OPERATING ON INSTITUTIONAL BORDERLAND

A case study of state owned companies' organizational responses to institutional demands

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Abstract

Demands for a clear-cut identity and solid results are large in today's audit society, and create dilemmas for organizations with multifaceted structures that have diverse and difficult missions to reconcile. State owned companies are in particular subject to these conditions due to their hybridity as they operate at the intersection between the market and the public sector. Based on qualitative research, through a multiple case study research design, this study aims to provide answers on how the complexity of multiple institutional demands is handled by state owned companies, and if there are any characteristics special to their behavior. This is done by studying the organizational responses state owned companies employ towards institutional demands exerted upon them. Given the results presented the study concludes that state owned companies employ a wide range of different responses to institutional demands imposed on them and that the response behavior in these companies is affected by feelings of need for extra responsibility and role model behavior. The findings moreover demonstrate that the responsibility and role model factors can be linked to state owned companies' hybrid nature. As a result of these findings this study presents support for that organizational responses to institutional demand, within the context of state owned companies, should be studied in closer relation to organizational hybridity aspects by considering the factors of extra responsibility and role model behavior that these companies seem to be perceiving.

Key words: State owned companies, institutional demands, organizational responses, hybridity

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INTRODUCTION

1   Introduction

This section introduces the general background related to the research topic, provides a problematization, states the purpose of the study, presents the research question, the delimitations, the expected knowledge contribution, and includes a disposition of the thesis.

1.1   Background

Since the publishing of Berle and Means' (1932) work "The modern corporation and private property", and after the insights presented by Coase (1937) on why individuals choose to form different business entities instead of trading bilaterally on a market, the Anglo-Saxon model of the firm and its perspective on the governance of firms has been central to business. It is in the realm of these signature works that theories on how corporations ought to be governed have been developed. By establishing firms, the need for ownership and governance of such entities consequently arises – an actor having control rights and power over the entity, rights governed by the law and other norm regulating systems established within a specific area in society (Nerep & Samuelsson, 2009).

The significance of governance, and its relation to, a firms success has, on the basis of different ideological beliefs, been debated for years but it is only during recent decades that research on the field has emerged (Sjöstrand & Hammarqvist 2012; SOU 2012:14). Scholars have both found support for, and against, corporate governance affecting firm success. Studies attempting to understand corporate governance in terms of agency theory – focusing on governance roles of ownership and governance structures – provide little evidence on corporate governance affecting business performance and argue that knowledge within the field is too limited for any conclusions to be drawn (Dalton et al., 1998; Ahrens, Filatotchev & Thomsen, 2011). Such a perspective on corporate governance posits a set of linkages between governance practices and business performance, devoting little attention to the distinct contexts in which firms are embedded. If corporate governance however is extended to encompass the whole flora of cultural and institutional structures and processes that direct or indirect, through different actors, affect business performance – analogous to a stakeholder perspective – the conclusion is that governance has a significant impact (Aguilera & Jacksson, 2003; Douma, George & Kabir, 2006; Aguilera et al., 2008). This research has however predominantly been concerned with governance of private owned companies. State owned companies have rarely been the focal point of such empirical studies, this despite the fact that these firms represent a significant portion of the total company population, and that a substantial part of states' accomplishments of public commitments is organized in the legal forms of limited companies owned by the state, the municipalities and the counties (Sjöstrand & Hammarqvist 2012; SOU 2012:14; Thomasson, 2009).

It is important to distinguish between these two types of firms – the state owned and the private owned – as they are inherently different and by that have different preconditions for how they are to be governed. The objectives of the state owned company does not completely coincide with the objectives of the private owned as state owned companies stand with "one foot" in political territory, and "the other foot" in the market, making them face different institutional demands. Private owned companies act within the market and have as their purpose to create value in economical terms. The principal objective for state owned companies are on the other hand to create value both in economical terms and to guarantee that special public service missions are met. To handle these different missions create dilemmas of how to handle multiple institutional demands as aims on one

side are increasing economic yield and on the other side fulfilling social and societal ambitions (Thomasson, 2009, 2013; Christensen & Laegrid, 2003; Aharoni, 1986). Consequently, dealing with institutional demands that affect what should be accomplished is an everyday challenge for executives and boards of directors of state owned companies (Sjöstrand & Hammarqvist, 2012; SOU 2012:14; Thomasson, 2009; Stattin, 2007; Anastassopoulos, 1985).

1.2   Problematization

Although research on corporate governance is extensive, existing literature is predominantly concerned with private owned companies and dominated by agency theory logic, not considering the context in which state owned companies are operating (Ahrens, Filatotchev & Thomsen, 2011; Lubatkin et al., 2005; Thomasson, 2013). Despite this, governance literature is used as a normative reference when state owned companies are to be evaluated (Furusten & Alexius, 2104). Since the objectives of state owned companies do not completely coincide with the objectives of private owned – state owned companies standing with "one foot" in political territory, and "the other foot" in the market – this is thus alarming.

State owned companies are created with the purpose of pursuing activities deemed to have significant impact on society – to look after and safeguard public interests – and are therefore managed within the context of the public sector. At the same time a large portion of these companies are limited companies required to operate on a commercial basis. Conversely, state owned companies run public endeavors within an organizational form created for the purpose of profit making (Thomasson, 2009). The result is consequently that state owned companies are comprised of two different governance logics, professionalism and democracy. This is reflected in how the companies are structured, the laws and regulations they are subject to, and the expectations that various stakeholders have on them (ibid.). This combination of logics that constitute state owned companies is referred to as organizational hybridity (Creed, DeJordy & Lok, 2010; Kodeih, 2010; Lok, 2010; Thomasson, 2009; Glynn, 2008; Kraatz & Block, 2008; Rao, Monin, & Durand, 2003). The complexity that arise from state owned companies having to answer to different institutional logics with divergent demands is fundamentally rooted in this hybridity (Aharoni, 1986). The explicit complexity arising from this structural, as well as institutional, hybridity place particular demands on owners, boards, executives and employees within state owned companies. The existing literature acknowledges these challenges (Aidemark & Lindkvist, 2004; Thynne, 1994; Wettenhall, 2001; Luke, 2010; Laegrid & Roness, 1999; Brunsson, 1994). How these challenges manifest themselves in practice, has however only been studied to a limited extent (Furusten & Alexius, 2014) and "much remains to be explored about the way in which organizations navigate complex institutional environments" (Pache & Santos, 2010: 474)

The hybridity that state owned companies are subject to causes role conflicts which can create frustration in the chain of governance, as it can be difficult, on the verge to impossible, to live up to the various and shifting demands that arise from state owned companies being subject to several institutional logics (Aharoni, 1986). "Organizations face institutional complexity whenever they confront [such] incompatible prescriptions from multiple institutional logics" (Greenwood et al., 2011: 317). These hybrid conditions bring with them an institutional confusion concerning the identity of the organization and what actions it can undertake (Brunsson, 1994). The institutional confusion that state owned companies face leads to managers within these companies experiencing a high degree of role complexity, which subsequently risks undermining traditional political evaluation

and control (Christensen & Laegrid, 2003). To handle complexities of having to respond to several institutional demands is thus a normal task for leaders and boards in state owned companies (Meyer & Rowan, 1977; Oliver, 1991; Furusten, 2013). However, while institutional scholars acknowledge that organizations are exposed to multiple and sometimes conflicting institutional demands (Djelic & Quack, 2004; Friedland & Alford, 1991; Kraatz & Block, 2008; Meyer & Rowan, 1977), existing research has no, or limited, empirical support for how managers in state owned companies handle the institutional demands they face. Thus, it has been highlighted that hybridity linked to institutionalism, and its relation to organizational behavior, would be useful to study (Hsu, Kocak & Negro, 2010; Zuckerman, 1999).

The development of the prevailing governance trend in the public sector – New Public Management – has during recent decades further aggravated the role of managers in state owned companies. New Public Management has resulted in a 'companyization' of the public sector in which state owned companies have imitated individual features of private organizations, which has extensively fueled the institutional confusion (Brunsson, 1994). This type of corporatization has made the role of leaders more complex and ambiguous (Christensen & Laegreid, 2003). Management by objectives and economic performance requirements on state owned companies have increased, both in terms of market demands and in terms of the public 'results agenda' (Alexius, 2014). Demands for increased business sense have, on the other side, not replaced the requirements on state owned companies to perform public services as they are expected to constantly find legitimate ways to reconcile these two institutional logics – the public and the commercial. This specific governance challenge in terms of conflicting institutional demands, stemming from the different logics (Rainey & Chun, 2005; Radon & Thaler, 2005; Vernon, 1984), has caused stated owned companies to compromise on objectives and other requirements (Tarschys, 1978) through "impression management" (Christensen & Laegreid, 2003). Several scholars have highlighted strategies on how organizations ought to handle institutional complexity – sequential priority (March, 1962), decoupling and isomorphism (Meyer & Rowan, 1977), organizational hypocrisy (Brunsson, 1989), acquiesce, compromise, avoid, negotiate or balance between objectives and values (Oliver, 1991), modifying and refining the legal form or ownership of the organization (Brunsson, 1994), translation (Czarniawska & Sevon, 1996), copying and imitation (Furusten, 2013), configuring values (Alexius & Tamm Hallström, 2014), and shifting responsibility onto others (Alexius, 2014). None has however firmly anchored these strategies empirically within the context of state owned companies. In particular it has been encouraged that hybridization in general, and its relation to institutional complexity and organizational responses, should be further explored (Greenwood et al., 2011).

1.3 Purpose

Given what is presented in the problematization, there seems to be a need to further explore how the complex missions of state owned companies, related to institutional demands, is managed in practice. The aim of this study is to address this gap. The purpose is to study how state owned companies handle institutional demands they face, coming from the institutional environment. More precisely the study intends to understand the organizational responses that state owned companies use towards institutional demands exerted upon them and why. The thesis also aims to provide both theoretical and managerial relevance on the subject by contributing to this nascent field and pointing out what implications the findings have for managing companies within the state context.

1.4   Problem formulation and research question

In the realm of what was presented in the background and problematization – the governance challenges that state owned companies face as a result of having to answer to several institutional logics and demands, and the lack of systematic empirical evidence for how these logics and demands are being coped with – the following research question has been developed so to achieve the purpose of the thesis:

> *How is the complexity of multiple institutional demands handled by state owned companies – what organizational responses are employed towards the institutional demands exerted upon them? Are there any characteristics special to state owned companies' responses to conflicting institutional demands?*

1.5   Delimitations

The study is accompanied by a number of delimitations originating from constraints related to resources, as well as choices taken by the researchers with aims of sharpening the study.

Only two cases have been used as objects of study even if it would have been more suitable to use a larger number of cases in order to ensure proper quality and generalizability, and to explore the topic in greater depth. In purpose of lessening this drawback, the methodological approach of replication logic is followed in order for generalizable conclusions to be drawn. Another delimitation is that only 17 interviews were held and these were only done with board members, executives and managers. More richness could have indeed been obtained by increasing the number of interviews, however, the data collected has sufficed more then enough in highlighting the phenomena that was set out to study. Concerns regarding that only board members, executives and managers were interviewed can be seen as minimal on the basis of the assumption that the people interviewed in fact are the ones within the organization who are able to contribute with the most relevant experiences and information related to what this study seeks to answer.

Other delimitations made by the researches relate to the theoretical focus that has been chosen. It is possible to study the institutional demands that companies are subject to, and the organizational responses to these, in several ways and with different theoretical frameworks. This study is delimitated to using Furusten's (2013) model for understanding the institutional environment and Oliver's (1991) typology of strategic responses to institutional demands, and their predictors, to understand the response behavior. Furusten's (2013) model has been chosen on the basis of its firm anchoring to institutionalism and due to the model's breadth as it encompasses demands from both the immediate and the indirect institutional environment. The reason for using Oliver's (1991) typology rests on the premises of its clear linkages to institutionalism and that it is has gained wide academic acceptance as it is used as a theoretical framework in several credible studies (Greenwood et al., 2011; Pache & Santos, 2010; Goodstein, 1994). It is important to highlight that these choices are not done with the aims of trying to discard or confirm either of the models, rather they are tools that form part of a theoretical framework that is used to systematically analyze the empirical findings.

1.6   Expected knowledge contribution

Even though the thesis seemingly has many touch-points with existing research, it extends existing academic literature in various ways. Current arguments within the field primarily rest on theoretical assumptions. As such, systematic qualitative research is motivated as it brings new and much needed knowledge and richness to the field. Thus, the theoretical aim of this study is to contribute to research

on organizational hybridity and response behavior related to the state company context. From a managerial perspective the chosen subject is relevant as it will highlight the complexities that managers in state owned companies face in a real life context. The practical aim of this study is thus that the insights obtained can be used to improve and evaluate current management practice related to the field on the basis of what is found.

1.7 Thesis disposition

This thesis is based on nine parts presented in the following order; introduction, theoretical framework, methodology, empirics, analysis, discussion, conclusions, implications, and suggestions for future studies. The illustration below aims at briefly explaining these parts as a guidance and clarification for the reader.

INTRODUCTION
Provides some general background, presents purpose and research question.

THEORETICAL FRAMEWORK
Presents the theories, in particular related to the research question that will be used to achieve the purpose.

METHODOLOGY
Presents that a qualitative research approach using a multiple case study method will be used, provides information about the cases used, and discusses the study's quality.

EMPIRICS
Presents the findings obtained from the interviews conducted.

ANALYSIS
Discusses the findings presented under empirics and analyzes these in relation to the theoretical framework.

DISCUSSION
Deliberates on the main topics brought up in the analysis and how these can be interpreted.

CONCLUSIONS

IMPLICATIONS

SUGGESTIONS FOR FUTURE STUDIES

Figure 1 - Thesis disposition

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THEORETICAL FRAMEWORK

2   Theoretical Framework

This section provides theory on organizations' relations to the institutional environment, discusses organizational hybridity and its relations to state owned companies, describes how organizations handle institutional demands exerted upon them, and presents a typology of organizational responses to institutional demands.

2.1   The powerful institutional environment

2.1.1   Organizations affect and are affected by the institutional environment

Organizational scholars have long recognized that organizations are embedded in socially constructed environments that influence their behaviors (Pache & Santos, 2010). A central concern in this body of literature is the degree of strategic choice organizations have with regards to the institutional environment they are surrounded with (Aldrich, 1979; Aldrich & Pfeffer, 1976; Child, 1972; Hannan & Freeman, 1977). Literature on the field often assumes a binary distinction between choice and determinism when trying to describe and capture organizational behavior (Hrebiniak, 1985). One of the most pervasive and central debates in treatments of organizational behavior thus concerns whether it is managerially or environmentally derived (Astley & Van de Ven, 1983). On one hand the human being and its institutions are seen as being determined by exogenous forces, and on the other they are perceived to be autonomously chosen and created by human beings – a classical duality between social determinism and free will (Weeks, 1973; Driggers, 1977; Burell & Morgan, 1979; Van de Ven & Astley, 1981). "As popular and intuitively pleasing as these categories may be, a reliance on one or the other directs attention away from the fact that both are essential to an accurate description of organizational [behavior]" (Hrebiniak, 1985: 336).

An accurate description of an organizations behavior is obtained by both studying the activities going on within it, and by looking beyond its boundaries, as governance of an organization extends beyond its borders (Furusten, 2013). This because what organizations do – the strategic choice they undertake – is both a cause and a consequence of environmental influences exerted upon them, as cause and consequence interact and result in noticeable organizational behavior (Hrebiniak, 1985). Since organizations are subject to conflicting institutional demands imposed by their environment it makes compliance to these demands impossible to achieve. Satisfying some demands requires organizations do defy others, which in turn implies that organizations are affected and can affect their surroundings (Pache & Santos, 2010; Oliver, 1991; Covaleski & Dirsmith, 1988; DiMaggio, 1988; Perrow, 1985; Powell, 1985; Pfeffer & Salanick, 1978). Thus organizational behavior can partially be ascribed managers' efforts of trying to steer an organization in a particular direction. Managers are however not omnipotent and able to do as they please. What falls within the realm of managers' possibility is partially determined by the institutional environment (Pache & Santos, 2010; DiMaggio & Powell, 1983; Pfeffer & Salancik, 1978) that "determines the conditions that organizations and their manageers must adapt to and manage in order to be regarded as legitimate actors in the type of business they conduct" (Furusten, 2013: 6).

2.1.2   A model for understanding the institutional environment

To understand how the environment affects the course an organization takes – whether it be extensive or not – Furusten (2013) has developed a model covering the demands organization face coming from the institutional environment. The institutional environment can be described as the sets of rules that

determine what is legally, socially and psychologically acceptable for organizations to do (ibid.). Institutional demands are exerted upon organizations and influence their behavior via rules and regulations, normative prescriptions, and social expectations as organizations are embedded in environments that are socially constructed by individuals (Furusten 2013; Pache & Santos 2010; Scott, 2001). These demands can also be transferred through institutional logics – broader cultural templates that provide organizations with means-end designations and principles of how to act (Thornton &

Ocasio, 2008; Thornton, 2004; Friedland & Alford, 1991). These demands – the direct market relations that an organization has and the indirect factors in the environment – all affect an organization and its management's ability to act. Furusten (2013) depicts the demand from the institutional environment by illustrating an organizations environment as consisting of different layers that generally can be divided into the immediate environment and the wider institutional environment (see figure 2).

Figure 2 - Own compilation of Furusten's (2013) model of the institutional environment

The immediate institutional environment contains "the actors that organizations, and individuals who work for them, meet, along with information, rules and services produced by them" (Furusten, 2013: 28). Closest to the organization are the exchanges it has with individuals and other organizations in its environment – delivering goods to customers or paying suppliers. Exchanges represent the combined pressures materialized into something tangible instructing organizations how they should behave. Beyond the exchanges an organization has, institutional products and their creators – institutional actors – are found. These can take the form of management techniques imposed by consultants, standard-setting organizations producing standards to be adhered to or authorities imposing regulations. Institutional products and institutional actors thus can affect the exchanges organizations have with their surroundings (ibid.).

The wider institutional environment emphasizes the long term perspective covering the more distant and indirect layers such as institutional movements and societal trends that affect an organization (Furusten, 2013). Organizations do not necessarily have to be involved in creating the wider institutional environment but can still be subject to what is dictated by them. Institutional movements are created through large groups of people engaging in similar behaviors, at almost the same time in many places. Marketization is for example a movement that in recent decades has made state owned organizations more organized as markets as a result of a number of actors – business and trade associations, government agencies, transnational government organizations and private organizations – advocating similar forms of organizing. Societal trends characterize the fundamental way society is perceived by individuals, a certain direction of thought and development that endures over time. The era of modernity is such a trend where society as a whole for a long time has looked for a cause-effect relationship in everything that is done. This fundamental way of thinking permeates everything in today's society: politics, sports, how organizations are run, and science.

2.2 Hybridity in organizations

2.2.1 Hybridity is a result of reconciliations of multiple institutional logics

The complexity of the institutional environment, and its influence on organizational behavior, has been implicit within the institutional field since Meyer and Rowan (1977) noted that organizations confront sociocultural and commercial expectations – expectations that may be incompatible. This means that "there is not one but many institutional environments and (…) some would-be sources of rationalized myths may be in competition if not in conflict" (Scott, 1991: 167). Organizations thus experience multiple institutional demands when being part of several institutional spheres by subjecting themselves to multiple and at times contradictory regulatory regimes, normative prescriptions and cultural logics required by institutional referents (Kraatz & Block, 2008). Internalizing these institutional demands becomes difficult for organizations as they have to reconcile many and sometimes conflicting institutional demands from different environments through one unified entity (Furusten, 2013; Greenwood et al., 2011; Pache & Santos, 2010; Kraatz & Block, 2008; Djelic & Quack, 2004; D'Aunno, Sutton & Price, 1991; Friedland & Alford, 1991; Pfeffer & Salancik, 1978; Meyer & Rowan, 1977). This is illustrated in Furusten's (2013) model through the institutional environment being portrayed as being composed of several layers. How hybridity connected to institutional complexity relates to organizational outcomes is argued to be useful to further investigate (Hsu, Kocak & Negro, 2010; Zuckerman, 1999).

The mechanism through which to understand how organizations cope with this institutional complexity is found in the hybrid identity that some organizations take on which permits the institutionalization of practices associated with different institutional demands (Creed, DeJordy, & Lok, 2010; Kodeih, 2010; Lok, 2010; Glynn, 2008; Kraatz & Block, 2008; Rao, Monin & Durand, 2003). The hybrid organization is a common organizational form adopted by companies that have to integrate multiple institutional demands. By combining and layering influences taken from different institutional demands into a single organization, endorsement by field-level actors can be successfully secured whilst effective performance is achieved (Binder, 2007; Chen & O'Mahoney, 2011; D'Aunno, Sutton & Price, 1991; Lounsbury & Crumley, 2007; Pache & Santos, 2011; Rao, Monin & Durand, 2003; Smets, Morris & Greenwood, 2012; Weaver, Trevino & Cochran, 1999; Zaheer, 1995; Tracey, Phillips & Jarvis, 2011). Hybrid organizing is however a construction that is complex and contingent (Lok, 2010). As institutional demands are not always consistent and may conflict – a demand lodged at one level may serve as foil for a demand lodged at another level – hybridization affects how organizations behave and respond to their environment (Hallett, Schulman & Fine, 2008; Ashforth & Johnson, 2001).

2.2.2 State owned companies are typical hybrid organizations

The state owned company is a typical hybrid organization as it has to internalize and reconcile two different, and at times conflicting, institutional demands (Aharoni, 1986). On one hand state owned companies have the purpose of pursuing activities considered to have significant impact on public interests and are therefore managed within the context of the public sector (Furusten & Alexius, 2014). On the other hand a great portion of these organizations are limited companies required to operate on a commercial basis within the market (ibid.). State owned companies conversely run public interests within an organizational form created for profit making meaning that they inherently have to answer to variegated institutional demands: professionalism and democracy (Thomasson, 2009). The complexity that state owned companies face is thus fundamentally rooted in their hybridity as they

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answer to several institutional demands because they stand with "one foot" in political territory, and "the other foot" in the market (Aharoni, 1986). This has during recent years been aggravated as a result of organizations becoming more 'politicized' and 'companyized' which has created further institutional confusion and complexity (Brunsson, 1994). The movement of New Public Management can in particular be seen as a reason for this where state owned companies imitate features of other organizations, in which they successfully or unsuccessfully, try to realize several institutional demands (ibid.). To live up to these institutional demands naturally create dilemmas of handling conflicting objectives which in turn affect how the organizations behave (Thomasson, 2009, 2013; Christensen & Laegrid, 2003; Aharoni 1986).

2.3   Institutional demands and how organizations handle them

2.3.1   Organizations employ responses towards institutional demands

The availability of multiple and competing institutional demands surrounding organizations create latitude for them to exercise some level of strategic choice in relation to their context (Clemens & Cook, 1999; Dorado, 2005; Friedland & Alford, 1991; Seo & Creed, 2002; Whittington, 1992). Because institutional demands are multiple and competing it is impossible to comply with all, as satisfying some, requires organizations to defy others (Pache & Santos, 2010; Oliver, 1991; Covaleski & Dirsmith, 1988; DiMaggio, 1988; Perrow, 1985; Powell, 1985; Pfeffer & Salanick, 1978). Thus organizations employ organizational responses to handle their environment depending on the institutional demand impinging them (Pache & Santos, 2010; Goodstein, 1994). Without proposing a more general framework some studies have identified idiosyncratic organizational responses to competing institutional demands for conformity (Alexander, 1996, 1998; D'Aunno, Sutton & Price, 1991; Elsbach & Sutton, 1992; Reay & Hinings, 2009). Other explanations of how organizations respond to institutional demand have been presented by Kraatz and Block (2008). They describe four adaption strategies, proposing that organizations can attempt to eliminate sources of conflicting institutional demands, compartmentalize them by dealing with them independently, reign over them via active attempts at balancing them, or forge new institutional orders. "Antecedents [to] these strategies are [however] not discussed" (Pache & Santos, 2010: 456). This work has been done by Oliver (1991) who outlines a model in which generic responses, and their predictors, to institutional demands are presented. The model has gained wide acceptance and been used by several scholars in spite of not in depth "exploring the conditions under which specific responses are mobilized" (Pache & Santos, 2010: 457) due to it being exhaustive (Greenwood et al., 2011; Goodstein, 1994). Further research on how institutional complexity and organizational responses are shaped through organizational identity processes is however encouraged (Greenwood et al., 2011).

2.3.2   Strategic responses to institutional demands

2.3.2.1   Oliver's typology of strategic responses to institutional demands

Oliver's (1991) model is a detailed typology of strategies available to organizations that vary in active organizational resistance from passive conformity to proactive manipulation as institutional demands are faced. It is based on five institutional factors that are hypothesized to predict the occurrence of five types of strategic responses to institutional demands (see figure 3). The model is centered on a comparison of institutional and resource dependence frameworks and their potential for complementarity in describing organizational resistance and conformity to institutional demand. Both the institutional and the resource dependence perspectives assume that organizational choice is

possible within the context of external constraints, meaning that a potential of variation in the degree of choice, awareness, proactiveness, influence, and self-interest that an organization exhibits in response to institutional demand is possible. Based on the assumption that organizations have a variety of responses to use towards institutional demands, they may enact in strategic behaviors in "response to pressures toward conformity with the institutional environment" (Oliver. 1991: 151).
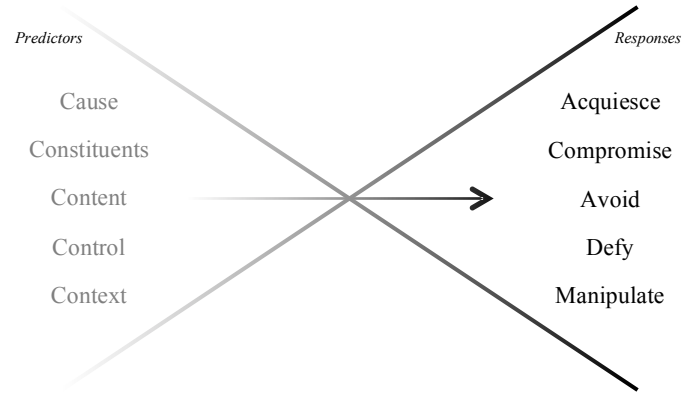
Figure 3 - Own compilation of Oliver's (1991) strategic responses to institutional demands

2.3.2.2 Predicative factors to institutional responses

"The theoretical rationale underlying conformity or resistance to institutional rules and expectations surrounds both the willingness and ability of organizations to conform to the institutional environment" (Oliver, 1991: 159). Conditions of scope under which organizations are *willing* to conform are restricted by organizational skepticism, political self-interest, and organizational control. Conditions of scope under which organizations are *able* to conform are on the other hand constrained by organizational capacity, conflict, and awareness. Organizational responses to institutional demands will thus depend on why these demands are "being exerted, who is exerting them, what these pressures are, how or by what means they are exerted, and where they occur" (ibid: 159). The institutional antecedents corresponding to these five basic questions are cause constituents, content, control, and context (see table 1). Variation in these five categories is believed to determine an organizations response to institutional demands (ibid.).

PREDICATIVE FACTORS TO INSTITUTIONAL RESPONSES					
Predictive factors	**Strategic responses**				
	Acquiesce	Compromise	Avoid	Defy	Manipulate
Cause					
Legitimacy	High				Low
Efficiency	High				Low
Constituents					
Multiplicity	Low				High
Dependence	High				Low
Content					
Consistency	High				Low
Constraint	Low				High
Control					
Coercion	High				Low
Diffusion	High				Low
Context					
Uncertainty	High				Low
Interconnectedness	High				Low

Table 1 - Own compilation of Oliver's (1991) predicative factors to institutional responses

Cause of institutional demand is concerned with the rationale, set of expectations, or intended objectives that underlie external demands for conformity (Oliver, 1991). The degree of social legitimacy and the degree of economic gain perceived to be attainable are seen as being the cause-dimensions affecting conformity or resistance to institutional demands. The lower the degree of social

legitimacy and economic gain perceived to be attained from conformity to institutional demands, the greater the probability of organizational resistance. *Constituents* include the state, professions, interest groups, general public, and other actors that impose a variety of laws, regulations, and expectations on the organization (Oliver, 1991). The multiplicity and the degree of external dependency to constituents affect the response that the organization employs to institutional demands. The greater the degree of constituent multiplicity and the lower the degree of external dependency on constituents, the greater the probability of organizational resistance. *Content* refers to the norms or requirements organizations are pressured to adhere to (ibid.). The degree of consistency of institutional demands with organizational goals and the degree of discretionary constrains exerted on organizations by these demands determine if organizations will conform or resist institutional demands. The lower the degree of consistency of institutional norms or requirements with organizational goals and the greater the degree of discretionary constrains imposed on the organization, the greater the probability of organizational resistance. *Control* concerns the means by which institutional demands are exercised on organizations (ibid.). The degree of legal coercion behind, and degree of voluntary diffusion of, institutional demand dictates if organizations will respond with conformity or resistance towards the demand. The lower the degree of legal coercion behind institutional norms or requirements and voluntary diffusion of institutional norms, values, or practices, the greater the probability of organizational resistance. *Context* refers to the environment in which institutional demands are imposed (ibid.). "[Degree of] environmental uncertainty and interconnectedness are predicted to (…) affect an organizations conformity or resistance to institutional demands" (ibid.: 170). The lower the level of uncertainty in the organization's environment and interconnectedness in the institutional environment, the greater the probability of organizational resistance.

2.3.2.3   Organizational responses – from passive conformity to active resistance

The five strategic responses, varying from passive conformity to active resistance, that organizations can use in retort to institutional demands exerted upon them, presented by Oliver (1991), are: acquiescence, compromise, avoidance, defiance, and manipulation (see table 2). Each of the five strategies can be carried out through three different tactics that vary in the degree of resistance.

STRATEGIC RESPONSES TO INSTITUTIONAL DEMANDS			
	Strategies	**Tactics**	**Examples**
Passive resistance	Acquiesce	Habit Imitate Comply	*Following invisible, taken-for-granted norms* *Mimicking institutional models* *Obeying rules and accepting norms*
	Compromise	Balance Pacify Bargain	*Balancing the expectations of multiple constituents* *Placating and accommodating institutional elements* *Negotiating with institutional stakeholders*
	Avoid	Conceal Buffer Escape	*Disguising nonconformity* *Loosening institutional attachments* *Changing goals, activities, or domains*
Active manipulation	Defy	Dismiss Challenge Attack	*Ignoring explicit norms and values* *Contesting rules and requirements* *Assaulting the sources of institutional pressure*
	Manipulate	Co-opt Influence Control	*Importing influential constituents* *Shaping values and criteria* *Dominating institutional constituents and processes*

Table 2 - Own compilation of Oliver's (1991) strategic responses to institutional demand

Acquiescence is a common reaction to institutional demands by organizations that can take the form of habit, imitation or compliance (Oliver, 1991). Acting through *habit* means that an organization unconsciously or blindly acquiesces to an institutional demand since it has become so taken-for-granted that it is not questioned. Thus, acting through habit often occurs when organizations just act in line with an institutional demand since it has become an institutionalized way of acting. Copying (Furusten, 2013), which is a recontextualization method where a way of acting has become institutionalized that often is, consciously or unconsciously, copied from context to context can be paralleled with habit. *Imitation* on the other hand can be both deliberate and unintentional. Organizations are often imitating institutionalized models they trust when they are faced by uncertainty. Furusten's (ibid.) concept of improvisation can be linked to imitation since it concerns taking an original idea of how to act so to create a new version of it that is more suitable for the specific situation. The third acquiescence tactic, *compliance*, is a more conscious action and refers to when an organization strategically chooses to comply with a certain pressure. Translation is another concept coming from Furusten (ibid.). Translation is in many regards similar to compliance since it is a more long-lasting and strategic action of imitation.

The three compromising tactics – balancing, pacifying and bargaining – are used when organizations cannot simply comply to a demand, which often is the result of several institutional demands being in conflict with each other (Oliver, 1991). The difference between compromising and acquiescence is that the former relates to institutional compliance being partial and interests of the organization being more actively promoted. *Balancing* refers to an organization trying to handle multiple demands, often coming from multiple constituents with different beliefs of what should be done. In such situations organizations can chose to balance demands so that all constituents remain satisfied. Balancing is similar to the response of picking out bits and pieces (Brunsson, 1994) since both concern balancing internal activities to suit several constituents. By using a *pacifying* tactic an organization complies to a demand but only to a limited degree. Instead of completely complying to the demand the organization instead adheres to a minimum degree needed to keep all involved parties appeased. The third form of compromising – *bargaining* – relates to when organizations chose to more actively compromise with regard to demands. A bargaining tactic is used when organizations are trying to affect the source of an institutional demand in regard to favor the organization in some way. March (1962) describes this tactic as sequential prioritization where he sees organizations as political coalitions where the position of the organization is negotiated and where the goals are bargained.

Avoidance is defined as an organizations attempt to not conform to an institutional demand. This can be done through the tactics of concealing, buffering or escaping (Oliver, 1991). *Concealment* refers to an organization responding to an institutional demand by building a façade in line with the demand, masking what it really does behind the curtains. Thus, the purpose of the tactic is to bluff the environment to think that the organization is complying to the institutional pressure whilst it actually is not. Two other well-known concepts that can be linked to concealment are hypocrizy (Brunsson, 1989), where an organization separates talk, decisions and actions, and isomorphism (Meyer & Rowan, 1977). When an organization is avoiding an institutional demand through *buffering* it is working to reduce the degree to which it is inspected and evaluated. This is done through decoupling the organizations activities from formal structures with the purpose to maintain legitimacy once it is facing a certain institutional demand it does not want to conform to. Decoupling is also discussed by Furusten (2013) and Meyer and Rowan (1977) as a way for organizations to handle their environment.

Buffering can further be linked to shifting responsibility onto others (Alexius, 2014) where organizations try to steer the focus from areas the organization does not want scrutinized. The third tactic of avoidance – e*scaping* – is a more dramatic than the prior two. Escaping refers to when an organization avoids an institutional demand by exiting the domain within which the demand is taking place (Oliver, 1991).

In comparison to the three strategies mentioned above, defiance should be perceived as a more active form of resistance to institutional demand (Oliver, 1991). The three tactics through which defiance can be used are dismiss, challenge and attack. *Dismissing* an institutional demand can be referred to as ignoring. The tactic is often used when the level of institutional demand is regarded to be low or when the values and objectives of the organization dramatically conflict with the demand. When an organization is *challenging* an institutional demand it is going on the offense trying to affect the values and norms behind it with the aim of reducing the pressure. Organizations are more likely to challenge a demand when their actions can be reinforced by rationality. *Attack* can be seen to have more or less the same purpose as challenge, however, attacking an institutional demand is a more intense and aggressive response. An attacking organization seeks to criticize the values of the demand as well as violating and blaming the source behind it.

The fifth and last strategy is manipulation and should be perceived as the most active one. Manipulation is about acting to actively revise, or to utilize power on, the values behind the demand or the constituents behind it. The three tactics through which manipulation can be expressed are co-optation, influencing or controlling (Oliver, 1991). *Co-optation* refers to an organization trying to handle the pressure by co-opting the source of it. The aim of the strategy is to increase the organization's trustworthiness and to neutralize opposition. While co-optation focuses on the source of the institutional pressure, *influencing* targets the values and the beliefs behind the demand itself. Thus, influencing means that an organization tries to decrease or change a certain demand by affecting the values behind it in order to favor the organization. Influencing can be paralleled to Alexius' (2014) response of configuring values where the aim is to influence the values within a market. In the same way as co-optation c*ontrolling* means that an organization tries to affect the source and the constituents creating the institutional demand. However, it is a more aggressive tactic since the aim of the response is not to affect the source but rather exert the organizations power upon it in order to dominate it.

3

METHODOLOGY

3 Methodology

This section provides information on how theory is used within the study, covers the type of research approach that is adopted, presents the research method, reviews how data collection and analysis is conducted, and discusses the quality of the study and its methodological limitations.

3.1 An abductive use of theory

Theory is used for all research projects but the way in which it is used differs amongst studies. The two most common ways of using theory are deductively or inductively (Bryman & Bell, 2011). The former refers to letting theory guide research by using theory as a base that is supposed to lead to observations and findings, while the latter serves the opposite purpose. When deducing theory researchers often create hypothesis' based on already existing theory which are then tested. Inductive reasoning is based on researchers being open-minded from the beginning with the purpose of trying to build theory (Saunders, Thornhill & Lewis, 2009). A third classification of how theory is used in research projects is abductive reasoning, which is a combination of deduction and induction where an interchangeable process is adopted (Kovács & Spens, 2005). This study is conducted using abductive reasoning. Through this interchangeable process the results discovered are explained by using existing theories. The strategy is similar to grounded theory where data collection and data analysis proceed simultaneously (Bryman & Bell, 2011). The researchers have conducted this study in the similar iterative manner where possible theories to use where initially identified, this was preceded by an open-minded approach during the data collection process, under which modifications simultaneously have been done so to assure that the most suitable theoretical framework is used.

3.2 A study based on qualitative research

Two fundamental research approaches exist: a quantitative approach and a qualitative approach. Quantitative research emphasizes quantification in the collection and analysis of data. It incorporates the practices and norms of the natural scientific model and of positivism in particular, and takes a view of social reality as an external and objective reality (Bryman & Bell, 2011). Qualitative research emphasizes words rather than quantification in the collection and analysis of data. It focuses on the ways in which individuals interpret their social world and takes a view of social reality as a constantly shifting factor of individuals' creation (ibid.). Both approaches have their advantages and disadvantages with regards to different situations. This study is however based on qualitative research as prior research on the phenomenon covered in this study is nascent (Edmondson & McManus, 2007). Qualitative research is suitable since interviews will serve as the source of data from which interviewees' interpretations of the reality will be interpreted by the researchers. A qualitative approach is also useful with regards to the aim being to study the actions taken by participants of social settings, so to understand their behavior and the values and beliefs behind them (Bryman & Bell, 2011).

3.3 Research method

3.3.1 A multiple case study research design

Several designs can be used when conducting a research study, all with both positive and negative aspects, and all more or less suitable due to different circumstances (Yin, 2014). Three important aspects to take into consideration when deciding on which design to use are 1) the form of the

research question, 2) if control of behavioral events is required and 3) whether or not there is a focus on contemporary events (see table 3) (Yin, 2014).

RELEVANT SITUATIONS FOR DIFFERENT RESEARCH METHODS			
Method	Form of research question	Requires control of behavioral events?	Focuses on contemporary events?
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case study	How, why?	No	Yes

Table 3 - Yin's (2014) table of relevant situations for different research methods

Starting with the first criteria, the main research question in this study is a "how-question" and recommended designs for such a question are experiment studies, history studies or case studies (Yin, 2014). Taking this further to the second criteria, only experiment studies are suitable to use when there is a requirement of control of behavioral events, implying that if there are no requirements, history studies or case studies should be adopted. Lastly is the third criteria, where experiment studies and case studies are recommended to use if there is a focus on contemporary events, whilst history studies should be used when no such focus allies. Given that this study aims at answering a "how-question", that no manipulation of behavioral events are required and that focus is on contemporary events, the study is based on a case study research design (ibid.). Case studies can be executed through either single case studies or multiple case studies. Multiple cases are often considered more compelling since it gives a more robust study as a result of several study objects being observed (Herriot & Firestone, 1983, Yin, 2014). Due to its advantages the multiple case study has been used. Using two cases increases the likelihood of finding what is set out as the study gains more breadth. Furthermore, a holistic approach has been adopted when examining the cases were each of the two cases are regarded as a unitary unit of analysis (Yin, 2014).

3.3.2 Generalizable results are obtained through the replication logic

It is important to understand that, even if a case study is most suitable to use in these circumstances, there are concerns to be addressed. One common concern regards the inability to generalize from case study findings. There is however a distinction to be made regarding what can be generalized. A multiple case study design is not adequate to use for generalizations of populations or universes, it is however generalizable for theoretical propositions. Even though the design cannot be paralleled with a 'sample' it is appropriate to use since the goal is to expand and generalize theories (Yin, 2014). To lessen the problems of generalizability, external validity can be established through using replication logic (Creswell, 1994, Yin, 2014). This way an analytical generalization can be made through the generalization of a particular set of results to some broader theory base (Yin, 2014). Accordingly, if the replication logic is followed, the findings discovered in a study can be assumed to go beyond the setting for the specific cases being examined (ibid.).

3.3.3 Replication logic is obtained through literal replication

As previously described replication logic needs to be followed to enable generalizability from a multiple case study. There are two ways of establishing replication logic: literal replication or theoretical replication. Literal replication is used for cases that have similar settings and are expected to achieve similar results. Theoretical replication is, on the contrary, used when the cases have different settings and are expected to achieve different results (Yin, 2014). This thus raises the

question of whether or not cases should be chosen on the basis of predicting similar or contrasting results. In this study a literal replication approach has been chosen and therefore cases that are expected to predict similar results have been used. The purpose of using two cases with predicted similar results is that the results then can be strengthened due to similar findings arising in more than one case (Yin, 2014).

3.3.4 Cases used for the study

3.3.4.1 Criteria's for choice of cases

The organizations used as cases in the study have been chosen on the premises of being similar, whilst simultaneously representing a wide organizational range. Similarity was desirable to achieve in order to fulfill the requirements of a literal replication. Organizational range was desirable to attain in order to get a good representation of the state's company portfolio. This was to enable similarities and differences to be detected and to be able to draw conclusions for state owned companies in general. Three criteria were developed to fulfill these two premises – two with the purpose of securing the organizational similarity and one to secure a wide organizational range (see figure 4).
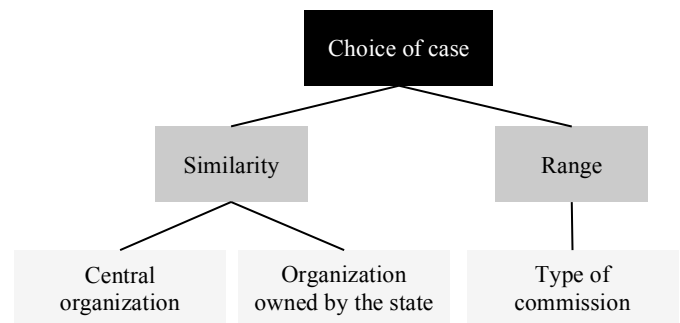
Figure 4 - Criteria's for choice of cases

The two criteria's used for securing organizational similarity are that 1) both organizations shall experience a high intensity of institutional complexity, and 2) both organizations shall be state owned. High institutional complexity is used as a criteria since organizations that experience a high intensity of institutional complexity are more likely to face conflicting institutional demands, which is central to this study (Davis, 1991; Galaskiewicz & Wasserman, 1989; Greve, 1998; Kraatz, 1998; Westphal, Gulati, & Shortell, 1997). The institutional complexity that organizations experience is further affected by if they can be perceived as central or peripheral organizations. Central organizations are more aware of institutional expectations (ibid.) and are more likely to perceive the social budging and policing that reaffirms existing practices (Westphal & Zajac, 2001; Zuckerman, 1999; Leblebici et al., 1991; Greenwood et al., 2011). If an organization is perceived to be central or not is related to its size and status as these factors can intensify institutional demands because they provide visibility and thus attract varying levels of media attention (Den Hond & De Bakker, 2007; Greening & Gray, 1994; King, 2008; King & Soule, 2007; Rehbein, Waddock & Graves, 2004; Rowley & Moldoveanu, 2003; Greenwood et al., 2011). The need for both organizations to be state owned is used as criteria due to this study being delimited to the state owned context. Thus, the cases have been sampled from the Swedish state's company portfolio containing 49 companies of different character and size, aimed at different things (see appendix for a full list of the companies).

The third criteria that is used for securing wide organizational range is that 3) the organizations shall be different in nature and have different commissions. Wide organizational range provides more diverse information and secures to a greater extent that interesting results will surface as compared to if only a niche is studied. The range, in combination with similarity, is achieved through using organizations that are central, but at the same time different by for example market conditions or purpose. The 49 companies within the Swedish state portfolio vary much in terms of type and can be categorized in different ways. In this study a recent categorization capturing the state

portfolio in several dimensions has been used when choosing companies (see figure 5) (SOU 2012:14). This categorization divides the state owned companies into two main categories – those with a general purpose of producing economical value and those with a general purpose of producing societal value – and allows for choosing companies properly.
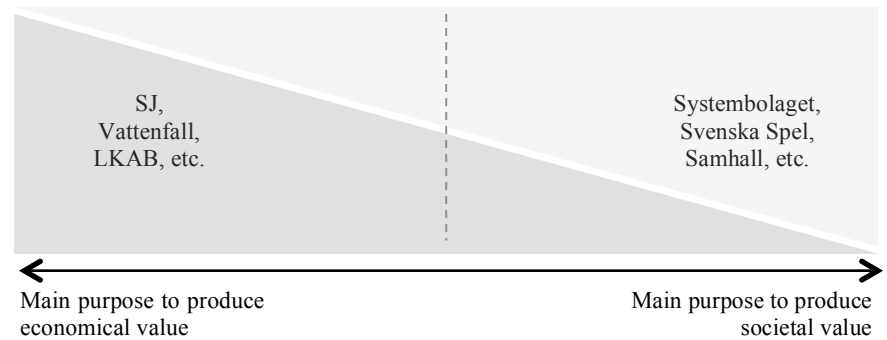
Figure 5 - Categorization of the Swedish states company portfolio (SOU 2012:14)

3.3.4.2 Cases chosen

The organizations that have been chosen as objects of study, based on the above mentioned criteria's, are SJ and Systembolaget. Both SJ and Systembolaget are subject to a high intensity of institutional complexity as they can be regarded as central organizations, and both belong to the Swedish state's company portfolio, making them suitable to use as they therefore enable literal replication. To this, the companies face different market conditions in terms of their overall commission – SJ's overall commission being to produce economical value and Systembolaget's overall commission being to produce societal value – resulting in the portfolio being broadly covered.

SJ AB is a Swedish railway company fully owned by the Swedish state with a history of more than 150 years. Historically, SJ was a monopoly that was responsible for more or less all parts within the Swedish railway system. 20 years ago the Swedish state decided to open up the market and five years later SJ was split into six different organizations (SJ, 2015). After the reorganization SJ became responsible for the private market and is today having about 85'000 customers each day with an organization of 5'000 employees. SJ has a market share of 55 percent of the total railway traffic in Sweden with a turnover of SEK 9 billion (SJ, 2015).

Systembolaget is a Swedish retailer selling alcoholic beverages and is fully owned by the Swedish state. Systembolaget's current organizational form was created 60 years ago when all local monopolies throughout Sweden got merged (Systembolaget, 2015). The company is a monopoly through which the Swedish state can control the consumption of alcohol. Systembolaget, with a turnover of SEK 25 billion, has 3300 employees and 430 stores (Systembolaget, 2015).

3.4   Data collection

3.4.1   Interviews and documents as sources of data

The most common methods of data collection applied within case studies include interviews, documentation, archival records, observations and physical artifacts (Yin, 2014). Multiple sources of evidence are recommended to use since it provides better quality then if solely one source is used (ibid.). Due to limitations in resources within the realm of this study only interviews and documents are used as sources of data. This drawback can however be regarded as minor because even though it is preferred to use three sources of evidence, i.e. triangulation, many studies only use one source as basis for entire studies (ibid.). Interviews are chosen as the primary source of data since it is the most common data collection method in qualitative research and as interviews are seen as the most important source of evidence when doing a case study (ibid.). Interviews are also most suitable for achieving the purpose of the study as the aim is to understand people's interpretations of the reality

(Bryman & Bell, 2011). Documents are used as secondary source of data and are composed of documents related to the Swedish state and their governance model – the state ownership policy.

3.4.2 A semi-structured interview design

There are two major types of interviews to use when collecting data in case studies: unstructured interviews and semi-structured interviews (Bryman & Bell, 2011). Unstructured interviews tend to be very similar to conversations as the interviewer may be asking only one starting question. In semi-structured interviews the interviewer often has an interview guide with questions, and a greater deal of leeway in steering the interview, making it easier to get answers on prioritized questions (ibid.). This study adopts a semi-structured approach since the study from the beginning has a fairly clear focus on what is to be examined With semi-structured interviews it is also easier to address more specific issues and generate answers related the purpose of the study (ibid.). Some structure is furthermore needed in order to ensure cross-case comparability as a multiple case study design is used (ibid.). The duration of each interview has been between 45 and 60 minutes in order to avoid time constraints and to enable as much data as possible being collected from each interview occasion (see appendix for interview guide).

3.4.3 A stratified interview sample

The interview sample used for the study is based on a mix between a stratified sample and snowball sampling (Bryman & Bell, 2011). A stratifying sample was chosen to ensure a good mix of interviewees from different levels within the organizations. The stratifying technique can be seen through a mix of only individuals, at different levels, who to a large extent can relate to the studied topic, were interviewed: middle managers, executives and board of directors. After each interview, interviewees have been asked to recommend other suitable candidates within the organization, i.e. snowball sampling. This method was used based on other researchers assumption of "that access to elites is best achieved through other elite members" (ibid.: 491) and to ensure that each participant was suitable to interview in regards to having relevant experiences related to the research question. The total amount of interviews collected in the study amount to 17 (see table 4).

INTERVIEW SAMPLE		
Position	**SJ**	**Systembolaget**
Board of directors	1	1
Executives	6	3
Managers	2	4

Table 4 - The study's interview sample

3.5 Data analysis

3.5.1 A theoretical propositions strategy

Data is analyzed through the strategy of relying on theoretical propositions (Yin, 2014). Other strategies for data analysis exist but in this case relying on theoretical propositions is suitable as the analysis process has its starting point in established theories, as presented in the theory section (ibid.). This means that the mindset during the data analysis has been derived from existing theories on the concept of organizational responses to institutional demands. As such, focus has been on finding patterns within the collected data that relate to these established concepts, using the theoretical propositions as a guide in the analysis process.

3.5.2 A combination of pattern matching and cross-case synthesis

Five common techniques can be used when analyzing qualitative data: 1) pattern matching, 2) explanation building, 3) time-series analysis, 4) logic models and 5) cross-case synthesis (Yin, 2014). They all serve a purpose in qualitative data analysis and should not be regarded as mutually exclusive

(Yin, 2014). In this study the analyzing technique is based on a mix of pattern matching and cross-case synthesis. A combination of these techniques is suitable to use since pattern matching focuses on the relationship between empirics and theory in the analysis process, whilst cross-case synthesis deals with how to handle the complexity of analyzing multiple cases (ibid.). Pattern matching is appropriate as it allows for empirical findings to be compared towards the theoretical framework (ibid.). As multiple cases are used it is important to have a solid method for how to utilize the strengths that come with it. Cross-case synthesis is suitable for this as it provides a clear analysis framework; every case is first analyzed separately where after combined conclusions are drawn (ibid.). The explanation building technique, time-series analysis technique and logic model technique are discarded on the basis of this study seeking to answer a "how-question", for which explanation building is not suitable, and on the premise of focus of the study not being how to handle occurrences over an extended period of time, for which time-series analysis and logical modeling is appropriate (ibid.).

3.5.3 Transcription of interviews and coding of the data

Both researchers have participated in all of the interviews. The fact that both researches participated has enabled transcription to be done under the interviews. Audio-recording was used in interviews where an agreement to do so was settled. In the cases available recorded material was used in close proximity to the interview occasion so to secure transcription and to track quotes. The transcribed text that was gathered was used as basis for the analysis. Even though audio-recording is to favor when conducting qualitative interviews (Bryman & Bell, 2011) all interviews, being recorded or not, were included due to the useful and important information that could be obtained. Transcripts have been transposed into more analyzable text through coding. As Bryman and Bell (ibid.) state there is no correct way of how to code data but three main approaches are suggested: 1) summarizing, 2) categorization and 3) structuring (Saunders, Thornhill & Lewis, 2009). This study has adopted the categorization approach, which suggests that relevant categories first are developed to which chunks of empirical data can be attached. Categorization is in this case appropriate since a pattern matching technique is used and as the theoretical framework used is comprised of clear categories of different organizational responses of how institutional demand is handled (ibid.). To get a clear overview of the results a matrix with main categories, sub-categories and quotes was created. After categories were developed the empirical data that was seen as relevant in answering the research question was thereby divided into different sub-categories. Quotes taken from the interviews where then linked to the sub-categories so to give an expression of the category.

3.6 Quality of the study

3.6.1 Logical tests asses the quality of the study

For quality to be secured in a research study it should be assessed according to certain logical tests as the research design is supposed to represent a logical set of statements (Yin, 2014). Different concepts for testing quality exist but the most referred ones include trustworthiness, credibility, confirmability and dependability (ibid.). Related to these concepts four logical tests, each with belonging tactics to achieve them, are usually used within social research; construct validity, internal validity, external validity and reliability (ibid.). Since this study is a case study, falling into the category of social research, the four logical tests have been applied to secure quality and to enable a trustworthy and secured method throughout the whole study process (ibid.).

3.6.2 Construct validity

Construct validity concerns establishing correct operational measures for the concepts being studied and is predominantly related to the data collection phase as well as the composition of the study (Yin, 2014). A critical step in achieving good construct validity is to select cases that are suitable to use for what is to be studied (ibid.). Since the purpose of the study is to examine how state owned companies handle and respond to institutional demands SJ and Systembolaget, both being fully owned by the Swedish state and subject to institutional demands, are well suited to use as cases. To further strengthen the construct validity in case study research the tactics of multiple sources of evidence and a chain of evidence should be followed (ibid.). This is followed by this study as it uses multiple sources of evidence – interviews and documents – and a case study protocol (see appendix for protocol). Triangulation could have increased the quality, however, as argued before the researchers are comfortable with using interviews and documents as sources of data since prior large case studies have solely been carried out on the basis of interviews (ibid.).

3.6.3 Internal validity

Internal validity is considered in casual case studies and concern how researchers deal with casual relationships and how inferences are made (Yin, 2014). As this study can be argued to be a casual case study, it being based upon underlying assumptions of that the hybridity of state owned companies affect how they handle multiple institutional demands, and since inferences are drawn from the interviews, internal validity has been considered throughout the study. That accurate inferences are made has been secured by the researchers having a solid theoretical knowledge prior to the interviews so that the experiences described by the interviewees, which have not been directly observed by the researchers, are understood in the best way possible. Internal validity is further strengthened by pattern-matching being used in the data analysis process since it is a good way of achieving internal validity (ibid.).

3.6.4 External validity

External validity relates to whether a domain to which the study's findings can be generalized beyond the immediate study is established or not (Yin, 2014). To enable good external validity and generalizable results in a multiple case study the tactic of replication logic needs to be fulfilled: findings in one case need to be tested in regard to one, or more, other cases (ibid.). As the study is based on the approach of literal replication so to achieve replication logic, external validity has been addressed.

3.6.5 Reliability

The last test in ensuring good quality within a case study – reliability – concerns how the right conditions to conduct the same study, with the same results, is assured for later researchers (Yin, 2014). Good reliability is ensured through using a case study database and through developing a case study protocol (ibid.). In this study both things are addressed as a case study database was created in the process of data analysis and as a case study protocol has been used throughout the study. To further increase the reliability of the study and to show a high level of awareness in relation to the theoretical and methodological choices, emphasis has been devoted to describing the theoretical framework as pedagogically as possible and to outlining the methodology section in detail. A threat to a qualitative study's reliability is the researchers own interpretations of the empirical findings (Silverman, 2013; Gillham 2005), which has been addressed by both researchers being present at all

interviews and letting the interviews talk for themselves to a high degree as possible without the researchers' interpretations.

3.7   Limitations of the methodology

Even tough all possible measures have been taken to make the methodology reflect and go hand in hand with the overall research strategy (Mason, 1996), there are important limitations to be considered. The limitation predominantly stem from constraints related to resources in the form of time and human capital. Due to the circumstances the study is only based on two cases even though more cases would have increased the quality of the study (Yin, 2014). This choice was taken so to enable richness of the cases by having a large amount of interviews for each, instead of using more cases of less substance. Furthermore, more solidity could have been obtained if employees from all levels within the organizations were included. However, on the basis of the assumption that the experiences of employees at higher levels – board members, executives and managers – are more appropriate for what is studied, this concern can be regarded as minimal. Moreover, the choice of including only two sources of data can also be regarded as a limitation since Yin (ibid.) concludes that triangulation of data sources increases quality of case studies. But, as earlier mentioned the researchers are comfortable with relying on interviews and documents as prior large case studies have been conducted solely on interviews (ibid.). Additionally, two other aspects related to the data analysis process need to be considered. As Gillham (2005) mention qualitative interviews always contain some level of interpretations made by the researchers. This in turn affects the quality and has tried to be addressed by the researchers letting the interviewees' answers talk for them self to a high degree as possible. The second limitation linked to the data analysis process regards the fact that the interviews were conducted in Swedish and thereafter translated into English, slightly rising the interpretation problem and the chance for translation errors occurring.

4

EMPIRICS

4 Empirics

This section covers the study's empiric foundation. It provides some general information about the cases used, and presents the data obtained from the interviews by describing five situations relevant to the study for each company.

4.1 The Swedish states ownership policy

SJ and Systembolaget are two out of 49 Swedish companies fully or partly owned by the Swedish state. All state owned companies are owned by the Swedish population. The parliament has given the government commission to govern these companies to maximize value creation with a long-term focus, and to make sure that the societal missions are handled properly (State ownership policy, 2014). The government has decided upon some general guidelines for the companies they own. "The companies shall act with a long-term focus, efficient and profitable with prerequisites for development. Companies with a state ownership shall act as role models within the area of sustainability and in general act in a way to gain public trust." (ibid.)

A categorization of the companies exists where some have a commission to create economical value and other societal value (SOU 2012:14). Companies with a goal of creating economical value shall act commercially and have economical value creation as main commission. On the other hand, companies with a goal of creating societal value have political objectives related to a certain sector and can thus be seen as a political tool for the state. However, many of these companies also have economical objectives but they amount up to a certain level. When this level has been reached, remaining profit should be invested for the purpose of the main objective (ibid.).

4.1.1 SJ's commission

SJ belongs to the group of state owned companies with a commission to produce economical value (SOU 2012:14). SJ is acting in the private railway industry and the government has stated that SJ's vision and main objective is that: "(…) SJ shall be a modern travelling company that in all considerations and with endurance act businesslike and commercially." (SJ, 2015) As mentioned in the methodology, SJ has in past been a monopoly with a larger area of responsibility than they have today - covering a majority of the areas within the Swedish railway industry. Historically, when SJ was a monopoly they had a commission more directed towards creating societal value.

4.1.2 Systembolaget's commission

Systembolaget belongs to the group of state owned companies with a commission to produce societal value (SOU 2012:14). Systembolagets vision, decided by the government, is to: "(…) handle all retail sales of strong beer, wine and liqueur to the private market in a responsible manner and with good service. The role consists a responsibility (…) to counteract alcohol related injuries." (Systembolaget, 2015) The commission for Systembolaget is to limit the alcohol related injuries and thereby improve public health (ibid.). Furthermore, the government has decided that: "The total alcohol consumption shall be kept low through limited accessibility in form of control over the store network and opening hours. The sales shall be managed in a way that injuries in the most conceivable way are prevented." (ibid.) Systembolaget do have enonomical objectives as well but they are limited to only SEK 200 million.

4.2   Case 1- SJ

4.2.1   Precursors in the corporate social responsibility movement

Corporate social responsibility (CSR) is a big movement affecting business society today. SJ is one of the early precursors adopting this trend by incorporating corporate social responsibility throughout the whole business.

> *"There is an increased demand from the owner to have a holistic perspective when doing business. The state as an owner has to precede other actors in society and do what is right."* (Executive 6) *"At SJ corporate social responsibility is incorporated in all that we do, permeating the whole company. We use a balanced scorecard, incorporating both soft and hard measures, when evaluating our performance."* (Executive 1) *"The EFQM Excellence Model is used to measure if we achieve our goals sustainably."* (Executive 6)

SJ's take on CSR is taken seriously by all parties of the organization and evaluated on long-term basis as it is believed to have effects in the long run.

> *"When the board and owner holds their questionings they always start with the non-financial measures as these are believed to be the most important for the business."* (Executive 1) *"The company I previously worked for was very CSR oriented but in a short-term manner, like giving farmers money instead of an overall approach to CSR. We have to think more long-term compared to private owned companies who live after the quarterly reports."* (Executive 3) *"At SJ we start by looking at sick-leave when evaluating ourselves and lastly on financial results because we believe that this is what makes a difference in the long run."* (Executive 1)

The EFQM Excellence Model that is used is a model aimed at integrating CSR activities into companies DNA and has existed for along time and is widely accepted. Nonetheless only six Swedish companies use the model to evaluate their business, of which three of these are state owned (EFQM, 2015). SJ is one of these.

> *"It is important that we act admirably to others in these kind of questions. As a state owned company we are much more scrutinized."* (Executive 2) *"We have the communities eyes on us more than non-state companies, and in the short-term we may loose on it but in the long run it will result in something positive."* (Executive 1) *"We have to be a role model in the industry."* (Executive 4)

That SJ should take social responsibility is not only something enforced by the board and owner, but rather something that comes from several actors in their environment.

> *"We take part in sustainability forums where we discuss industry code and ethics because we see that others believe it is important that we take part in these kind of things. By for example sending environmental impact statements to our business customers and informing them about how their choice of vehicle has had an impact on the environment."* (Executive 1)

4.2.2 Bittersweet relationship with the state

Being a state owned company is nothing that passes unnoticed at SJ. As a company owned by the state those working for SJ feel that they have to take several points of view into account when doing business.

"I have been employed both in private listed companies and public ones. When I worked for another state owned company (...) in the beginning of the 90's when the monopoly was deregulated the government claimed that it should be both a tool for the state and act as a commercial actor on the market." (Executive 5) *"There are several dimensions to pay attention to, both a political and market economy perspective. When we for example close 18 travel centers and one call center we have to take a certain political consideration."* (Executive 3) *"It is a challenge to be a state owned company because the parliament can have other expectations on SJ than what the government, who owns SJ, has. If we for example want to make a rationalization in sparsely populated areas the owner would suggest that we do it in more dense areas since the cutbacks can have effects on the labor market."* (Executive 6) *"It would not be the same debate if for example MTR (competitor) would decide not to stop at a certain station, we have to have a totally different balance when we make decisions."* (Executive 5)

It is clear that SJ has to reconcile several missions when doing business and balance various dimensions. However, they do not just take on everything that is put on them, but rather try to negotiate the best possible solution.

"As a publicly owned organization we have to be extra cautions when we for example change our offering because the result can easily blossom up into a debate. In comparison to a private organization we thus have to anchor our decisions more." (Executive 6) *"We are not that different from other companies, we just use slightly different tactics and channels. If for example the Swedish Transport Administration does things that do not benefit us we must communicate this, for example if they create problems for us in achieving the requirements from the state."* (Executive 1) *"[Our CEO] is not an obedient general, he says what problems exists and is pretty open about it."* (Board Member) *"We are not afraid to criticize public organizations like the Swedish Transport Administration, but problems are supposed to be kept within the family, so to speak."* (Executive 6) *"The Swedish Transport Administration does their best based on the requirements and the conditions they have."* (Manager 2) *"There is no point in blaming each other and its not good for the industry to be throwing pies so we try to act responsibly."* (Executive 4) *"We have ongoing dialogues with the Swedish Transport Administration where we surface things that we believe do not work, both big and small issues, like that the information boards at Stockholm central station do not work. [Our CEO] handles the big questions with the director at the Swedish Transport Administration."* (Executive 5)

Despite that SJ is out and makes claims for their cause it is not done recklessly. SJ has a subtle approach when trying to get through with their objectives.

"We get a lot of crap because of delays even though 80% is linked to the rails and infrastructure. We try to work with it actively but the Swedish railway does not gain anything by us fighting." (Manager 2) *"We have to be smart and careful when we act as we need to budge back and forth and have more dialogues with the parties involved."* (Executive 6) *" We do things probably more with ethically high-borne head and we are very concerned about how we do things. It becomes an exemplary action in how to do things right and we like that."* (Board Member)

4.2.3 What you see is not always what you get

SJ is often criticized by the public who claims that SJ is responsible to take full responsibility for the railway situation and for their delays.

"Our challenge is that if you ask the Swedish population people think we have a social responsibility and if everybody believes so then it is so. If people think it is SJ's fault that the train is late then it becomes our fault and we have to take the responsibility we can in this position." (Executive 3)

The case is however that several parties are involved and that the delays in fact are seldom caused by SJ per se, putting them in a difficult position.

"People do not know which role SJ has in relation to the Swedish Transport Association." (Manager 2) *"We try to get people to understand how it is, that the Swedish Transport Association owns the track, Jernhusen the properties and we the trains. We try to communicate this to the customers. We have been clear when being interviewed when the Swedish Transport Association is responsible for problems and that we provide compensation to customers if we cause the delays. However we must work to make the customer happy whether its our fault or not. Pointing fingers does not resolve anything."* (Executive 3)

When reviewing SJ's punctuality it becomes clear that they are doing a pretty good job but they do not want to forcefully communicate this as they know the Swedish Transport Association already has a tough living.

"Everybody thinks we have a lousy punctuality and the belief is that we are always late. SAS, who took second place in terms of punctuality among airlines, has 98% punctuality and we have 98% punctuality on the Stockholm-Göteborg route." (Executive 3) *"Punctuality is not as bad as many may think, it is about 90%. We do not do a big PR campaign about this in trying to make people understand that we do not have all the responsibility. A blame game is not good and the Swedish Transport Association have enough on their plate."* (Manager 2) *"We try to stick to discussing our company."* (Executive 4) *"We must work harder on this and communicate in a different way."* (Executive 3) *"For example why do we say: 'the train is 7 minutes delayed', when we could just tell the time of arrival?"* (Manager 2)

4.2.4 Ties to non-state actors

SJ takes part in a lot of forums related to railway commuting where they try to make a difference and affect industry practices.

"Our work with what we can influence internally is important but we must of course work with the industry along with others." (Board Member) *"Contacts are important when trying to make a difference."* (Executive 3) *"We are part of different forums like for example the Railway Advice."* (Manager 2) *"Soon we will have a discussion in a larger forum on how to create a sustainable focus on traveling. We are never a victim for something, we are out there and trying to make a difference. We are active in lobbying, [our CEO] for example takes part in CR which is an European lobby organization. We are also active at universities and conferences, we want to show them our values and who we are."* (Board Member)

A much-debated issue around SJ has been whom is to be held responsible for the delays that SJ has on their routes. SJ has in this case taken initiatives on educating actors about the real cause of the issue.

"We have a lot of industry know-how and we use that towards for example the owner, customers and other actors. We have breakfast seminars where we try to help others to understand (…) how it is to conduct business on the states railways in order to make different parties to understand our situation." (Manager 2) *"We do not have any responsibility for the railways, that is the Swedish Transport Associations duty. Many journalists still believe that we are responsible for things concerning the rail (…) but they have started to understand."* (Manager 1) *"We are not there yet, but we certainly work a lot with other operators in the trade organization Tågoperatörerna (…) to make a change."* (Executive 4)

SJ's efforts in trying to in different ways affect the public is not done at any price, it is important to be seen as a fair player.

"Since we are Sweden's largest railway company people listen to us, but we do not decide everything, we are one out of many influencers." (Executive 6) *"We must lead by example so that people can take lead on us then."* (Executive 2)

4.2.5 The Malmö – Stockholm night train dispute

SJ's night train between Malmö and Stockholm was until recently unprofitable and as a result of this the decision to cancel it was taken.

"Each line has to bear its own costs, we have to ensure that every line is profitable. If its not profitable we need to put it down." (Executive 2)

When SJ announced that they would be putting down the night train between Malmö and Stockholm they met great response from several parties concerning their actions.

"A big debate blossomed up when we communicated that we would put down the night train between Malmö and Stockholm. Everything resulted in a big outcry and many went out and criticized our decision." (Executive 5) *"We were told that we could not cancel the night train and when talking to the parties involved they portrayed it as everybody was using the night train service when in fact it was only about 50 persons that commuted this way"* (Executive 4)

Internally SJ found it hard to understand that so many parties were opposing their decision to cancel the line as basically no one was using it at the end of the day.

"Our mission is not to be conducting samaritan activities, SJ is not an antiquarian business driving museum trains." (Executive 5) *"We are supposed to be earning money and it is thus natural to close down a line that is not profitable. SJ is supposed to act commercially."* (Executive 4) *"Doing otherwise would not work within the rules of a competitive market."* (Executive 5)

Despite the opinion that SJ should act as a commercial actor and uphold profitable lines they did not take the drastic measure and just canceled the night train between Malmö and Stockholm. Instead SJ chose to have a dialogue with the parties involved.

"As a publicly owned company we have to be extra cautious when making changes to our offerings because debates easily surface about what and how we do things." (Executive 6) *"The aim is to act in a commercial manner but there is an extra governance component linked to being state owned so in the Malmö case we tried to create a win-win situation."* (Executive 5) *"We talked to actors in Malmö region and the business community and said the service has to be used if it's to be upheld, we tried to create awareness."* (Executive 4)

The whole thing resulted in that SJ decided to keep the night train from Malmö to Stockholm operating as they managed to increase the number of customers and by that profitability.

"We put hard against hard. Many changed their travel policies and we agreed with Malmö region and the business community to keep the nigh train on probation (...) and now the numbers have increased substantially." (Executive 5)

4.3 Case 2- Systembolaget

4.3.1 The corruption entanglement

Systembolaget have been faced with huge social pressure a couple of times. One of these situations occurred in 2005 when evidence were found that some of their store managers favored some suppliers by accepting bribes. This was a tough period for the organization.

"Since I started at Systembolaget 14 years ago we have had huge pressure on us both in the beginning of my time when the opinion index where down at 47 percent and during the large corruption entanglement." (Executive 1)

Once the evidence regarding corruption was found Systembolaget obviously had to handle the situation in one or another way since it is against the Swedish legislation to accept bribes and they took serious actions.

"When we found evidence of that ten stores where working with bribes we made a report to the police directly. The involved were then fired." (Executive 1)

As a state owned company Systembolaget may sometimes need to act upon a situation like this more seriously than private owned companies.

"... I believe Systembolaget look at these kind of situations more seriously." (Executive 1) *"We have clear rules about this that were not followed and we need to act as a role model."* (Executive 1) *"We need to act admirably and in line with the law as well as be transparent."* (Executive 2)

4.3.2   Going the extra mile

Systembolaget's main commission is to reduce the health injuries related to alcohol in Sweden. They have from the state authorities' restrictions affecting how they can run their business.

"We need to follow our commission which is partly to inform about the health injuries related to alcohol." (Manager 3) *"We don't decide the opening hours ourselves since that is decided by the state. We are allowed to be open 9:00-20:00 during weekdays, 9:00-15:00 during Saturdays and the stores need to be closed on Sundays."* (Manager 2) *"The police are also able to close stores if they want to as a way to restrict the alcohol consumption."* (Manager 2)

Since Systembolaget is a monopoly they are able to live up to the commission in different ways. The easiest way for Systembolaget to reconcile their mission could be by restricting the availability of the products through for example more limited opening hours. However, Systembolaget have chosen another course to live up to the commission by having a strong customer focus.

"We open our stores at 10:00 instead of 9:00 during weekdays since no one buy alcohol that early. The large stores are open until 20:00 and the smaller ones to 18:00." (Manager 2) *"We should not become an authority but instead act as humans. When a drunk person wants to buy liqueur we can say that he is not allowed to buy in regard to the law but instead we tries to explain it in a way that shows we are caring for him or her."* (Manager 1)

Another way to reduce the negative effects of alcohol would be to follow the example of how nicotine products are advertised by using messages of horror and fright. However, Systembolaget has chosen an approach where they are more customer oriented.

"Our aim is to communicate in a fun and compelling way. A good example of this is our current TV commercial with Jeff. Next week we will start an anti-pushing campaign in which we with humor and empathy want to reach out to parents." (Manager 3) *"We want people to learn from us. For example how alcohol should be consumed but also how beverages can be consumed together with food."* (Manager 1) *"It is important for us to make campaigns that are close to the customer in a setting they are familiar with."* (Executive 7)

Another example on Systembolagets customer focus is how they pay attention to the opinion index; the amount of people who is for and against Systembolaget. The opinion index is of high importance for Systembolaget since the state as owner is governed by democracy and thus need support. However,

Systembolaget is taking this a step further by not only following up on the regular opinion index but also on a deepened index.

> *"The deepened index explains whether or not people have fully and correctly understood our message about why Systembolaget exists. We want our campaigns to not only give an effect in the usual opinion index but also on the deepened index to know that people have fully understood."* (Executive 4)

Furthermore, as a monopoly one can think that there is not the same pressure due to no competing actors fighting to take your customers, which Systembolaget is aware of.

> *"We have a more forgiving situation than companies on a free market since they risk losing market shares. As a monopoly that is not the case for us, which of course is comfortable."* (Manager 2)

However, instead of feeling relaxed of being a monopoly they are putting a huge pressure on themselves.

> *"We have an extremely good customer service which we have been rewarded for two years in a row. And I think we will win our third award this year. That is something we have had a large focus on and customer service is a trend and there we want to be a role model for others."* (Executive 1)

4.3.3   IQ and Promillekollen to increase legitimacy

Taking a social responsibility is a pressure more or less all companies in today's society face. Since taking a social responsibility and reducing health injuries related to alcohol is a major part of Systembolagets commission the responsibility increases. Sometimes they are faced with struggles of how to live up to this demand of taking responsibility by simultaneously being an actor who sells the products. There is a feeling that they lose legitimacy with their messages and campaigns while they are also the only player selling alcohol in Sweden. Therefore they often communicate through their subsidiary IQ.

> *"Our latest campaign about pushing we communicate through IQ since we are not always experienced as trustworthy because we also sell alcohol."* (Manager 2) *"IQ is a way to get close to individuals which is difficult through Systembolaget."* (Executive 4) *"It is difficult to talk about certain things when we are selling the products and via IQ we can influence in many other ways."* (Executive 2) *"We are able to get closer to the customers via IQ and it also enables us to have another type of conversation with them."* (Executive 2)

Another way of communicating to the customers without having Systembolaget as the sender is via an app called "Promillekollen". By using the app people consuming alcohol can register what they have consumed and what level of alcohol they have in their blood.

"It (Promillekollen) is a way to meet the customer and tell them about our commission." (Executive 4)

Systembolaget feel an extra responsibility as a state owned company and IQ is partly a result of that.

"We take extra responsibility than what can be expected and through IQ we try to communicate even more important information." (Manager 2)

4.3.4   Educating the society

As Systembolaget is a monopoly and the only actor in Sweden allowed to sell alcohol beverages there is an opinion within the society lobbying for a deregulation of the alcohol market.

"We want to deepen the support for Systembolagets monopoly and thus the opinion is important. The opinion index is today at 75 percent so there are some that don't want to have us anymore and this makes the political opinion important for us and we work hard to process them." (Executive 4)

The opinion puts a pressure on Systembolaget and as counteract they take on certain activities. A focus in these activities is to educate people to get a better understanding of the negative effects with alcohol where Systembolaget work hard to process politicians.

"We educate many politicians, especially the young ones, in why Systembolaget is good for the society since the older generation already has a pretty good understanding." (Manager 3)

Another way in which they are working to handle the opinion is to contribute with knowledge in alcohol related questions. They believe that if people understand the negative effects with alcohol and how Systembolaget is a reducing factor of it, people will want to uphold Systembolaget.

"A majority is unaware of that 400 000 children suffer from having parents with alcohol addictions." (Executive 4) *"People have a rather limited knowledge about the negative effects alcohol has. But when they realize, they are keener to buy in on the limitations that come with Systembolaget."* (Manager 3) *"We are donating money to a research fund named CAN. The purpose is to contribute with knowledge on alcohol related questions."* (Executive 4)

4.3.5   Filing a police report towards CityGross

A common trend amongst retailers in today's society is to sell products via internet, i.e. e-tailing. The alcohol market is no exception and Systembolaget do have an e-channel. However, a couple of years ago the Swedish legislation about selling alcohol via internet had its weaknesses making it possible for other actors to sell alcohol. Furthermore, questions arise about the supervision of other actors trying to sell alcohol. Systembolaget brought these questions up with the state during a long time but they did not see any response.

"This (the discussion with the state about the weakness of the legislation) had been going on for a long time as well as the supervision of it. But we couldn't do much more than inform the state how we looked at it." (Executive 2)

In the beginning of 2013 a grocery store chain, CityGross, used the legislation and started selling wine via their e-channel. At this point Systembolaget, who had been having a discussion with the state about this problem for a long time, felt that they had to act aggressively and made an announcement to the police towards CityGross's actions.

> *"When CityGross, who is such a large actor, steps in it became something new and we had to act."* (Executive 2)

This was not only an action in regard to maintain Systembolagets monopoly but also a way to affect the state to look more seriously on the weak legislation. When the judgment came the case was closed. However, since Systembolaget knew that the legislation was weak they were not surprised.

> *"Well, we didn't really fell of our chairs when the case got closed."* (Executive 2)

Since Systembolaget is a state owned company they feel a need to act like a role model in regard to follow the legislation.

> *"We need to be extremely open with what we do as well as being a role model of how we act upon the legislation."* (Executive 2)

5

ANALYSIS

5 Analysis

This section covers the analysis of the cases presented under the empirics. It analyses each company, and the relevant situations identified, separately, according to the pattern-matching technique presented within the method.

5.1 Analysis of SJ

5.1.1 Precursors in the corporate social responsibility movement

SJ's behavior in relation to the CSR trend that permeates business society today is a clear example of an acquiescence strategy where SJ is adopting a response of compliance (Oliver, 1991). CSR can be seen as an institutional movement – several actors have advocated for it over a long period of time as the right way of doing business – that affects SJ by imposing an institutional demand upon the organization (Furusten, 2013). Their incorporation of CSR values, norms, and requirements dictated by the institutional demand can be parallel to compliance where SJ probably anticipates some self-serving benefit by responding in such a manner. Explanations for why a compliance response is being exercised are many. It is highly likely that SJ's compliance behavior is fueled by the approbation of external constituents who enhance SJ's legitimacy as a result of them incorporating CSR into their business. Part of the answer can probably be linked to that the adoption reduces the organizations vulnerability to negative assessments and by that protects it from public criticism. The fact that the CSR trend is consistent with how SJ wants to be perceived as an organization could also be a reason for SJ's answer to the institutional demand (Oliver, 1991). Because what is promoted by CSR is in line with how SJ wants to conduct business it is not hard for them to incorporate it into their practices and thus there is no need for resistance, making compliance a strategic move. Furthermore, as the CSR trend has gained high diffusion in society, which can be seen through many actors being unanimous in their advocations of CSR, and since SJ's dependency upon them probably is high, complying thus becomes natural (ibid.). This is undoubtedly also amplified by SJ feeling the need to be a role model for the market by being in the forefront of things, which can be seen through them being one of few Swedish companies adopting EFQM.

5.1.2 Bittersweet relationship with the state

The way SJ handles the fact that they on one hand have to reconcile that they are instructed to be a commercial actor whilst at the same time trying to manage that they are affected by having the state as an owner is expressed through a compromise strategy in form of a bargaining response (Oliver, 1991). SJ is clearly faced with institutional demands from institutional actors in their environment about how to act in order for them to be perceived as legit as both a member of the market and as an entity belonging to the state (Furusten, 2013). SJ's bargaining can be seen through how they exact some concessions from constituents like The Swedish Transport Association in their demands and expectations. However, at the same time they do not act forcefully since they believe that fights are supposed to be kept within the family. SJ is basically trying to negotiate with their environment in order to optimize the situation (Oliver, 1991). They enact in a sequential prioritization, at times putting themselves first and at times accepting what is in favor of the greater good (March, 1962). SJ basically responds to the institutional demand that is exerted upon them by negotiating with the environment. The reason for this approach most likely stems from SJ's feelings of having to take extra responsibility as a state owned company because they for instance have to consider the public

more in their decisions making. SJ's bargaining behavior is probably a result of the loss of decision-making discretion that they experience as a result of being tied to the parliament and the government. However, SJ does not just passively comply with demands and expectations coming from the state. The reason for this probably is that they are governed by the Companies Act, meaning that there is a high degree of legal coercion instructing them otherwise (Oliver, 1991). The bargaining approach thus becomes natural as there is a moderate multiplicity among constituents about how and what SJ should do (ibid.).

5.1.3   What you see is not always what you get

SJ's tactic of trying to make customers happy whether for example delays are their fault or not, while at the same time trying to communicate to their surroundings that they are not in total the ones to blame is an avoidance strategy in which SJ applies a response in form of concealment (Oliver, 1991). There are basically institutional demands from actors in SJ's immediate environment such as customers and suppliers with whom SJ makes exchanges that SJ responds to (Furusten, 2013). By concealing SJ tries to distinguish a nonconformity behavior behind a façade of acquiescence towards their customers. It is an isomorphic move, where window dressing is employed (Oliver, 1991; Meyer & Rowan, 1977). There is a distinction between their appearances to customers, where they take full responsibility, and between how they act, as they do not see themselves as being fully responsible. By separating what is communicated to customers with how they act towards for example the Swedish Transport Association, SJ's response is somewhat hypocritical (Brunsson, 1989). The concealment response is probably a result of there being high degree of economic gain at stake for SJ since customers may switch to other means of transport if the service SJ provides is poor (Oliver, 1991). But at the same time what is communicated to customers is not consistent with what is true which most certainly is the reason why SJ takes other actions then just taking responsibility for all delays for instance. This behavior is certainly catalyzed by SJ not wanting to engage in blame games as they want to be perceived as responsible and act exemplary. Thus, as there probably only is a moderate interconnectedness between actors in the institutional environment, concealment suffices as a response to the exerted demands (ibid.).

5.1.4   Ties to non-state actors

The fact that SJ takes part in several forums with the purpose of bringing about mostly self-serving initiatives within railway transportation is an exercise of manipulation where SJ is responding to institutional demands through influence (Oliver, 1991). The demands that SJ is responding to come from institutional actors such as industry associations trying to impose what acceptable practices and performances are (Furusten, 2013). By using an influence tactic to respond to the institutional demands imposed on them, SJ is able to lobby for their cause by affecting public perceptions and influencing the standards by which they are evaluated. SJ is probably engaging in influencing activities as a result of them feeling constrained in their decision-making discretion as they cannot freely take decisions without carefully considering the stakes involved and their context (Oliver, 1991). The reason for why an influencing tactic is used instead of a more aggressive approach best ties back to the fact that they want to lead by example. Being Sweden's largest railway company there is not much legitimacy at stake for SJ if they chose not to be part of certain forums, nonetheless the role model aspect that is perceived to be important results in them wanting to make changes more subtly. Moreover, since there is not much to be lost in monetary terms by engaging in different

forums and making claims for ones cause SJ's response in form of influence is further supported (ibid.).

5.1.5 The Malmö – Stockholm night train dispute

SJ's decision to confront the public in response to them communicating that they are going to cancel the night train from Malmö to Stockholm is a defiance strategy where SJ uses challenge as a response (Oliver, 1991). SJ is clearly faced with institutional demands from both customers they make exchanges with concerning that they should have full coverage, and from institutional actors who expect them to act in a commercial manner (Furusten, 2013). By challenging the institutional demands exerted upon them SJ goes on the offensive in defiance of the demands and by that they make a virtue of their insurrection as they succeed in making the night train profitable. Responding to the institutional demand through the tactic challenge is natural in this situation as the actions are reinforced by demonstrations of probity and rationality since there is no sense in SJ upholding business that is not profitable. The biggest reason for SJ's defying response probably is that there is no economic gain in upholding a line that is not profitable as it from a market economic perspective is not justifiable. The actions taken are most certainly also driven by there being low consistency of doing unprofitable business with SJ being instructed to act as a commercial actor (Oliver, 1991). SJ is however to an extent dependent upon the constituents that the defying response is being exerted towards resulting in a more dialogical response instead of attacking for instance customers (ibid.). This diplomatic approach is certainly a result of SJ feeling that they have to be extra cautious when making changes to their offerings as they feel that they have to take extra responsibility and be exemplary in their actions.

5.2 Analysis of Systembolaget

5.2.1 The corruption entanglement

In the corruption entanglement situation Systembolaget used an acquiescent strategy of compliance as a response to the demands coming from the institutional environment (Oliver, 1991). The demand mainly originated from other suppliers with which Systembolaget had business exchanges and from institutional actors in form of legal authorities since bribery is prohibited by law (Furusten, 2013). Thus, Systembolaget had to handle the institutional demand instructing them to take responsibility for their actions and to follow the legislation. The demands exerted upon Systembolaget can partly be regarded as institutional requirements since Systembolaget behavior was illegal. To classify this response as compliance is suitable with regards to Systembolaget's conscious and strategic choice of action (Oliver, 1991). A possible explanation for this response was Systembolaget's high risk of losing legitimacy by not complying with the pressure (ibid.). Furthermore, Systembolaget was very dependent on the constituents exerting the demand and there was no multiplicity amongst the constituents since they all required the same kind of response (ibid.). The compliance response also seems to be a natural choice due to there being high consistency between Systembolaget's own beliefs and the exerted demand, alongside the largest constraint with the action basically being hiring new employees (ibid.). Another factor influencing Systembolaget's choice of action for their misbehavior was them feeling the need to act as a role model as they wanted to act exemplary for other organizations since they are a state owned company.

5.2.2 Going the extra mile

The way Systembolaget handles their commission by having a customer focused communication strategy can be seen as a compromising strategy where balancing is used (Oliver, 1991). Systembolagets strategy of having a strong customer focus to fulfill their commission instead of using a more easily implemented strategy of restrictions and threats can linked to institutional demands of customer centrism within business. There is an extremely large focus on putting the customer first in today's society, which can be seen as an institutional movement surfacing through the business exchanges Systembolaget has where customers expect great service (Furusten, 2013). Through their response Systembolaget balances the commission of reducing health injuries related to alcohol with demands of having strong customer focus. Instead of using restrictions and threatening advertisement to fulfill the commission, a strategy of putting the customer first is used. Through a balancing tactic they compromise the internal expectations to act upon their commission with the external expectations of having a customer focused business, resulting in parity between numerous stakeholders, expectations and interests. The choice of a balancing response can be explained by there being multiplicity among constituents as there is no clear unanimity coming from the institutional demands and because both the state and the customers have to be considered (Oliver, 1991). Furthermore, Systembolaget is highly dependent on the constituents involved and there is a high uncertainty in their context coming from the different demands (ibid.). In addition to this, they feel an extra responsibility as a state owned company to have a high customer focus since they need to act as a role model.

5.2.3 IQ and Promillekollen to increase legitimacy

The situation related to IQ and Promillekollen is an example where Systembolaget uses an avoiding strategy through a response of buffering (Oliver, 1991). As a state owned company with a commission to take social responsibility, whilst simultaneously acting in a society permeated by an institutional movement of corporate social responsibility – which more or less is a must focus for all organizations to adhere to – it is obviously a big demand for Systembolaget to live up to (Furusten, 2013). Systembolaget highly prioritizes their commission but they sometimes struggle with how to both reduce the negative aspects of alcohol and be the only actor in Sweden selling the products. To sufficiently manage the institutional movement of corporate social responsibility and at the same time be well regarded by customers in their the exchanges Systembolaget has separated IQ and Promillekollen from their business so to increase their legitimacy (ibid.). In comparison to the two above mentioned responses, buffering is a more active response towards the institutional demand. The separation of actions from their formal structure taking place can be seen as a decoupling strategy used as means to stay legitimate and trustworthy. Their decoupling behavior has a reducing effect on how much they are being scrutinized and on the amount of institutional demands exerted on them. A probable reason for this response can be the multiplicity of constituents where they have to handle two separate demands coming from different sources (Oliver, 1991). Other reasons are may be there being consistency with them taking a social responsibility, possible constraints in terms of losing legitimacy towards the customers and other actors, as well as a need to take an extra responsibility (ibid.).

5.2.4 Educating the society

The case describing how Systembolaget educates the society about the negative effects of alcohol is an example of how they use the active response strategy manipulation via influencing (Oliver, 1991).

The opinion against Systembolagets monopoly can be seen as an effect of the institutional movement of marketization as the characteristics of a monopoly cannot be united with a free market where customers can evaluate multiple options of market actors when buying alcohol (Furusten, 2013). Of course, this is a demand that does not go in line with Systembolaget's mission and therefore their response. The spreading of knowledge about the negative effects of alcohol that is done is a kind of lobbying directed towards the institutional values and beliefs coming from the marketization movement. Systembolaget believe that they are able to influence peoples values and beliefs and by that get them to understand the positive aspects related to keeping the alcohol monopoly, something that can be seen as a way of configuring values (Alexius, 2014). These actions are probably coming from there being low consistency between Systembolaget's own goals and the values of the opinion, and the high constraints that a deregulation of the alcohol market would result in for Systembolaget (Oliver, 1991). Furthermore, the voluntary diffusion of the demand is low with a rather small opinion and there is no legal coercion pointing towards a deregulation of the market (ibid.).

5.2.5 Filing a police report towards CityGross

The situation with the police report filed towards CityGross is an example of a response of a manipulation strategy through control (Oliver, 1991). As in the previous case described above the police report filed against CityGross is based on the same institutional demand stemming from the institutional movement of marketization where parts of society is striving for free market conditions (Furusten, 2013). The actions taken by CityGross were an answer to the demand of free market trade. However, even though the institutional demand imposed on Systembolaget as such was the same they handled the situation in a different manner. The strategy they took on was once again a manipulation strategy but this time with a more active and aggressive tactic. By using a controlling response Systembolaget showed an example of the most actively aggressive response to institutional demand (Oliver, 1991). Through their response they aimed at controlling and dominating the constituent – CityGross – by exerting their power on them. The reasons behind Systembolaget behavior is there being a low consistency between Systembolaget own goals and the values of the opinion (ibid.). Furthermore, the high constraints that a deregulation of the market would result in for Systembolaget is another explanation (ibid.). There being no legal coercion towards a deregulation of the alcohol market and voluntary diffusion being low are other reasons for the response behavior (ibid.). The response can also be seen in the light of Systembolaget striving to act as a role model in regard to the legislation.

6

DISCUSSION

6 Discussion

On a general level, given the empirical findings and with the analysis in mind, Oliver's (1991) model of responses and their predictors to institutional demands suffice in explaining the organizational behaviors state owned companies endorse in response to the institutional demands imposed on them. To claim that what is presented within the frame of this study gives a full explanation of how state owned companies handle institutional demand is naïve. Nonetheless, the study sheds light on some interesting aspects related to what organizational responses state owned companies employ and why. One of the aspects concerns the fact that the responses state owned companies use seem to be skewed towards conformity. The other aspects is linked to the first and concerns the reasons behind the responses that state owned companies take on, where there seems to be two dimensions – responsibility and role model behavior – stemming from their hybridity, particularly affecting the type of response being used.

SJ and Systembolaget were chosen on grounds of both being fully owned by the Swedish state and that both can be regarded as central organizations (Greenwood et al., 2011) that differ in nature by their overall commission. The companies reflect two extremes in a typology of state owned organizing with SJ representing a commercial actor who's purpose is to produce economical value, and Systembolaget the other side of the continuum with the purpose of producing societal value (SOU 2012:14). Furthermore, the former is part of a market and subject to competition whilst the latter is a monopoly. The reason behind the choice of using these companies as cases for this study has been that they represent a broad spectrum of the Swedish state's company portfolio, and by that will best capture the phenomenon of how state owned companies respond to institutional demands on a more totalitarian level then from a niche perspective. This choice has proven successful as the findings indicate that independent of type, state owned companies employ a range of responses to institutional demands.

When studying SJ's and Systembolaget's responses to institutional demands it is interesting to denote attention to possible differences and similarities in their response behavior. In terms of differences this study sees no bigger disparity in the responses that SJ and Systembolaget use towards institutional demands. Rationally, some differences related to the fact that one is a monopoly and the other is not could have been expected. That is however not the case. Rather, both SJ and Systembolaget employ a wide range of different responses depending on the conditions they face from the institutional environment. In SJ's case all five of Oliver's (1991) response strategies are represented with examples ranging from SJ passively conforming to proactively manipulating through influence tactics. Systembolaget also has a good spread in terms of response representativeness related to Oliver's (ibid.) model, ranging from passive conformity to active manipulation, with four out of five response strategies being represented. Conclusively, the empiric foundation of this study, highlighted by the ten different situations that these companies struggle or have struggled with, indicate that different response strategies are chosen by state owned companies under different circumstances. Particular attention should however be drawn to the distribution of response strategies employed within Oliver's (ibid.) typology (see table 5).

STRATEGIC RESPONSES TO INSTITUTIONAL DEMANDS				
	Strategies	Tactics	SJ	Systembolaget
Passive resistance	Acquiesce	Habit Imitate Comply	✓	✓
	Compromise	Balance Pacify Bargain	✓	✓
Active manipulation	Avoid	Conceal Buffer Escape	✓	✓
	Defy	Dismiss Challenge Attack	✓	
	Manipulate	Co-opt Influence Control	✓	✓ ✓

Table 5 - Distribution of the strategic responses to institutional demands identified by the study

Oliver's (1991) typology of organizations responses to institutional demand vary in active agency by the organization from passivity to increasing active resistance. This is also the case in the situations that SJ respectively Systembolaget face, which is put forward in the empirics. A peculiarity surfacing from the empirics and the analysis conducted is however that both SJ and Systembolaget seem to be more prone to employ tactics of conforming nature rather than manipulating character. The reasons for this noted tendency could be numerous and explanations could certainly be linked to many other theoretical arguments. A viable reason could also be that this tendency is specific to this study. Irrespectively, this peculiarity is important as the results indicate that this tendency probably is linked to state owned companies feeling the need for carrying an extra responsibility and having to act as a role model for other organizations. This seems to be related to their hybridity where institutional demands at one level serve as foil for demands lodged at another level, affecting how these organizations behave and respond to their environment (Hallett, Schulman & Fine, 2008; Ashforth & Johnson, 2001). Thus, responses that state owned companies use towards institutional demands exerted upon them are often in this study affected by state owned companies feeling the need for taking extra responsibility and acting exemplary. Relating this to Oliver's (1991) model it means that if a better understanding of state owned companies' responses to institutional demands are to be obtained, factors such as responsibility and role model behavior should be taken into account.

Although Oliver's (1991) model does provide a useful typology of responses to institutional demands it has certain drawbacks in relation to what is covered by this study – the state context. The limitations of the model that can be translated from this study concern its predictive power when discussing state owned companies' responses to institutional demands. Specifically, this regards the feelings of responsibility and role model behavior that repeatedly surface to a large extent in many of the ten situations presented under the empirical findings. That Oliver's (ibid.) model does not sufficed in trying to sort out the whole explanation behind the responses that organizations take on has however been noted earlier (Greenwooed et al., 2011; Pasche & Santos, 2010). Related to this study and the context of state owned companies, probable reasons for this can be that the state owned companies rarely have been the focal point of such empirical studies and thus Oliver's (1991) model can be perceived as being skewed towards an agency logic context (Sjöstrand & Hammarqvist 2012, SOU 2012:14, Thomasson 2009). Furthermore, the model does not take into consideration hybridity

characteristics that significantly can affect certain organizations' behaviors (Greenwood et al., 2011). Therefore it is of importance that the factors of responsibility and role model behavior are underlined as they, translated from this study, matter as influencers of which different response strategies are likely to be mobilized by state owned companies.

The fact that state owned companies feel that they have to take on extra responsibility could be seen as natural due to states often having possessions over things important to society as a whole: infrastructure, healthcare, education to name a few things. The state taking care of the things seen as important to society in some sense brings about dimensions of the state context being characterized by actions of responsibility and caring for the public. This can be seen as an underlying institutional logic permeating whatever in some sense is part of the state. Linking this reasoning to state owned companies being hybrid organizations – them having to reconcile institutional demands from both the market and politics – it falls natural that feelings of responsibility surface in regards to their behavior. In this study this has been translated through the state owned companies studied being guided by feelings of extra responsibility in the actions they pursue. When looking at Systembolaget their feelings of responsibility is in some aspects legitimate as they have a mission that to large extent is in coherency with feelings of responsibility. Interestingly they seem to feel an extra degree of responsibility that for instance is translated through them filing a police report towards CityGross. Systembolaget aside, SJ's mindset of feeling the need to take extra responsibility is even more interesting as the company does not have an explicit mission that can be paralleled with the state context's general polarity towards taking responsibility. Nonetheless, SJ, despite being instructed to act in true commercial manner, feels that they need to be extra cautions when doing business and that their mission as a company owned by the state is characterized by an extra responsibility.

The role model aspect linked to the responses that are employed as remedy to the experienced institutional demands, which SJ and Systembolaget seem to experience, can be explained by the same pattern seen for the responsibility factor. The state is a standard setter and legal enforcer in charge of deciding under what conditions the game of business is to be played. Having this power in their realm naturally results in matters linked to the state having to be of certain rank and quality as it would not be legit to preach and then not practice. Thus, just as for the responsibility factor, there seems to be an underlying institutional logic within the state context linked to role model behavior veiling whatever in some sense is part of the state. Correspondingly to what was discussed for the responsibility factor, this probably is originating from the hybrid nature of state owned companies. Specifically, state owned companies incorporate the different governance logics of professionalism and democracy within one entity, which in this study is highlighted by the state owned companies being guided by role model behavior in the actions they pursue. As for all state owned companies the role model factor is explicitly stated in relation to sustainability as covered by the State ownership policy. Despite this, both SJ and Systembolaget go beyond what is instructed and see the need for being a role model in several aspects. In Systembolagets case this can be translated from them going beyond what is expected and winning NKI three year in a row across all industries. What concerns SJ, it is clear that they also feel that they need to be a role model which can be seen through their early adoption of EFQM. As such, given the support that can be provided within this study, as highlighted by the cases of SJ and Systembolaget, it is important to take into account the factors of responsibility and role model behavior to understand the organizational responses that state owned companies employ.

With the discussion above in mind it is reasonable to argue that a richer picture of state owned companies' behavior in terms of responses to institutional demands can be obtained by incorporating factors of feelings of having to take extra responsibility and having to be a role model when studying this phenomena. In other words, Oliver's (1991) model serves as a good tool to on a general level understand the explanations to the response behavior identified. If however a more adequate analysis of state owned companies in particular is to be obtained factors of responsibility and role model behavior, seemingly stemming from the hybridity these organizations experience, should be incorporated. These findings answer well to Greenwood et al.'s (2011: 354) encouragements of further research on "how institutional complexity and organizational responses are shaped by the relationship of organizational identity processes to the broader dynamics of institutional identities". Moreover, these findings can be paralleled with what is presented by Pache and Santos (2010) who claim that more accurate predictions to organizational response behavior can be attained if Oliver's (1991) model is complemented with intraorganizational factors when studying the response phenomena. Similarly, this study finds support for that research of response behavior in state owned companies can gain from responsibility and role model factors being addressed. Given this it is suggested that responses to institutional demands for state owned companies should be studied via modifying Oliver's (ibid.) model as depicted by the Colak-Hed model. The hypothetical Colak-Hed model has been developed within the frame of this study, answering to the results discussed (see figure 6). It aims at capturing dimensions of organizational response behavior linked to state owned companies and is believed to be a suitable tool for the matter, given what has been discovered in this study. Even though this model can be regarded as highly speculative the factors of responsibility and role model actions are nonetheless important and therefore studies of the Colak-Hed model or similar versions, or alterations of such a model, are to recommend.
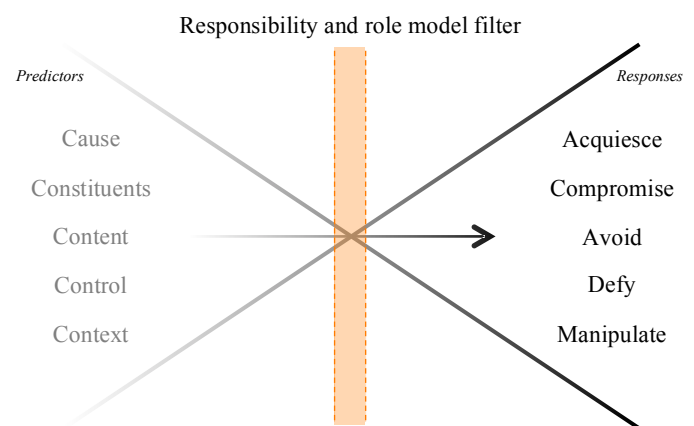

Figure 6 – The Colak-Hed model, an appropriation of Oliver's (1991) strategic responses to institutional demands

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7

CONCLUSIONS

7   Conclusions

Demands for a clear-cut identity and solid results are large in today's audit society, and create dilemmas for organizations with multifaceted structures that have diverse and difficult missions to reconcile. State owned companies are in particular subject to these conditions as they operate on the institutional borderland at the intersection between the market and the public sector. This study set out to examine how state owned companies respond to institutional demands exerted upon them from the institutional environment in which they are embedded, and if there are any characteristics special to how state owned companies in particular respond to these institutional demands. In respect to what has been found the purpose can be regarded as fulfilled. Given what is presented within the study it can be concluded that state owned companies employ a wide range of different responses to the institutional demands that they are subject to and the response behavior in these companies is affected by feelings of need for extra responsibility and role model behavior. The findings demonstrate that a range of different responses to institutional demands is employed because state owned companies, just as all other organizations, are put in different situations, affecting them in different ways, requiring a wide array of responses. An important aspect of state owned companies' response behavior that previous studies have not yet fully captured is however that certain aspects, linked to their hybridity, in particular appear to be guiding their behavior. State owned companies seem to be guided by feelings of needs for taking extra responsibility when doing business and role model behaviors towards other organizations. The responsibility and role model factors are according to this study related to the inherent hybridity characterizing state owned companies. Consequently, these factors can be translated from much of what these companies do. As a result of these findings this study presents support for that organizational responses to institutional demand, within the context of state owned companies, should be studied in closer relation to organizational hybridity aspects by considering, as presented in the speculative Colak-Hed model, the factors of extra responsibility and role model behavior that these companies seem to be perceiving.

8

IMPLICATIONS

8 Implications

State owned companies constitute a substantial part of the global economy, with state owned commercial assets probably being the largest asset class globally (SOU 2012:14). Only in Sweden state owned companies employ over 170'000 people and generate about SEK 405 billion in income each year to the Swedish state. Thus, companies within the state portfolio have a major impact on the Swedish society and the picture looks the same in many countries around the world. Given that states are considerable company owners in many countries, and that a substantial part of states' accomplishments of public commitments is organized in the legal forms of limited companies owned by the state, the municipalities and the counties, it is interesting to raise possible implications this study has on business management and governance (ibid.). The overall objective of state owned companies is to create value, either economical or societal, and sometimes even both. Despite this, research on state owned companies is nescient, resulting in a lack of knowledge and understanding on how these companies are to be managed, and what affects them in their daily decision making. The implications that can be translated from this study can help both states – as owner of these companies – and executives of state owned companies to take more well-grounded decisions. As established in this study, factors of extra responsibility and role model behavior influence many of the decisions state owned companies make, which unquestionably can be argued to be of importance when doing business. It is for example important for a state owned company, that is instructed to act in line with strict commercial objectives, to understand if the actions it undertakes are biased by elements of other nature or not. This implies that if the state, as an owner, and the executives better understand what affects their decisions – either consciously or unconsciously – more rational decisions can be taken.

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SUGGESTIONS FOR FUTURE STUDIES

9   Suggestions for Future Studies

The research field covered in this study – state owned companies' responses to institutional demands – is a nescient field. There are studies that through theoretical reasoning discuss the peculiarities associated with state owned companies as a result of them being hybrid organizations. However, there is a lack of studies aimed at empirically exploring the hybrid nature of the state owned company and how it handles its institutional environment. This study had its departure in this gap and has confirmed that the peculiarities of state owned companies related to its hybridity do influence the responses it employs to handle institutional demands: state owned companies experience feelings of need for extra responsibility and role model behavior. This study is to be regarded as a starting point in addressing this gap. It would be interesting if future studies picked up where this study ends by investigating if the patterns found in this study can be reinforced through using a larger number of state owned companies as cases and, or, by fully covering the breadth of state owned companies by studying several types of state owned companies that differ in their mission. Studies beyond the boarders of Sweden or with employers of other levels within state owned companies are also encouraged as it would contribute with valuable knowledge. Since this study probably is the first of its kind it would be interesting to study how state owned companies handle conflicting institutional demands on the basis of the model developed in this study. These studies could further validate the model and the predicators of acting like a role model and taking extra responsibility as well as extend the model with new elements.

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11

APPENDIX

11 Appendix

11.1 The Swedish states company portfolio

Commission to create economical value	Commission to create societal value
Akademiska Hus	APL
Almi Företagspartner	Arlandabanan Infrastructure
Apoteket	Dom Shvetsii
Apoteksgruppen	Dramaten
Bilprovningen	ESS (European Spallation Source)
Bostadsgaranti	Göta kanalbolag
Fouriertransform	Inlandsinnovation
Green Cargo	Miljömärkning Sverige
Infranord	Operan
Jernhusen	RISE
Lernia	Samhall
LKAB	SOS Alarm
Metria	Statens Bostadsomvandling
Orio	Svedab
PostNord	Swedesurvey
SAS	Swedfund
SBAB	Svenska Skeppshypotek
SEK	Svenska Spel
SJ	Systembolaget
Specialfastigheter	VisitSweden
SSC (SvenskaRymdaktiebolaget)	Voksenåsen
Sveaskog	
Swedavia	
Svevia	
TeliaSonera	
Teracom Boxer Group	
Vasallen	
Vattenfall	

11.2 Interview guide

Part 1- Introducing questions

1. What is the company's purpose as you see it?
2. What is the company's strategy as you see it?
3. What are the goals for the company as you see it?
4. How well do you think the company is fulfilling the purpose, strategy and goals set out?
5. Do you regard it to be necessary to prioritize between the goals and demands set out? Why? How do you prioritize?

Part 2- Main questions and areas of discussion

1. Can you think of any pressures put on you and the organization coming from the organizational environment? How do you handle such pressure?
2. Do you have any concrete examples of situations in which you or the organization were under pressure of something coming from the organizational environment? What did you do in that situation?

3. Can you or other people within the organization affect the organizational environment in some way? What can you do? What do you do?

4. Can you think of any differences between being a state owned company as opposed to a private owned company? What are the results or effects of these differences?

11.3 Interview list

Date	Interviewee	Company
2015-03-09	Manager 1	SJ
2015-03-16	Manager 2	SJ
2015-03-20	Executive 1	SJ
2015-03-24	Board Member	SJ
2015-03-24	Executive 2	SJ
2015-03-24	Board Member	Systembolaget
2015-04-07	Manager 1	Systembolaget
2015-04-09	Manager 2	Systembolaget
2015-04-13	Executive 1	Systembolaget
2015-04-13	Executive 2	Systembolaget
2015-04-17	Manager 3	Systembolaget
2015-04-20	Executive 3	SJ
2015-04-22	Executive 4	SJ
2015-04-24	Executive 5	SJ
2015-04-27	Executive 3	Systembolaget
2015-04-28	Executive 6	SJ
2015-05-04	Executive	Systembolaget

11.4 Case Study Protocol

Overview of the Case Study

Case study questions

"How is the complexity of multiple institutional demands handled by state owned companies – what organizational responses are employed towards the institutional demands exerted upon them? Are there any characteristics special to state owned companies' responses to conflicting institutional demands?"

Theoretical framework

The overall theoretical framework used for the case study has its stance in institutionalization theories and is based on Oliver's (1991) typology of strategic responses to institutional processes with its belonging predicators as well as Furusten's (2013) model of the institutional environment.

Most relevant readings

Oliver, C. (1991). Strategic Responses to Institutional Processes. The Academy of Management Review. Vol. 16, No. 1 (Jan., 1991), pp. 145-179

Furusten, S. (2013). Institutional Theory and Organizational Change. Edward Elgar Publishing Limited. United Kingdom, Cheltenham

Pache, A. & Santos, F. (2010). When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands. *Academy of Management Review, 35, 3,* 455–476.

Data Collection Procedures

Key organizations and interviewees

The organizations used as cases in the study are SJ and Systembolaget. The interviewees that participated are not disclosed as a way to make them feel comfortable during the interviews in order obtain the most relevant data.

Data collection resources

- All interviews are held at respective organization's office.
- The first interview (with an employee at SJ) was collected in a public space at the office however a decision was thereafter taken to conduct all interviews in private spaces in order to make the interviewees feel more comfortable.
- Both researchers have been present during all interviews to minimize interpretation errors.
- One researcher has been main interviewer and the other has been taking notes. These roles have been the same during all interviews to create consistency between the interviews.
- The first plan was to conduct all interviews between 1st of March – 31st of March. However, due to the interviewees schedules this period got changed having the first interview 9th of March and the last 4th of May.

Mood and motivation of the researchers

The mood and motivation of the researchers have been high throughout the interview period. Due to the rescheduling of the interview period affected by the interviewees crowded schedules the researchers felt a bit of frustration. However, this has not affected the interviews.

Data Collection Questions

Sources of data for addressing different areas

- Interviews have been used to get data about the employees' experiences and own interpretations in relation to the investigated research area.
- Documents have been used to get an overview of the relationship between the state and the state owned companies. For example what commission each company have and what requirements the state has on the companies within its portfolio.

Most important areas to cover during the interviews

Focus during all interviews has been to have both a personal angle – having the interviewee elaborate on own experiences and thoughts – and an angle from the company perspective. Some areas have been prioritized to cover during all interviews. These have been:

- The overall purpose and goal for the company
- Differences between being a state owned company towards being a private company

- Different pressures exerted on the company and how they respond
- Concrete examples of situations where the company have been facing different institutional demands and how they handled it

Guide for the Case Study Report

An adaptive approach have been used for the planning of the case study report. An initial outline of the case study report included the following areas in the following order: introduction, methodology, theoretical framework, empirics/results, analysis, discussion and conclusions, implications, concluding remarks, suggestions for future studies, references, and appendix

This outline has been modified during the work process. The biggest change has been to switch the order of the methodology and the theoretical framework. This was done to create a more natural flow for the reader. The discussion and conclusions were split into two sections in order to create a clearer delimitation between the different sections. Furthermore, the section concluding remarks was taken away to create a larger focus on the discussion and the conclusions instead of elaborating on the findings in three sections.