1. Points of departure

1.1 RESEARCH FIELD AND PURPOSE

This volume addresses a set of fundamental questions that too seldom has been raised in the socio-economic sciences: what are the main forces that decide the long-term (development) paths for large global corporations, and how and under what circumstances do those forces operate? Theoretically, this set of research questions will be approached by integrating corporate governance theory with certain other key academic subfields, thereby building one coherent socio-economic frame of reference. These other key fields include theories about human rationality, institutional theories, theories of the firm/corporation and theories about corporate paths.

Basically, corporate governance theory focuses on drivers of co-ordinated action, addressing both the forces directly conducted by individual actors and the collectively (re)produced indirect ones (i.e. culture and institutions). For some decades (the late 20th century) scholars in Economics and Finance dominated the theoretical development in the corporate governance field. Thus, much of the research was based on rather idealistic assumptions regarding actors, corporations and settings, and it almost exclusively addressed listed corporations. In recent decades, however, that classic theoretical body has been both questioned and widened. Socio-economists and legal scholars have added realism and complexity to the theory building, thereby improving its empirical relevance and practical value for corporate actors. These researchers have also extended governance theory, so that it also embraces other kinds of organizations than just corporations.

Governance activities involve the whole repertoire of cultural and institutional structures and processes that single actors and actor collectives directly or indirectly (re)produce when they influence corporate development over time. Thus, both emerging and historical norms are involved in the governing processes (cf. laws, regulations, codes and customs). The word repertoire is chosen to stress that many of these norms are uncoordinated, that is to say, that they lack systemic qualities. The actor construct should then be understood in a broad sense – that is to say, as referring to all kinds of corporate stakeholders, not merely to shareholders. Stakeholder then refers to those actor categories whose presence and activities are necessary for the very existence of corporations.

The theoretical model used here to describe and explain the forces deciding corporate development is based on three core concepts, namely driving forces, governance arenas and corporate paths (cf. Figure 1.1). The left box containing the forces driving corporate development will be discussed in detail in this chapter, while the arenas (i.e. the corporation and its setting) will be elaborated in Chapter 2 (cf. the middle box). The theoretical part of this volume ends with a discussion of corporate paths (cf. the right box, and Chapter 3).
Although a governance process runs both inside and outside a corporation, that arena will here be used as the basis from which the other governance processes are derived. Among the basic actor agencies identified inside corporations – shareholders, boards and top management – shareholders will be used as the main hub and taken as the basis in many of the analyses. To many actors the general research question initially formulated is accompanied by a second much more specific one addressing various aspects of shareholding, namely to what extent does its kind, legal form, structure, autonomy, organization and enactment influence corporate paths?

1.2 A BASIC THEORETICAL PLATFORM

What here is denoted as (driving) ‘forces’ influencing corporate development basically emerges from two sources: nature and actors. The latter category is here seen as the more important one of the two, and will therefore be discussed at some length below. The former category includes both occurrences that lie outside human control, and natural resources as such. Nonetheless, it is always human actors that are exposed to, discover, interpret and handle natural occurrences. Some of them hit specific companies (e.g. a fire in a paper mill), others whole industries (e.g. a tree-felling storm), and still others a large part of the business world (e.g. climate change). Some natural occurrences might actually be regarded as favourable by concerned actors/corporations (e.g. damages that hit competitors only), while others will be treated as deleterious and force shareholders and executives to reconsider corporate strategies (e.g. location of forestry investments). In both cases some actors react and deal with the upcoming opportunities or problems. So, although natural occurrences are not triggered by human action, they certainly evoke actor activity. Regarding the other aspect of nature – its resources – it is claimed that what qualifies for that category very much is decided by the context and the current (constellations of) actors.

The second basic force influencing corporate paths embraces all drivers that emerge from initiatives taken by actors. Such activities could be of many different kinds and
also more or less collective and historical in character. In this study, four kinds of forces based on collective actorhood have been identified as particularly important for corporate development: culture, institutions, science and demand. Two of them – culture and institutions – basically refer to historical processes and represent the outcomes of past actor interactions and performances.

Culture is probably the most elusive of the actor-based forces, and the academic literature has attached several meanings to that construct. Here, culture denotes the overall world view and ethos prevalent in a society or in some other kind of unit that manifests in common values, attitudes, postures, emotional patterns and practical habits. Thus, culture embodies the expectations, norms and episodic individual actions that appear in an entity regardless of whether its actors are interrelated or not. Culture is not something that could be exclusively linked to a specific individual. It is a truly collective phenomenon that rather refers to actions linked to human constructs and artefacts than to activities evoked by nature. Many entities, for example, nations, corporations and professional associations, (re)produce and house powerful cultures that more or less strongly influence corporate paths.

The second of the collective drivers of corporate development – institutions – permeates the more general phenomenon of culture. Institutions comprise various systems of embedded and enforced social norms of at least some durability. A single norm is then understood as a socially communicated, value-based expectation or obligation – that is to say, it is a normative force that compels someone in a certain context or position to act in a specific way. Societies are then infused by – and infuse – numerous institutions that might be complementary, competing and decoupled as well as unrelated. Individuals could activate a collection of these institutions and their enforcement mechanisms forming what could be denoted as an institutional ‘bricolage’. The bricolage concept not merely underscores the fact that institutionalized norms applicable to a certain situation might be plentiful, but also indicates that even in well-defined specific situations such norms might be conflicting or even contradictory.

Institutions appear in several forms like, for example, laws, regulations, customs, professional traditions, codes of conduct, and so on. Each such institution and its normative power are then underpinned by some kind of mixture of rewards and sanctions that could be physical, economic or social in character. Human actors continuously build, reproduce, change, exceed, abandon and destroy institutions at the same time as these same institutions influence, enable and constrain human activity. Thus, institutions have the power to mould the dispositions of human beings; they even have the capacity to change people’s ideals, attitudes and aspirations. An institution can therefore function as a kind of collective or ‘macro actor’ in society. In that role, institutions function as arbitrators between individuals and influence their opinions and relative power. In that way they also work as tools for the mobilization of human effort.

As institutions emerge, develop and change over time they represent historical forces that materialize in physical artefacts (e.g. buildings) as well as in explicit discourses (e.g. economic theory) and invisible dispositions (e.g. tacit knowledge). Sometimes they also constitute the foundations for organizations that are built to (re)produce cherished norm systems. Thus, institutions do not exclusively represent ‘mental’ structures although they depend on individuals for their existence. In all these ways (i.e. through artefacts, discourses, human dispositions and organizations), history provides the material – that is to
say, the mental and habitual resources – for the thinking and acting of individuals. Then it becomes apparent that past actor struggles also are a primary source for current sets of institutions. In modern societies old elites have left their strongest traces in the specific institutions they have (re)produced. Once old elites have left the governing arenas, they bequeath their influence in an institutionalized form (thus, some doctrines outlive their creators).

The impact of institutions on corporations is well documented. That insight was confirmed during the second half of the 20th century, when primarily organization researchers reintroduced the institutional phenomenon on the socio-economic scene through empirical investigations of various kinds of associations. Some economists had argued all along for the importance of institutions for economic processes and structures, but for decades they had been rather marginalized and obliged to establish their own journals and associations. However, it was not until the 1970s that a more general interest in linking the institutional perspective to the corporate phenomenon really took off. That scientific turn involved a revival of Knight’s, Berle and Means’, Coase’s and other neglected or forgotten interwar theorists’ writings on the theory of the firm.

The second half of the 20th century represented an explosion of perspectives and writings addressing the theory of the firm/corporation. It was not only the behavioural sciences that added knowledge about the functioning of corporate processes. Both economists (e.g. agency theorists) and law scholars (e.g. regulation providers) elaborated the defining characteristic of a corporation – the hierarchy. Institutionally oriented economic historians also contributed to the renewed interest in the corporation by investigating the forces behind – and the consequences of – increasing organizational sizes. The most important outcome of all those efforts was probably the theories that addressed the financial flows that ran inside and outside the corporations. Eventually these research efforts institutionalized a legal regime that all over the world enforced a rather similar hierarchical arrangement (containing three main agencies: shareholders’ general meetings [GMs], boards and the Chief Executive Officer [CEO] position). The impact of institutionally oriented approaches to corporate governance processes became decisive, so some of that development is further addressed later in this volume.

Science represents the third of the collective driving forces that influence corporate paths. However, its collective charter could sometimes be questioned since it is possible both to attach scientific progress to actions taken by single individuals, and to regard such steps forward as basically outcomes of collective (interactive) processes. The term ‘scientific development’ is here used to represent the outcome of progress, taken in a broad sense, covering outcomes from all kinds of research efforts (i.e. from the humanities as well as from natural science and the socio-economic field). That progress usually enters corporations as inputs in their operative flows – as breakthroughs that improve their internal processes and/or market outputs (cf. innovations). Thus, many corporations house powerful research and development (R&D) activities that through innovations influence strategic options and paths, for example, by introducing new materials and more advanced technologies, and by pioneering distribution methods. Research findings might also address and influence the financial flows in corporations (e.g. by providing more efficient financial instruments). Thus, science tends to have a ‘push effect’ in both of the basic corporate flows.
Points of departure

The fourth and final collective actor force influencing corporate development—demand—is basically formed by two different actor collectives, namely customers and competitors. Competitors contribute to the sizes and compositions of the various markets, while customers constitute the actual demand on each of them. Customers tend to have a ‘pull effect’ in the operative flows, and in that role they influence most corporate paths (cf. Chapter 3). Their impact could take several different forms (e.g. buying and opinion building) and trigger substantial changes (e.g. stimulate product differentiation and innovation).

Thus, human actors are involved in almost all kinds of forces influencing corporate futures with the possible exception of the ones based on natural occurrences. In that function they often act as (parts of) collectives that (re)produce culture and institutions over longer periods of time. They also form constellations that enable scientific progress and arouse demand. Still, however, the individual actor is regarded as an important impact source in its own right. Thus, individual actorhood is important both as a force of its own, and also—in some way or another—as a component in all the other forces. It will therefore be elaborated in more detail in the following section.

1.3 ACTORS AND ACTOR CONSTELLATIONS

1.3.1 Bounded Rationality

When focusing on the last of the forces influencing corporate paths, the individual human actor, things become more complicated and require a lengthier discussion. The conviction that there exists a substantial amount of human discretion in most contexts indicates that individual action is seen neither as fully determined by outside forces, nor as mainly executed in non-reflective or ‘non-conscious’ habitual ways. Instead, actors, culture and institutions determine each other in ‘eternal’ on-going interaction processes.20

As actorhood is regarded to be one of the crucial forces in corporate governance, it becomes important to describe the notion of the individual that is applied throughout this volume. The conception of the partly autonomous human actor that is used here originates from the classical one that for long has dominated the economic sciences and usually has been labelled ‘economic man’21 or homo oeconomicus. However, that ideal type22 construct of the human being is radically revised below. The homo oeconomicus construct was built upon the idea that individuals are perfectly informed and possess unlimited calculative capabilities, so that they are able to maximize their known utilities. Many problems are associated with that ideal type construct, particularly when empirical studies are to be carried out. Today, there is an overwhelming amount of both experimental studies and fieldwork that shows that human beings act in much more diversified and complex ways than the homo oeconomicus construct indicates. Nevertheless, the applicability of that rationale is still taken for granted in many studies.23

To many actors, calculations (i.e. mathematical methods, statistics and other quantitative approaches) represent the valid way of approaching the various decisions that have to be taken in corporations; thus, to them the citing of figures often represents ‘the undisputed decision method’. When choices have to be made such calculations build certitude—they inform what stance it would be best to take. However, such confidence might be illusive when confronted with reality, as it is difficult to successfully apply such
Rethinking corporate governance

a purely calculative rationale except in fully transparent and cognitively uncomplicated situations. So, in most practical situations, human judgement has to be added, and such evaluations are to a large extent also based upon non-cognitive processes.24

Bounded rationality25 is an expression that often is used to describe the calculative shortcomings that people in general exhibit. One consequence of those shortcomings is that actors usually have to tackle complexities (also) with the help of non-calculable simplifications such as, for example, various heuristics.26 They become necessary because many decisions involve dimensions that are difficult or even impossible to measure. The use of heuristics also makes it possible for individuals to avoid cognitive stress (time is not unlimited). Heuristics also economize on actors’ calculative capacity, as they provide well-established rationales and guidelines for most decision situations. Many of these heuristics also have cultural and institutional roots that link to specific (historical) values and settings.27

In reality, actors tend to confine themselves to solutions that are perceived as satisfactory and do not even try to maximize them. That behaviour implies that actor expectations and aspiration levels play a significant role in human decision processes.28 Maximization is a most problematic criteria for action, as individuals often do not even know what to maximize, that is to say, they do not recognize their (instable) preferences, and it is sometimes actually the action (outcome) as such that helps an actor to decide what to seek. Moreover, actors often do not know what utilities are (potentially) available.

Another basic problem with the use of homo oeconomicus as the theoretical platform for empirical investigations is its purely cognitive basis. As mentioned earlier, that ideal type construct disregards the fact that individuals also have emotions, intuition and aesthetical preferences, and that they also make use of those qualities when deciding and acting. That idea is elaborated further below, where the notion of the multi-rational human being is introduced.

1.3.2 The Multi-rational Actor

If one combines the discussion above regarding actors’ bounded rationality with the four dominating intrapersonal bases for human action (cognition, emotions, intuition and aesthetics), a more empirically valid construct of the human being emerges: that of homo complexicus or the multi-rational actor.29 That construct indicates that individuals do not base their action on cognition only. They also rely on emotions, intuition and aesthetics.30 Thus, most human activities have an emotional component. Its strength and relative importance for specific actions vary, but it is always present.31 That means that human actors can develop strong emotional ties over time not only to certain ideas, values or interests but also to particular individuals. It also indicates that such attractions will guide many of their decisions and actions. Individuals also use intuition when they decide and act. Intuition then refers to those experiences that are hard to explain to others in an unambiguous way. The actor might actually even have difficulties in articulating that action rationale inwards. The same reasoning applies to aesthetics, which underpins a rationale that puts something that looks or sounds good in the driver’s seat.32

The multi-rational individual is also seen as an interactive social being, which means that actors try to respond to one another by way of collectively constructed meanings. Thus, human action is oriented towards – and inspired by – inter-subjective
representations. Moreover, much of what a single individual perceives is also perceived by others, and in a seemingly similar way. By their actions, individuals continuously indicate what is expected of the others, and vice versa, and each individual, in a never-ending process, interprets the indications given by the others. These processes usually imply a series of mutual adjustments; to put it another way, empathy and inter-subjectivity come into play. Labelling also occurs, as actors in the course of their interactions attribute roles and stereotypes to each other.

This view of the basis for human action opens up for the aforementioned interpersonal path for handling uncertainties. It means that individuals – when acting – take into consideration the expectations and activities of others, whether they be present or absent. Therefore, the word ‘action’ should be read and understood as representing a mutuality or interaction. However, an individual’s capacity to relate to and interact with others has its limits. Previous (inter)actions, too, restrict individual activity, as they influence (and simultaneously are influenced by) an actor’s cognitive map, intuitive capacity, emotional memory and aesthetic preferences. These ‘action sediments’ often build up over a long period of time, and as the present acting constitutes no more than a ‘split second’, the traces of earlier actions become particularly important (cf. path dependence, routines, habits, and the like). Also expectations about the future (i.e. goals, visions, dreams, etc.) influence the current behaviour of individuals.

1.3.3 Actors, Uncertainty and Risk

Actors linked to corporations have the capacity to influence their long-term development by providing perspectives, judgements and actions that create, reproduce, modify, alter or destruct existing conditions. In those situations it is believed that various combinations of more or less related ideas, values and interests drive the individuals’ actions. Thus, it is assumed that individuals at least sometimes have (conscious) intentions linked to their actions, although it is not always possible for others to detect them. When individuals put some of their ideas, values and interests into practice, they face uncertainties of various kinds. Such sources of ambiguity follow from the simple fact that nobody perfectly remembers ‘the past’, fully knows ‘the present’ and is able to safely predict ‘the future’. To deal with the last, actors can sometimes gain some substance in their predictions by transforming them to risk (if both outcomes and their probabilities could be meaningfully estimated). Such risk-taking could be both rewarding (build fortunes) and disappointing (produce bankruptcy). Its presence is certainly crucial for the emergence of firms and corporations – those units could in fact be seen as tools for risk-taking.

However, actors’ attitudes towards risk tend to differ a lot. Some individuals are simply more inclined to take risks (cf. risk-seekers) than others (cf. risk-avoiders). A risk-averse actor is one that, when faced with two investments with the same expected return but differing probability distributions, prefers the alternative with the lower variance. A risk-seeker is one that either absorbs lots of uncertainty or – at least – prefers alternatives with strong possible advantages even when accompanied with analogously strong disadvantages. Sometimes marked risk-seekers even prefer paths that have negative expected values but contain high (but rather improbable) possible benefits. Despite these interpersonal variations, individual risk attitudes tend to be relatively constant over time (i.e. linked to personality and/or culture), but it has also been shown that risk attitudes
sometimes could change due to situational and/or contextual factors. For example, current mood\textsuperscript{36} and feelings,\textsuperscript{37} as well as the ways problems or situations temporary are framed,\textsuperscript{38} might influence human risk-taking.

Individuals also face a kind of uncertainty that could not be transformed to risk: genuine uncertainty. Basically, that kind of ‘remaining’ uncertainty could be dealt with in three ways: through disconnection, intrapersonal processes and interpersonal processes. Disconnection processes simply represent the ones where various kinds of barriers are established between actors (e.g. physical ones like prisons). The other two processes are much more complicated and also more relevant in a discussion of corporate governance. The first of these two processes, the intrapersonal one, refers to situations where individuals use cognition, emotions, intuition and aesthetics in their thinking and acting. That intrapersonal path was thoroughly described above. In the second process, the interpersonal one, actors try to gain different degrees of certainty by building relationships to more or less known others. Such relations could be built on shared values and ideals, as well as on family ties or friendships, and that variety indicates that the accompanying actions will be more or less predictable/certain.\textsuperscript{39}

Basically, actors reduce interpersonal uncertainty by more or less voluntarily engaging in relationships characterized by coercive, calculative, ideal-based or genuine qualities. Coercion is seldom discussed in management contexts, as it is not supposed to exist in such arenas, with the obvious exception of organizations explicitly concerned with that aspect of life (e.g. the police). Nonetheless, this way of coping with uncertainty is to a greater or lesser extent also present in many corporations. Although it is more unusual in its more brutal forms, such things as sexual abuse, kidnapping and wilful damage do sometimes occur. Moreover, in its more ‘modest’ and/or hidden forms coercive relationships might be fairly frequent in many organizations, for instance, as threats, blackmailing, bullying, and so on.\textsuperscript{40}

The high dependency on innumerable unknown others that characterizes conditions for members of a modern society, as well as the accompanying physical and mental distances between dependent individuals, have made interaction based on a calculative rationale a necessity. That situation is also a direct consequence of a capacity barrier – actors have to manage the number and depths of their contacts. Indeed, most dependent individuals are (cognitively) incapable of identifying and building personal relationships to all linked actors. So, they base some of their uncertainty reduction on a calculative approach reducing the others to titles, positions, occupations, and the like.

However, dependent individuals are obviously not always anonymous to each other. Many interactions and exchanges take place between individuals who have at least some knowledge about the others involved, and actors tend to put particular faith in judgments made by such partially known others. Then the set of values and ideals that individuals hold and (sometimes) express in their interactions with others becomes particularly important. If these values and ideals become known and even shared, that knowledge tends to reduce uncertainty and builds interpersonal reliance. Thus, both shared values and ideals bridge many gaps and distances between actors – psychological, physical, geographical, temporal and organizational ones.\textsuperscript{41} Indeed, they promote co-operation and exchange and hamper both opportunistic behaviour and moral hazard.\textsuperscript{42} A judgement made on the basis of a value-based rationale could be so important in a certain situation that it even overthrows a position built upon the classic calculative rationale. However,
Points of departure

basically, this ideal-based rationale works as a complement to the calculative one providing actors with some extra capacity to deal with ambiguous situations.44

Sometimes dependent individuals are well known to each other. In those cases people know much more than the names, titles and positions of the others. They are also familiar with their personalities, networks, education, experiences, attitudes, interests, and so on. It usually takes a long time before such strong ties – ‘genuine’ relations – emerge between individuals. First and foremost they tend to appear among mates, friends, life partners, cohabitants, family members, and the like. Such genuine relations then create situations and circumstances where the strongest form of interpersonal faith – trust – might emerge. Figure 1.2 illustrates the whole range of ‘faith in others’ (distrust, confidence, reliance and trust), as well as their different sources (coercive, calculative, ideal-based and genuine relations).45

1.3.4 Actor Constellations

As mentioned above, a third way to cope with (genuine) uncertainty is through the interpersonal path. It builds on – and tends to simultaneously form – four structured kinds of actor constellations. They are denoted cell, sphere/coalition, sect/movement and clan/circle. Starting at the ‘distrust’ end of the scale (cf. Figure 1.2), coercive relationships could form groupings that have two different but connected kinds of bases: those built on physical force (cf. violence) and those that (in other ways) threaten the survival of individuals (cf. material and economic circumstances). These constellations based on coercion are denoted cells. It is also possible to identify actor constellations that are based on calculative relationships. That kind of constellation is here denoted sphere or coalition depending on whether it is hierarchically constructed or not. Because of its constituting mechanism – the calculative rationale – it is seen as a relatively fragile and short-lived grouping and represents a constellation where actors unknown to each other have agreed to co-operate – at least temporarily – for some common purpose.

When the defining characteristic of a constellation is based on (shared) values and/or
ideals, a movement or sect appears. A sect represents the hierarchical form of the constellation and refers to a set of individuals that are linked through shared values (i.e. some kind of ideology) and subordinated to a leader. The ideal type movement has the same characteristics as the sect with one important exception: it is non-hierarchic. The fourth and final constellation of actors has genuine relationships as its basis, and like the others it contains both a hierarchical – the clan – and a non-hierarchical – the circle – form. The basis for genuine relationships could be of two kinds. The theoretical concept clan refers to individuals who are tied together by various kinds of kinship, while circles instead are constituted by friendship relationships. Some researchers claim that still in the 21st century the family tie linkage represents the most important kind of human relationship, and that it actually functions as a kind of prototype for most of the other ones.

A clan is based on either (foremost) biologically defined relationships or built on love or different kinds of contracts between biologically distant individuals. That means that the former kind is built on those relationships that prevail in dynasties and families (blood-based ones), and such links cannot be broken, while the latter refers to relations between biologically (at least relatively) unrelated individuals, and such connections could be broken and terminated. In both cases, status and positional conditions are the defining characteristics.

A clannish inclusion is not always voluntary. For the kinship kind of clan the tie might actually be compulsory – the individual is born into the constellation. Accordingly, clan memberships are relatively stable, as position or status can only be established, changed or terminated via (biological) reproduction, marriage or death (or the like). Clan ties are particular, in that they involve people as unique individuals (linked to their status/positions), and they are universal, as they permeate most types of situations and actions as far as the individual is concerned. Such collectively flavoured interactions among relatives give rise to ideas about moral obligations, solidarity, feelings, concern for others, and an interest in relatives and kinship. In its ideal type form clans create emotional ties and produce opportunities for never-ending co-operation. Thus, clans represent genuine relationships that underpin the (re)production of trust between actors.

As mentioned previously, trust may also emanate from friendship – a kind of lasting genuine relation between individuals that in certain respects differs from the kinship-based kind. Friendships emerge and grow over time from experiences that reveal matching personalities, mutual or complementary values, shared interests, and the like. In circles, that is to say, close and lasting non-clannish relationships, individuals’ exchanges of information, thoughts and feelings become important as (re)producers of identities. Those processes presuppose that there are no pretences in the relationships – friends are expected to be spontaneous, open and ‘natural’ in their interactions, continuously expressing their ‘true selves’. As a consequence, the individuals in a friendship relation are almost indispensable to each other – it is most difficult for other actors to replace them. Thus, friendship relationships concern the most private sphere; they involve the genuine unfeigned individuals (their core personalities). Such relations are not based on organizational roles or positions (or on other more formal and official aspects of life). As a result, friends and friendships are not described and evaluated in public – they are exclusive relationships that flourish in the private sphere. Moreover, like other genuine relationships, they involve strong emotions, care and compassion.

Unlike for the clan, the circle is characterized by horizontal relationships built on
voluntariness; that is to say, there is no biologically determined (or otherwise imperative) hierarchy around. Thus, an individual is not born into a circle, but when an individual has won such a status or membership, it tends to last for a long time. Like a clan, a circle is founded on ties that are particular; thus, they involve individuals that are regarded to be unique and irreplaceable by the others. Another similarity with the clan constellation is that membership in a friendship-based circle has a universal character, as it tends to permeate all kinds of situations and actions (with the [possible] exception of those linked to human sexuality).49

Thus, the circle denotes a ‘complete’ or all-embracing relationship, which implies that the involved individuals participate with a high proportion of their overall personalities, and so for longer periods of time. Like a clan, a circle also (re)produces moral obligations, solidarity and concern for others among its companions. As the circle is composed of close individuals, it offers each of them a possibility to expand their own capacity to reduce uncertainty, and handle it through collectively utilizing – trusting – the judgements of the well-known others.50 As they know each other well – heritage, experiences, personalities, networks, and so on – they can evaluate the underlying bases for the suggestions and advice provided. They can also be almost sure that these close individuals do their very best, and that no one tries to deceive or betray the others. Circles also make it less risky for actors to share and exchange private and confidential information regarding delicate topics, and usually that possibility tends to improve decision quality.51 However, even if most (interpersonally generated) uncertainties might be reduced substantially through disconnection, intrapersonal processes and interpersonal processes, as described above some genuine uncertainty will still remain, because individuals never fully can ascertain other people's intentions and actions rationally.

1.4 THE STRUCTURE OF THE BOOK

In this first chapter of the three that make up the first part of this volume (‘A Theoretical Platform’), four core ingredients have been presented: the topic being focused upon, the purpose, the two research questions and the theoretical platform. In Chapter 2, a theory of the corporation will be presented to make the governance arena more elaborated and realistic. In that chapter two governance flows are highlighted – the operative and the financial.52 There is also a focus on the variety of individual actors and actor collectives (cf. culture, institutions, science and demand) that are involved in the two flows, and on their differing roles and rationales. Chapter 3, finally, explains the more important theoretical concepts that are used to characterize corporate paths. It includes discussions about various kinds of missions, visions and goals, as well as operative and financial strategies. The forces presented in this chapter are also examined in relation to different corporate settings, allowing for the presentation of some of the more powerful tools that human actors use when trying to influence corporate paths.

The extensive empirical material is presented in the second part of this volume (‘The Empirical Study’). Its first two chapters provide a presentation of how the four corporations in focus developed before World War II (WWII), with Chapter 4 unfolding the paths that materialized before World War I (WWI), and Chapter 5 unfolding the developments that took place during the interwar period. This second part of this volume
continues with a presentation of four extensive ‘master cases’ focusing on corporate paths and on the main governing forces that have (re)produced them. The four master cases embrace differing time periods, as the four included corporations have very different dates of founding (ranging from the 14th century to the 19th century). The cases also end at slightly different points in time (1998, 2002, 2004 and 2004).

All the focused upon corporations are major global enterprises belonging to the same industry, the forest-based one, and they have sometimes – but not always – competed. The four master cases’ corporations are: (1) Sveaskog (Chapters 6 and 7), which also, for example, contains companies like Domänverket, AssiDomān, Segheza, Kappa (Holding) and Ncb; (2) Holmen (Chapters 8, 9 and 10), which also, for example, involves companies like MoDo, Alicel/Alipap, Iggesund, Modo Paper, Metsā-Serla and Holmens Bruk; (3) Stora (Chapters 11 and 12), which also, for example, contains companies like Swedish Match, Papyrus, Billerud, Feldmühle (Nobel), UPM-Kymmene and Enso-Gutzeit; and (4) SCA (Chapters 13 and 14), which also, for example, involves companies like Mölnlycke, Laakirchen, Peaudouce, Italcarta, Reedpack, Procter & Gamble and Papierwerke Waldhof-Aschaffenburg (PWA).

In the concluding third part (‘Analyses and Conclusions’), consisting of three chapters, the empirical material is analysed using the approach and theoretical platform presented in the first part of this volume. Thus, the final third part contains the most important conclusions that could be drawn from the encounter between the theoretical platform and the extensive longitudinal empirical material. Basically, then, Chapter 15 contains analyses and preliminary conclusions based on the empirical material that refers to the period before WWII (cf. Chapters 4 and 5), while Chapters 16 and 17 include conclusions and tentative hypothesis based on the empirical material that refers to the years after WWII (cf. Chapters 6–14). The appendix focuses on methodology issues and discusses the general design of the investigation including its extension in time, as well as the data sources that constitute the basis for the empirical chapters. It also contains a description of how the industry, the four master cases and the actors were selected. The appendix ends with a listing of all the interviewees, as their contributions represent the main basis for the empirical narratives.

NOTES

1. The two concepts corporation and company are used without distinction. In certain contexts, however, one or the other is preferred (e.g. ‘company law’ but ‘corporate governance’). A corporation is seen as an association of individuals created under the authority of law that houses powers and liabilities and exhibits continuous presence independent of its actors. Corporations (companies) come in many different types but are usually divided by the law of the jurisdiction where they are chartered into two kinds: by whether or not they can issue stock, or by whether or not they are for profit (cf. Dictionary.com).

2. The use of (re)production in this volume is used to emphasize a presence of both historical and emerging elements.


4. The Organisation for Economic Co-operation and Development (OECD) defines corporate governance as ‘the procedures and processes according to which an organization is directed and controlled’. There are other definitions, too. For example, one that is rather frequently used by financially oriented researchers: ‘the ways in which suppliers of finance to corporations assure themselves of getting return on their investments’ (Shleifer and Vishny [1997, p. 738]).

5. Freeman and Reed (1983).
That concept stresses that the actor activity is embedded in a specific and known setting. 'Demand' refers to the aggregate (i.e. total) actor demand that exists on a particular market. Geertz (1973) and Jackall (1988). Hodgson (2007, pp. 98–9) and Kallifatides et al. (2010, Ch. 1). Kallifatides et al. (2010). Sjöstrand (1985). Bhaskar (1989), Archer (1995) and Hodgson (2007, p. 104). Sjöstrand (1995). E.g. Journal of Economic Issues and Journal of Socio-Economics. E.g. The Society for the Advancement of Socio-Economics and the European Association for Evolutionary Political Economy. Cyert and March (1963) wrote a classic volume on that topic. To name just one from each discipline: Williamson (e.g. 1975 and 1985) was probably the most influential researcher that addressed 'the economics of organization' in those days, and Masten (1988) was a recognized scholar that made a significant contribution to the theory of the corporation based on a legal perspective. Chandler (1977) was perhaps the most influential researcher among those coming from Economic History. Jensen and Meckling (1976) and Fama (1980) early addressed the agency issue. Sjöstrand (1985 and 1995). The expression 'economic man' is at least known from the 19th century. Marshall introduced it in 1885 when he raised objections regarding that construct. Later many economists have recognized that construct as a useful theoretical abstraction (ideal-type construct). Cf. Andrén (1995). Ideal type (cf. the German Gedankenbild) has nothing to do with the usual definition of ideal as meaning 'to be preferred above all else'. Instead, an ideal type refers to an established construction with a distinct and commonly accepted scientific meaning. An ideal type is formed by an accentuation of certain selected characteristics that are ascribed to an empirical phenomenon (some scholars even suggest that ideal types represent constructions of theoretical extremes; cf. McNeil [1981]). Hence, an ideal type expresses conceptual purity and is, thus, similar to an elaborate construct with no obvious empirical counterpart. In other words, ideal types do not simply reflect empirical phenomena, nor do they correspond to anything wholly separated from empirical knowledge. Ideal types are usually based upon scientific explorations that explicitly or implicitly involve empirical elements. Therefore, they are often based upon ingredients drawn from the best existing scholarly knowledge. However, the value of a construct of this kind is not only determined by testing single ideal types against single empirical organizations; rather, its prime value is often revealed when the whole theoretical repertoire (the system of theoretical ideal types) is confronted with an empirical material. In brief, the relationship between ideal types and empirical phenomena is, thus, an analytical one – ideal types represent tools of an ‘as if’ kind for use in theorizing (cf. Collin, 1990, p. 73). Human organizing, it is assumed, occurs as if it were governed by rationales associated with a mixture of ideal types. The ingredients that compose the ‘as if’ for each ideal type then play a crucial role in theory construction (Sjöstrand [1997, p. 200]). See the writings of Simon. The Carnegie Mellon University has a complete corpus of his work. The notion of the ‘multi-rational’ human being was introduced in Sjöstrand (1997).
42. If there was no opportunism there would not be any moral hazard, adverse selection, shirking, filtering, disguised goal seeking or other strategic deceits (Williamson [2000, p. 39]).
43. Moral hazard is a situation where a party will have a tendency to take risks, because the party taking the risks would not incur the costs that could arise.
46. ‘Sect’ is a term that could be traced back to the Latin word ‘secta’ meaning principle, ideology, philosophical school, manifesto, etc.
47. Sjöstrand (1997).
48. Ibid.
49. Ibid.
50. Ibid.
51. Ibid.