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MUTUALITY STRIPPED TO THE BONE

NOMINATING AND RECRUITING BOARD MEMBERS IN SWEDISH MUTUAL INSURANCE COMPANIES

Tiziana Sardiello

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Abstract

The aim of this paper is to shed light on the practices adopted by Swedish mutual insurance companies when nominating and recruiting board members, as well as to gain a deeper understanding of whether and how these practices embody the concept of mutuality. This topic was seen as particularly interesting when considering the complexity of the institutional environment surrounding mutual insurance companies. An environment characterized, among other things, by a skinny and at the same time hybrid legal framework, that at a first glance appeared too dry and confusing to infuse mutuals' practices with a broader social meaning.

Theoretically, the ambition is to complement the relevant body of literature on the various organizational aspects related to the nomination and recruitment practices targeting board members, by studying this process as a sense-making activity. The focus is then on how nominating actors, through their practices and in light of the surrounding institutional environment, engage in interpretations and meaning constructions of the concept of mutuality.

The interviews conducted with twenty key actors in four Swedish mutual insurance companies Alecta, Länsförsäkringar, Folksam and Skandia, show that limited sense-making work is performed during the nomination process. The interpretation of mutuality can therefore be said to be "stripped to the bone" of the law, *i.e.* performed in purely legal terms, as a synonymous of customer-owner influence. Attempts to give mutuality a broader social meaning, that goes beyond the legal one, are made through argumentations that involve history-telling – i.e. the looking back at the social purpose that these companies once fulfilled in society – and the delegation of work of meaning construction to actors outside the company – such as supervising authorities, search firms, professional associations and last but not least the legislator.

Nevertheless, the responsibility for the apparent failure to give mutuality a renewed meaning that goes beyond the legal one, cannot entirely rely on boards of mutual insurance companies. Despite some moderate criticism expressed by actors located in the normative sphere of the surrounding institutional environment, it seems that in Sweden mutuality, at a cultural-cognitive level, has become a forgotten topic. A topic that has lost its relevance once other new concepts, such as those of sustainability or the sharing economy, have entered the stage.

Sammanfattning

Syftet med denna studie är att belysa nomineringsprocessen för styrelseledamöter i svenska ömsesidiga försäkringsbolag samt att få en djupare förståelse för hur denna process införlivar begreppet ömsesidighet. Detta ämne ansågs vara särskilt intressant med tanken på den komplexa institutionella miljön kring ömsesidiga försäkringsbolag. En miljö som kännetecknas bland annat av ett tunt och samtidigt hybridartat juridiskt ramverk, som rent intuitivt kändes för torrt och förvirrande för att kunna inspirera de ömsesidiga bolagens processer till att ge ömsesidighet en bredare social betydelse.

En teoretisk ambition är att komplettera den existerande litteraturen som fokuserar på de olika organisatoriska aspekterna av nomineringsprocessen. Processen betraktas därmed i studien som en *sense-making*-aktivitet där fokus ligger på hur beredningsnämnder och andra involverade aktörer, genom nomineringsprocessen och mot bakgrund av den omgivande institutionella miljön, engagerar sig i tolkningar och meningskonstruktioner av begreppet ömsesidighet.

Intervjuer har genomförts med tjugo nyckelaktörer i fyra svenska ömsesidiga försäkringsbolag *Alecta, Länsförsäkringar, Folksam och Skandia*. Analysen visar att nomineringsprocessen ger upphov till ett väldigt begränsat meningsskapande arbete. Tolkningen av ömsesidighet kan sägas vara "avskalad till lagtexten", dvs den utförs i rent juridiska termer, som en synonym till kundägarnas inflytande.

Försök att tillskriva ömsesidighet en bredare social betydelse, som går utöver den juridiska, görs genom argumentation som involverar *historiska berättelser* - det vill säga att man tittar tillbaka på det sociala syftet som dessa företag en gång uppfyllde i samhället - och genom *delegering* av meningsskapande arbete till aktörer utanför bolaget - som tillsynsmyndigheter, rekryteringsfirmor, branschorganisationer och sist men inte minst lagstiftaren.

Ansvaret för det uppenbara misslyckandet att ge ömsesidighet en förnyad betydelse som går utöver det juridiska kan inte helt tillskrivas styrelserna i ömsesidiga försäkringsbolag. Trots en måttlig kritik, uttryckt av aktörer som ligger i den normativa institutionella sfären, verkar det som om ömsesidighet i Sverige, på en kulturell-kognitiv nivå, har blivit ett bortglömt ämne eller ett ämne som har tappat sin relevans när andra begrepp, som till exempel hållbarhet eller delningsekonomin, har äntrat scenen.

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Förord

Den här studien är en delrapport inom ramen för ett forskningsprogram om syfte, styrning och reglering av olika bolagsformer (STORM) som inrättades vid Stockholms Universitet 2016. Det övergripande syftet med programmet är att belysa hur olika juridiska organisatoriska former påverkar den verksamhet som bedrivs.

STORM vill initiera både forskning och diskussion om olika typer av bolagsformer då det privata aktiebolaget ofta antas som norm och bristande kunskap om mindre kända former kan skapa felaktiga förväntningar hos granskare, kunder och samhället i stort. Programmet STORM har möjliggjorts tack vare ett samarbete mellan Stockholms universitet och Folksam. Viss forskning inom programmet finansieras också av Myndigheten för ungdoms- och civilsamhällesfrågor och Handelsbankens forskningsstiftelser. Utöver forskning kring ömsesidiga bolag, den del av programmet som Folksam stödjer ekonomiskt, undersöks även statliga bolag, kommunala bolag, ekonomiska föreningar samt ideella och kooperativa bolag. Bolagsformerna jämförs även med aktiebolag och offentliga organisationer.

Huvudfokus i denna delrapport ligger vid att redogöra för resultat från programmets delprojekt och dra preliminära lärdomar utifrån den forskning som genomförts. Författaren riktar ett varmt tack till alla informanter som har ställt upp på intervjuerna. Ett särskilt tack går till Folksam som har finansierat studien. Studiens har genomförts helt enligt gängse vetenskapliga normer för oberoende grundforskning, d v s författaren har självständigt och på eget ansvar utformat forskningsfråga, studiens design och genomförande samt analys och resultat.

Introduction

Managing mutual insurance companies implies several challenges given the *hybrid* identity of these organizations (Alexius & Furusten, 2019). Mutuals are in fact characterized by a particular form of ownership, where policyholders are both customers and owners. Furthermore, they encompass a blending of ideal-typical features of different legal organizational forms and institutional logics, at the crossroad between the civic and the market sphere (Eckerberg *et. al.*, 2009; Billis, 2010; Pache & Santos, 2013; Battilana & Lee, 2014; Denis *et al.*, 2015; Skelcher & Smith, 2015; Sardiello *et al.*, 2019). This type of hybridity can at times cause frustration and confusion both to mutuals and their stakeholders as to their governance structures and practices (Battilana & Dorado, 2010; Alexius *et al.*, 2017, Sardiello *et al.*, 2019).

Boards of mutual companies are of particular interest, as they are intended to represent the company's highest ideals and to ensure that responsible business can be conducted in a long-term perspective and in the interests of their customer-owners (Alexius *et al.*, 2019). This *per se* would presume certain expertise about what *mutuality* means and how it should be translated into organizational practices. However, previous studies point at an "emptiness" of governance structures in many organizations, where the space for agency has shifted from boards to managers (Murphy, 2008; Alexius & Furusten, 2019). One particular practice which risks of reflecting this shift towards emptiness, is the nomination and recruitment of board members, where management increasingly "controls the corporate ballot" (Murphy, 2008). Hence, to analyse the practices of searching for, combining and developing the skills, experiences and competences of mutuals' highest leaders can shed light on how these companies "fill out" their structures with a meaning that complies with that of the mutual organizational form.

Like other organizations, mutuals are surrounded by a complex external institutional environment that both enhances and constrains their practices and that shapes their organizational identity (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Greenwood *et al.*, 2011). Among the different institutional pressures, a number are particularly relevant: those exerted by regulative frameworks and actors (*e.g.* laws and supervising authorities), by normative forces (*e.g.* exterted by professional associations and educational institutions) and cultural-cognitive shared understandings (*e.g.* the meaning ascribed by society to certain organizational forms) (Scott, 1995; Suchman, 1995; Edelman, 1992).

From a regulative point of view, mutual companies belong to a specific legal form, very similar to that of co-operative economic associations. However, the regulation of mutual insurance companies in Sweden as to which "incorporation law provisions should apply to mutual insurance undertakings" has remained a compromise between two different legislations (Andersson, 2019, p. 309). As a matter of fact, while the legal structure of mutuals is generally based on principles governing cooperative associations (*i.e.* the customers are owners) and hence draws on the Cooperative Societies Act, many features of mutual insurance companies are borrowed from general company law (Eckerberg *et al.*, 2009; Andersson, 2019). This has caused confusion as to the legal identity of mutual insurance companies and paved the way for different interpretations when it comes to several governance and management's aspects (Eckerberg *et al.*, 2009; Sardiello *et al.*, 2019).

From a cultural and sociological point of view, mutuality is a concept difficult to grasp, overlooked and paradoxically taken for granted (Hirschman, 1992). At the same time, more and more organizations, no matter which legal form they are governed by, behave socially

responsibly and embrace civil society values to keep up with the challenges of modern societies (Jackson, 2016). This raises the question of whether mutual companies are in fact different from other organizations and which *social meaning, i.e.* which distinctive cultural and social significance (Zelizer, 1997) they attribute to the concept of mutuality.

Ambiguity and uncertainty in the organizational environment often create the need for organizational actors to make sense of or at least interpret unclear institutional pressures, in order to organize their practical activities (March, 1984; Weick, 1995). In particular, when it comes to compliance to the law, uncertainty can derive from the need to translate too abstract or too thin legal mandates (*e.g.* anti-discrimination laws where it is not defined what "discrimination" means) or to navigate between overlapping regulations (*e.g.* emanating from different regulatory agencies). Furthermore, some laws may have been formulated in order to respond to certain societal needs or shaped under the influence of certain dominant social values (*e.g.* affirmative action laws). This might require actions of sense-making and meaning construction by organizations (Edelman, 1992; Parker & Lehmann Nielsen, 2011). The vaguer and skinnier the legal principles are, the wider "the latitude to construct the meaning of compliance" is (Edelman, 1992, p. 1532). This meaning, as emphasized by some scholars, is sometimes constructed in the interest of organizations, through formalized practices that symbolically follow the law but that do not really comply with the original social goals that the law was intended to target (Edelman, 1992; Stinchcombe, 2001). Other times, laws remain as *bony frameworks* or *empty shells*, i.e. legal constructions that contain "nothing of substance or value" to guide organizations in the development of meaningful practices (Hoque & Noon, 2004, p. 482).

Besides the ambiguity and uncertainty of the law, meaning construction can be triggered by shifts in values permeating society at large. New ideals can substitute or overshadow old ones and organizations can find themselves in the position of having to make-sense of change and adapt their practices to new concepts. An example is how in the last decades the concepts of corporate social responsibility and sharing economy have influenced organizational structures and practices. Sense-making becomes crucial when organizations perceive that the current state of the world is changing (Gioia & Chittipeddi, 1991; Weick *et al.*, 2005).

Considering the institutional complexity (Greenwood *et al.*, 2011) of the environment surrounding mutual insurance companies and the uncertainty arising from overlapping signals generated by regulative, normative and cultural-cognitive frameworks and actors, the present paper aims at investigating how boards of Swedish mutual companies *make-sense* of mutuality and, through their practices of nomination, composition and development of boards, interpret and reconstruct this concept.

The empirical work underpinning this investigation is based on interviews conducted with key-actors involved in the process of nomination and recruitment of board members in four Swedish mutual insurance companies, *Alecta*, *Folksam*, *Länsförsäkringar* and *Skandia,* as well as the study of legal rules and guidelines regulating the mutual insurance form and formalizing the nomination process. The paper is organized as follows: Section 1 outlines a short description of the social and legal construction of the mutual insurance form in Sweden. Section 2 provides the theoretical framework for the research. The research methods and data source are set out in Section 3. Section 4 displays the analysis of the gathered data and Section 5 presents the conclusions and discussion.

The social and legal construction of the mutual insurance form in Sweden

As emphasized above, the mutual insurance organizational form should be treated and analyzed both as a legal and social construction shaped by the institutional environment in which it is embedded.

The social meaning of the mutual insurance form

From a sociological point of view, mutual insurance companies have a longstanding history in Sweden. They began their activities in the middle of the nineteenth century, alongside with the outbreak of the industrialization, to respond to the social need of protecting citizens' lives and properties from fire accidents. These first mutual insurers often had a local or regional activity span and were owned by their customers, in order to share risks and create joint responsibility (Larsson & Lönnborg, 2019). This is for example how Länsförsäkringar started, on a regional base as "county fire support companies" that later on, in 1969, officially formed a confederation around the common brand Länsförsäkringar. Each company maintained its legal autonomy in order to guarantee an anchoring to local realities and needs (Länsförsäkringar annual report, 2018)

Other fire insurance companies formed at the initiative of cooperatives, as in the case of Folksam*,* created when the Swedish cooperative movement, in 1905, signaled the need of establishing a mutual fire insurance company. The main social goals of the company were those of selling, through a system of collective affiliation and at a cheap price, insurance to less privileged social groups as well as using part of the profits to support the working-class movement (Folksam annual report, 1946). In other cases, the mutual organizational form was used in specialized insurance companies such as occupational pension companies (Larsson & Lönnborg, 2019, p. 51). This is for example the case of Alecta, founded in 1917, with the purpose of giving financial security to employees in the private sector at the end of their working lives. This was done by providing a pension that followed the employee even when he or she changed employers, something that at the time was considered as a form of social innovation (www.alectashistoria.se).

Other Swedish insurance companies started in the form of joint-stock companies and only later on took the mutual form. This is the case for Skandia which became mutual only in 2013, after a series of customers' protests related to the unethical behavior of the company (Sardiello *et al.*, 2019). The mutualization of the company has been interpreted by some scholars as a way "to create trust and confidence among customers and in the Swedish economy" (Larsson & Lönnborg, 2019, p. 51). In other words, Skandia's adoption of the mutual form could be seen as a way to embrace a more socially responsible and transparent business model.

The social meaning of mutuality as envisioned by each insurance company at the time of their founding has remained "imprinted" (Stinchcombe, 1965), *i.e.* it is still embodied, in many of these companies' present structures and formalized practices, as for example in the type of democratic system through which customer influence is exercised (Sardiello *et al.*, 2019).

The legal construction of the mutual insurance form

From a legal point of view, mutual insurance companies can be defined as *legal hybrids, i.e.* constructions that "bring elements from both sides" of two different legislations and that can

be treated as "offsprings of crossbreeding" law concepts (Tuori, 2014, p. 15). The hybridity characterizing mutual insurance companies in Sweden seems to be the product of the different ways in which actors in different institutional domains (legal scholars, the government, supervising authorities and professionals in the insurance business) perceive these companies and their identity.

The first contemporary legislation regulating mutual insurance companies, the Insurance Business Act of 1982, basically treated mutual insurance companies as any other for-profit company, therefore regulating them according to the general principles of Company Law. In 2010 the Swedish Government, through a directive, expressed the need of reviewing the legislation pertaining insurance companies in order to clarify the principles according to which insurance companies with different legal organizational forms should be regulated. This task of revision was delegated to the Swedish Insurance Company Committee. They came to the conclusion that the Swedish Companies Act should apply for limited liability insurance companies and the Co-operative Societies Act should apply for friendly societies. However, the committee left it undefined how mutual insurance enterprises should be regulated.

Hence, mutual companies remain today a true legal hybrid, partially regulated by the Swedish Insurance Company Act and partially by the Swedish Company Co-operative Societies Act, something that has affected their business and governance structure in several way (Eckerberg, 2009; Andersson, 2019; see also SOU 2006, Summary in English).

Theorical framework

As explained in the Introduction, organizations are embedded in an institutional environment exerting several types of pressures. Regulative, normative and cultural-cognitive pressures are recognized to have a relevant impact on how organizations interpret their identity and organize their practices (Scott, 1995). During their lifetime, organizations are often called to make-sense of their activities in relationship to their environment, especially when new challenges arise in society and new organizational ideals develop (Gioia & Chittipeddi, 1991). To analyze the practice of nomination and recruitment of board members as a *sense-making* activity can therefore provide important insights on how key actors in mutual companies perceive their mutual identity against the backdrop of their surrounding environment and use this perception when looking for suitable candidates to their highest posts: the members of the bord of directors. Furthermore, this particular theoretical angle can be a fruitful complement to the already rich organizational literature on nomination and selection practices targeting board members taking into consideration other economic and social aspects (Sardiello, 2011; Withers *et al.*, 2012).

Organizational theorists define sense-making as an organizing process where actors involved in unclear circumstances "extract cues and make plausible sense retrospectively, while enacting more or less order into those ongoing circumstances" (Weick *et al.*, 2005, p. 409). In other words, sense-making is a way of interpreting and constructing reality in situations when this reality is "unintelligible in some ways" (Weick *et al.*, 2005, p. 409). This intelligibility can be connected both to internal and external situations of uncertainty or change. Sense-making always, but not exclusively, involves an activity of interpretation that requires two main components: a phenomenon to be interpreted and an audience presumed in need of this interpretation. To have an audience that "will audit the conclusions" reached in the sense-making process is an element of crucial importance according to Weick (1995, p. 62).

When it comes to the artifacts to be interpreted, these often present themselves in form of texts that need to be understood in relationship to internal organizational events or external situations in the surrounding environment (March & Olsen, 1976; Weick, 1995). Legal requirements, in form of texts, are often brought up as requiring constant interpretation as new circumstances continuously arise inside an organization and in society at large (White, 1990; Edelman, 1992; Tuori, 2014).

The topic of the relationship between legal frameworks and societal needs has been tackled by many classical sociologists as well as contemporary law and society scholars (Silbey, 2018). Classical sociologists such as Durkheim considered the law as the embodiment of the "collective conscience" existing in a given society at a given time. In this sense any law was believed to be a symbol of all what is essentially social and therefore able to provide the grounds for the exercise of civic ethics (Durkheim, 2013 [1893]). For Max Weber (1978 [1922]), one of the fundamental points in the relationship between law and society was the trend in modern societies towards an increasing dominance of formal legal rationality, a rationality that however was produced by and intertwined with cultural circumstances. The uprising of certain legal structures was in other words seen as the attempt of the legislator to rationalize the needs expressed by society at a certain time in a certain culture thus considering the law as a sort of *frozen culture*.

As societies and culture are in continuous development, even the law, as a product of society, requires social reconstructions in the form of interpretations and meaning constructions (Suchman, 1995). Scholars in the tradition of law and society have dedicated a lot of effort to analyze how organizations respond to legal mandates and construct their ways of complying with them (Edelman & Galanter, 2015; Silbey, 2018). For example, laws that are ambiguous or that focus too much on the process and too little on the result are difficult to enforce. This difficulty pushes organizations towards the creation of symbolic responses that are designed to create a visible commitment to the law through the elaboration of formal structures (*e.g.* organizational charts) or formal rules and programs (*e.g.* leadership programs) (Scott, 1977; Edelman, 1992).

It is not rare for rules and procedures to be characterized by an overly *juridified* or legalistic language and for formalizations to follow a logic that emphasizes too much the process and to little the actual goals to achieve (Stinchcombe, 2001). The use of *legalistic* reasoning, procedures and structures is seen by many contemporary scholars as "a means of sustaining or enhancing the legitimacy of the organization (or an organizational sub-unit) with critical internal or external constituencies" (Sitkin & Bies, 1994, p. 9). This is because legalistic thought and argument have the capacity to portray reality as ordered and logical (Dresch & Scheele, 2015) being guided by "institutionalized logics of action that members consider desirable, proper, and appropriate" (Suchman, 1995, p. 574).

As for the rationale on which *formalizations* are based, they often depart from abstractions that do not map well the problems, solutions and targeted goals in question but focus too much on the process to reach them. Many formalizations do not involve a feedback system, a "trajectory of improvement" that allow them to be updated (Stinchcombe, 2001, p. 19). Hence, formalized practices end up being very cryptical interpretations of the law that neither clarify nor add anything to the already "dry" message of the law.

At the same time, as a consequence of their level of abstraction, formalizations might stimulate organizational experimentation, meaning construction and innovation in the effort to meet legal

demands (Edelman, 1992; Van de Ven *et al.*, 2008).The idea of meaning construction and innovation relates to Weick's suggestion that sense-making is an activity that goes beyond the pure act of interpretation to always involve a moment of innovation that in its turn encompasses retrospection and reflection over past actions (Weick, 1995).

In line with Weick, other organizational scholars emphasize the importance of retrospection and *history-telling* as powerful sense-making and identity-building tools (Bird, 2007; Suddaby *et al.*, 2016). Through retrospection, organizational actors can single out events, like the reason why the organization initiated an activity, and treat it as part of their organizational culture. Further, looking at something that happened in the past allows individuals to construct and create "facticity", *i.e.* "a presumption that individuals in interaction share common external and internal worlds" (Turner, 1987, p. 19). However, in order for history-telling to be considered as a resource and to give rise to meaning construction and identity building, this activity must be done in the awareness of the existence of a problem and of the need to solve it (Foster *et al.*, 2017).

Methods and data

The paper uses a case study research approach (Stake, 2005) encompassing twenty interviews with actors involved or with experience of the process of nomination and recruitment of board members as well as the analysis of company documents, annual reports and regulations in four Swedish insurance companies: Alecta, Folksam, Länsförsäkringar and Skandia.

For the interviews a selective sample technique was chosen with the purpose of targeting several members of the nominating committee and of the board of directors for each and every company under study. However, due to difficulties in accessing the field the sample was later on restricted to the secretaries and chairman of the nominating committee in each of the four companies, for a total of eight key interviewees, in order to guarantee consistency. All these interviewees have had previous experiences as board members, both in mutual and limited companies, and this provided a further insight into the topic. Another thirteen interviewees, three from each company, were chosen for their experience and knowledge on the topic so as to provide a more critical view of the process of nomination and the related topic of mutuality. Hence an over-all number of twenty interviews constitute the main empirical evidence on which this study is based.

As mentioned above, access to the field was challenging and can be considered an important part of the study's results. In the organizational literature, boards are depicted as relatively closed, homogenous and interlinked groups of people difficult to reach from the outside (Khurana, 2002). This might explain why the first attempts to directly reach the members of the board, whose contact information was available on the company homepages, through emails did not produce results. Gatekeepers were then used to come in contact with actors covering organizational positions relevant for the study. Reliance on gatekeepers was necessary especially in the cases of two companies that did not publicly display contact information related to the committee and the board members. This aspect is of a certain relevance when considering that all customers are owners and hence should be entitled to contact their representatives (the board) easily.

In two cases (Folksam and Länsförsäkringar), the gatekeepers were lawyers playing different roles in the company. In the other two cases (Alecta and Skandia) a chief communication officer and a head of customer influence functioned as gatekeepers. All gatekeepers referred

immediately to other lawyers, working as secretaries of the nominating committee, considering them as the most informed actors about the topic as well as the most suitable "brokers" between the board and outside visitors. After the first introductory emails or telephone calls I understood that there was a reason for putting me immediately in contact with the lawyers. The reason had to do with the word mutuality and the ascription of a purely legal meaning to it by the gatekeepers and presumably the board.

In two cases, the lawyers I was put in contact with, subtly dissuaded me from speaking with members of the board claiming that the study was not academically (or research) relevant, that the sample was not significant or that there was nothing more to know than what was written in the company documents and regulations. In one case, a lawyer even suggested to study another country, perhaps Canada, where mutuals had achieved higher popularity and visibility than in Sweden. When finally gaining access to committee and board members the latter showed at first a slightly defensive attitude and provided quite dry and impersonal answers. However, as the interview proceeded, interviewee accounts became more reflective and critical about the practices they described.

Interviews were mainly conducted by telephone or in some cases at the offices of the interviewees and lasted from thirty minutes to one hour. The interview guide contained semi-structured questions that focused on the topics of nomination, selection and development of board members. Interviews were recorded and transcribed *verbatim.* The analysis was conducted through an interpretative method (Sandberg, 2005) suited to understand primarily how the nomination and recruitment process is conducted in practice and which considerations are made by key actors. Secondly, the analysis focused on the type of *explanations* used by the interviewees when making-sense of mutuality and the way in which it is embodied in their practices.

Data Analysis

The analysis of the interviews has been structured to cover three main themes: Lawyers, legalistic explanations and formalizations; explaining mutuality through history telling; attempts to delegate the meaning construction of mutuality to external actors. In addition, a comparison among the four companies' different formalized practices, as described in written documents and guidelines, is presented in Appendix 1.

Lawyers, legalistic explanations and formalizations

As discussed in the method section, part of the result of the study has to be considered the difficult access to the field and the role played by the company lawyers in providing the first information about the topic under investigation as well as in protecting and authorizing access to the nominating committee and the board members. Quite revealing, both for the limited-company-like and legalistic tone, is the reply of a lawyer to my request of conducting interviews about the nomination process targeting board members. In my request, I motivated the choice of investigating boards because they symbolize and embody the highest ideals of an organization, that in the case of mutuals are shaped by values and logics originating from both the market and the civic spheres in society. The reply was the following:

> I do not believe that the nomination committee's work in mutual companies differs from [the work of] nomination committees in listed companies. The goal is to come up with proposals that can be accepted by the AGM, and this how it works even in listed companies. The Board of Directors of Skandia has no mission to represent and guarantee certain ideals other than to the extent that they

> follow the owner instructions. Neither does the board in this respect differ from boards of non-mutual companies. Nor do I recognize that we, as a mutual company, have a special responsibility to serve general interests. Skandia aims to meet the owners' interests and the overall goal is to maximize the value of the owners' capital. These interests coincide with those of customers. So, I'm not really sure that we have the same point of departure in this and therefore feel some hesitation in participating in the study. I have been in contact with the Chairman of the Nomination Committee, who shares my view. However, we are happy to take part of more information before making a final decision (Skandia interviewee).

In all four companies under investigation the interviewed lawyers, all playing the key role of secretaries of the nominating committees, see themselves and are seen by other actors in the company as the most knowledgeable informants about the nomination process of board members in mutual companies. This can be considered as a consequence of boards often being under scrutiny because of their considerable amount of decision power and responsibility for looking after the interests of shareholders (Vance, 1983) thus needing a sort of legal protection. However, another and probably more plausible reason, has to do with the organizational form of mutual companies, a form that by the majority of interviewees seems to be considered as a pure legal construction to which is difficult to ascribe a wider social meaning (Berger & Luckmann, 1966).

During the interviews, the process of nomination and recruitment of board members is unfolded by the lawyers through a description of written guidelines that actually do not seem that different from those used in limited companies (Sardiello, 2011). This consideration is confirmed by the same lawyers emphasizing that often it is just the name of certain organizational functions that sounds different from those used in non-mutual companies, while the process is the same.

> Actually, it's like any board, but we use other concepts. We have a board of directors that corresponds to an ordinary general meeting and a committee to the board of directors, which must then be compared with ordinary nomination committees. So... the words are a little different and have been like that since time immemorial, if I've understood it right (Alecta interviewee).

When asked about how mutuality fits into the process of nomination, interviewees point at the legal principle of democratic influence, one of the backbones of the mutual legal form. According to this principle, customer-owners can express their rights through voting procedures where each customer-owner has one vote only, no matter the extent of their engagement in the mutual, as opposed to limited firms where the owners who own more have more votes (Alexius *et al.*, 2017). In particular, customer-owners can be involved in the nomination process of board members either by expressing their preferences directly or indirectly, *i.e.* by first electing representatives that later on will be involved in the process of nomination of board members.

Folksam and Alecta, for example, have kept a system of *representative democracy*, initiated at the time these companies were founded, where large organizations and collectives, through their representatives, are involved in the nomination of candidates to the board (Sardiello *et al.*, 2019). This is seen by the interviewees as a way in which mutuality is incorporated in the nomination process.

> The basic idea is that since you have representatives from employers (Svenskt Näringsliv) and employees (employed officials at the insurance companies), and they are the customers who own, I mean employers and employees, so it (mutuality) should come in all the way from how the board is appointed, that there is a balance with representatives of both sides (Alecta interviewee).

Alecta interviewees emphasize that the nomination committee is composed of four members, all coming from the executive board (*överstyrelse*) and that they nominate candidates coming both from the management side and from the Confederation of Swedish Enterprises to create a balance. This is at least what is formalized in the written guidelines. In practice this balance has been overlooked, especially during recent years. Financial and technical competence have been judged as more important than balance between the representatives of customer-owners, which in practice seems to go against the idea of democracy and mutuality. Further, it brings up the problem highlighted in the literature of written formalizations as detached from informal practices (Stinchcombe, 2001).

> In the nomination committee right now, there is less talk about a balance of power between the parties and more competence. And one example was at the last meeting, where the Confederation of Swedish Enterprises was one party ... There were two people who were about to leave the board, and they replaced one of them. Still, knowing that the other party would have an extra vote in the boardroom. And I thought that was a good sign, that you have come this far. That now it is not some kind of fair balance of power between the parties, but now we look at competence more and more. And I thought that was a small breakthrough, actually. I don't think that would have been possible five years ago (Alecta interviewee).

Folksam interviewees remark instead how a system of representative democracy always guarantees that the interests of customer-owners can be voiced compared to a direct system where customer-owners often find it difficult to engage personally (Sardiello *et al.*, 2019). The fact that the nomination and recruitment of board members lies in the hands of experienced people often coming from the trade unions, and really knowing what their customers want, secures that the principle of mutuality is fulfilled. However, this union-based knowledge is more and more integrated with a type of knowledge that is specific for insurance companies.

> Those who spend their lives in the union world, at the Swedish Trade Union Confederation (LO) collective's side, for example... I don't think anyone there has... none of them have an academic education. But they have other types of education, they have other experiences, many of them are incredibly habituated to leading idea-based organizations and many of them have quite broad range of experience from being on the governing board. And you can put that into contrast with someone with a specialist competence who maybe is really an expert in their field, but who may have no experience from idea-based organizations (Folksam interviewee).

The somewhat patronizing view expressed above has received criticism by business and legal scholars because it, among other things, is thought to reinforce the legal confusion and preserve the legal hybridity of mutual insurance companies. In particular, it is the delegation of the voting rights from customer-owners to organizations such as trade unions which is believed to constitute one of the main reasons why Swedish mutual insurance companies cannot be totally regulated by the Swedish Company Co-operative Societies Act and instead remain a legal hybrid (*i.e.* partially regulated by the general principles of Company Law) (Eckerberg, 2009).

By comparison, at Skandia and Länsförsäkringar there is instead a system of *direct democracy* where individual customer-owners can directly nominate candidates to the board. Interviewees employed at these companies suggest that this type of system constitutes a better interpretation of mutuality or at least one that is more democratic (see also Sardiello *et al.*, 2019). Here the customer-owners can personally nominate those candidates that, according to them, represent their interests and ideals. However, in practice it might be difficult if not impossible to realize a system of direct customer participation, especially when the contact between the customers and the company is just "virtual" or impersonal (through the Internet). Then there is a risk that it becomes a system of direct democracy only *de jure* and not *de facto,* or in other words that what is stated by formalized rules does not correspond to what happens in practice (see also

Sardiello *et al.*, 2019). Skandia's secretary of the nominating committee recounts that according to her experience, it has *never* happened that customer-owners have directly expressed their preferences:

> Of course, it is possible for all customers to come up with suggestions, it's in the instruction… and we have information about that on the website: it says that they can turn to me, I think. It has never happened, instead the nomination committee for the election of the board every year checks with the council and the presidium (Skandia interviewee).

Edelman (1992) emphasizes that it is just in the nature of certain laws to set in motion a process of definition during which organizations test and collectively construct the forms and boundaries of compliance. Sometimes this process of compliance is done in a way that meets a legal demand yet "preserves managerial interests" (Edelman, 1992, p. 1532), rather than triggering re-considerations of governance systems and practices in order to comply with the true spirit of the law, *e.g.* the actual exercise of customer-owners' rights (Eckerberg, 2009). However, as "it takes two to tango", without the willingness and engagement of all the interested parties in an organization, e.g. customer-owners, little can be achieved, no matter which practices are adopted.

Interviewees at Länsförsäkringar explain that in order to translate into practice the democratic principles dictated by the law, the strategy has been that of creating a structure based on local offices that gives customer-owners the possibility of meeting key organizational actors "face-to-face", making it easier to acquire knowledge about future candidates to nominate. As emphasized by an interviewee at Länsförsäkringar:

> And I would also say that we may find it easier than Skandia to attract customers and get them involved in the nomination of candidates. Because in most counties, the companies are very well known in the local contexts of operation, and among customers. So, it is not difficult to tell them that now... we do not need to explain who we are when we invite to shareholders' meetings or the election of shareholders or the election of a proxy or nomination of board members (Länsförsäkringar interviewee).

However, from the accounts of the interviewees, this does not seem to be the result of a recent decision taken through a process of sense-making, *i.e.* based on the scanning of the internal and external environment of the mutual company in search for innovative solutions (Gioia & Chittipeddi, 1991). Rather the system has been inherited from the past and then kept through the years.

To further describe how mutuality is embodied in practices targeting the selection of board candidates, interviewees at Skandia bring up another legal document, namely the owner instructions. This document is described as a text in continuous revision and development apt to align the actions of board members with the expectations of customer-owners.

> We have an owner instructions. And I think it's something mutuals... Because it's just... I don't want to reduce it in any way, because we think it's very, very important with our mutuality. But we have, in our owner instructions, expressed how the board... that is, how the council expects the board to act on a number of issues (Skandia interviewee).

At first glance, the constant rewriting of such a legal document could be interpreted as a process of sense-making encompassing the meaning construction and definition of otherwise dry and formal legalistic formulations. This is plausible considering that Skandia undertook the mutual organizational form very recently, in 2013, and is still developing its mutual identity. However more than enacting a meaning construction of mutuality, Skandia seems to use the legal

document to develop the financial side of the business. Formalization, as described by the interviewees, appears to serve the operational side of the business rather than the mutual organizational form, as explained below:

> And it is clear that it is also something that is growing every year. We have not been mutual for so many years, so ... You can take as an example the incredibly important document we receive from the AGM each year which is our owner instructions. That owner instructions form the basis for everything we do at Skandia. If we are going to develop a new financial control model, we do so on the basis of the owner instructions, so that that's the basis for it all the time. So, it's very much something which is alive (Skandia interviewee).

When analyzing Skandia's owner instructions, the only information related to the board mission in relation to mutuality are the core organizational values expressed as follows: long-term, customer value at the center, healthy openness and sustainable business (in Swedish *långsiktighet, kundnyttan i centrum, sund öppenhet and hållbart företagande*) (Skandia, 2019). When asking to clarify what the terms stand for and how they connect to mutuality, a lawyer points at the sustainability office as the place inside the organization which can elaborate on the social meaning of mutuality.

> Yes, but once again, you're talking to me about mutuality and I'm pretty much by the letter. If you talked to someone in the sustainability department or something like that, it would sound completely different. (Skandia interviewee).

The core organizational values of Skandia seem to be rather similar to those used in many modern organizations no matter their legal form. This may confirm the fact that Skandia, who became mutual in 2013, has constructed its mutual identity by translating mutuality in concepts understandable by today's customers.

To sum up, we could say that the continuous reference to legal frameworks and principles made by the interviewees leads to three main findings. The vagueness of the legalistic accounts seems to be used by interviewees to influence the perception of external parties (like for example that of a researcher like me), signaling legitimacy and giving a symbolic meaning to the practices adopted in the organization (Pfeffer, 1981; Feldman & March, 1981). Mutuality for board members is first and foremost a legal concept, to which interviewees seem to have hard time to ascribe a social meaning. Indeed, processes of sense-making related to the concept of mutuality could be happen elsewhere in the organization, as for example in specialized departments and units, rather than in board rooms.

Explaining mutuality through history-telling

Interviewees further explain that the nomination of candidates to board posts always encompasses a phase of consultation between the nominating committee and the board members. Interviews are generally conducted with board members in order to understand the needed skills to replace or add to the already existing range of competences.

Regarding the type of privileged skills usually targeted, interviewees primarily bring up competence and experience related to the business (insurance) and the role (board member). On the other hand, knowledge about mutuality is never mentioned spontaneously by the interviewees. When explicitly asked, some interviewees say that knowledge on mutuality is a type of competence not usually discussed, while other interviewees make efforts to break down the concept of mutuality in what they think can be related concepts: *long-sighted visions,* familiarity with concepts as *sustainability, transparency, accountability,* and the *sharing*

economy. This vocabulary is also heavily used in the companies' annual reports. However, the connection with mutuality is not always spelled out, which according to the same interviewees is a missed chance for mutual companies to stand out as authorities in "new-old" fields as that of the sharing economy.

> From what I have heard (within Alecta and Folksam) we have found that in certain circles, the sharing economy is in fashion, but what else is new? That's been the case since the 19th century. In other words, we make those connections, and think that we should participate more in such discussions (Alecta interviewee)

When further discussing the type of competence that candidates to board posts should possess in mutual companies, Alecta interviewees point at board members' knowledge of a specific product (pensions) and a specific customer (employee) hinting that it was thanks to this knowledge that once upon a time Alecta (and its boards) changed the history of Swedish employees and served the needs of a society that was investing in the welfare of its citizens. Hence, the concept of mutuality acquires a concrete social meaning only when reference to the companies' history and its original mission is made.

> It was an association of, well… it was employees in a handful of mills, in Bergslagen, in Värmland, Dalsland, who began to talk about the pension issue. I think it started in 1916. And then it was their employers, the entrepreneurs, who collaborated, and came to the conclusion that okay, we should probably do something with this. And the question from the beginning was, why is it so difficult to get employees to set aside money? Can't we fix this in some way? So, it became a corporatist solution ... in a dialogue between employed civil servants and the mills. Then this lives on, and this was the first time that an occupational pension was created where ... you could actually say that employers took responsibility for the employees and introduced mandatory savings, because they had observed that people themselves usually did not manage to provide for their future. But this was also the first time that this was done independently by the employer. Previously, pension guarantee had been linked to the fact that employees stayed on and retired from the same employer. So, one suddenly made the occupational pension untouchable. And this was an innovation in 1917 (Alecta interviewee).

Even in the annual reports, references to the history of the company are constantly made as a way to explain mutuality using examples that all employees can relate to and have heard of. According to Foster *et al.* (2017) organizational historical narratives build on the assumption that a meaningful past once shared by actors in a given organization can both reinforce their identity as well as enhance their connections with their stakeholders. This is done especially when the past of the organization is associated with important events occurred in society (see also Musacchio Adorisio, 2014).

As in the case of Alecta, even interviewees at Folksam make frequent use of historical narratives when trying to explain how knowledge of mutuality fits into the nomination process and specifically how customer-related knowledge connects to mutuality. In these cases, interviewees draw on the argument that mutuality is in their DNA:

> Mutuality is part of our DNA… we have this tradition… with cooperatives and unions. Many of those who are, so to speak, union representatives have customer-knowledge because a large part of our customer collective comes from that world (of cooperatives and unions). And that is very important (Folksam interviewee).

Mutuality as part of the company's DNA is something which is also brought up in the annual reports of Folksam through narratives that focus on the function played by the company in society by for example supporting the growth of the Swedish economy after World War II or capitalizing the labor movement during the golden years of the Scandinavian welfare capitalism

(Folksam annual reports, 1940-45; Alexius *et al.*, 2017). As emphasized in the literature on history-telling, the past of an organization is often interpreted by organizational actors as an everlasting part of their identity which they may refer to as their "corporate DNA" (Locket & Andrew, 2014).

To go back to the company's history can be a good way of reconstructing its identity when times change or to compensate for the lack of more structured fora (for example leadership programs) apt to develop specific company-related knowledge of managers and employees (Bird, 2007). For example, interviewees in Länsförsäkringar explain that when newly recruited board members are not that knowledgeable about mutuality to review the history of the company becomes part of the introduction:

> As an introduction to new board members and even when taking on candidates to board posts it is included that ... if the person in question does not already know about mutuality then it is included a training and explanations, what is it a mutual compared to other companies? And our business model in the Länsförsäkringar group, our history and how we started. And it is very important in case there is a person who does not understand (mutuality) or may not like it, because not everyone does (Länsförsäkringar interviewee).

It is also possible to observe how in the case of Folksam, Alecta and Länsförsäkringar, history is brought up as a way of reminding themselves and external parties of their *authenticity* and to distinguish themselves from other companies that have become mutual in recent years (Foster *et. al.*, 2007). To be *truly* mutual means to be born as a mutual and to have kept the same organizational form through the years, in a sort of "We are like we have always been". The past then becomes a source of distinctiveness and competitive advantage for the company at the same time as it provides a sense of continuity with the present (O'Connor, 2000).

However, some scholars remind us that there can be situations when the past is seen as an obstacle to the growth of the organization, and historical narratives may then be used to emphasize change (Chreim, 2005). Previous managers and events might be blamed for the present situation of the company and provide an opportunity for new strategic actions and the elaboration of alternative futures. This is for example the case of Skandia where going back to their history is done to mark change, newness and modernity by way of "We are not like the others, we interpreted mutuality in line with the modern society".

> We made a journey that has been quite… sometimes quite painful. There were three or four people who actually sat around the table when writing the owner instructions for the first time. And we actually had ... we fumbled a lot in the dark. We were looking… what do they do in Europe? What does it look like? And what do others do and so on? And we tried to learn from it and choose a new way to be mutual. And that's ... No, I think it is ... We have (incorporated it), of course, in the owner instructions since the first draft. And I must say, I'm full of admiration for the fine job they made of it (Skandia interviewee).

There is also another aspect to take into account when thinking about insurance companies and their need to use the past when talking about the present. And this aspect is not really related to mutuality in particular but to insurances in general. All interviewees speak about the difficulty of dealing with a product like insurance in general and pensions in particular, given the impossibility to predict the future. Candidates whose skills - regardless of type - makes them capable of foreseeing the future, are said to be welcomed. To look back at the past can then become a way of creating a sort of connection with the future. This is because narratives about the past have the power to remind managers and boards how the organization solved a problem or coped with change and uncertainty thus creating a certain sense of stability and continuity (Foster *et al.*, 2017).

The focus on retrospection is a powerful tool and a relevant characteristic of sense-making. However, in order to be considered as true sense-making it must at some point become a purposeful action of scanning the past in order to understand the present and to construct something for the future (Weick, 1995). From the conversations conducted with the interviewees, my perception is that the topic of the social meaning of mutuality and how it is embodied in organizational practices is something not really discussed in the boards. Therefore, to go back to history-telling seems more a way to find an immediate response or interpretation of something that once had a social meaning and purpose and that now it is difficult to explain. It is possible that if the interviews were conducted with other actors in the organization, for example in a sustainability or human resource department, the answers would have been different, in a more present that history-based fashion.

Attempts to delegate the meaning construction of mutuality to external actors

Up to this point there is very little evidence, in the accounts of the interviewees, of real attempts to give mutuality a social meaning that goes beyond the thin description provided by the law. Legalistic discourses and history-telling may be considered more as "defensive mechanisms" adopted by the interviewees when not really knowing how to describe the way in which mutuality is reflected in their practices. Among these mechanisms there is a third one worth to be mentioned. It is the attempt to delegate meaning construction to external actors, such as recruiting firms, supervising authorities, professional associations and last but not least the legislator.

It is both in relation to the methods used to select and assess board members' skills and experience as well as to the ways in which the development of board members' knowledge is performed, that interviewees show their propensity to delegate the work of meaning construction of mutuality to others. However, the organizations and institutions called to perform this meaning construction depart from a standpoint that is market rather than civic based. This makes the work of interpretation of the concept mutuality in more social terms quite difficult.

Executive search firms are often enrolled by mutual companies in the search stage. As expressed by a Skandia interviewee:

> We work hard to identify the so-called competence profiles. I think that is important so that you do not jump directly in discussions about specific individuals. Because it is otherwise very easy, that someone knows someone. So, everything from insurance distribution to actuarial knowledge, financial analysis ... You know, there are lots of things that are relevant. So, we try to put that in a kind of… we call it a profile. And then we usually turn to an external search consultant. So, once the candidates are presented to us, as feasible matches from our search consultant, we form three teams, two by two. And then we interview all candidates. And then we meet again, in the nomination committee, and discuss "what are we seeing and what are we hearing, and what do we think?" And then we end up with the ones we put up for nomination (Skandia interviewee).

To involve a search firm in the very first step of a recruitment process means either that the company commissioning the search is able to sketch a very accurate profile as to the desired skills or that the search firm has specific expertise about a given industry (insurance) or organizational form (mutual) and can use this expertise in the search of suitable candidates (Sardiello, 2011). From the words of the interviewees the enrolled search firms seem to be more specialized in the industry and role (board members) to be covered by candidates than in the

mutual form. At the same time none of the interviewees mention knowledge of mutuality as an important competence depicted by the company in the profiles handed out to the search firm.

Another moment when external search firms are involved in the process is during board evaluations. Skandia interviewees explain that search firms usually make use of standardized models (as the so called Lagercrantz) built around the type of skills, competence and performances that should be assessed when evaluating boards.

> The board itself commissions an external board evaluation. Lagercrantz, as it is called, is a concept that Skandia has chosen to use. And besides… we make a so-called self-assessment, about everything from how... yes, from what works, what doesn't work, and what needs to be better. And that is of course, as I usually say, an incredibly important input. Because it is clear that… well, it should not be too cozy on the board, but it shouldn't be too uncomfortable either (Skandia interviewee)

Even in this case would be fair to assume that the method used by the search firm should take into consideration elements such as the type of ownership and governance model of the organization in which the evaluated boards work. This would lead to the assumption that search firms know what mutuality means and assess candidates in relation to it. However, this is a supposition that is far from actual practice and that dismisses the hypothesis that search firms can be treated as actors performing activities of meaning construction of the concept of mutuality.

Another actor that is brought up by interviewees as possibly playing an active role in the construction of the social meaning of mutuality is the Swedish Financial Supervising Authority. This state agency has the task of setting the standards for mutual companies and their boards. An interviewee at Folksam explains how competence assessments targeting board members are performed in the company:

> The nominating committee has to make a competence assessment in accordance with those… I mean it is the Swedish Financial Supervisory Authority and the law requirements that the nominating committee has divided into underlying themes, so that we end up with 21 different aspects that we grade. Then we also look at what the members (of the nominating committee) themselves have seen in these 21 areas. (...). And then in regard to the customer-knowledge requirement, we have added this as our own requirement which we think is particularly important, although it is not really a legal requirement, but we think it is necessary. Especially, I think with respect ... because we are mutual. (Folksam interviewee).

When asking more precisely about how the 21 areas are generated it is explained that Folksam has internally produced a document that is used in the assessment of board members in order to comply with the competence requirements listed in a Swedish Financial Supervisory Authority's form. This form is called "Appendix 2 b in FFFS 2015: 8" and is based on the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

This 3 page document contains mostly tables to be filled out with information on board composition (name, security number, position and if the person is joining or leaving the board). The only guideline aspect of it is five competence areas that board members are requested to master: *insurance and financial markets, business strategy and business models, corporate governance, financial and actuarial analysis*. None of these areas explicitly mention the word mutuality although they are so broad to possibly comprehend everything. It remains therefore unclear how the Swedish Financial Supervisory Authority relates to the concept of mutuality

and what type of parameters, besides the compliance to the Solvency II-directive, are used to evaluate mutual companies and their boards. More specifically the question is if boards in mutual companies are evaluated exactly in same way as boards in any other insurance company or not. A Folksam interviewee expresses his frustration in relation to the supervising authority and their knowledge of mutuality:

> Do board members understand customer-ownership? Yes, board members understand it. I am not so sure that the Swedish Financial Supervisory Authority understands customer-ownership or mutuality (Folksam interviewee).

As a matter of fact, the legal guidelines contained in the so-called Solvency II-directive regulate all insurance companies and not solely mutually owned ones. Hence, the work done by the Swedish Financial Supervising Authority seems to be more focused on clarifying aspects related to the operations of the business (insurance) of mutual insurance companies than on their legal form (mutual). In so doing the supervising authority makes use of an economic and market-based logic more than a social or civic one, thus reinforcing the idea that this state agency most probably cannot help in elaborating a broader definition of mutuality. On this topic, one interviewee spontaneously remarks:

> And then I find that here in Sweden, I do think mutuality as a concept has slipped out of public awareness. It is the market logic … and mutual companies must adapt to the market logic. As simple as that. And so even the cooperatives have to do that (Alecta interviewee).

The fact that in Sweden, the most common type of business that has taken the mutual organizational form is insurance companies, has probably not helped supervising authorities to focus on and contribute to constructing a shared meaning of mutuality. Maybe for this reason, interviewees often look at the legislator as another actor who could help mutual companies to navigate the uncertainty and fill the legal form with a renewed meaning.

Interviewees at Alecta, Länsförsäkringar and Folksam say they wished their companies were regulated by an *ad hoc* legislation. However, while Folksam interviewees hint at a specific legislation for mutual companies, for Alecta and Länsförsäkringar's interviewees the goal is to have a specific regulation for insurance companies specialized in pensions. As expressed by the interviewee below:

> Somewhere between 2005 and... no, it might have been even earlier. Say 2005, part of the rules of the Insurance Business Act that related to mutual companies were removed and replaced by a referral to the Act on Economic Associations for Mutual Companies. We were very critical, because we do not want such legislation. And in that situation, one could say that we share Folksam's view that if we were to do that way, then it would perhaps be equally good to have a completely separate legislation for mutual companies. But now that we have combined the Act on Economic Associations with the Companies Act, we think it is good. Because in practice that means we can follow the Act on Economic… or the Companies Act and that is where the praxis is created, the doctrine exists and so on. So, we feel safe with that and don't think it would be good to have our own legislation (Länsförsäkringar interviewee).

In addition to the business aspect, some interviewees think that a specific regulation for insurance companies specialized in pensions would also smooth the relationships with the Swedish Supervising Financial Authority. A relationship that, once again, is considered problematic:

> The relationship with the Swedish Financial Supervising Authority is a bit ambiguous. We are pushing for a special regulation for occupational pension companies, together with Folksam among others. And that is because we believe that the Solvency 2 regulations that come from the EU are

> adapted to a completely different way of doing business, where you provide insurance payments on the day and so on. We work with long-term business. And that requires a different set of rules, we think. There, the Swedish Financial Supervisory Authority has long pushed to, yes, bundle everyone together, and then we just apply the Solvency-2 regulations on everyone. And I don't really know where that impetus came from, if it might be easier to supervise just one regulatory framework. If it's something that simple. Now we are in the process of getting two different regulations. So, I think that is very good. (Alecta interviewee).

It remains controversial if an *ad hoc* legislation would facilitate the relationship between mutual insurance companies and supervising authorities, given the fact that there is not consensus among mutual insurance companies as to the logic the legislator should use when designing a new legislation. At the same time there is a risk that a more detailed legislation would lead companies to interpret mutuality in an even more "narrow" and legalistic fashion (Edelman, 1992).

Other actors mentioned in the interviews, to which possibly delegate the task of bringing clarity around the social meaning of mutuality, are professional associations. These organizations are brought up when discussing how and around which subjects the development of board members' skills is enacted. All interviewees respond that their organizations arrange development courses for board members and that they "believe" these courses contain information about mutuality. However, when asking further questions, it is impossible to get any evidence of this. As a matter of fact, it took several months, for me as a researcher, to get an answer from the HR-departments of the analyzed companies as to the content of such courses. Only in one case (Skandia) a very short list was provided, and in another case (Folksam) a power-point presentation was attached in reply to my request. None of this information contained the word mutuality. Folksam's leadership program was described as follows:

> "New manager in Folksam" is a leadership development program that is mandatory for managers who are new to their managerial role or new as managers at Folksam. The program will give the participants an increased understanding of the role as managers in Folksam, the responsibilities and powers of a managerial role in Folksam, as well as increased self-confidence in their leadership. The program is divided into two parts: 1) The role and responsibility of the manager (six internal teacher-led days and two hours of e-training) 2) Manager training with the MiL-Institute (nine teacher-led days and two days of coaching in teaching groups). (Folksam powerpoint presentation)

At Skandia, an interviewee sent a very short list of courses targeting board members, such as "GDPR (The General Data Protection Regulation), IDD (The Insurance Distribution Directive), conflicts of interest and VNB (The Value of New Business)". Another interviewee, always at Skandia, stated that courses for board members usually focus on current needs of the board, such as business environment, regulations or group development. However, no further explanation was given for what "business environment", for example, means and how the topic is tackled.

Besides management and leadership courses no other type of corporate fora, where mutuality is discussed, is mentioned in the interviews. Because other Swedish mutual companies are seen as competitors, no meetings are said to be organized among Swedish mutuals. Rather tellingly, one interviewee remarks that there was a conference on mutuality planned by the Swedish Insurance Society in 2017, but that it was cancelled due to lack of interest.

Recognizing the lack of specific courses and fora to discuss mutuality in Sweden, some interviewees mention *The Manchester Advanced Management Course*, organized by The International Cooperative and Mutual Insurance Federation (ICMIF).

> I know that Folksam usually sends people to this annual training course in Manchester, and it has a good reputation. That is, those who are ambitious and are doing well within the company are usually the ones who get sent to this training course. And it is a collaboration between mutual companies. Yes. I think this is really interesting. That in some countries there is a completely different tradition of cooperating and discussing the topic of mutuality (Alecta interviewee).

In light of this new piece of information I again contacted the HR-unit at Folksam asking if they were aware of the existence of such a course. Their response was that Folksam had started a collaboration with Manchester a long time ago with the purpose of developing joint courses but for several reasons the idea did not go through. No further answers were provided about when exactly the attempt was made and why it failed.

Searching for additional information about the topic, I found evidence in Folksam's sustainability report (2018), confirming what was already anticipated. When accounting for "membership and collaborations of greater significance for the sustainability work", under the heading "mutuality", Folksam's report only lists non-Swedish organizations as actors promoting and developing discourses on mutuality. The two listed actors are AMICE (Association of Mutual Insurers and Insurers Cooperatives in Europe), whose primary objective is to act as a uniform voice for the mutual and cooperative insurance sector in Europe, and ICMIF (International Cooperative and Mutual Insurance Federation) representing both mutual and cooperative companies. When it comes to the Swedish actors involved in the sustainability effort the listed actors are trade associations involved in the insurance business, rather than organizations that focus on mutuality. For example, the Swedish Insurance Federation is the insurance companies' trade association and works for good operating conditions for insurance companies. In a similar way, the Swedish Insurance Society (the same organization that in 2017 had planned and cancelled the event mentioned above) state that their main purpose is to contribute to the sound and appropriate development of insurance in Sweden, by developing the members' profession-specific and general knowledge on insurance (Folksam's sustainability report, 2018).

Keeping in mind the findings mentioned above, it is not surprising that most interviewees, at the end of their interviews seemed to almost sense a need to apologize, realizing how little their practices embody the topic of mutuality and, even when they do, it is only in relation to the skinny principles contained in the law.

> And we may not have regular training courses on mutuality, but on the other hand every year we have… we offer a repetition or a new training course for board members on the changes in regulations and on how to govern and what applies, I mean what rules generally apply to board members. And of course, specific questions about mutuality play into that. They do (…) and unfortunately, that's how it is. There are some things missing in these training courses. Partly you could say that it's a little bit our own fault. We should pay more attention to this, in different ways. One could, for example, note that it is not an accident that we go abroad [for these courses], because abroad different kinds of mutual companies are very common. (Länsförsäkringar interviewee).

It is worth mentioning that the "apologizing interviewees" come from companies that have historical mutual roots (*i.e.* born as mutuals or cooperatives), such as Alecta, Folksam and Länsförsäkringar. For these interviewees the consolation is that they are not alone in this "failure" of addressing mutuality at board level and that other competitors have not succeeded in this endeavor either.

> I would say that in recent decades we have been just as bad as other companies in talking about mutuality. Since at least the mid-1980s, the trend has been to drift towards being a financial player

> in the market where, perhaps to exaggerated extent, customers have been treated as rational consumers. *Economic man* and so on. So, we have been drawn into that, and a number of us who work at the managerial level think we need to become better at talking about mutuality, for several reasons (Alecta interviewee).

The interviewees who work at Skandia, however, do not feel the need to apologize**,** as poignantly expressed in the following statement: "But I can say that there is in practice no such hidden truth about what a mutual company is or what such a company should be. I think that every company can come up with it themselves" (Skandia interviewee). In other words, the fact that there is no a shared vision of what mutuality is, neither in the law nor in society, opens up for free interpretations, just like some legal theories suggest (Edelman, 1992).

It remains unclear how these interpretations are performed and which definition of mutuality they lead to. The risk is in fact that in absence of a collectively shared social meaning of mutuality what remains is just a bony legal framework, hence a mutuality *stripped to the bone of the law*.

Conclusions and discussion

The aim of this paper was to shed light on the practices adopted by four large Swedish mutual insurance companies, *Alecta, Länsförsäkringar, Folksam and Skandia,* when nominating and recruiting their board members, as well as to gain a deeper understanding of *whether* and *how* these practices embodied the concept of mutuality. The topic was considered to be of particular interest in light of the institutional complexity (Greenwood *et al.*, 2011) of the environment surrounding mutual insurance companies. This complexity, especially deriving from a skinny yet hybrid legal framework, seemed intuitively to call for a redefinition and reconstruction of the social meaning of mutuality by the nominating committees (Edelman, 1992) in order to choose the best leaders to serve the interests of their customer-owners. At the same time, the emphasis placed by previous studies on the "emptiness" of governance structures in todays' organizations and the shift of agency from boards to managers made this assumption less plausible (Murphy, 2008; Alexius and Furusten, 2019).

Empirically, the nomination of board members is only one among many organizational practices it would be possible to analyze, and the result of the study has to be interpreted in light of this consideration. Theoretically, despite the existence of a relevant body of literature on the various organizational aspects related to the nomination and recruitment practices targeting board members, the ambition of the paper has been to treat recruitment practices as *sense-making* activities, enacted by nominating committees, when dealing with the concept of mutuality through their practices and against the backdrop of their institutional environment (Weick, 1995).

The interviews conducted with twenty key actors presently involved, or with past experiences, in the process of nomination and recruitment targeting board members in the four companies, show that a rather limited work of definition and construction of the social meaning of mutuality is actually performed. The interpretation of mutuality is "stripped to the bone" of the law. This result is first of all confirmed by the fact that access to the field was very difficult as the contacted actors did not really know how to relate to the concept of mutuality in general terms. In this situation of uncertainty, I was immediately put in contact with lawyers, as though these were the best interpreters of the concept of mutuality. However, lawyers' interpretations were confined to the letter of the law rather than to its spirit, *i.e.* the legislature's intent and social purpose. Secondly, mutuality was considered to be primarily reflected in the nomination

process through the principle of customer-owners' democratic influence, one of the backbones of the mutual organizational form, as derived by the law.

The principle of customer-owners democratic influence is interpreted in a different way by each company and their interpretation has been kept intact from the time these companies were founded until now (Stinchcombe, 1965). Recently, these different systems (*i.e.* direct and representative democracy) have been criticized because, in reality, they do not guarantee a truly mutual system (Eckerberg, 2009; Sardiello *et al.*, 2019). In fact, on one hand a system of direct democracy cannot possibly give rise to a *mutual* form of ownership when customers-owners engagement is in practice non-existent. On the other hand, a system of representative democracy based on the "delegation of powers", from customer-owners to trade unions, makes it difficult for these companies to be considered as a "pure legal breed" and be regulated by the Company Co-operative Societies Act. However, despite these criticisms, no sense-making work seems to be performed in the analyzed companies in order to find possible alternative solutions to comply to the principles established by the law (such as that of customer influence) in light of changes in society (*e.g.* a change in engagement or lack of awareness of customer-owners about their rights) (Edelman, 1992). At the same time, no systematic formal work of meaning construction of the concept of mutuality seems to be done, for example through training courses for the development of board members' skills. Two forms are mentioned through which boards indirectly discuss mutuality: the elaboration of formalized rules, as the revision and enlargement of the owner instructions (Skandia) and the creation of tests for the assessment of board members' competence in compliance to regulations coming from the EU. However, these works of interpretation do not lead to a clear construction of a renewed social meaning of mutuality (Weick, 1995).

When attempts of meaning construction are made, they involve two main mechanisms. The first one (*history-telling*) is done by looking in retrospect to the company's story in relationship to the country's history (Suddaby et al. 2016; Foster et al. 2017) and the second one is done by *delegating* the meaning construction to other actors, mainly operating in the normative sphere (as supervising authorities, search firms, professional associations and the legislator). However, the use of history-telling does not lead to deep comparative considerations between the past and the present but seems more a sort of "defense mechanism" to fill in the lack of social meaning of the practices the interviewees describe. In other words, it is a way to demonstrate that mutuality is part of the company's DNA, an institutionalized concept that is so taken for granted that it does not need any sense-making work. In the same vein, the attempt to shift responsibility by delegating the work of meaning construction to external actors, like the Swedish Financial Supervising Authority or international professional associations, contains in itself a contradiction. The Swedish Financial Supervising Authority is, according to the interviewees, considered to be more of a market, than a civil society actor and to not really be in touch with the social meaning of mutuality. The professional associations that organize courses for higher executives in mutual companies are non-Swedish organizations. Hence, they are not in touch with the meaning that a country like Sweden might ascribe to mutuality, a meaning that once was strongly related to the Scandinavian welfare model and the concept of "peoples' home" (*Folkhemmet*) (Alexius *et al.*, 2017). As for the legislator, the companies in focus seem to be quite divided as to what type of new *ad hoc* legislation they really would like to have (*e.g.* more focused on the type of organizational form or the type of business). Also, to delegate the work of meaning construction of the concept of mutuality to a legal actor would once again reduce mutuality to a pure legal construction, to a "mutuality stripped to the bone of the law".

At this point one thing seems evident, interviewees' use of history telling and their attempts to delegate the meaning construction work to external actors show a sense of awkwardness and frustration with not being able to point at concrete examples of sense-making activities in board-related fora. However, it is fair to emphasize that sense-making work in relation to mutuality might indeed be performed in other fora or specialized units, such as sustainability departments, present in these companies and incorporated in other practices not studied here.

Nevertheless, the responsibility for the apparent failure of creating practices capable of defining and reconstructing the social meaning of mutuality cannot entirely rely on mutual insurance companies. Despite some moderate criticism expressed by actors located in the normative sphere of the institutional environment, it seems that mutuality at a cultural-cognitive level has become a forgotten topic in Sweden. As emphasized by Weick (1995, p. 62), works of reinterpretation, meaning construction and sense-making need two main elements in order to produce successful results: a situation or a problem to be interpreted and "an audience presumed to be in need of this interpretation". It is fully possible that this audience is missing either because of a general shift of all organizations towards topics related to sustainability and sharing economies or because mutual knowledge has not been cultivated, discussed, developed and upgraded in social and economic debates, but instead has become part of the historical heritage of few insurance companies.

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Appendix 1. The nomination and recruitment process targeting board members as formalized in the four mutual insurance companies

Alecta

Alecta is a mutual insurance company specialized in occupational pensions and owned both by companies and individual customer-owners. Alecta's highest decision-making body is the executive board (*överstyrelse*), corresponding to the annual general meeting in the Insurance Operations Act and having, among other things, the task of selecting the board of directors. The executive board consists of 38 members and eight deputies elected by business federations and trade unions. In specific, 19 members and four deputies are appointed by the Swedish Confederation of Swedish Enterprises and the other 19 members and four deputies are appointed by the Union (*Unionen*), the Leaders (*Ledarna*), the Swedish Engineers (*Sveriges Ingenjörer*) and the PTK Negotiation and Cooperation Council (*Förhandling och samverkans-rådet*). It is the executive board that elects the members of the board of directors and their chairman at the regular board of directors' meeting, for a period of one year. The election of the members and the chairman of the board is prepared by a nominating committee appointed by the same executive board. The nominating committee works in close cooperation, partly with the above-mentioned organizations, that appoint members to the executive board, and partly with the chairman of the board (Alecta annual and sustainability report, 2018).

Folksam

Folksam is a mutual insurance company consisting of two corporate groups, one for life insurance and pension savings, Folksam Life, and one for general (non-life) insurance, Folksam General. The members of the board of directors of the two corporate groups are nominated by a joint nominating committee appointed by the annual general meetings (AGMs) where delegates representing customer-owners sit. These delegates belong to large organizations, as KF (Swedish Cooperative Union), LO (Swedish Trade Union Confederation), TCO (Swedish Confederation of Professional Employees), HSB (National Association of Tenants' Savings and Building Society), KFO (Cooperative Employers' Association) and other seven smaller organizations. The nominating committee meets with the chairmen of the boards, a selection of board members and the president before assessing each boards' candidates' insights and experiences. The assessment is made both for new candidates and for candidates who are proposed for re-election and is based on the requirements set by the Insurance Operations Act and other external and internal regulations. The nomination committee also makes an assessment of the boards (Folksam annual report, 2018).

Länsförsäkringar

Länsförsäkringar *AB* is a Swedish federation of 23 Swedish mutual insurance companies. Each of the 23 companies covers a defined geographical area and are from a legal and ownership's point of view independent from each other. Länsförsäkringar AB is owned by the 23 companies with subsidiaries (including Länsförsäkringar Bank, Agria and Wasa Kredit). The highest joint decision-making body is an ownership consortium where the 23 companies together make decisions. Each of the 23 companies has a board of directors that is elected at the AGMs. The election process is prepared by a nominating committee, appointed by a Council (*fullmäktige*) at the AGM and consisting of five members. The nominating committee shall, in accordance with what it is stated in this instruction to the AGM, submit proposals for the election of the chairman and other members of the board. The nominating committee is also responsible for

assessing the appropriateness of the members nominated to the board (Länsförsäkringar annual report, 2018).

Skandia

Skandia is a mutual insurance company providing life, pension and general insurance. Skandia board members are nominated by a nominating committee that has the role to ensure that the members of the board meet the formal requirements for competence and experience required for the assignment. Individual customer-owners have the possibility to submit proposals of candidates to the board by contacting the nominating committee. The board of directors as a whole must have good insight and ability to live up to the requirements regarding corporate governance and risk management that are placed on the board of a parent company for a financial conglomerate where the parent company is a large life insurance company with long-term commitments. (www.skandia.se).