; all restrictions governing volumes and duration on bonds are removed; new authorization rules are introduced for financing companies ("finansbolag").
- 1989: the exchange control ("valutaregleringen") is essentially deregulated.
- 1990: common capital coverage degrees ("kapitaltäckningsgrad") are established for all credit institutions; unit-linked life insurances are introduced; insurance brokers that are independent of the insurance companies receive a legal right to do business on the Swedish market; branch offices of foreign banks are let into Sweden; foreign ownership of banks and other credit institutions is permitted; Sweden, through the European Free Trade Association, enters into negotiations with the European Community regarding an agreement on the European economic area ("EES-avtalet").

5 The life insurance companies

As a brief descriptive background to the general analysis, the life insurance companies will now be compared during the years between 1986 and 1991 on certain grounds, namely: year of foundation; associative form; stockholders (if any); cooperative alliances¹⁷; line(s) of business (encompassing both so called "K" and "P" insurances unless otherwise stated); product introduction(s) concerning the business of individual life insurance with approved technical bases and group life insurance with or without approved technical bases¹⁸; and dates of alteration(s) in the technical bases. The companies are described in alphabetical order with their full names (the short names that previously have been used are given within brackets), and firms belonging to the same group are presented under the group name. The quantitatively comparable data is disclosed in appendix B.

1 "Allmänna Änke- och Pupillkassan i Sverige" (Allmänna Änke- och Pupillkassan).

Year of foundation: 1784.

Associative form: Mutual.

Cooperative alliances: The Service Company of Swedish Insurance Industry Ltd; the Swedish Insurance Federation.

Line of business: Individual life insurance with approved technical bases. Only survivors pension.

Product introductions: None.

Alterations to the technical bases: 1987-04-02; 1990-04-23.

2 "Livförsäkringsaktiebolaget Aktiv Försäkring" (Aktiv Försäkring). "Fond-försäkringsaktiebolaget SE-Banken Försäkring (1992-).

Year of foundation: 1990.

Associative form: Limited stock.

Owners: Custos (100% of the capital and the votes. All shares were bought by Skandinaviska Enskilda Banken - i.e. SE-Banken - in February 1992).

Cooperative alliances: SE-Banken (sales and marketing and investments).

Line of business: Unit-linked life insurance.

Product introductions: 15 funds were launched until the end of 1991.

Alterations to the technical bases: 1990-11-15; 1990-12-05; 1991-12-10.

¹⁷ Among the sector-related organizations, only the Service Company of Swedish Insurance Industry Ltd and the Swedish Insurance Federation (i.e. before 1991 the National Federation of Swedish Insurance Companies) are included in this comparison.

¹⁸ These product introductions only include the life insurances which during the period were launched on the market as new products. Changes to the existing products are considered from the dates of alterations of the technical bases.

3 “Ansvar” (the Ansvar Group).¹⁹

3.1 “Ansvar Liv, ömsesidigt livförsäkringsbolag för helnyktra” (Ansvar Liv).

Year of foundation: 1982.

Associative form: Mutual.

Cooperative alliances: IOGT-NTO (i.e. the International Organization of Good Templars); MHF (i.e. the Swedish association of Abstaining Motorists); Norske Liv; RKA; Sampspar; the Service Company of Swedish Insurance Industry Ltd; the Swedish Insurance Federation; Wesleyan & General Insurance Company.

Lines of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Ansvars pensionskonto (1989); Livpension (1989); Universal Liv (1991).

Alterations to the technical bases: 1987-04-09; 19887-05-25; 1988-05-05; 1989-01-30; 1989-07-19; 1991-06-28; 1991-12-02.

4 “Folksam” (the Folksam Group).²⁰

4.1 “Folksam ömsesidig livförsäkring” (Folksam Liv).

Year of foundation: 1914.

Associative form: Mutual.

Cooperative alliances: Alka; HSB; Kansa; Kooperativa Förbundet; Nordsam Oljekonsumenterna; Riksbyggen; Samvirke; the Service Company of Swedish Insurance Industry Ltd; Sparbanken; the Swedish Central Organization of Salaried Employees (“Tjänstemännens Centralorg.”); Swedish Cooperative Center; the Swedish Confederation of Trade Unions (“Landsorg.”).

Lines of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Familjegrupplivförsäkring (1987); Pensionärsförsäkring (1987); Allpension (1988); Medlemspension (1989).

Alterations to the technical bases: 1986-05-28; 1987-09-22; 1988-06-20; 1989-05-23; 1990-01-02; 1991-06-10.

4.1.1 “SparFond, livförsäkringsaktiebolag” (SparFond).

Year of foundation: 1990.

Associative form: Limited stock.

Owner: Folksam Liv (100%). Sparbanken bought 9.9% in 1992.

¹⁹ In 1991 this group, as defined by the Supervisory Service, included the judicially separate “Swedish insurance companies” of: Ansvar Sak, Ansvar Liv, Idea (SOS, 1989:21).

²⁰ In 1991 this group, as defined by the Supervisory Service, included the judicially separate “Swedish insurance companies” of: Folksam Liv, Folksam Sak, Folksam International, SparFond, SparLiv (SOS, 1989:21).

Cooperative alliances: Sparbanken (sales and marketing); and Robur kapitalförvaltnings AB - i.e. a wholly owned subsidiary of Sparbanken (investments).

Line of business: Unit-linked life insurance.

Product introductions: 9 funds were launched until the end of 1991.

Alterations to the technical bases: 1990-12-28; 1991-05-13; 1991-09-30.

4.1.2 "SparLiv, livförsäkringsaktiebolag" (SparLiv).

Year of foundation: 1990.

Associative form: Limited stock.

Owners: Folksam Liv (100% of the capital and the votes). Sparbanken bought 9.9% in 1992.

Cooperative alliances: Sparbanken (sales and marketing); and Robur kapitalförvaltnings AB - i.e. a wholly owned subsidiary of Sparbanken (investments).

Line of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Framtidsförsäkringen (1991).

Alterations to the technical bases: 1991-07-09; 1991-01-28.

5 "Förenade Liv Ömsesidigt Gruppförsäkringsbolag" (Förenade Liv).

Year of foundation: 1948.

Associative form: Mutual.

Cooperative alliances: Länsförsäkringar Liv (until 1989/90); the Service Company of Swedish Insurance Industry Ltd; Skandia Liv; the Swedish Central Organization of University Graduates ("Sveriges Akademikers Centralorganisation"); the Swedish Central Organization of Salaried Employees ("Tjänstemännens Centralorganisation"); the Swedish Employers' Confederation ("Svenska Arbetsgivareföreningen"); the Swedish Insurance Federation; Trygg-Hansa Liv; Wasa Liv.

Line of business: Group life insurance with or without approved technical bases.

Product introductions: Kompanjonförsäkring (1988); Familjeskydd (1989).

Alterations to the technical bases: 1986-12-04; 1989-03-21; 1990-06-28; 1991-03-12; 1991-12-12.

6 "Livförsäkringsbolaget LIVIA, ömsesidigt" (Livia).

Year of foundation: 1988.

Associative form: Mutual.

Cooperative alliances: Nordbanken (sales and marketing); Posten - i.e. the Swedish Post Office (sales and marketing).

Lines of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Älderspensionssparande (1989); Efterlevandepension (1989); Gruppliv (1991).

Alterations to the technical bases: 1989-03-14; 1990-03-05.

7 "Länsförsäkringsbolagen" (the Group of Länsförsäkringsbolagen).²¹

7.1 "Länsförsäkringar Liv - Försäkringsaktiebolag" (Länsförsäkringar Liv).

Year of foundation: 1985.

Associative form: Limited stock.

Owners: Länsförsäkringsbolagens aktiebolag (88% of the capital and 42% of the votes - in 1991 changed to 88% of the capital and 14% of the votes) which, in turn, was wholly owned by Länsförsäkringsbolagens Förening which, in turn, was mutually owned by 27 "lokala länsbolag" and 18 "socken/häradsbolag"; and the previously referred to 27 "lokala länsbolagen" and the 18 "socken/häradsbolagen" (together 12% of the capital and 58% of the votes - in 1991 changed to 12% of the capital and 86% of the votes).

Cooperative alliances: Förenade Liv (until 1989/90); Föreningsbanken (sales and marketing); the Service Company of Swedish Insurance Industry Ltd; the Federation of Swedish Farmers ("Lantbrukarnas Riksförbund"); Nya Liv (a subsidiary in 1991); the Swedish Insurance Federation.

Lines of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Sparpension (1988); Gruppension (1990).

Alterations to the technical bases: 1986-01-07; 1986-10-13; 1986-12-03; 1989-03-21; 1989-04-04; 1989-12-08; 1989-12-21; 1990-02-26; 1991-01-14; 1991-09-05.

7.2 "Länsförsäkringar Fondliv - Försäkringsaktiebolag" (Länsförsäkringar Fondliv).

Year of foundation: 1990.

Associative form: Limited stock.

Owners: 18 "socken/häradsbolag" and 27 "lokala länsbolag" (62% of the capital and 48% of the votes); Länsförsäkringar Liv (21% of the capital and 39% of the votes); and Sveriges Föreningsbank - i.e. above called "Föreningsbanken" - (17% of the capital and 13% of the votes).

Cooperative alliances: Föreningsbanken (sales and marketing).

Line of business: Unit-linked life insurance.

Product introductions: 4 funds were launched until the end of 1991.

Alterations to the technical bases: None.

²¹ In 1991 this group, as defined by the Supervisory Service, included the judicially separate "Swedish insurance companies" of: Länsförsäkringsbolagens AB, Länsförsäkringar Liv, Länsförsäkringar FondLiv, and a number of "local" companies - see under "owners" (SOS, 1989:21).

- 8 “RKA - ömsesidigt livförsäkringsbolag” (RKA). “Handelsbanken Liv Försäkringsaktiebolag” (1992-).

Year of foundation: 1850.

Associative form: Mutual. (Limited since 1992.)

Cooperative alliances: Ansvar; Guardian Royal Exchange; Folksam (until 1989/90); Friends Provident (until 1991); Köpmännens Pensionskassa; the Service Company of Swedish Insurance Industry Ltd; Sparbanken (until 1989/90); Stockholms Stads Brandförsäkringskontor; Svenska Handelsbanken -i.e. above called Handelsbanken (sales and marketing); the Swedish Insurance Federation; Victoria; Yorkshire.

Line of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Pentagram (1986); Affärsgruppliv (1987); Privatgruppliv (1989).

Alterations to the technical bases: 1987-03-25; 1987-07-06; 1988-03-30; 1989-05-22; 1990-08-24; 1991-04-19.

- 9 “Skandia Group Försäkringsaktiebolag”, from 1989 to August 31st, 1993 (the Skandia Group). “Försäkringsaktiebolaget Skandia” (1855-1988 and 1993-).²²

9.1 “Livförsäkringsaktiebolaget Skandia” (Skandia Liv).

Year of foundation: 1872.

Associative form: Limited stock.

Owners: Skandia Group Försäkrings AB (100% of the capital and the votes).

Cooperative alliances: Förenade Liv; Salus; the Service Company of Swedish Insurance Industry Ltd (until 1989/90); Svenska Handelsbanken (until 1989); SE-Banken (until 1991) the Swedish Insurance Federation; Vermlandsbanken (until 1988); VITAL.

Line of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Balans (1988); Pensionskonto (1988); Allemanspension (1989); Allemanskonto (1989); Framtidskonto (1989); Gåvokonto (1989).

Alterations to the technical bases: 1986-01-07; 1986-12-03; 1987-02-25; 1987-03-19; 1989-01-31; 1989-02-03; 1989-11-06; 1990-01-17; 1990-01-26; 1990-06-21; 1990-08-29; 1991-02-28; 1991-10-23.

9.2 “SkandiaLink Livförsäkringsaktiebolag” (SkandiaLink).

Year of foundation: 1990.

Associative form: Limited stock.

²² In 1991 this group, as defined by the Supervisory Service (referred to as “Skandia”), included the judicially separate “*Swedish insurance companies*” of: Skandia Group, Skandia Sak, Skandia International, Skandia Liv, Skandia Industri, SkandiaLink, Sleipner (SOS, 1989:21).

Owners: Försäkringsaktiebolaget Skandia (100% of the capital and the votes) which is a wholly owned subsidiary of Skandia Group Försäkringsaktiebolag.
Cooperative alliances: Alfred Berg Fondkommission.
Line of business: Unit-linked life insurance.
Product introductions: 21 funds were launched until the end of 1991.
Alterations to the technical bases: 1991-04-25.

10 "Svenska Fondförsäkringsaktiebolaget". "Handelsbanken Liv Fondförsäkringsaktiebolag" (1992-).

Year of foundation: 1990.

Associative form: Limited stock.

Owners: RKA (49% of the capital and the votes); Industrivärlden (46% of the capital and the votes); Oktagonen 5%. The second of December, 1991, Svenska Fondförsäkringsaktiebolaget became a subsidiary of Svenska Handelsbanken (91,1% of the capital and the votes), even though RKA remained as an owner (9,9% of the capital and the votes).

Cooperative alliances: Svenska Handelsbanken (sales and marketing); RKA (actuarial function including administration).

Line of business: Unit-linked life insurance.

Product introductions: 8 funds were launched until the end of 1991.

Alterations to the technical bases: 1990-12-03; 1992-12-14.

11 "Trygg-Hansa SPP Holding Aktiebolag" - since 1991 (Trygg-Hansa SPP Holding). "Trygg-Hansa koncernen" (1971-1988). "Trygg-Hansa Holding Aktiebolag" (1989-1990).²³

11.1 "Trygg Hansa ömsesidig livförsäkring" (Trygg-Hansa Liv).

Year of foundation: 1899.

Associative form: Mutual.

Cooperative alliances: Förenade Liv; Gota banken (sales and marketing); Salus; SE-Banken (until 1989); the Service Company of Swedish Insurance Industry Ltd; Sparbanken (until 1990); the Swedish Insurance Federation.

Line of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Skala (1988); Invest (1988); Trygg Gruppension (1989); Bambi (1989); Hjärter Ess (1991); Familia (1991).

Alterations to the technical bases: 1986-01-21; 1986-06-17; 1987-01-21; 1987-04-02; 1989-02-28; 1989-04-17; 1989-06-16; 1990-08-31; 1991-03-18.

²³ In 1991 this group, as defined by the Supervisory Service (referred to as "Trygg-Hansa"), included the judicially separate "Swedish insurance companies" of: Trygg-Hansa Liv, Hansa Liv, Trygg-Hansa Sak, Trygg-Hansa Fri Placering (SOS, 1989:21).

11.2 “Trygg-Hansa Fri Placering Försäkringsaktiebolag” (Trygg-Hansa Fri Placering).

Year of foundation: 1990.

Associative form: Limited stock.

Owners: Trygg-Hansa SPP Holding Aktiebolag (100% of the capital and the votes).

Cooperative alliances: Gota banken (sales and marketing).

Line of business: Unit-linked life insurance.

Product introductions: 9 funds were launched until the end of 1991.

Alterations to the technical bases: 1990-12-05; 1990-12-21; 1991-05-10; 1991-10-10.

12 “WASA Försäkring” (the Wasa group).²⁴

12.1 “WASA Livförsäkring, ömsesidigt” (Wasa Liv).

Year of foundation: 1987.

Associative form: Mutual.

Cooperative alliances: Avero Centraal Beheer; Bohusbanken; Eureko; Friends Provident; Förenade Liv; Götabanken - i.e. since 1988 called Gotabanken (until 1989); Nordbanken (until 1988); the Service Company of Swedish Insurance Industry Ltd; the Swedish Insurance Federation; Topdanmark.

Line of business: Individual life insurance with approved technical bases and group life insurance with or without approved technical bases.

Product introductions: Reflex (1987); Extrapension (1989).

Alterations to the technical bases: 1987-04-28; 1987-06-22; 1989-01-17; 1989-12-08; 1990-06-21.

12.2 “WASA Fondförsäkring, Försäkringsaktiebolag” (Wasa Fondförsäkring).

Year of foundation: 1990.

Associative form: Limited stock.

Owners: Wasa Försäkring Förvaltningsaktiebolag (100% of the capital and the votes).

Cooperative alliances: Avero Centraal Beheer; Bohusbanken (sales and marketing); Eureko; Friends Provident; Topdanmark.

Line of business: Unit-linked life insurance.

Product introductions: 7 funds were launched until the end of 1991.

Alterations to the technical bases: 1990-11-15.

²⁴ In 1991 this group, as defined by the Supervisory Service (referred to as “WASA”), included the judicially separate “*Swedish insurance companies*” of: WASA Liv, WASA Sak, WASA Garanti, WASA Europeiska, WASA Industri, WASA International, WASA Sjö, WASA Fond, Återförsäkringsbolaget Sverige (SOS, 1989:21).

5.1 A historical account of cooperative alignments among firms before 1986

From a historical perspective, the expectations of the Insurance Act of 1886 marked the beginning of a cooperation among insurance companies in general (Larsson, 1991). The 1886 Act, which came to contain fewer far-reaching regulations than expected, was considered to result in what was known as “*destructive competition*” (Larsson, 1991:14). During these early efforts to establish interfirm cooperation, a manifested schism became apparent between those representing the limited stock companies and those being the representatives of the mutual companies. The two parties accused one another of illegal competition and they also argued around the security that the associative forms could provide the insured. The debate diminished when the Insurance Act of 1903 came into force with its, in several respects, equal regulatory treatment of the two associative forms (Larsson, 1991).

The extensive collaborations at the turn of the century led to the foundation of co-operation organizations. For example, the Swedish Insurance Society (“Svenska Försäkringsföreningen”), dating its origin from 1875, was established with the purpose to “*act in order to promote a sound and well-adapted development of the insurance business in our country*” (Svensk Försäkringsårsbok, 1989:11). However, due to the two opposing views within the industry, this organization did not succeed in obtaining full support from the mutual companies at this time period. It was not until 1906 and the foundation of the Swedish life insurance companies’ management association (“Svenska Livförsäkringsbolagens Direktörsförening”) that the departure of a more widely accepted cooperation emerged (Larsson, 1991).²⁵ It is here worth noting that the life insurance company by the name Folket (“the People”), that had relations to the cooperative society (“kooperationen”), was not a member.²⁶ Instead, Folket was among many things said to be running an unfair competition (Larsson, 1991). During the 1910’s and 1920’s this antagonism between companies in which the large group of low-wage earners were insured and other life insurance companies became apparent in a number of debates and conflicts (Odhnoff, 1972).²⁷

The foundation of the National Federation of Swedish Insurance Companies (“Svenska Försäkringsbolags Riksförbund”)²⁸ in 1937 can be linked to the questions related to the guiding principles for the Insurance Committee of 1937 - see above (Grip, 1987). The “threat” of possible state ownership intensified the collaborative atmosphere among

²⁵ In 1937 the name was changed to the National Federation of Swedish Insurance Companies.

²⁶ In 1946 Folket merged with Samarbete into Folksam.

²⁷ Among those life insurance companies that focused on this low-paid groups were; De Förenade (established 1901), Framtiden (established 1911) and Folket (established 1914).

²⁸ From the first of January 1991 the name was change to the Swedish Insurance Federation (“Sveriges Försäkringsförbund”).

firms. It was, accordingly, in the center of events when the non-life insurance company Samarbete introduced new tariffs with lower premiums, and thereby broke with *"the gentlemen's agreement with other companies regarding tariff-regulations"* (Gjallarhornet, 1946:59-60. Translated from a quotation in Englund, 1982:66). The various tariff-federations had at this time a substantial influence on the setting of tariffs. Those companies, particularly the mutual ones, that were not members usually followed the decisions made by the tariff-federations (Englund, 1982).

After the Insurance Act of 1948 and the introduction of labor-market insurances, the relations between the firms appear to have become more friendly. An expression of this new atmosphere was the appliance for membership by Folksam, the merger of Folket and Samarbete, in the Swedish Life Insurance Companies' Association (*"Svenska Livförsäkringsbolags Förening"*) which was the successor of the Swedish life insurance companies' management association. In 1962, however, Folksam cancelled its membership on the grounds that *"our view of the role of the insurance business in the society does not comply with that of the other companies."* (Molén, 1973:14). In compliance with this general statement, and the triggering factor, was that the other firms took sides with the Swedish Employers' Confederation (*"Svenska Arbetsgivareföreningen"*) in a discussion on occupational group life insurance with the Swedish Confederation of Trade Unions (*"Landsorganisationen"*). Subsequently, Folksam only participated in certain committees, in particular those dealing with statistical matters and other actuarial questions, associated with the Swedish Life Insurance Companies' Association. (Molén, 1973).

In 1972, two of the most influential organizations, the Swedish Life Insurance Companies' Association and the National Federation of Swedish Insurance Companies, established a joint chancellery (Svensk Försäkringsårsbok, 1973). On the same occasion the Swedish Life Insurance Companies' Association was reorganized into the Service Company of Swedish Insurance Industry Ltd (*"Försäkringsbranschens Serviceaktiebolag"*).²⁹ The inter-firm cooperation was accordingly consolidated. This new constellation with all its committees came to arch across not only actuarial issues, tied to the Service Company of Swedish Insurance Industry Ltd, but also legislative matters which, in particular, the National Federation of Swedish Insurance Companies dealt with.

²⁹ Försäkringstidningen (1/73).

APPENDIX B

1 Introduction

The statistics regarding life insurance companies are presented in three sections; premiums and technical reserves, dividends, and investments. The source is, except for dividends, the annual reports of life insurance companies as these are documented in the Official Statistics of Sweden (SOS, 1986-1991). The statistics on dividends are based on an internal report of the Financial Supervisory Authority (1993b) - i.e. former the Swedish Private Insurance Supervisory Service, as well as information from companies (see above).

2 Premiums and technical reserves from 1986 to 1991

2.1 Individual life insurance with approved technical bases 1986-1991 (amounts in thousands of SEK)

<u>1986</u>	Premiums	Technical (1) reserves	<u>1987</u>	Premiums	Technical reserves
A. Änke- Pupillk.	3 841	32 432	A. Änke- Pupillk.	4 197	34 063
Ansvar Liv	32 505	81 470	Ansvar Liv	60 786	130 100
Folksam Liv	1 095 131	4 186 237	Folksam Liv	1 265 649	5 144 317
Länsförsäk. Liv	211 739	176 061	Länsförsäk. Liv	267 871	388 495
RKA	496 992	1 316 669	RKA	522 436	1 727 785
Skandia Liv	4 260 037	22 564 403	Skandia Liv	4 553 958	26 051 549
Trygg-H. Liv	3 251 523	16 536 065	Trygg-H. Liv	3 300 703	19 061 485
Valand	1 415 500	6 367 787	Wasa Liv (2)	2 036 314	10 677 066
Vegete Liv	665 090	2 706 547			
Total	11 433 358	53 967 671		12 011 914	63 214 860

Individual life insurance with approved technical bases 1986-1991 - continued.

<u>1988</u>	Premiums	Premium reserve	<u>1989</u>	Premiums	Premium reserve
A. Änke- Pupillk.	3 577	35 151	A. Änke- Pupillk.	10 179	41 768
Ansvar Liv	93 119	200 700	Ansvar Liv	153 845	329 300
Folksam Liv	1 544 370	6 276 284	Folksam Liv	2 071 356	7 932 155
Länsförsäk. Liv	510 700	792 179	Hansa Liv	156	176
RKA	748 302	2 349 810	Livia	221 353	216 062
Skandia Liv	5 380 137	30 185 579	Länsförsäk. Liv	969 349	1 635 209
Trygg-Hansa Liv	4 300 067	22 222 294	RKA	1 558 255	3 761 665
Wasa Liv	2 494 666	12 709 405	Skandia Liv	10 029 805	38 848 295
			Trygg-Hansa Liv	6 558 023	27 587 681
			Wasa Liv	5 043 434	17 224 314
Total	15 074 938	74 771 402		26 615 755	97 576 625

(1) The technical reserves incorporate the premium reserve, the claims reserve, the claims adjusted reserve and the allocated premium bonus.

(2) Wasa Liv is a merger of Valand and Vegete Liv.

<u>1990</u>	Premiums	Technical reserves	<u>1991</u>	Premiums	Technical reserves
A. Änke- Pupillk.	8 045	44 381	A. Änke- Pupillk.	10 241	70 969
Ansvar Liv	144 657	449 686	Ansvar Liv	144 865	566 804
Folksam Liv	2 335 435	9 774 552	Folksam Liv	2 243 578	11 674 989
Livia	487 718	710 474	Livia	543 780	1 227 820
Länsförsäk. Liv	1 185 971	2 696 019	Länsförsäk. Liv	1 048 412	3 305 468
RKA	890 195	4 503 957	RKA	852 331	5 117 904
Skandia Liv	7 336 694	45 092 023	Skandia Liv	6 544 802	49 930 953
Trygg-H.Liv	5 893 687	32 419 977	SparLiv	485 473	463 696
Trygg-H. SPP Liv	47 596	106 014	Trygg-H. Liv	5 822 275	37 233 160
Wasa Liv	3 318 381	19 938 349	Wasa Liv	3 013 465	22 930 214
Total	21 648 379	115 735 432		20 709 222	132 521 977

2.2 Group life insurance with or without technical bases 1986-1991 (amounts in thousands of SEK)

<u>1986</u>	Premiums	Technical reserves (1)	<u>1987</u>	Premiums	Technical reserves
Ansvar Liv	1 089	490	Ansvar Liv	1 528	490
Folksam Liv	478 209	275 153	Folksam Liv	534 883	323 356
Förenade Liv (2)	112 876	102 776	Förenade Liv (2)	122 277	126 762
Länsförsäk.Liv (2)	154	51	Länsförsäk. Liv (2)	4 434	1 711
RKA	70 227	19220	RKA	72 664	21 983
Skandia Liv (2)	294 892	267 269	Skandia Liv (2)	308 053	325 905
Sverige	28	141	Sverige	18	135
Trygg-H. Liv (2)	123 208	110 946	Trygg-H. Liv (2)	138 892	139 438
Valand (2)	29 412	28 726	Wasa Liv (2)	37 723	39 995
Vegete Liv (2)	3 835	4 111			
Total	1 113 930	808 883		1 220 472	979 775

(1) The technical reserves incorporate the premium reserve, the claims reserve, the claims adjusted reserve and the allocated premium bonus.

(2) Group life insurance with or without technical bases that were announced under joint responsibility among these involving companies.

<u>1988</u>	Premiums	Technical reserves (1)	<u>1989</u>	Premiums	Technical reserves
Ansvar Liv	3 237	1 848	Ansvar Liv	4 774	3 008
Folksam Liv	632 982	370 301	Folksam Liv	754 697	473 999
Förenade Liv (2)	138 430	145 225	Förenade Liv (2)	157 317	181 198
Länsförsäk. Liv (2)	3 585	2 687	Livia	689	648
RKA	79 051	24 654	Länsförsäk. Liv (2)	7 413	5 799
Skandia Liv (2)	356 080	373 445	RKA	82 448	26 892
Sverige	16	136	Skandia Liv (2)	375 309	450 095
Trygg-H. Liv (2)	160 857	163 377	Sverige	21	59
Wasa Liv (2)	32 204	41 389	Trygg-H. Liv (2)	203 755	218 344
			Wasa Liv (2)	42 837	50 554
Total	1 407 442	1 123 062		1 629 260	1 410 596

Group life insurance with or without technical bases 1986-1991 - continued.

<u>1990</u>	Premiums	Technical reserves (1)	<u>1991</u>	Premiums	Technical reserves
Ansvar Liv	5 385	5 098	Ansvar Liv	4 937	3 200
Folksam Liv	902 271	592 576	Folksam Liv	1 026 740	710 114
Förenade Liv (2)	170 883	204 546	Förenade Liv (2)	190 984	238 024
Livia	1 895	1 750	Livia	2 017	2 500
Länsförsäk. Liv	4 421	286	Länsförsäk. Liv	4 303	3 025
RKA	86 142	39 533	RKA	119 866	46 051
Skandia Liv (2)	411 272	507 528	Skandia Liv (2)	471 779	587 085
Sverige	18	50	SparLiv	31 785	7 169
Trygg-H. Liv (2)	230 756	254 147	Trygg-H. Liv (2)	248 062	301 576
Wasa Liv (2)	43 995	60 446	Wasa Liv (2)	48 992	63 448
Total	1 857 038	1 665 960		2 149 465	1 962 192

(1) The technical reserves incorporate the premium reserve, the claims reserve, the claims adjusted reserve and the allocated premium bonus.

(2) Group life insurance with or without technical bases that were announced under joint responsibility among these involving companies.

2.3 Unit-linked life insurance 1990-1991 (amounts in thousands of SEK)

<u>1990-1991</u> (prolonged financial year)	Premiums	Technical reserves (1)
Aktiv Försäkring	1 205 491	1 190 254
Länsförsäkringar Fondliv	63 993	67 330
SkandiaLink	272 455	251 070
SparFond	18 770	16 800
Svenska Fondförsäkrings.	34 386	31 931
Trygg-Hansa Fri Placering	150 697	139 622
Wasa Fondförsäkring	25 766	23 778
Total	1 771 558	1 720 785

(1) The technical reserves incorporate the premium reserve, the claims reserve, the claims adjusted reserve and the allocated premium bonus.

3 Dividends from 1986 to 1991

3.1 The rates in percent for individual life insurance with approved technical bases: taxation category P, and K (within brackets)¹

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u> from 1st Jan.	<u>1989</u> changed 1st Feb.	<u>1989</u> changed 1st Apr.
A. Ä.-Pupillk.	14,17	16,08	15,13	16,12		
Ansvar Liv	14,0(11,9)	12,0(9,8)	13,0(9,0)	14,5(12,0)	21,5(14,0)	
Folksam Liv	14,5(10,5)	12,1(7,5)	12,8(7,9)	17,2(10,9)		
Livia				13,0		
Länsförs.Liv	14,0(9,5)	12,0(7,5)	13,5(7,5)	18,5(10,0)		22,0(12,7)
RKA	14,97(11,08)	12,64(8,13)	14,13(8,14)	21,9(14,02)		
Skandia Liv	14,0(9,6)	11,5(6,50)	14,7(8,4)	24,5(13,3)		
Trygg-H. Liv	14,0(9,6)*	12,0(6,30)	16,0(8,9)	21,0(12,6)		
Valand	14,0(9,4)					
Vegete Liv	14,5(9,8)					
Wasa Liv		11,1(6,2)	13,7(7,8)	17,0(11,3)	24,5(13,3)	

* Trygg-Hansa Liv had different rates for "new" and "old" savings in 1986. The figures are for "old" savings.

	<u>1989</u> changed 1st Jul.	<u>1989</u> changed 1st Okt.	<u>1990</u> from 1st Jan.	<u>1990</u> changed 1st Feb.	<u>1990</u> changed 1st Mar.	<u>1990</u> changed 1st Apr.
A. Ä.-Pupillk.			17,81			
Ansvar Liv			21,5(16,0)	17,5		14,5(12,5)
Folksam Liv	22,0(13,8)		22,0(13,8)			18,0(11,5)
Livia			13,0			
Länsförs.Liv			22,0(12,7)		16,5(10,5)	
RKA			17,13(12,14)			
Skandia Liv			24,5(13,3)	17,5(10,5)		
Trygg-H. Liv		25,0(14,25)	25,0(14,25)		18,0(10,8)	
Wasa Liv			24,5(13,3)	16,0(10,0)		

¹ The companies changed their techniques for calculating dividends during the period. As a consequence, the rates of dividend are not entirely comparable.

The rates in percent for individual life insurance with approved technical bases: taxation category P, and K (within brackets) - continued.

	<u>1990</u>	<u>1990</u>	<u>1990</u>	<u>1990</u>	<u>1991</u>	<u>1991</u>
	changed	changed	changed	changed	from	changed
	1st Jul.	1st Aug.	1st Okt.	1st Nov.	1st Jan.	1st Feb.
A. Ä.-Pupillk.					17,42	
Ansvar Liv	12,5			10,5(10,0)	10,5(10,0)	9,0(8,5)
Folksam Liv			13,0(8,5)		8,7(7,4)	
Livia					11,3	8,7
Länsförs..Liv			13,0(9,6)		11,3(9,6)	
RKA					8,28(5,72)	
Skandia Liv	13,0(9,1)			10,0(7,5)	10,0(7,5)	
SparLiv		13,0(7,5)*			11,4(9,7)	
Trygg-H. Liv		13,5(9,5)			8,7(7,5)	
Wasa Liv			10,0(7,5)		8,75(7,5)	

* The rates were applied from September 3rd.

	<u>1991</u>	<u>1991</u>	<u>1991</u>	<u>1991</u>
	changed	changed	changed	changed
	1st Mar.	1st Apr.	1st Mai	1st Dec.
A. Ä.-Pupillk.				
Ansvar Liv				
Folksam Liv				
Livia				
Länsförs.Liv		9,50(8,1)		8,70(7,5)
RKA				
Skandia Liv	8,7			
SparLiv			9,5(8,1)	
Trygg-H. Liv				
Wasa Liv				

4 Investments from 1986 to 1991²

4.1 Total investments (amounts in thousands of SEK)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.	70.937	71.611	81.393	88.349	102.804	114.891
Ansvar Liv	123.348	167.623	259.232	371.502	612.566	701.727
Folksam Liv	6 575.111	7.346.479	9.636.530	11.254.788	12.761.697	14.702.636
Förenade Liv	1.602.150	1.773.393	1.919.660	2.055.990	2.120.893	2.510.931
Hansa Liv					126.110	1.016.313
LIVIA				306.292	538.305	1.261.373
Länsförs. Liv	446.513	647.902	1.398.893	2.327.467	3.205.464	4.230.200
Nya Liv						505.358
RKA	1.663.249	2.231.352	2.842.687	4.342.534	4.414.804	5.084.707
Skandia Liv	40.271.820	43.467.115	52.754.596	63.566.670	69.791.799	80.131.357
SparLiv						485.474
Sverige	623.538	684.660	841.032	70.786	43.798	21.691
Trygg-Hansa Liv	26.418.647	28.986.333	32.570.041	39.751.186	42.929.916	50.755.972
Valand	9.567.385					
Vegete Liv	4.376.549					
Wasa Liv		15.273.717	18.640.533	23.463.471	24.596.161	26.860.370

4.2 Money market loans (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.						
Ansvar Liv		5,37 %	3,86 %	10,61 %	16,60 %	5,70 %
Folksam Liv		0,40 %	6,85 %	4,84 %	15,10 %	9,34 %
Förenade Liv			2,03 %	5,06 %	8,98 %	
Hansa Liv					100 %	32,72 %
LIVIA				56,51 %	49,53 %	32,94 %
Länsförs. Liv			2,13 %	11,49 %	36,15 %	23,19 %
Nya Liv						19,68 %
RKA	2,31 %	0,88 %		11,82 %	5,14 %	7,35 %
Skandia Liv	1,46 %	2,05 %	3,45 %	6,20 %	15,14 %	15,32 %
SparLiv						4,10 %
Sverige		2,92 %	15,51 %	21,19 %		
Trygg-Hansa Liv	0,35 %	8,97 %	1,62 %	8,31 %	6,28 %	8,63 %
Valand	4,21 %					
Vegete Liv	2,00 %					
Wasa Liv		9,55 %	11,04 %	17,93 %	4,29 %	8,07 %

² The investment assets are valued according to the principle of lower of cost or market (LOCM) - i.e. they are reported at the lower of the acquisition and market values at year-end.

4.3 Bonds and debentures (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.	77,51 %	79,62 %	76,80 %	79,50 %	73,06 %	71,03 %
Ansvar Liv	58,40 %	64,48 %	69,24 %	66,88 %	56,68 %	66,16 %
Folksam Liv	48,51 %	55,93 %	55,28 %	54,13 %	47,70 %	55,19 %
Förenade Liv	74,08 %	77,81 %	79,75 %	78,13 %	77,59 %	84,39 %
Hansa Liv						34,05 %
LIVIA				29,07 %	39,97 %	54,89 %
Länsförs. Liv	62,33 %	63,56 %	67,36 %	58,39 %	40,41 %	60,19 %
Nya Liv						69,04 %
RKA	61,57 %	57,67 %	62,68 %	56,68 %	66,96 %	72,59 %
Skandia Liv	54,83 %	51,15 %	50,02 %	49,15 %	42,81 %	44,72 %
SparLiv						89,01 %
Sverige	72,81 %	69,02 %	57,32 %	41,40 %	55,12 %	54,45 %
Trygg-Hansa Liv	66,01 %	55,59 %	61,52 %	53,53 %	49,93 %	47,85 %
Valand	63,08 %					
Vegete Liv	56,00 %					
Wasa Liv		54,28 %	54,10 %	43,77 %	56,36 %	54,82 %

4.4 Shares and participations (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.	4,32 %	4,28 %	7,00 %	6,32 %	2,02 %	22,19 %
Ansvar Liv	26,71 %	17,12 %	19,63 %	17,50 %	10,63 %	7,40 %
Folksam Liv	12,62 %	13,50 %	17,41 %	23,52 %	20,00 %	20,09 %
Förenade Liv	1,50 %	3,26 %	5,27 %	10,80 %	9,63 %	14,67 %
Hansa Liv						32,21 %
LIVIA				14,42 %	10,50 %	11,69 %
Länsförs. Liv	37,04 %	36,00 %	28,68 %	27,34 %	20,97 %	14,94 %
Nya Liv						11,15 %
RKA	10,20 %	10,61 %	12,91 %	14,00 %	16,51 %	11,71 %
Skandia Liv	15,29 %	16,46 %	16,94 %	18,84 %	16,96 %	17,02 %
SparLiv						6,90 %
Sverige	14,29 %	17,32 %	18,50 %	30,27 %	35,45 %	32,61 %
Trygg-Hansa Liv	12,33 %	16,81 %	17,63 %	21,62 %	25,64 %	24,41 %
Valand	10,48 %					
Vegete Liv	10,08 %					
Wasa Liv		13,09 %	15,37 %	20,12 %	21,73 %	21,50 %

4.5 Convertible loans (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.	0,19 %	0,19 %	0,17 %	0,16 %	16,43 %	0,43 %
Ansvar Liv		2,60 %	1,63 %	1,21 %	1,17 %	10,24 %
Folksam Liv	2,75 %	6,13 %	2,67 %	2,70 %	1,55 %	0,66 %
Förenade Liv						
Hansa Liv						1,02 %
LIVIA						0,40 %
Länsförs. Liv			0,19 %	2,50 %	1,22 %	0,82 %
Nya Liv						0,12 %
RKA	0,67 %	0,51 %	0,32 %	0,23 %	0,28 %	0,51 %
Skandia Liv	1,16 %	1,06 %	0,93 %	0,69 %	0,55 %	0,87 %
SparLiv						
Sverige	0,75 %	0,51 %	0,42 %			
Trygg-Hansa Liv	0,71 %	0,62 %	1,33 %	1,04 %	0,70 %	1,21 %
Valand	0,76 %					
Vegete Liv	1,63 %					
Wasa Liv		0,63 %	0,59 %	0,58 %	0,62 %	0,92 %

4.6 Municipal loans, mortgage loans and other securities (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.	17,48 %	15,42 %	15,60 %	13,63 %	6,21 %	6,04 %
Ansvar Liv	14,88 %	10,43 %	5,65 %	3,80 %	2,33 %	1,90 %
Folksam Liv	28,72 %	14,46 %	9,69 %	6,20 %	5,05 %	5,96 %
Förenade Liv	24,42 %	18,93 %	12,95 %	6,00 %	3,80 %	0,94 %
Hansa Liv						
Livia						
Länsförs. Liv	0,64 %	0,44 %	1,63 %	0,28 %	1,24 %	0,86 %
Nya Liv						
RKA	16,78 %	17,15 %	12,54 %	3,72 %	3,00 %	1,30 %
Skandia Liv	16,43 %	13,91 %	11,90 %	9,77 %	10,21 %	10,18 %
SparLiv						
Sverige	4,92 %	3,65 %	2,53 %	7,14 %	9,44 %	12,94 %
Trygg-Hansa Liv	9,81 %	7,50 %	7,89 %	5,58 %	8,08 %	9,86 %
Valand	8,00 %					
Vegete Liv	19,05 %					
Wasa Liv		8,47 %	6,11 %	5,76 %	5,96 %	5,56 %

4.7 Real estate (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.	0,49 %	0,49 %	0,43 %	0,40 %	1,95 %	0,30 %
Ansvar Liv					12,66 %	8,59 %
Folksam Liv	7,05 %	9,33 %	8,03 %	8,54 %	10,54 %	8,69 %
Förenade Liv						
Hansa Liv						
Livia						0,08 %
Länsförs. Liv						
Nya Liv						
RKA	8,45 %	13,15 %	11,54 %	13,55 %	8,10 %	6,51 %
Skandia Liv	9,29 %	13,93 %	15,56 %	14,35 %	13,50 %	11,29 %
SparLiv						
Sverige	7,16 %	6,52 %	5,66 %			
Trygg-Hansa Liv	9,08 %	8,97 %	8,62 %	8,82 %	8,43 %	7,37 %
Valand	12,31 %					
Vegete Liv	11,09 %					
Wasa Liv		13,17 %	12,15 %	11,32 %	10,56 %	8,74 %

4.8 Life policy loans (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.						
Ansvar Liv					0,03 %	0,02 %
Folksam Liv	0,09 %	0,09 %	0,07 %	0,07 %	0,07 %	0,07 %
Förenade Liv						
Hansa Liv						
LIVIA						
Länsförs. Liv						
Nya Liv						
RKA	0,02 %	0,02 %	0,02 %	0,01 %	0,01 %	0,04 %
Skandia Liv	1,54 %	1,44 %	1,20 %	0,99 %	0,83 %	0,59 %
SparLiv						
Sverige	0,07 %	0,06 %	0,06 %			
Trygg-Hansa Liv	1,62 %	1,53 %	1,39 %	1,10 %	0,93 %	0,66 %
Valand	1,06 %					
Vegete Liv	0,37 %					
Wasa Liv		0,76 %	0,65 %	0,51 %	0,48 %	0,37 %

4.9 Blocked accounts with the Central Bank of Sweden (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.						
Ansvar Liv						
Folksam Liv	0,27 %	0,16 %				
Förenade Liv						
Hansa Liv						
LIVIA						
Länsförs. Liv						
Nya Liv						
RKA						
Skandia Liv						
SparLiv						
Sverige						
Trygg-Hansa Liv	0,08 %	0,02 %				
Valand	0,10 %					
Vegete Liv						
Wasa Liv		0,05 %				

4.10 Comparison between real (real estate and bonds) and nominal (all assets except real estate and bonds) investments (in percent of the respective firm's total investments)

	1986	1987	1988	1989	1990	1991
A. Änke- och Pupillk.	4,8(95,2)	4,8(95,2)	7,4(92,6)	6,7(93,3)	4,0(96,0)	22,5(77,5)
Ansvar Liv	26,7(73,3)	12,2(87,8)	19,6(80,4)	17,5(82,5)	23,3(76,7)	16,0(84,0)
Folksam Liv	19,7(80,3)	22,8(77,2)	25,4(74,6)	32,1(67,9)	30,5(69,5)	28,8(71,2)
Förenade Liv	1,5(98,5)	3,3(96,7)	5,3(94,7)	10,8(89,2)	9,6(90,4)	14,7(85,3)
Hansa Liv						32,2(67,8)
LIVIA				14,4(85,6)	10,5(89,5)	11,8(88,2)
Länsförs. Liv	37,0(63,0)	36,0(64,0)	26,7(73,3)	27,3(72,7)	21,0(79,0)	14,9(85,1)
Nya Liv						11,1(88,9)
RKA	18,6(81,4)	13,7(86,3)	24,4(75,6)	27,5(72,5)	24,6(75,4)	18,2(81,8)
Skandia Liv	24,6(75,4)	30,4(69,6)	32,5(67,5)	33,2(66,8)	17,8(82,2)	28,3(71,7)
SparLiv						6,9(93,1)
Sverige	21,4(78,6)	23,8(76,2)	24,2(75,8)	30,3(69,7)	34,5(64,5)	32,6(67,4)
Trygg-Hansa Liv	21,4(78,6)	25,8(74,2)	26,3(73,7)	30,4(69,6)	34,1(65,9)	31,8(68,2)
Valand	22,8(77,2)					
Vegete Liv	21,2(78,8)					
Wasa Liv		26,3(73,7)	27,5(72,5)	31,4(68,6)	32,3(67,7)	30,2(69,8)

APPENDIX C

1 Introduction

Two questionnaires were used during the interviews. One was for managers at the sector-related organizations and government offices (including supervisory authorities), whereas the other guided interviews with managers at the life insurance companies.

In conjunction with the methodology, the questions address a temporal and a spatial dimension. A content dimension (i.e. the “what” of interactions) is included, in that the questions observe distinctions among actions. The interview logic was to first ask an “open” question and later, if not described by the respondent, to specifically ask about certain contents. We did this so as to retrieve a more comparable basis among the interviews. The order of the questions did not follow as strict a sequentiality as depicted below, and every interview was unique in this respect.

The questionnaires do not contain the “why” and “how” questions as these were placed continuously throughout the interviews. At the end of this section we will present the so-called “operationalizations” used to acquire secondary data on a comparable ground.

2 Questionnaire - sector-related organizations and government offices

A. How would you like to characterize the insurance industry and its environments during the period 1986-1991, and what, according to your opinion, are the more critical events in relation to the years before?

Following the answer to the above question, ask about:

- Market activities: distribution, marketing, customers, prices, products/services, actors.
- Investment activities.
- Cooperative activities among life insurance companies.
- Cooperative activities between life insurance companies and other actors.
- Legislative framework.
- Supervisory activities.

B. How would you explain the divergencies and convergencies in the actions of the life insurance companies during the recently discussed six year period?

Following the answer to the above question, ask about divergencies and convergencies on the succeeding grounds:

- Mutual companies versus limited companies.
- Large versus small companies.
- Diversified versus non-diversified companies.
- Ideational and or political aspects.

Following the answer to the above question, ask about the timing of the actions of the life insurance companies as concerns:

- In relation to the described events.
- In relation to one another.
- In relation to legislative enforcements.

C. How would you like to describe the role of the public institutions (regulator and different supervisory services) from 1986 to 1991 as regards:

- Changes, in relation to previous actions and explanations.
- Life insurance companies' influence on these actions.
- Life insurance companies' cooperative organizations and committees' influence on actions of public institutions.

D. How would you describe the role of cooperative organizations and committees among life insurance companies from 1986 to 1991 as regards:

- Changes in relation to former actions and explanations to these deviations.
- Life insurance companies' influence on these actions.

3 Questionnaire - the life insurance companies

A. What are, according to you, the events in the life insurance industry and its environments that influenced the actions of your company from 1986 to 1991?

Following the answer to the above question, ask about the influences on actions regarding:

- Market activities: distribution, marketing, customers, prices, products/services.

- Competitors (new/old) and suppliers (new/old).
- Investment activities.
- Cooperative alliances.
- Relationship to regulator and different supervisors.

Following the answer to the above question, ask about the influences regarding:

- New actors.
- Among life insurance companies cooperative organizations and committees.
- Legislative framework.
- International sources.
- Expectations about the future versus experiences.

B. How would you explain the divergencies and convergencies in the actions of the life insurance companies during the recently discussed six year period?

Following the answer to the above question, ask about divergencies and convergencies on these grounds:

- Mutual companies versus limited companies.
- Large versus small companies.
- Diversified versus non-diversified companies.
- Ideational and or political aspects.

Following the answer to the above question, ask about the timing of the actions of the life insurance companies as concerns:

- In relation to the described events.
- In relation to one another.
- In relation to legislative enforcements.

C. 1) What actions has your company taken from 1986 to 1991 that concern the following areas (see below)? 2) How would you describe the activities behind these actions?

- Sales and marketing activities: *Following the answer, ask about:*
 - Customer groups (targeting a market).
 - Marketing (promotion and advertisement).
 - Distribution.
 - Pricing.
 - Products/services (see below).
- Product and production activities: *Following the answer, ask about:*
 - Products and the degree of which they were changed.
 - Technical bases.
 - Administrative systems.

- Investment activities: *Following the answer, ask about:*
 - Portfolio structures.
- Other activities than those previously mentioned that were used to operate the life insurance business.
- Activities in relation to external network: *Following the answer, ask about:*
 - Cooperative alliances with other life insurance companies.
 - Regulators and the different supervisors.
 - Other actors.

D. In your opinion what influences have had an effect on the actions described in the previous question, and how have you tried to affect these influences?

Following the answer to the above question, ask about:

- Intraorganizational influences:
 - Authority structures and decision making routines (including owners).
 - Resource bases (tangibles, finances and know-how).
 - Political processes.
 - Technical systems.
 - Culture(s).
- Interorganizational influences:
 - Competitors (existing and expected).
 - The competitive climate (collaboration versus rivalry).
 - Customers (existing and expected).
 - Suppliers (existing and expected).
 - Regulator and different supervisors.
 - Sector related organizations and committees.
 - Resource bases.
 - Culture(s).

E. What has your role been in relation to the influences behind the described actions of your company.

Following the answer to the above question, ask about:

- The degree of influence and the explanations.
- The possibilities for planning.
- The possibilities for realizing intended actions.

F. To whose interests were the described actions of your company ascribed (i.e. to whom were the actions of your company legitimized?)

Following the answer to the above question, ask about:

- Intraorganizational actors: *Following the answer to the above question, ask about:*
 - Owners.
 - Employees (define who).
- Interorganizational actors: *Following the answer to the above question, ask about:*
 - Customers (existing and expected).
 - Suppliers (existing and expected).
 - Regulator and the different supervisors.
 - Sector-related organizations and committees.
- Ideology: *Following the answer to the above question, ask about:*
 - Personal or not widely shared.
 - Organizational.
 - Interorganizational.

G. What is your (business/educational) background and do you believe that this background had any effects on how you have acted in relation to what you have described.

4 Operationalizations

(Distributed to all life insurance firms included in the study. Those measures that have not been possible to collect are marked with an asterisk.)

Market measures for, respectively; a) individual life insurance with technical bases (1986-1991), b) group life insurance with or without technical bases (1986-1991):

New market channels	type/year of introduction.
Dividends	percent/date of change.
Sales and marketing costs:*	
- total amount	annually,
- percent of total costs	annually.
Employed sales force:	
- percentage of sales (premiums)	annually,
- number of persons	annually,
- number at office and on the field	annually.

Product development for, respectively: a) individual life insurance with technical bases (1986-1991), b) group life insurance companies with or without technical bases (1986-1991):

New products	type/year of introduction.
New technical bases	type/year of introduction.
Product development costs:*	
(including the building of administrative systems)	
- total amount	annually,
- percent of total costs	annually.

Investments of the company (1986-1991):

Money market loans	annually.
Bonds	annually.
Debentures	annually.
Shares and participations	annually.
Convertible loans	annually.
Municipal loans	annually.
Mortgage loans	annually.
Real estate	annually.
Life policy loans	annually.
Blocked accounts with the Central Bank of Sweden	annually.
Other securities	what/annually.

Relation to external actors (1986-1991):

Establishment of cooperative alliances	name/what/when.
Establishment of cooperative alliances with other Swedish life insurance companies	name/what/when.
Cancellation of cooperative alliances	name/what/when.
Cancellation of cooperative alliances with other Swedish life insurance companies	name/what/when.
Mergers and acquisitions	name/what/when.
Sales of own business	what/when.

Organization (1986-1991):

Changes in working procedures	what/when.
Changes in authority relations	what/when.

Other (1986-1991):

Information about customer groups (demography etc.).

AUTHOR INDEX

Aguilar, F.J., 1967	17, 59, 118
Aldrich, H.E., 1979	3, 71, 81, 129-130
Aldrich, H.E., and Whetten, D., 1981	17
Allison, G.T., 1971	115
Alvesson, M., 1989	64
Anderson, J.R., 1985	52-4, 59, 70
Anderson, P., 1983	24
Ansoff, H.I., 1965	13, 89
Argyris, C., and Schön, D., 1978	7
Arthur, B., 1990	94
Aspling, A., 1986	51, 63
Astley, W.G., and Van de Ven, A.H., 1983	3
Axelrod, R., 1984	129
Bain, J.S., 1966	3, 17
Barnard, C.I., 1938, reprinted 1968	53
Barnard, H., 1990	68
Bauman, Z., 1978	24
Bell, D., 1973	62
Benson, J.K., 1977	6, 18, 51
Berg, P.O., 1979	7
Berger, P., and Luckmann, T., 1966	7, 10, 18, 49, 57-8, 67, 69, 70, 76, 80
Bernstein, R.J., 1983	24, 46
Björkegren, D., 1986	34, 36, 40, 46
Björkegren, D., 1989	53
Blake, J., and Davis, K., 1964	64
Blake, R.R., and Mouton, J.S., 1964	89
Blau, P.M., 1964	48, 128
Blau, P.M., and Scott, R.W., 1962	48, 50
Blau, P.M., 1975	73
Blaug, P.M., 1980	23-4
Blumer, H., 1969	57
Bourdieu, P., 1976	68
Bourdieu, P., 1977	18, 63
Bourdieu, P., 1979	83
Bourdieu, P., 1990	68
Bourgeois, L.J., 1980	3
Bourgeois, L.J., 1984	3, 4
Bourne, L.E., Dominowski, R.L., Loftus, E.F., and Healy, A.F., 1986	54-6, 59, 70
Bower, J.L., and Doz, Y.L., 1979	112
Bowman, E.H., 1990	5
Braverman, H., 1974	61
Braybrooke, D., and Lindblom, C.E., 1963	90
Brown, R.H., 1978	7, 98

Burell, G., and Morgan, G., 1979	17
Burgelman, R.A., 1983	3
Burns, J.M., 1978	110, 121
Burns, T., and Stalker, G.M., 1961	10, 61, 94, 122
Burt, R.S., 1980	57
Burt, R.S., 1983	17, 74, 76
Campbell, D., 1969	81
Caves, R., 1987	1, 3, 13, 17, 89
Chaffee, E.E., 1985	3, 12-3, 89-90, 94, 95
Chandler, A., 1962	9, 162, 128
Child, J., and Smith, C., 1987	4-5, 18
Churchman, W., 1968	8, 17, 63
Clegg, S., 1979	49, 51
Clegg, S., 1981	80
Clegg, S., 1990	51
Coase, R., 1937	48
Cohen, M.D., and March, J.G., 1974	111
Cohen, M.D., March, J.G., and Olsen, J.P., 1972	120
Coleman, J.S., 1990	50, 63, 70
Collins, R., 1988	6, 17, 48, 57
Commons, J.R., 1934, reprinted 1990	48
Corwin, R.G., 1987	3
Crozier, M., and Friedberg, E., 1980	7
Cyert, R.M., and March, J.G., 1963	6, 53, 55, 115, 117, 121
Daft, R.L., and Buenger, V., 1990	4
Daft, R.L., and Weick, K.E., 1984	117-18
Dahmén, E., 1988	81
David, P.A., 1992	94
Deal, T.E., and Kennedy, A., 1982	96
Dill, W.R., 1962	17
DiMaggio, P.J., 1991	18, 127-28
DiMaggio, P.J., and Powell, W.W., 1983	67, 71, 125, 127-28
DiMaggio, P.J., and Powell, W.W., 1991a	55
DiMaggio, P.J., and Powell, W.W., 1991b	126-28
Donaldson, G., and Lorsch, J.W., 1983	55
Dosi, G., 1982	94
Douglas, M., 1986	128
Doz, Y., and Prahalad, C., 1987	105
Drazin, R., and Sandelands, L., 1989	8
Durkheim, E., 1933, reprinted 1964	61, 63, 69
Dutton, J.E., 1986	7
Dutton, J.E., and Jackson, S.E., 1987	7
Eisenhardt, K.M., 1989	34, 36, 39
Emery, F.E., ed., 1969	17, 63
Emery, F.E., and Trist, E.L., 1965	17
Ericson, M., 1991	10, 12, 15
Eriksson, P., 1991	7, 105
Etzioni, A., and Remp, R., 1973	61
Etzioni, A., 1988	72, 74

Falkenberg, J., and Gronhaug, K., 1989	7
Fligstein, N., 1985	10, 63, 128, 130
Fombrun, C.J., 1986	10, 48, 60, 63
Freidson, E., 1986	67, 127
Friedland, R., and Alford, R.R., 1991	67-8
Fudenberg, D., and Tirole, J., 1990	126
Gadamer, H.-G., 1975	26
Galaskiewicz, J., 1985	127-28
Galaskiewicz, J., 1991	127
Galaskiewicz, J., and Wasserman S., 1989	128
Galbraith, J.R., 1973	3, 61, 124
Gibbs, J.P., 1981	64
Giddens, A., 1976	18, 51-2, 79
Giddens, A., 1979	18, 48-51, 67, 69, 72, 78, 101
Giddens, A., 1984	7, 18, 29, 49-51, 63, 68, 77-9, 82, 95, 103, 107
Glueck, W.F., 1980	89
Goffman, E., 1969	49
Goffman, E., 1974	18, 49
Gouldner, A., 1976	7, 62
Granovetter, M., 1973	65
Granovetter, M., 1985	1, 3-4, 48, 53
Grant, R., 1987	8, 105
Greenwood, R., and Hinings, C.R., 1988	100-101
Grinyer, P., and Spender, J.-C., 1979	19
Gunz, H., and Whitley, R., 1985	8
Gustafsson, C., 1988	68
Hackman, R.H., 1984	104
Hall, D.J., and Saias, M.A., 1980	10
Hambrick, D.C., 1980	2, 6
Hambrick, D.C., 1982	9, 19
Hannan, M.T., and Freeman, J., 1977	71, 129
Hannan, M.T., and Freeman, J., 1984	1, 71
Hannan, M.T., and Freeman, J., 1989	3, 71
Harker, R., 1990	83
Hawley, A., 1950	49
Hayes, R., and Wheelwright, S., 1984	50, 94
Heiner, R., 1983	69
Helenius, R., 1990	24-5, 29, 46
Hellgren, B., and Melin, L., 1992	4, 6, 64, 106
Hellgren, B., Melin, L., and Petterson, A., 1992	18
Hickson, D.J., Pugh, D.S., and Pheysey, D.C., 1969	62
Hinings., C.R., and Greenwood, R., 1988	1, 4, 96, 99, 100-101
Hirsch, P., 1985	19
Hochschild, A.R., 1979	64
Hodgson, G., 1988	125
Hodgson, G., 1992	66
Hofer, C.W., and Schendel, D., 1978	12, 95, 106, 111, 124, 130
Hofer, C.W., and Schendel, D., eds., 1979	13, 111-12

Hofstede, G., 1980	64
Hosking, D.M., 1988	109
Howard, R.J., 1982	24-6
Hoy, D.C., 1978	25
Hrebiniak, L.G., and Joyce, W.F., 1984	112
Hrebiniak, L.G., and Joyce, W.F., 1985	3
Huff, A. S., 1982	3, 9, 19, 122-123
Håkansson, H., 1987	48, 62, 128
Hägerstrand, T., 1975	49
Hägerstrand, T., 1976	49
Janis, I., 1972	55
Jelinek, M., Smircich, L., and Hirsch, D., 1983	7
Jepperson, R.L., 1991	70
Johanson, J., and Mattsson, L.-G., 1988	13, 128
Johnson, G., 1987	3-4, 13, 15, 18-9, 89-90, 96, 98-9, 103, 118-19
Johnson, G., 1988	103-104
Johnson, G., and Scholes, K., 1988	117
Joiner, C.W., 1987	112
Kahneman, D., and Tversky, A., 1979	116
Kanter, R., 1977	127
Karpik, L., ed., 1978	7
Katz, D., and Kahn, R.L., 1966	8, 17, 63
Keohane, R.O., 1988	67
Kimberly, J.R., and Quinn, R.E., 1984	112
Kirk, J., and Miller, M.L., 1986	24, 41-2, 45
Klein, J.T., 1990	29-30
Kotter, J.P., 1982	127
Krepps, D.M., 1990	124
Kuhn, T.S., 1970	30, 81-82, 105
Lakatos, I., 1970	30, 82, 105
Larson, M.S., 1977	126-127
Laukkanen, M., 1989	59
Lawrence, P.R., and Lorsch, J.W., 1967	3, 10, 17, 61, 122
Leblebici, H., Salancik, G.R., Copay, A., and King, T., 1991	130
Lincoln, J.R., 1982	13, 17, 19, 128
Lindblom, C.E., 1959	55, 90
Lindblom, C.E., 1968	91, 93
Lindholm, S., 1979	24, 36, 46
Lundgren, A., 1991	62
Luttwak, E.N., 1987	12
Macneil, I.R., 1981	49
Mahar, C., Harker, R., and Wilkes, C., 1990	68, 83
March, J.G., 1988	119-120, 128
March, J.G., and Olsen, J.P., 1976	119-20, 128
March, J.G., and Olsen, J.P., 1984	120
March, J.G., and Olsen, J.P., 1989	66, 120
March, J.G., and Shapira, Z., 1982	115
March, J.G., and Simon, H., 1958	54, 117
Mattsson, L.-G., 1987	13

McGee, J., and Thomas, H., 1986	8
McKelvey, B., 1982	92
McKelvey, B., and Aldrich, H., 1983	71
Mead, G.H., 1934, reprinted 1972	57
Melin, L., 1985	6, 9, 19
Melin, L., 1989	4, 6, 18
Merton, R.K., 1957	48
Merton, R.K., 1975	50, 57
Meyer, J., and Rowan, B., 1977	5, 67, 70, 121, 126
Meyer, J., and Scott, R., 1988	19, 65
Meyerson, D., and Martin, J., 1987	95-6
Miles, M.B., and Huberman, A.M., 1984	34, 41-4
Miles, R., and Cameron, K., 1982	15, 18, 93, 105
Miles, R., and Snow, C., 1978	15, 18, 91-3
Milgrom, P., and Roberts, J., 1992	49
Miller, D., 1983	24
Miller, D., Kets de Vries, M., and Toulouse, J.-M., 1982	3
Miller, D., and Frisen, P., 1984	15, 91-4, 99
Mintzberg, H., 1973a	53, 91, 93, 109-111
Mintzberg, H., 1973b	3, 12, 89, 91
Mintzberg, H., 1978	14-5, 89-93
Mintzberg, H., 1979	60, 95, 99, 112, 124
Mintzberg, H., 1983	121, 126
Mintzberg, H., 1988	3, 12-4, 95, 109
Mintzberg, H., 1990	3, 12, 14
Mintzberg, H., Raisinghani, D., and Théoret, A., 1976	117-19
Mintzberg, H., and Waters, J., 1982	14
Mintzberg, H., and Waters, J., 1985	14, 88, 92, 99, 111
Mitchell, J.C., 1973	48, 64
Moe, T., 1987	67
Morgan, G., 1988	112
Murray, V., 1985	127
Månson, P., 1990	17
Neisser, U., 1967	56
Neisser, U., 1976	52-3
Nelson, R.R., and Winter, S.G., 1982	55, 61, 67, 94
Normann, R., 1975	7
North, D.C., 1981	125
Oliver, C., 1991	5
Ormiston, G.L., and Schrift, A.D., eds., 1990	24-7, 31, 46
Orrù, M., Briggart, N., and Hamilton, G., 1991	63
Orton, D.J., and Weick, K.E., 1990	7, 65-6, 69
Ottenmeyer, E.J., and Dutton, J., 1988	117
Palmer, D., 1983	128
Parsons, T., 1940	8, 10, 66
Parsons, T., 1960	8, 10, 63, 69
Parsons, T., and Shils, E., 1951	68
Pennings, J.M., 1977	3

- Perris, C., 1986 52-3, 57, 65
 Perrow, C., 1967 60
 Perrow, C., 1970 63
 Perrow, C., 1986 63, 121
 Peters, T., and Waterman, R., 1982 97
 Pettigrew, A.M., 1973 63, 115, 121
 Pettigrew, A.M., 1985 7, 13-6, 63, 96, 102
 Pettigrew, A.M., 1987a 5-6
 Pettigrew, A.M., 1987b 6, 15
 Pettigrew, A.M., 1990 37
 Pettigrew, A.M., and Whipp, R., 1991 4, 15, 18-9, 106, 113
 Pfeffer, J., 1981 121, 127
 Pfeffer, J., 1982 48, 98
 Pfeffer, J., and Salancik, G., 1978 10, 61, 65, 110, 125-26, 131
 Polanyi, M., 1967 67
 Polanyi, M., 1969 67
 Porac, J.F., Thomas, H., and Baden-Fuller, C., 1989 6, 59, 105
 Porter, M., 1980 1, 3, 9-10, 13, 89, 125-26, 129
 Porter, M., 1981 19, 89-90
 Porter, M., 1985 62, 124
 Porter, M., 1990 1
 Porter, M., 1988 125
 Powell, W., 1987 1
 Quinn, J.B., 1980 91, 93
 Rhenman, E., 1968 7
 Ricoeur, P., 1978 27
 Ricoeur, P., 1981 26-8, 31, 46
 Roethlisberger, F.J., 1977 39
 Rogers, K.S., 1986 105
 Romanelli, E., and Tushman, M.L., 1988 3, 97
 Ropo, A., 1989 112
 Rosenberg, N., 1976 61, 125
 Rosenberg, N., 1982 125
 Rumelt, R.P., 1979 123
 Sashkin, M., and Fulmer, R.M., 1988 112
 Schein, E.H., 1986 97
 Scherer, F.M., 1980 1, 3, 9-10, 13, 17
 Schotter, A., 1981 66
 Schumpeter, J., 1942 61
 Schutz, A., 1962 49, 65, 76
 Schutz, A., 1964 58
 Schutz, A., 1967 58
 Schutz, A., 1970 58-9
 Schwenk, C.R., 1988 115-16, 122
 Schwenk, C.R., 1989 3
 Scott, R., 1983 19
 Scott, R., 1987a 67
 Scott, R., 1987b 66
 Scott, R., and Meyer, J., 1991 19, 61, 67

Selznick, P., 1957	5, 10, 50, 61, 121-22, 126
Shaugnessy, J., and Zechmeister, E., 1985	39
Shepherd, W.G., 1985	3, 17
Shrivasta, P., and Mitroff, I., 1983	97
Silverman, D., 1970	8, 53
Simmel, G., 1950	47
Simon, H.A., 1957	54, 121
Simon, H.A., 1989	54
Simon, H.A., 1990	54-5
Simonds, A.P., 1978	58
Sims, Jr. H.P., and Gioia, D.A., 1986	55-6, 116
Sjöstrand, S.-E., 1973	57, 76
Sjöstrand, S.-E., 1985	7, 48-9, 51, 65, 67, 69, 72-6, 80, 125, 128
Sjöstrand, S.-E., 1991	51, 69, 72-5, 80, 125
Sjöstrand, S.-E., 1992	67, 70, 72, 79, 80
Sjöstrand, S.-E., 1993	69
Smelser, N., 1978	73
Smircich, L., 1983	7
Smircich, L., and Stubbart C., 1985	3, 10, 17, 97
Smith, C., Child, J., and Rawlinson, M., 1988	103
Smith, C., Child, J., and Rawlinson, M., 1990	103
Solow, R.M., 1970	61
Spender, J.-C., 1989	6, 9, 19, 59, 64, 105, 127
Starbuck, W.H., 1976	59
Starbuck, W.H., 1983	55
Starbuck, W.H., Greve, A., and Hedberg, B., 1978	104
Starbuck, W.H., and Milliken, F.J., 1988	7, 10
Stewart, D.W., 1984	38, 40
Stewart, R., 1976	110
Stewart, R., 1982	121-122
Stubbart, C., and Ramaprasad, A., 1988	7
Stymne, B., 1970	8
Söderlund, M., 1993	59
Teece, D.J., Pisano, G., and Shuen, A., 1990	94
Thompson J.D., 1967	10, 61, 121, 124
Tirole, J., 1988	126
Tushman, M., and Romanelli, E., 1985	93
Tversky, A., and Kahneman, D., 1974	55, 115-16
Tönnis, F., 1957	73
Törnebohm, H., 1981	30
Useem, M., 1982	128
Wallace, W., 1983	10, 48-50, 60, 64, 68
Warren, R.L., 1967	19, 48
Weber, M., 1947, reprinted 1964	10, 63, 69, 73, 112
Weick, K., 1976	66, 76
Weick, K., 1977a	8
Weick, K., 1977b	8
Weick, K., 1979	8, 49, 56, 65

Weick, K., 1982	8, 66
Weick, K., 1988	56
Weick, K., 1989	41
Westney, E., 1987	128
Whipp, R., Rosenfeld, R., and Pettigrew, A., 1987	6, 15, 18, 88
Whipp, R., Rosenfeld, R., and Pettigrew, A., 1989	6, 15
White, S., and Mitchell, T., 1979	48
Whitley, R., 1984	41
Whitley, R., 1990	6
Whitley, R., 1992	106
Whittington, R., 1988	3
Williamson, O.E., 1975	48, 61, 69, 124, 126
Williamson, O.E., 1985	69
Winter, S.G., 1987	50, 130
Wittgenstein, L., 1969	44
Woodward, J., 1965	61
Wuthnow, R., 1987	66
Yin, R.K., 1989	36, 39-40, 42, 45
Yukl, C.A., 1989	110-11
Zaleznik, A., and Kets de Vries, M., 1984	35
Zan, L., 1990	3
Zander, U., 1991	130
Zucker, L.G., 1983	70
Zucker, L.G., 1988	67
Åredal, Å., 1989	104

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