

GOVERNANCE, DELEGATION OR CONSTELLATION?: AN EMPIRICAL STUDY OF CORPORATE GOVERNANCE IN A SWEDISH MUNICIPAL CORPORATION IN THE WASTE INDUSTRY

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Abstract

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Corporate governance studies are dominated by a delegation view stating that governance rights originate from the owners and are delegated to agents, such as the board and the chief executive officer (CEO). We contrast this view with a constellation view where rights are located among governance actors. The aim of the paper is to evaluate the relevance of these two dichotomous views. Using a structured induction method on a single case study of a Swedish municipal corporation we abstracted three concepts: octopus governance, interactive governance and potentiality of governance. By relating them to the two views we conclude that the constellation view of governance is empirically more relevant under moderate situations, while the delegation view is more relevant in dramatic situations.

Keywords: Delegation, Constellation, Governance Rights, Municipal Corporation, Sweden

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1. INTRODUCTION

Corporate governance studies appear to carry a view of delegated governance rights, while few use an alternative view, a constellation of rights. This paper will confront these two views and evaluate their relevance.

The basic view of agency theory (Fama & Jensen, 1983) is that owners are principals having ownership rights that they can delegate to agents such as directors and managers. The delegation of rights creates agency problems, which is governed through performing monitoring and installing

incentives in order to guide and discipline those who received the delegated rights (Ponomareva, 2019). This view legitimizes the shareholder as the principal of the corporation by giving the impression that the shareholder is the owner of the firm that has delegated some of the ownership rights to others. Indeed, the view fits well into today’s political environment, where there is a tendency to promote the supremacy of the shareholder, for example, in the ideologies of shareholder orientation (Lazonick & O’Sullivan, 2000) and good governance (Jansson et al., 2016).

While agency theory dominates the research in corporate governance, and by that, the view of

delegation of rights are widely assumed in research, there is an alternative that views rights distributed in constellations of governance actors. One such view is the Marxist view of capital, as in Marx's *Capital* (1867, chapter 27), and by Hilferding (1981). In this view, rights are distributed in a constellation within the capital, consisting of corporate actors such as the shareholders, the debt holders, the board of directors, and the management. The constellation makes the firm efficient and ultimately ensures its survival in the market of organizations so that it can create and accumulate wealth that is distributed mainly to the shareholders and the top management. Similar views of constellations can be found in stakeholder theory (Asher et al., 2005) where rights are distributed among stakeholders, and in the behavioral theory of the firm (Westphal & Zajac, 2013) where rights are distributed among actors in the dominant coalition.

These two dichotomous views, delegation of rights and constellations of rights, hardly meet in empirical research and through competition being able to show their relative merits. If we do not consider alternative views simultaneously, we become dogmatic and trapped in a scholastic, navel-gazing science (Lubatkin et al., 2007), where we never test our theories in a competitive environment (Hibbert et al., 2014). This means that we limit our opportunities to criticize our theories and through criticism find their limitations and possibilities. In doing so, we limit our opportunities to develop our understanding of corporate governance.

The research aim of this paper is to, through a confrontation of the two views, evaluate their relevance. More specifically, we will find the relevance of the two views of delegation and constellation through an empirical evaluation of them using a case study method.

Since these two dichotomous views have strong assumptions, one way to be able to evaluate them is to conduct an empirical study that does not run the risk of being influenced by either view, i.e., to perform a study with as few theory guidance and expectations as possible (Eisenhardt, 1989). We, therefore, conducted a case study, using structured induction, which implies using pre-empirical conceptions (Siggelkow, 2007) organised in a conceptual scheme for directing observations and inductive analysis. While no case study can be performed without a preunderstanding, we used a conceptual scheme lacking any assumption of delegation or constellation.

The result of the induction was that we found an overall system of corporate governance, in which we found three themes of governance that we abstracted into three concepts of governance. These concepts were then used to evaluate the two views and answer our research question:

RQ: Is there a delegation of governance or a constellation of governance?

What we found was that the views could appear in a mix and that the relevance of the views appears to be situational, whereas delegation appears to be more relevant in dramatic situations and constellation in moderate situations. This led us to formulate a more developed research question for future studies:

RQ: What conditions determine the mix of delegation and constellation of governance?

Overall, the paper contributes with a suggestion that the two basic views are relevant due to the governance situation. We suggest the concept of octopus governance which is subtle governance with interactions between several governance actors in several arenas, without one central arena and one central, all-powerful governance actor. Additionally, we suggest the concept of interactive governance, which means that when actors of governance, including those that according to the delegated view should be subject to governance, the managers as agents, are engaged in activities that influence other governance actors. Finally, we suggest the concept of potentiality of governance, which is a concept covering the dynamic character in the constitution of the joint stock company, where, in our case, the board brooded over its possibilities, until the situation demanded that its potential be activated with full force.

The study has relevance for both the scientific field of corporate governance and practice. The scientific relevance is first and foremost critical, that confrontation between two different views reveals their limitations, reduces the risk of dogmatism and creates an opportunity for the development of the two views, and, as we will suggest in the discussion, for a synthesis of the views. Secondly, the study shows the capacity of a less theory-impregnated methodological approach to generate concepts and critically evaluate dominant theoretical views.

The study has political relevance since it goes beyond the assumption of both shareholder supremacy and delegation of ownership rights, which both are used in political ideologies in society. Finally, it has relevance for corporate governance practice since the acceptance of, at least, two views of governance, delegation and specialization, creates the possibility of governance diversity not limited to only one view of governance, which will enlarge the opportunity set of governance actions possible.

The paper starts by presenting the delegation and constellation views in more detail. Then we present the research method of a case study using structured induction, the empirical data collection and the case corporation. Thereafter we present the results from the inductive analysis in the form of the overall governance system, followed by the concepts of octopus governance, interactive governance and potentiality of governance. These results are then used in addressing the research question through a reflection of the presence of delegation and constellation, thereby reaching the conclusion of the paper, that they appear to not be substitutes for each other, but rather complement each other.

The structure of this paper is arranged as follows. Section 2 analyzes the theoretical frame of delegation and constellation. Section 3, including our approach of structured induction, includes description of the empirical data collection process along case description. The empirical results are then presented in Section 4. In Section 5, we return to the issue and evaluate the relevance of the two views. Section 6 discussed the findings of the study. Finally, Section 7 concludes the paper.

2. THEORETICAL FRAME: DELEGATION AND CONSTELLATION

Ownership rights, here called “governance rights”, as explicated later, can be defined as formally or informally legitimate rights and opportunities to influence the corporation through governance actions. They can be held by parties according to delegation or constellation.

The delegation view tends to view the corporation based on methodological individualism, where individuals have rights that they exercise or delegate. This view can be found in agency theory (Jensen & Meckling, 1976), and in its variations such as transaction cost theory (Williamson, 1985), where the rights have one single source, the owners or the shareholders. These are referred to as “principals” since it is a general theory of delegation. The principal can exercise the rights or delegate them to other actors situated in other organs, such as the board or the chief executive officer (CEO). Those receiving the delegated rights are termed “agents”, thus giving the name to the theory. Since an agent has its own goals, the principal must ensure that the agent uses the rights in order to fulfil the principal’s goal. This is achieved by incentivizing the agent and/or monitoring the agent’s actions. These two activities imply costs, termed “agency costs”. If the corporation does not perform according to the owner’s wishes, despite the incentives and monitoring, either the agent is replaced, or the delegation is retracted. The delegation is hierarchical, from owners to the board and then to the CEO, i.e., there is a hierarchy of governance.

The constellation view tends to appear in perspectives that resemble holistic views, where the corporation is an organic totality embedded in a society consisting of economic and social forces. On a micro level, they are represented and performed by parties through their actions, and on a macro level, they consist of markets and organizations, all influenced by institutions. Thus, the constellation view tends to be institutionally based.

A corporation can be seen as a nest of parties, and relations in the nest can be viewed as contracts, as in Fama’s (1980) contractual nest image of the corporation, in which he refutes the concept of ownership: “...ownership of the firm is an irrelevant concept” (p. 290). It can be found as network relationships in the stakeholder model (Asher et al., 2005), and as bargaining relationships in the behavioral theory of the firm (Cyert & March, 1963; Westphal & Zajac, 2013). This corporate nest has no supreme, intentional goal, for example, profit maximation, since there is no party, as in the delegation view, that has the sole right to define the goal of the corporation. Instead, this nest of parties has a functional goal of survival since the parties have a stake in it, i.e., are dependent on its survival. Even in Marxism, with its macro perspective of capital, survival can also be argued to be the overriding goal of the corporation, where capital accumulation is the means for survival (Baran & Sweezy, 1966).

Each party engaged in the corporation has an interest based on its mix of goals, originating from the parties’ preferences concerning economic surplus, effort level, risk, social status, and social outcomes. Each party has a part in the governance of the corporation, that is, they have rights and possibilities to influence the strategy of the corporation (Sacchetti & Borzaga, 2021). These rights can be used by parties, depending on their particular institutional conditions and the market conditions, in relation to the corporation and its survival. Thus, governance rights are exercised and, therefore, located among parties in a constellation of governance due to their capacity to primarily support corporate survival.

A small conceptual note has to be made here. We use the concept constellation, meaning a set of factors, in our case governance actors, that independently and/or in interrelationships with one or more of the other factors in the system influence the systems way of working and its performance. A specific form of constellation is a configuration where all factors are aligned with each other and interact for an intentional purpose of the system. Thus, according to our definitions, configurations, but not constellations, are teleological. For example, Krause and Swiatczak (2021) used the term configurations of formal controls when studying German municipal corporations. They found one configuration containing a surprising combination of output and input control that did not appear to be aligned with each other and supporting the same goal. They speculated that this situation could appear due to the sedimentation of control types where a new control type is simply added to the older ones without necessarily being functionally aligned. We would prefer the use of the concept constellation in this case since factors in constellations are not by intention, i.e., by design aligned with each other in order to produce a specific intended outcome, but they are functionally aligned.

To return to the constellation view, there are governance parties that have costs, but since there is no delegation, there are no agents and no agency costs. There are, however, governance costs for the different parties to induce other actors of the nest to perform in accordance with the parties’ interests (Hansmann, 1988). To put it simply, a tip to a head waiter is a governance cost that is intended as an incentive to provide good service. It is not an agency cost in that the person giving the tip is not delegating any rights to the head waiter.

An example of rights in a constellation is where debt providers, such as banks, are given access to privileged information about the corporation that workers and shareholders do not have. This privileged access to information is by no means delegated from the shareholders but is allocated as a right existing for the sake of the corporation and its survival. It serves the banks, but also the workers and the shareholders, not because of its profit capacity but because of its corporate survival capacity.

Another example is the view of the old capitalist, having all ownership rights, that was replaced by money capitalists (Hilferding, 1981) who

received rent from the corporation but had rather limited rights: "As members of the boards of directors they did hold veto power. They could say no..." (Chandler, 1977, p. 10). In the development, the old ownership rights were not delegated but allocated, in the German case, mainly to the finance capital (Hilferding, 1981), and in the USA case, to the technostructure (Galbraith, 1967), to the managerial hierarchy (Chandler, 1977), or to the monopoly capital (Baran & Sweezy, 1966).

The constellation view can be reminiscent of the stakeholder model (Asher et al., 2005) and the stewardship model (Davis et al., 1997), but differ since stakeholders per se do not have governance rights but consist of parties that have the possibility to influence, and the stewardship view contains the concepts of delegated rights that the stewards have a fiduciary responsibility to perform.

We will now put to rest the issue of delegation or constellation for a while in order to present our research method for the study at hand.

3. METHODOLOGY

This study is part of a larger research project aimed at exploring corporate governance in different types of organizations, e.g., listed corporations, municipal corporations, and family businesses (Ahlberg et al., 2024; Smith et al., 2023). In the design stage of this overall project, we were triggered by the idea of in-depth exploration of the different aspects of governance that are well-researched, i.e., actors, activities, arenas, structures, and processes, yet which tend to be treated in isolation of each other and with limited focus on actions, interactions and processes. With this as a starting point, and through active search, we as a research team were given access to a municipal corporation in our geographical area, implying good opportunities for continued and close data collection at the site. Early on, we had an interest in being present at the governance arenas common in corporate governance research, i.e., board of directors, top-management teams, ownership-dialogues, and talk to the people involved in issues of governance, i.e., the owner (municipal), the CEO, the chair of the board, other members of the board of directors and the top-management-team (TMT). This implied that we initially were driven by an overall interest to explore the topic of corporate governance, yet the specific research question of this study, i.e., confront and evaluate the relevance of two theoretically distinct views on governance, i.e., delegation and constellation, came first as we encountered this as an empirical interesting phenomenon. As such, the overall research design is characterized by an inductive approach (Denzin & Lincoln, 2017) implying an early interest to keep

the theories at rest and instead give prominence to the empirical material. This chapter continues with a presentation of our case study research approach, the method of structured induction, and empirical data collection, and ends with the case presentation.

3.1. Case study research

Based on the above introduction we identified the benefits to frame an in-depth exploration of corporate governance in the case study research method (Yin, 2013). This has allowed us to explore the diverse and multiple aspects of governance in one specific case and where it has been possible to use the case to illustrate different matters of governance, in this study the presence of delegation and constellation. In the design of case study research, there is the choice of using single- or multiple-case studies (Yin, 2013). The main rationale for our single-case study is the longitudinal aspect (Yin, 2013) where the process of governance has been possible to capture through unprecedented rich access through one year. Based on the overall focus on governance, we have used a multi-source data collection approach where we have had access to different sources of empirical sources, i.e., arenas (board meetings, presidium meetings, TMT-meetings), interviews with different individuals (CEO, chair of the board, board members, politicians, owners, managers, other employees, public officials), along with continued follow-up discussions with people connected to the organization. To receive as high access as possible, the company and the people were granted anonymity.

3.2. Structured induction

We describe the method of interpreting and conceptualizing the empirical material as structured induction where we used pre-empirical conceptions (Siggelkow, 2007) organized in a conceptual scheme for directing observations and inductive analysis. The analytical process has been guided by the conceptual scheme of governance presented in Table 1. This scheme consists of 10 governance concepts constituting our basic conceptual interpretive repertoire (Alvesson & Sköldböck, 2000), which is considered important for observing and understanding the governance of a corporation. Following the generalization ambition of Fama and Jensen (1983) it is context-free and can, therefore, be applicable to a spectrum of corporate organizations, including, as in our case, municipal corporations. The concepts stress governance and not ownership, with the intent to avoid the implicit assumption of governance connected to ownership.

Table 1. Conceptual scheme of governance for observation and analysis

<i>Concept</i>	<i>Definition</i>
Corporate governance	Governance structures and processes that influence the strategy of the corporation.
Governance structure	A set of governance arenas related to a corporation with governance capacity through containing formal and informal governance rights.
Governance processes	Governance actions performed through interactions by governance actors with governance capacity, where the interaction takes place in governance arenas through governance actions, with the form of governance signals or governance commands.
Governance actors	Actors that have formal and/or informal governance capacity and opportunities to perform governance actions.
Governance capacity	The possibility or opportunity of a governance actor to influence the governance of the corporation through governance actions or by influencing formal or informal rights of governance.
Governance rights	Formally or informally legitimate rights to influence the strategy of the corporation directly or indirectly.
Governance arena	An entity with formal and informal governance capacities where governance actors interact.
Governance action	Action performed that influences the direction/strategy of the corporation.
Governance command	Statement made by a governance actor with the intent or effect that another governance actor will obey or be influenced by the statement. A command is supported, and its fulfilment is made more plausible by being supported by incentives or sanctions, and by regulations, routines, and authority, but it could also refer to the norms and emotions of the receiver.
Governance signal	Pieces of information are created in the governance system and expressed by governance actors to other governance actors, indicating or suggesting preferred actions. A governance signal could be ambiguous, which creates a possibility of discretion in action by the receiver.

This scheme has been important in the process of collecting empirical material by indicating arenas, actors, and activities of governance where we could do observations and interviews, as well as what to notice through observations and questions.

The empirical material was converted to data through abstraction, again using the scheme of governance. Through interpretations of the empirical material, we reached empirical descriptions of the arenas, actors and their capacities, and activities, including signals and commands, along with descriptions of structures and processes. As noted by Eisenhardt (1989), *a priori* specifications, like our conceptual scheme, improve the possibility of accurate observations.

The process of interpretation entailed individual reflections (Alvesson & Kärreman, 2007) by each researcher, and interactions between the researchers and between the researchers and the respondents (Hibbert et al., 2014). In our interviews and especially in our feedback meetings, where we were engaged in reflective conversation (Hibbert et al., 2014) with the actors, we paid attention to the practitioners' reactions to our presentations. Our validity check in these interactions was not to seek their agreement with our interpretation since that would run the risk of representing a reproduction of their opinions and interests. The validity check of our interpretation was instead to determine the extent to which they understood our interpretation, and whether or not they agreed with it.

In the interpretation process, we experienced the frustration of understanding what Alvesson and Kärreman (2007) have termed "breakdown", which occurs when the researcher has difficulty making sense of the observations. This frustration is a productive part of the research process since the breakdown pushes the researchers toward building an understanding that is empirically relevant.

Since we were two researchers engaged in interpretation, we could use this advantage through interaction, where we experienced both convergent and conflicting interpretations (Eisenhardt, 1989),

which in both cases gave us reasons to collect more empirical material and to reinterpret data. Conflicting interpretations are the most likely to induce more efforts since they represent the essence of science and rejection, and since our aim is to present one interpretation that supports our understanding. The convergent interpretations may be the most important for inducing critical reflection since they do not present rejection and they could be produced by implicit assumptions carried by the researchers, thus offering the comfort of isolation in an interpretation with impenetrable Berlin Walls (Hibbert et al., 2014). Disciplined interpretation is a frustrating but creative and critical process.

In this creative and critical process of interpretation, with the interaction between new empirical material, abstractions, and interpretations, including continuous creation, reflection, and critique, creating understanding through conceptualizations, we first arrived at an understanding of the overall corporate governance system. By depicting governance actors, governance arenas and governing documents we systematized the overall governing system into three parts, i.e., 1) the legal part, 2) the political part, and 3) the administrative part. This is further described in subsection 4.1. Thereafter we focused on understanding the governance actions in our case which gave us three different themes of governance actions. We subsumed these themes into three concepts of governance, and they are presented in subsection 4.2.

3.3. Empirical material collection

Beginning in August 2019 and for about one year, two researchers have, to a different extent, collected empirical material through observations, interviews, and feedback, along with corporate documents and news articles. Table 2 summaries the empirical material. To receive as high access as possible the informants and participants of the company were granted anonymity.

Table 2. Empirical material collection in Waste Inc.

<i>Empirical materials and activities</i>	<i>Number</i>	<i>One researcher</i>	<i>Two researchers</i>
Participation			
Top management meetings	4	1	3
Presidium meetings	6	4	2
Board meetings	10	5	5
Auditor-Presidium meeting	1	0	1
Annual general meeting	1	0	1
Total	22	10	12
Chain observations	4		
Total time of observations (h)	47		
Interviews			
Management	4	4	0
Board members	7	7	0
Owner representatives	2	2	0
Municipality management	1	1	0
Total	14	14	0
Total interview time (h)	18.2		
Feedback meetings			
Municipality management	1	0	1
Board	2	0	2
Total	3	0	3
Total feedback time (h)	2.5		
Total time	67.7		

One or two of the researchers participated in three governance arenas: top management meetings preceding the presidium meetings, the presidium meetings preceding the board meetings, and the board meetings. If we managed to participate in a sequential flow of these three meetings, we called it a chain. The importance of a chain is that it is an opportunity to observe whether and how information quantity and quality change between the arenas. Mainly due to the COVID-19 arrangements, but also because the researchers were occupied in other activities, we lost meetings where two researchers could be present, mostly top management meetings, which reduced the number of full chains to four. We also participated when the professional auditors presented their reports to the presidium and at the annual general meeting. We performed 14 interviews, some of which were repeated with the same respondent in order to observe processes and to limit *post hoc* rationalization (Garg & Eisenhardt, 2017). Finally, we gave feedback to the board twice and to the top managers of the municipality once. In total, we have about 47 hours of participation, 18.2 hours of interviews, and 2.5 hours of feedback, for a total of 67.7 hours of collecting empirical material.

Since observation is a subjective task, we tried to have two researchers doing observations of the activities and interviews. In 54% of the observations, we managed to have two observers present. We did not record these sessions but made observation notes. Afterwards, the notes were converted to full text and compared. Overall, they did not diverge, that is, our notes did not contradict each other, but they were complementary, since observers differ in what they pay attention to, thus reaching an acceptable level of reliability of observations.

We interviewed 14 people whom we had identified during the year as individuals who influenced governance, i.e., being governance actors. They had different positions in the corporation and in the municipality, thus reducing the risk of receiving convergent retrospective presentations (Eisenhardt & Graebner, 2007). Twelve of the 14 interviews were conducted by both

researchers. They were recorded and transcribed. The interviews were guided by an interview guide based on the conceptual scheme (presented above) which directed the respondent to describe and reflect upon the governance of the corporation and the respondent's actions, function, and role. Additionally, some specific information questions were asked. Each interview lasted about one hour, giving us about 18 hours of interview material.

We conducted feedback meetings, two with the board and one with the top management of the municipality, where two researchers participated. We performed the same procedure as with the interviews.

We collected annual reports from the past 10 years, notes from the owner dialogue, and newspaper articles about the corporation. We were not given access to the owner dialogue by the chair of the corporation. We compensated for this restriction by interviewing the dialogue participants and reading notes from the meetings.

Finally, a note about the presentation: we do not use the technique of including representative quotes (Eisenhardt & Graebner, 2007; Garg & Eisenhardt, 2017). We consider representative quotes to be a rhetoric instrument used to infuse credibility into the constructs. However, it is based on the belief that the selected quotes are representative. Additionally, it is based on the belief that simple quotes can be representative. This is an idea derived from quantitative analysis, being close to a frequency argument, that is imperceptibly infused in a qualitative analysis. Qualitative analysis implies that conceptualization is built, not on quotes, where one of all the quotes can be representative, but on interpretations of a wide variety of empirical material.

3.4. Presentation of the case: Waste Inc.

Our empirical case corporation we call Waste Inc. It is a corporation engaged in the waste industry in Sweden and is wholly owned by a municipality. Its production is mostly oriented to collecting and partially processing waste from the households in the municipal area. In the household collection

service, which constitutes most of its sales, the corporation has a monopoly in the municipality. In 2019 it had sales of 117 million SKr (about €11 million), total assets of 253 million SKr (€24 million), and 75 employees. Its return on equity (ROE) was negative and its solidity was 8% (i.e., financial leverage = 11.5).

Its opportunity to act is first and foremost restricted by legislation. It cannot make any commercially motivated market segmentation since all households have to be treated with equality according to the law (the Municipal Act, chapter 2, §3). The pricing of the waste collection service must be done according to the prime cost principle (the Municipal Act, chapter 2, §6). The prices are suggested by Waste Inc. but have to be decided by the city council (the Environment Act, chapter 27, §§4-6). Waste Inc. is allowed to operate only within the geographical limits of the municipality (the Municipal Act, chapter 2, §1), and it has to have two sets of auditors (the Municipal Act, chapter 10, §§2-3), an ordinary professional auditor according to the corporate law performing mainly the financial audit (the Swedish Companies Act, chapter 9), and lay auditors, which are individuals elected by the city council and traditionally selected from the cadre of politicians, that tend to perform more of the managerial audit (Axén, et al., 2019).

Its degree of success is observed through outcomes linked to the service, such as fees for collection, quality of the service, level of recycling, and customer and labor satisfaction, and with measurable goals such as reducing the quantity of waste and increasing waste separation. These goals are expressed in a supplement to Waste Inc.'s articles of association, called the owner directives, which are decided by the city council and are subject to evaluation and change each year in the owner dialogue (later described).

Waste Inc. is a wholly owned corporation, where the owner is the democratically elected city council. It has a board of directors; the directors are suggested from the cadre of politicians by the different parties in the council and elected according to a negotiated distribution scheme after every election, which occurs every four years. The dominant parties perform an internal process and elect the chair and vice chair of the corporation, which often turns out to be a person from the dominant parties. It should be noted that there is no legislation or a local tradition demanding some kind of independent board with independent directors or an independent chair. It has a professional auditor from one of the Big 4 audit firms, and also lay auditors, elected by and from the cadre of politicians. The CEO is not a board member but was present at all the board meetings we observed. The presidium, which consists of the CEO, the chair, and the vice chair, meets before the board meeting. At least four times a year, there is an owner dialogue, at which the presidium of Waste Inc. meets with the presidium of the city council board or with the whole board, and they discuss the corporation's development and evaluate it, mainly referring to the owner directives. Once a year the presidium of Waste Inc. meets with the city council board, which is the government of the municipality, elected by the city council. The CEO belongs to a municipal management group

consisting of all the main managers of the municipality, both those employed as CEOs of municipal corporations and those employed as main managers of the municipal administration. The accounting manager of Waste Inc. has meetings with accountants of the municipality. The manager will probably be included in an existing finance group, where managers of finance in different municipal corporations and parts of the municipal administrations meet and discuss financial matters, especially needs for loans. There is one local newspaper that covers municipal activities, publishing articles by newspaper journalists as well as opinion pieces sent in by residents in the community.

We have identified three major strategic events which give the impression of a well-performing corporation in continuous development.

1. Waste Inc. has recently fulfilled the implementation of a new structure of waste collection, by which households must separate their waste into 12 different fractions before it is collected by Waste Inc.

2. The corporation is presently engaged in a huge investment (about €10 million), creating an advanced waste collection site where people and corporations can bring their waste, characterized by the ideas of a circular economy and following the EU norms of the waste hierarchy. Thanks to Waste Inc., the municipality won the 2020 national prize as "This year's recycling/waste municipality". For several years, some of their drivers have won prizes as Sweden's best waste collector drivers.

3. It has some plans for a strategic move through a merger. For the future, there are discussions, and an investigation has been initiated, about conducting a form of merger between Waste Inc. and the waste operations in nearby municipalities.

Waste Inc.'s performance was, however, not so good some 20 years ago. Then, Waste Inc. experienced a crisis that entailed huge losses, demanding new capital from the municipality. The crisis was handled by the city council board, which reorganized to create a board consisting of only three of its members who were highly-ranked politicians. They fired the CEO and made a structural change in the corporation. Later, these politicians retired from the board and the board returned to its normal size and composition.

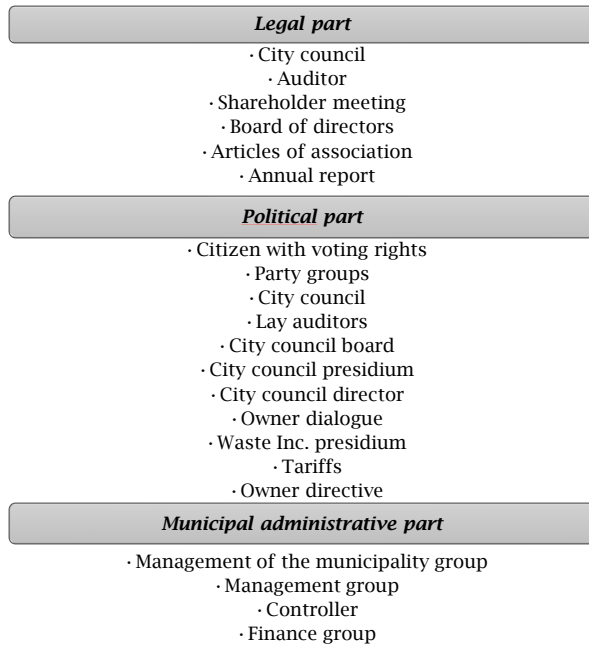
4. RESULTS OF THE INDUCTIVE ANALYSIS OF WASTE INC.

This section presents the results of our inductive analysis using the conceptual scheme of governance. The section is structured into two parts, where the first part sets the stage for the governance of Waste Inc. and presents the overall governance system captured through the legal part, the political part and the municipal administrative part. The second part presents three themes of governance that we found in our interpretation of governance actions. These themes are subsumed under the governance concepts of octopus governance, interactive governance, and potentiality of governance.

4.1. The overall corporate governance system of Waste Inc.

The corporate governance of Waste Inc. was interpreted to have three different parts: the legal, the political, and the administrative parts. Figure 1 summarizes the overall system of corporate governance.

Figure 1. The overall system of corporate governance in Waste Inc.



The *legal part* consists of the formal actors of governance, including the city council, representing the owner of the shares of Waste Inc., and the auditor. It contains the formal governance arenas, the shareholders meeting, and the board of directors. In the legal part, there are also the governance documents: the corporation's articles of association and the annual report, including the auditor's report. Actors in the legal part tend to perform mainly reactive governance actions, such as formally accepting proposals from the actors in the political part.

The *political part* consists of the ultimate principal of the corporation, the citizen (Valkama et al., 2022), who, by voting, elects parties and to some extent individuals. The parties have elected individuals that have a seat in the city council, and individuals that have been given seats in the city council board and its presidium and ultimately elect the city council directors. Normally there is only one city council director, but due to political majority standings, there are two directors, from two different parties, that share the directorship. In the political part, there is the arena of the city council that, in accordance with the law, makes the final decision about waste tariffs, that is, the decision that determines most of Waste Inc.'s income. This is also the arena of the owner dialogue, mostly consisting of the presidium of the city council meeting the presidium of Waste Inc., but sometimes the dialogue includes the whole city

council board. One important document belonging to the political part is the owner directives, setting out the owner's intentions for the corporation and expectations for the corporation's performance and providing a base of evaluation of Waste Inc., which is used in the owner dialogue. The observation period was after an election, thus political actions motivated by a coming election (Capalbo et al., 2021; Haraldsson, 2022) would not be expected and where indeed not observed.

The *municipal administrative part* consists of the management of the municipality that interacts with different managers of Waste Inc. We identified two arenas, the management group, where managers from different parts of the municipality meet and exchange experiences, and the finance group, where the individuals with financial responsibility in the different parts of the municipality and its corporations meet and discuss financial matters, especially matters of debt. Here also is the corporate group, which is mostly a legal organization consisting of all the municipal corporations. It was organized to improve the governance of the corporations but without much success, mainly due to staff problems. When our observations started, they recruited a new group controller, which the city council director hoped would improve the group governance.

Oddly enough, we could not observe the presence of the user collective. They can be considered to be a principal of Waste Inc. since they have to be served by Waste Inc. according to self-cost principles in the law (the Municipal Act, chapter 8, §3c), i.e., they constitute the residual claimant where the residual must be zero. However, the users were not found to have a distinct representation in the governance system. The politicians we interviewed did not regard the users as outside the governance since they consider themselves to be users and, therefore, representatives of the users. Additionally, they considered the citizens electing the city council to be the user collective, and thus they were receiving representation through the city council.

4.2. Three concepts of governance in Waste Inc.

The following section presents three themes of governance actions found in Waste Inc that we subsume in three governance concepts: *octopus governance*, *interactive governance*, and *potentiality of governance*.

4.2.1. Octopus governance

Waste Inc. and its management team receive governance signals from many actors of governance, in many arenas of governance. We term this *octopus governance*. Here we will give some examples of these governance actions.

From the administrative part of the governance system, a governance signal was created when the chief accountant of Waste Inc. visited a meeting of municipal accountants. There she got the impression that there would be an instruction on cost control on all municipal parts. She informed the CEO, thus providing governance intelligence, and the CEO initiated a survey of possible cost cuts in the corporation. Our interpretation of this action is

that the CEO acted proactively, enabling the corporation to present itself as already in the process of cost-cutting even before the cost cuts were announced.

In the management group of the municipal administrative part, where the CEO was present, there were discussions about the financial conditions of the municipality concerning debt. When debts are negotiated, financiers tend to calculate the financial risk and the debt capacity of the whole municipality. This gives financial latitude to politicians since debt resources can be allocated within the municipality without linking it to the financial risk of a specific operation. For Waste Inc. it is a constraining condition since the corporation has most of its operations in activities that, according to law, must have full cost coverage, implying that Waste Inc. has no financial risk (as reflected by its high financial leverage = 11.5) and could, therefore, be able to attract debt without severe restrictions. Being subject to the praxis of debt coordination in the municipality, therefore, puts restrictions on the corporation's capacity to expand using debt financing. That system, however, is not opposed by Waste Inc.'s management. Quite the contrary, when receiving the signal of debt restrictions due to huge investments in other parts of the municipality, the TMT of Waste Inc. created a list of needed investments, ordered them in priority, and then presented them to the municipality. Our interpretation of the priority list is that the TMT performed a proactive action, but this time not only to create an impression of responsiveness but also with the hope of receiving positive treatment from the council when the investment plans of the municipality had to be decided. Notice that the TMT, as with the signal of cost cuts, acted on the information as if it were a governance signal, even though the actual information given was not a governance command and probably not even intended as a governance signal.

In the legal part of governance, the chair of the board asked the CEO at a meeting of the Waste Inc. presidium to make an economic presentation to the board describing the huge investment they were undertaking, involving the building of a new waste collection site. The CEO was asked to make the presentation simple enough so that every director would understand. The chair wanted to be sure that the investment was kept within the budget to avoid the risk of a public scandal due to excessive consumption of resources. Thereafter, at every board meeting, the person responsible for the construction of the site at Waste Inc. presented the current costs of the investment by using a colorful graph representing the costs and comparing it with a similar colorful graph of the budgeted costs. The chair expressed his satisfaction with the presentation at every board meeting. No important questions concerning the costs were raised at the first meetings. It was not until the cost graph came closer to the budget graph that some minor questions were raised. Thus, the chair and board felt like they were effectively monitoring the project. In fact, that could not have been the case since, with the simplification, they only saw the actual costs and not what had been achieved with the costs and, therefore, they could

not compare them with the budget costs and what they were supposed to achieve.

In the political part of governance, the city council presidium asked the CEO to investigate conditions for a merger between Waste Inc. and the waste collection operations of nearby municipalities. There had been some recent contacts between some of the actors in the council presidium and actors at the other nearby municipalities concerning some form of coordination of waste collection. In earlier years the idea had been raised about a merger or some sort of coordination, but it never ended up in a concrete initiative. But now it was time, according to them, to do a more advanced analysis of the possibilities of a merger. The CEO started the investigation and presented achievements at the board meetings and at the owner dialogue. The board did not discuss either the initiative of the council presidium or the advancement of the CEO investigation. The chair had made the interpretation that the correct action, considering the council, was that the board should not engage or interfere in the investigation, nor did the board discuss whether the CEO should use his working hours on the initiative. Thus, the board, including directors as well as the chair accepted being bypassed by the city council. Our interpretation is that a strategy initiative was made by the city council presidium without discussing it with the board. The board was passive during the process of investigation but received information from the CEO. The board could be expected, if not to have the responsibility for making strategic initiatives, to at least discuss whether it could be accepted, since the board could be assumed through the legal part to have formal responsibility for overseeing the business of the corporation. But in this case, the governance signal was so loud and clear that the board was passive.

At one board meeting, a director belonging to a political party raised questions about some aspects of Waste Inc.'s operations that had been discussed at one of their party meetings. After a brief discussion between the CEO and the director at the board meeting, the CEO proposed that he and the director could continue the discussion during the break. This was one of the few moments at the board meetings when we observed a signal of governance emanating from the party groups. In this case, the CEO and the board deemed the question not to be a concern of the board, thus the CEO and the director could discuss the subject outside the board meeting.

At another board meeting, the CEO presented the opening hours of the waste sites. Two directors were opposed to one of the site's opening hours. They thought that closure during a weekend day was not wise since so many homeowners near the site needed to go there during the weekend. A rather heated debate occurred, mostly between the two directors, who lived close to the site, and the CEO. In the end, the CEO closed the debate by claiming that the matter of site opening hours was a management operational decision made with a view to optimizing the allocation of corporate resources (mainly staff allocation) to the different sites. One of the opposing directors contacted his party leader, who was one of the two city council

managers. That person contacted the CEO and presented the same arguments that the director had presented. But the CEO did not yield and gave the same argument, that it was necessary in order to optimize resources. When the opening hours were presented to the public, some residents living near the site wrote opinion pieces in the local newspaper concerning the matter. This was the only case of confrontation in the board arena that we observed, that even continued in two other arenas. It was a noticeably clear governance signal, without any room for interpretation, communicated by several actors and in several arenas but without any yield from the CEO or the TMT.

In these events, governance signals were given, or information was given that was interpreted by the TMT as governance signals. The TMT was sensitive to governance signals and took actions, some reactive and some proactive, in response to them. In only one case did they refuse to act on the governance signal. These signals were created in several arenas belonging to all three parts of governance. Thus, several governance actors and several governance arenas produce governance, which is why we refer to the phenomenon as octopus governance.

4.2.2. Interactive governance

We have observed governance actions that we subsume under the concept of *interactive governance*. Above, we presented mainly events indicating governance from the governance system influencing Waste Inc. But there were events that indicate that governance is interactive, that is, the TMT was also engaged in governance activities that influence governance actors belonging to the three parts of the governance system.

We observed that the TMT continuously, during the month preceding the board meeting, worked on creating the board's agenda. The agenda was organized at the TMT meeting, where they decided which items they wanted to include. At the presidium meeting preceding the board meeting, the CEO presented the agenda to the chair and vice chair. The agenda was normally accepted. Sometimes the chair added an item, such as when the board had to make a formal decision. Other items were typically demanded by the municipal administration, such as when they added an item concerning the budget of Waste Inc. At the board meeting, the agenda mainly consisted of information items from the CEO. When the site investment was presented, the project manager was invited to present. When some marketing initiatives were presented, the marketing manager was invited. Thus, the board meeting followed an agenda created by the TMT, to a small extent influenced by the chair and vice chair, and at the board meeting, the agenda organized the information given by the CEO.

Waste Inc. had three activities of strategic concern: the implementation of the new sewage system, the building of the new waste collection site, and the investigation of a potential merger with sewage operations in nearby municipalities. At the board meetings, the implementation of the new sewage system was seldom discussed, the new investment got high attention, and the merger investigation got slight attention

in the CEO report. Thus, more immediate changes, the investment, got more attention than those that had already been made, the implementation, and those that were planned, the potential merger. But it could also be interpreted as the CEO producing legitimacy of the present huge investment by giving an abundance of information, while past investments did not need legitimation and future investments were so uncertain that they did not need to be legitimized.

In an interview, the chair of the board claimed that he was the "flexible glue" between Waste Inc. and the municipality since he 'walked around' in both organizations and since, due to his long political experience, he had a network in the municipal organization and understood the political environment, implying that he thought of himself as keeping Waste Inc. and different parts of the municipality aligned. We also have interview material from different respondents that indicates that the chair promotes the corporation and the CEO in the municipal organization, thus supporting the CEO's authority. We observed, especially at the presidium and sometimes at the board, that the chair sometimes had information from different areas of the organization, which he presented. We observed that other directors contributed information that could be valuable for the corporation to the board and the CEO from other parts of the municipality. Our interpretation is that the information from the directors was them performing a service function to the corporation (Hillman & Dalziel, 2003), where some information could be interpreted as being part of governance intelligence, that is, scanning the environment for information that could be interpreted as governance signals.

We interpret these events as constituting interactive governance, where the TMT and the chair influence other governance actors with the function of supporting the TMT's actions, or at least avoiding interference. We found that the governance activities of the TMT appeared in four ways: a) proaction through being sensitive to governance signals; b) creating a gestalt of the corporation that influences the governance actors; c) trust creation; d) emergent strategies.

1. *Being sensitive to signals of governance created in the governance system.* This sensitivity is demonstrated by being able to observe a signal, or to interpret information as a signal of governance, and then acting on the signal. It consists of governance intelligence, where the TMT is sensitive to information that is interpreted as governance signals. It entails being proactive by gathering and being sensitive to information at different interactions, for example, with the municipal administration, and by the board chair walking around and listening and talking. The information gathered is transformed into action, for example, initiating and presenting cost cuts before the municipal administration announces the need to cut costs, or presenting an investment plan to anticipate debt management instructions. This proactive behavior could have the effect of gaining the trust of the governance actors.

2. *Creating a gestalt* (Yousaf, 2017), an image of the corporation. This is done by repeatedly telling a story of the corporation, that is, by giving

information about the corporation where the information agenda is created by the TMT. We saw this in the chains we observed, where the creation of the gestalt starts at the TMT meeting, continues at the presidium meeting, fully blossoms at the board meeting, and is then distilled into a concentrated presentation at the owner dialogue. This is mainly a CEO activity with the function of influencing the actors of governance. It is the production of a gestalt where the understanding of the corporation and activities is created by the CEO's presentation of both context and separate information items. The TMT, and especially the CEO, creates the impression of transparency, which supports the build-up of trust. The transparency was partly due to the need to present information in accordance with expectations of information, such as quarterly income and balance reports. But a significant part of the information was presented about TMT initiatives in developing the waste collection sites, and about communication with users, including the hiring of a person responsible for communication, with a special emphasis on children and social activities.

3. *Trust creation.* The proaction and the information in the gestalt creation create the impression of the TMT being highly transparent. The CEO's willingness to accept suggestions, especially from the chair of the board, gives the chair and the board the impression that they can trust the CEO. With this trust in place, the CEO can move forward with other actions that could turn out to become emergent strategies.

4. *Emergent strategies* (Foss et al., 2022) can appear where managers create activities at the corporation that slowly develop into concerted actions that, after some time, become so established that they cannot easily be changed without costs or debate. One event that could be interpreted as an initiative of an emergent strategy was the hiring of an employee to take care of people at the new site and to create activities for children (with the idea that once children know about waste separation, they will share the knowledge with their parents). The employee would start activities that could develop the CEO's vision of climbing the waste ladder and at one point in time become an established part of the corporate waste collection strategy.

Interactive governance is when actors of governance, including those that according to the delegated view should be subject to governance, the managers as agents, are engaged in activities that influence other governance actors. It has been found in the board literature (Garg & Eisenhardt, 2017) that the CEO regulates the information flow to the board, thus influencing the board's capacity to understand what is going on and thereby also influencing its capacity to act. While it can be interpreted as a means for the CEO to distract the board from its monitoring activities, we suggest, similar to Garg and Eisenhardt (2017), that it can also be an activity where the CEO is engaged in the governance process, that is, not avoiding governance, but shaping it, to its extent that the managers evoke principals (Maine et al., 2024) or nullify them, as in the case of the open hours of the waste collection site.

A final remark from our understanding of interactive governance has to be made. Governance

signals and governance actions are first and foremost functional, i.e., producing governance effects, and do not need to be intentional. We have interpreted the actions of the CEO, especially his huge effort to provide information, with the effects influencing the governance, of creating a gestalt that influences the other actors of governance to move towards his vision of the corporation and its strategy, representing interactive governance. As we interpret it, however, the gestalt creation is functional. In our interview material, we found no distinct intention of governance behind the CEO's actions. Our understanding is that the CEO did not have any intention to govern, but his actions had governance effects, thus they were functional in governance. Other governance signals in the system, such as the debt information, had no governance intention. It was just information, but it was converted to a governance signal by the CEO, and through his actions, it had governance implications. Thus, actions can have governance functions but lack governance intention.

4.2.3. *Potentiality of governance*

Our impression of the board was that it was passive, appearing to be satisfied with what the CEO reported at the meetings. When there was one event that created a lot of debate, the opening hours of a specific site, some board members tried to influence the CEO.

However, while the absence of action can be interpreted as passivity, based on negligence, it could also be interpreted as the board's capacity to let things be, that is, to give discretion to the TMT. Governance is not only about disciplining in a restrictive way but also about supporting development by, for example, empowering the CEO and giving the CEO the leeway to govern managerial discretion (Ponomareva, 2016). Even some actions performed by a dynamic CEO, that could be on the outer edges of the corporate strategy, can be accepted if the directors of the board believe that the opportunity to perform those acts can be stimulating for the CEO. Thus, management discretion can be both a means of corporate development and a means to incentivize a dynamic manager (Collin & Smith, 2007). What appears to be weak governance by the board could be wise governance.

It is hard, however, to empirically interpret passivity as either a means to support managerial discretion or as negligence. The old crisis event, mentioned earlier, could have been a negligent board or a board supporting the CEO, in opposition to the council. Nevertheless, according to our interview material about the old crisis, the council thought the corporation did not perform well, mainly due to a strategy that contained a business that was not successful. The council directors thought that they could not influence the CEO or the chair at the owner dialogue to make changes. At a certain point, the governance actions became dramatic. At the annual shareholders meeting, the directors were replaced, the board was reduced to three directors, and they fired the CEO and employed an internal candidate as the new CEO. The new CEO had to implement the new strategy, which entailed selling the activities that the former CEO had

introduced; although those had been supported by the previous council, they had not performed well.

This example shows that the board is an immensely powerful organ in matters of corporate governance. It appears that this is due to the board having strong legal rights of governance: "The board is responsible for the company's organization and the management of the company's affairs" (Authors' translation from Swedish Company Law, chapter 8, §4, *Aktiebolagslagen*). Legally, a corporation does not need to have a CEO, but if it has, "The CEO shall handle the day-to-day administration in accordance with the board's guidelines and instructions" (Authors' translation, from Swedish Company Law, chapter 8, §29, *Aktiebolagslagen*). The CEO's discretion, following the term "instructions", appears to be rather limited, as indeed was the impression from the interviews about the crisis period. During the crisis, the board appears to have even taken on operational responsibilities, managing the corporation to a certain extent.

The board has great potential to move from passivity all the way to taking operational actions. The level of activity appears partly to be a function of actions of interactive governance performed in the political part of the governance system. When interactions were reduced in frequency and meetings did not contain dialogue, as one of the interviewees said, the council moved from the political part to the legal part of governance and changed the corporation through the board. Note that the council could not act as owners, giving instructions to the board or overruling the board by giving instructions to the CEO, for example, at the owner dialogue in the political part of governance. There is no delegation of capacity that can be called back between the owners and the board. The council had to interfere through the board. Then, on the other hand, there were delegations between the board and the CEO since the board at first acted operationally, but then let the CEO implement the strategy change.

During our observation period, the CEO, the chair and the vice chair paid a lot of attention to the owner dialogue. It was there where the CEO at one meeting excelled, with 63 PowerPoint slides. After the owner dialogue, the chair always reported back to the board, saying that it went well and they got confirmation, and that the owner's directives were not changed. The council thought that the CEO was strong, with some of his own ideas, but he could also listen. Still, he did not agree to open the waste collection site on both weekend days. It could be that, since the owner dialogue worked well to create trust and legitimacy, with the CEO and the chair performing governance activities, the governance system was in balance during our period of observation, in contrast to the crisis period. In this balance the board was passive.

5. INDUCTIVE RESULTS RELATED TO DELEGATION AND CONSTELLATION

With a conceptual scheme focused on governance, following the advice of Siggelkow (2007), "...an open mind is good; an empty mind is not" (p. 21) conducting a one-case study, we have found through induction an octopus character of governance, interactive governance, and the potentiality of

governance by the board. In this section, we will use these results in order to evaluate the relevance of the two views of delegation and constellation.

The observation that was closest to the idea of delegated rights and a hierarchy of governance was found in the board's potentiality of governance, where we could propose that when interactive governance breaks down, the board can be activated to the extent of being even operational, which is an indication of delegation withdrawal where rights delegated to the CEO are retracted to the board. Still, Swedish law requires an arena, the board, to be set up between the corporation and the owner, which the owner has to enter in order to be able to directly influence the corporation. This occurred in our case when the interactive governance failed. Delegation appears, therefore, to be situational and could, as in our case, occur in dramatic situations. Corporate governance during conditions of "business as usual", such as those conditions that were present during our period of observations, is characterized by a constellation of governance, where the octopus governance is influencing the corporation, and the TMT acts as a governance actor in the interaction of governance.

In a delegated, hierarchical view of governance, one would expect the signals to have a central origin and then be converted through the line of governance and finally be received and acted upon by the TMT. Instead, we found octopus governance, that the signals were created by different non-coordinated actors and transmitted in different arenas, ultimately being interpreted as governance signals by the TMT. According to the delegated view, the board is expected to be the main creator and receiver of signals and to convert them to governance commands or signals. Instead, the board we observed was rather passive, in some cases not observing the signals from other actors and on one occasion ignoring the signal. Our interpretation is that the board is but one arena of governance, and during our period of observations it was not the central arena of governance.

The octopus governance of Waste Inc. appears to be a subtle governance with interactions between several governance actors in several arenas, without one central arena and one central, all-powerful governance actor. It is not a hierarchal delegation of governance rights, but governance rights are found among many parties of the organization in a 'connectedness manner' (Maine et al., 2022). This governance system appears to be more according to the view of the governance constellation. For example, signals of debt were given at a financial meeting where attendees had a financial interest and/or responsibility. The information given had the function of a governance signal in that the CEO took proactive action in response to it. On the contrary, when a governance signal was created in a hierarchal fashion when one of the two city council managers confronted the CEO by questioning the open hours of a site, the governance attempts were turned down. We conclude that governance rights during our study period were allocated more by constellation than by delegation.

With this conclusion we can make the following proposition: delegation could be expected in dramatic situations, while constellation, as in interactive octopus governance, could be expected in moderate situations.

6. DISCUSSION

The main result from our evaluation of the induced results of our inductive case analysis is that delegation or constellation of governance appears due to the situation. This result has consequences for corporate governance research.

It has implications for board research since we found that the board is but one arena in the governance system and that it interacts with other arenas, except when interactive governance is absent, probably because of a corporate crisis. This is aligned with recent studies showing that the board has ambiguous borders in family firms (Ahlberg et al., 2024), where some functions normatively considered to be board functions were performed outside the board. Considering our results, we would suggest that they are governance functions, not board functions and that they are distributed in a constellation of governance, representing octopus governance. Studies of board composition could be inspired by this suggestion since it could imply that board composition will vary depending on the actual distribution of governance rights to the board, that is, the weight of the board in the governance structure of the corporation. Indeed, Collin et al. (2017) found lower board compensation when the ownership structure was characterized by strong and active owners. One interpretation of their results could be that strong and active owners have passive boards and, therefore, do not allocate many resources to composing an active, and presumably more costly, board. Our recommendation to board research is to consider the board's actual importance in the governance structure of the individual corporation, whereas the researchers have to consider other governance arenas in the governance structure. To put it simply, governance rights and their distribution cannot be assumed but have to be observed.

We have presented the two views as dichotomous, which at first sight appears to be wrong, since one possible constellation of governance is delegation, as we found in the dramatic situation in our case. Under the moderate situation that was at hand during our period of observation, we instead found the constellation of octopus governance. However, the views are theoretically different since they have opposing fundamental assumptions, delegation is based on individualism and the constellation of institutions. This feature motivates us to consider them as being dichotomous. In governance research, they can be used as two different views on governance. However, since delegation is but one form of a constellation, an endeavor of future research could be to create a synthesis of the two views by developing the constellation by integrating the delegation view since the constellation view offers an opportunity to be more empirically relevant and theoretically superior following the criteria of superior knowledge, that of being able to include more phenomena (Popper, 2002).

Our results can easily be criticized due to limitations in our research. Only one case, using structured induction, situated in a rather exotic environment, a wholly owned municipal corporation with almost a monopoly on its service, in a small country with a specific culture, makes it vulnerable

to criticism of being purely anecdotal. But case studies using induction are by their very nature anecdotal. Their strength is in developing conceptions, as in the case of octopus and interactive governance, and in evaluating conceptions, as in the case of delegation or constellation. They are not in the researcher's toolbox for testing hypotheses, which they are incapable of doing. But case studies can be used as a black swan method, where a general statement of the existence of white swans can be falsified by the appearance of one single black swan. Our plea for governance through constellation in many situations in Waste Inc. appears to refute the omnipotence of the delegation view. However, now it is needed to show that the black swan of Waste Inc. is not the only black swan but that the conception of constellation can be a valid model for understanding the governance of other corporations, situated in other institutional environments.

We started with the question: *Is there a delegation of governance or a constellation of governance?* Our findings indicate that it is not a good question. Instead, our final suggestion is that the relevant question is: *What is the actual mix of delegation and constellation of governance?* And, based on our proposition that the mix is situational, we add a question for future research: *What conditions determine the mix of delegation and constellation of governance?*

7. CONCLUSION

By critically evaluating two views of corporate governance, using an inductive approach, we conclude that a constellation view of governance is empirically more relevant under moderate situations, while dramatic situations make the delegation view more relevant.

Indeed, we have not advanced any of the grand theories of governance, agency theory, institutional theory, or the behavioral theory of the firm. But we have advanced our conception of governance by adding the induced concepts of octopus governance, interactive governance, and the notion of the potentiality of governance, and, most importantly, to offer constellation as an alternative to delegation. Through these contributions, we add, not theoretical rigor, but relevance to corporate governance conceptions. In a scientific field so dominated by theoretical deductions, it is worth recalling Zappa's (1939) view of the duty of theory: theories have duties towards facts, while facts only have rights towards theories¹.

In a world where the science of governance continuously runs the risk of approaching dogmatism and developing *la théorie pour la théorie* (theory for only the sake of theory) and being loaded with ideological content, such as 'shareholder value' and 'good governance', obscuring our capacity to observe and understand, we need to question our conceptions to further develop our knowledge and thereby contribute to society. Our eternal scientific critical path is to question our theories, concepts, and interpretations, and this paper is but a tiny temporary report on this critical path.

¹ Original citation: "Le teorie... hanno dei doveri verso i fatti, mentre i fatti non hanno che dei diritti verso le teorie" (Zappa, 1939, p. 3).

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