

Promoting and Protecting Values through Leadership Agency: Experiences from Disaggregation and Autonomisation of Municipal Waste Management

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Abstract

Disaggregation and autonomisation of public service procurement have been at the cutting edge for the last two to three decades, not least due to the importance that reform programmes inspired by New Public Management (NPM) have acquired. This development has led to widespread corporatisation and increasing emphasis on leadership and managerial freedom. In this article, we explore the role of leadership in the transformation of municipal waste management in a Norwegian municipality from an entity tightly integrated in the hierarchical system of local government to a separate, private law corporation, though still under the full ownership of the municipality. The trajectory has been influenced by developments in international waste markets and by changes in EU and national law, and it includes conspicuous technological innovations, some developed locally and others adopted from the wider waste management industry. What appears especially interesting in the case we have studied is the relatively successful and rapid transition from an identity as a municipal organisation to that of a new corporate organisation. Our focus on the “how” and “why” issues of this transition favours a design based on a single case study. When approaching the “how” issues we draw on an analytical framework laid down by Ibarra et al. (2010). However, when it comes to the important “why” issues, we find Selznick’s notion of institutional leadership (1957/1984) remains beneficial.

Introduction

This article explores the potential importance of leadership for the transformation of local waste management from an internal, municipally owned and run service to an external, but still publicly owned corporation. Corporatisation, a growing trend inspired by New Public Management (NPM) ideas about the performance-enhancing attributes of externalised public service provision, puts our Norwegian case into both an international (Grossi & Reichard, 2008) and a national perspective (Aars & Ringkjøb, 2011; Bjørnsen et al., 2015). Let the managers manage’ is a well-known phrase characterising this philosophy. It captures the basic belief that managerial freedom has widespread positive effects. In this study we seek to elaborate if, how and why leadership agency matters

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when it comes to promoting and protecting new values and practises. In order to unfold the complexity of institutionalising a new practice, we find the analytical framework of Ibarra et al. (2010), including terms such as *separation, transition and incorporation*, inspiring. In addition, in our opinion Selznick's notion of *institutional leadership* (1957/1984)¹ is a good match for the issue of leadership agency, especially when it comes to managing critical junctures. In order to test our thesis that institutional leadership makes a difference, we have selected the public service of municipal waste management, which has undergone a process of disaggregation and autonomisation after the turn of the millennium. The service has been devolved step by step. Initially, before the turn of the millennium, an in-house service and an integrated part of the local government organisation, then in 2002-2007 reorganised and turned into semi-autonomous entities but without separate legal personalities, and later, in 2009-2010, transformed into a municipally owned corporation organised with one 'parent' at the top and three 'daughters' or subsidiaries that deal with household waste, industrial waste, and waste treatment, all of which take the form of formally independent, limited companies. Hence, the transformative trajectory of the selected case provides an empirical basis, which should increase our sensitivity to the significance of leadership agency. This trajectory will be explained in more detail later in the article.

Much of the research on public management reform has taken a critical stance to what is actually achieved by reorganising formal structures (Christensen et al., 2009: 150). Although we agree that organisational design is far from sufficient to transform deeply rooted ways of perceiving and performing the operating core, it is definitively premature 'to throw it on the scrap heap'. Our thesis is rather that formal restructuring is only the 'first step towards institutionalization' (Selznick, 1992: 234-235). Our intention is therefore to dig deeper into the mechanisms required to utilise the window of opportunities that arise through reorganisation reforms in terms of structural disaggregation and autonomisation of decision-making, which are important features of reform programmes inspired by NPM (Christensen & Lægheid, 2001). By structural *disaggregation*, we are referring to a process whereby 'an organization [is] formally separated out from its 'parent' body and clearly delimited as a separate entity' (Pollitt et al., 2004: 36), whereas *autonomisation* is defined as a process by which bodies are granted freedom 'to make their own choices about internal arrangements' (ibid.).

The main contribution this study makes is to shed light on the "why" question, i.e. the micro mechanisms of organisational change. This seems to be an under-researched topic within political science. Somehow, someone has to create a link between structure and practice, between the macro and the micro level. We suggest that one place to start looking for this someone is among formal leaders (Washington et al., 2008: 732). We are consequently investigating how and why leadership agency is instrumental in linking structures and practice, thereby creating a new organisational identity (Ibarra et al., 2010) and institutionalising a new operative system (Selznick, 1992: 235) which fulfils the intentions pertaining to disaggregation and autonomisation. We label this transformative journey a transition, thereby trying to capture the micro mechanisms by

which change in formal structures leads to change in organisational culture, or to use Selznick's terms, the development from organisation to institution (Selznick 1957/1984). The essence of transition is the existence of an 'in-between' (Ibarra et al., 2010) identity, combining elements of the 'old' and the new identities, thereby constituting a hybrid identity. Although the pitfall must be avoided of portraying leaders as heroes in transforming organisations, when it comes to (critical) junctures, for instance building, maintaining and protecting a new operative system (Selznick, 1992: 235), leadership agency makes a difference (Sørhaug, 1997).² In order to unravel the puzzle of the relatively successful and rapid transition process of our case organisation, we raise the following research question: What are the main features of this transition process and to what extent may institutional leadership (Selznick, 1957/1984) explain this outcome?

The article is structured as follows: We start by elaborating our analytical model and what makes the selected case particularly suitable given the focus of the study. Secondly, we analyse the effects of increasing structural disaggregation and autonomisation of decision-making (Pollitt et al., 2001; Torsteinsen 2012) of an important public service on the operative logic of the organisation, including 'attitudes, relationships, and practices' (Selznick, 1992: 235). Inspired by Selznick (1984, 1992), Washington et al. (2008) and Ibarra et al. (2010) we try to track changes in leadership agency on organisational identity, i.e. transformations in how managers and employees perceive and enact their roles and identities. Lastly, the article sums up which analytical generalisations might be inferred from the study.

Analytical model

The "what" issue

Without disparaging the clearly problematic aspects of embracing a policy of structural reform as such (Dunleavy et al., 2006; Plesner et al., 2013), we nevertheless favour a more pragmatic approach. Further, and in accordance with scholars who emphasise situational factors (Lawrence & Lorsch, 1969; Mintzberg, 1983), we refrain from formulating principles prescribing 'one best design'. However, rejecting any NPM-inspired arrangements as such may easily run the risk of 'throwing out the baby with the bath water'. In compliance with what Smith (2014) observed when comparing the entrepreneurial capability of two waste management organisations, one in-house municipal authority, and one autonomous inter-municipal corporation, we expect that a decentralised design favours innovation. Mintzberg, too, in his classical study of organisational design (1983) emphasises that delegating or transferring authority is a stimulus that motivates initiative and creativity (1983: 97, 99–106). No matter how important disaggregation and autonomisation may be in encouraging initiative and innovation, strong mechanisms of 'lock-in' and path dependency cannot be excluded. Methodologically, this renders our case even more interesting in terms of investigating how and why leadership matters in releasing innovation.

The “how” issue

As to the how issue, we believe that the concepts developed by Ibarra et al. (2011) capture important features of the process. By conceptualising the process in terms such as *separation*, *transition* and *incorporation*, the complexity of institutionalising a new practice is placed in the foreground. Managers as well as employees have to break free from what previously constituted familiar and known patterns of role enactment and ways of coping with principals and customers.

This process of *separation* often is associated with feelings of insecurity, dissatisfaction and loss, but also excitement and anticipation. *Transition* implies standing with one foot in each camp, on the threshold between the old and the new. Ibarra et al. (2010: 666) use the terms ‘in-between identity’ and ‘multiple-defined self’ about this phase and describe it as a condition of confusion, ambiguity and contradictory emotions.

In the last phase, *incorporation*, people go through a period of gradual learning and internalisation of new values, norms and action alternatives associated with their new roles. This implies testing out ‘provisional identities’ (Ibarra et al., 2010: 667) in relation to colleagues, leaders, clients, competitors and others, and, based on their feedback and one’s own experience, developing a new or maybe hybrid identity step by step.

The “why” issue

In the process of forming a new organisational identity, leadership agency is supposed to serve as the ‘mechanism’ through which the effects of the ‘independent variables’ are transformed by human action and cognitive processes into new actions and achievements. The second step in our research model consists of analysing the significance of leadership in exploiting the window opened by structural disaggregation and decisional autonomisation.

Hence, we embark on the course recommended by Washington et al. (2008) to place the leaders in the foreground of ‘micro-processes of institutionalization’ (2008: 732). Following Washington et al., we distinguish analytically between organisations and institutions, as well observing their advice to be more sensitive or precise regarding the collective one is studying (2008: 733). On the other hand, we maintain that any collective in its capacity as a social system is embedded in practices of interaction infused with values, and hence institutionalised, to a greater or lesser extent.

In the case where the transition phase draws out and traditional institutionalised scripts continue to dominate, we assume that the status quo prevails. This implies a shallow transition and hence leadership at best consists of performing what Selznick conceives of as a ‘static adaptation’ (1984: 33). This revolves around the modification of everyday practice which leaves the organisation ‘essentially intact’ (Selznick, 1984: 35).

To obtain deeper transition, leadership must involve ‘dynamic adaptation’ in the sense of it serving as ‘an agent of institutionalization offering a guiding hand to a process that would otherwise occur more haphazardly’ (Selznick, 1984: 27). By performing institutional leadership, the leader can play a decisive role in personalising and legitimising a new role and a new identity for the organisation and its members.

Nonetheless, the transformation process consisting of separation, transition and incorporation seldom involves a total departure from the status quo (Ander- sen, 2008); the transformed organisation may contain elements of discontinuity as well as continuity. Hence, people may find themselves ‘in mid-air’ and develop ‘betwixt’ identities, as suggested by Ibarra et al. (2010: 666). Self-knowledge, to quote Selznick, ‘means knowledge of limits as well as of potentialities’ (1984:27). Although insisting on human beings as intentionally rational actors, we at the same time must acknowledge that even leaders ‘can’t always get what they want, and certainly don’t always get what they need’ (Aldrich, 1999: 41).

Even with this precaution in mind, there nevertheless are junctures in an or- ganisation’s trajectory, requiring far more from leaders than their ensuring the smooth running of the organisational machinery. Every now and then, critical decisions are called for which challenge the inheritance of the past. This makes it demanding to perform the role as an institutional leader.

Institutional leadership, according to Selznick, involves the protection of the organisation’s integrity, including its distinctive competence as well as the niche targeted (Selznick, 1984: 139; Washington et al., 2008: 725–729). This orienta- tion also may stimulate inertia and legitimise status quo, however, thereby em- bellishing ‘a narrow self-centeredness’ of various stakeholders (including lead- ers) inside and outside the organisation as a form of protection of core values (Selznick, 1984: 146). In that case, leadership, at best, does not extend beyond ‘static adaptation’. Fulfilling the promise of institutional leadership requires ‘the reworking of human and technological materials to fashion an organism that embodies new and enduring values’ as well (Selznick, 1984: 152–153), yet without resorting to utopianism or seeking refuge in abstractions or unrealistic guides (1984: 147–149).

As a summary, Table 1 aids in the visualisation of our analytical model. It describes the transformation journey, starting with formal reorganisation and ending with leadership agency.

In addition to ‘the what issues’ in Table 1, external factors like formal regu- lation (national, European Union [EU], international) and technological innova- tion may have a strong influence on the formal reorganisation of the municipal waste service. For example, EU regulation has played a major role for national legislation and local reorganisation processes through the Land Fill Directive of 1999 (Dreyfus et al., 2010) and the competition legislation (European Commis- sion, 2015).

Table 1 Analytical model of the transformation journey

‘The what issues’ of formal reorganisation:	‘The how issues’ of institutional transformation (micro):	‘The why issues’ of institutional transformation (micro to macro):
<ul style="list-style-type: none"> • Disaggregation • Autonomisation 	<ul style="list-style-type: none"> • Separation • Transition • Incorporation 	<ul style="list-style-type: none"> • Building a new organisational identity through leadership agency • Promoting and protecting the mission of the organisation

Methodological considerations

We apply a single-case design, which is well suited for a longitudinal study of the development of ‘the same single case at two or more different points in time’ (Yin, 2009: 49). As already stated, the ambitions of the paper go beyond providing an empirical description of the processes occurring in a single case. In addition, we aim to utilise our case theoretically. Considering that the 15- to 20-year trajectory of the selected organisation displays prominent features of formal changes, which are assumed to require processes of institutionalisation as well as deinstitutionalisation (DiMaggio, 1988), it stands out as an analytically interesting case. This applies especially to the ‘why issue’, referring to the mechanisms which underlie the re-institutionalisation.

In pursuing a single-case study, we are addressing the micro-processes of institutionalisation, in addition to analysing how leaders at the strategic apex are involved in negotiating and defending the autonomy of the organisation against political intervention from the owner in daily operations.

As to inferring analytical generalisations of whether leadership agency matters or not, it may serve as a critical case in more respects (Eckstein, 1975; Yin, 2009: 38–39, 48). First, the trajectory entails junctures, in terms of discontinuities, which prepare the ground for enacting institutional leadership. This suggests ‘a most likely’ case (Eckstein, 1975: 119). Second, the core tasks of the service, i.e. the collection and treatment of refuse, remain intact. This feature might indicate a preponderant concern for the smooth and efficient running of the organisation (Selznick, 1984: 140). Hence, it may serve as a ‘least likely’ case questioning the need for institutional work and leadership.

Some comments also are required as to how our empirical data match the steps implied in the theoretical/analytical model. Scrutinising relevant municipal documents; the municipality’s ownership reports from 2006, 2008, and 2013;

and annual reports of the corporation for 2010–2014 have given us access to the formal reorganisations that took place after the turn of the millennium.

More importantly, we have conducted semi-structured, individual interviews with the chair of the corporation board, the corporation chief executive officer (CEO), and the CEOs of the subsidiaries, as well as several employees from all levels of the organisation, including union representatives, altogether numbering 14 persons. In addition, we have interviewed a central project manager from the municipal administration and four politicians representing ‘the position’ and ‘the opposition’ on more strategic and principal issues, referring to corporatisation and the municipality’s role as owner. Some of this information, which in particular concerns our case, is included.

Each interview, conducted in the town hall or on the premises of the corporation, lasted 1–1.5 hours, and we taped and transcribed all interviews in extenso. Some of our informants have a long career behind them in municipal waste services, while others are newcomers. This gives us valuable insight into changes in practices, experiences, ideas, emotions and identities linked to the reorganisation. What is especially interesting with our case is the incumbent CEO, who has been in charge of the municipality’s waste service for almost 20 years, from the in-house epoch until the present with the new corporation. This gives us a unique opportunity to follow him and to separate the effects of leadership from organisational form with respect to processes in the wake of the reorganisation.

Our empirical material has, certainly, some shortcomings. First, the assessments made by our informants may have some flaws, both due to general problems of retrospection and a possible bias in the selection of employees. We have met only those who have ‘survived’ all reorganisations while those who have dropped out, for one reason or another, are not included. Second, we acknowledge the demand for more comparative case studies to substantiate the validity of our theoretical assumptions (Yin, 2009: 38–39, 43). Selecting cases from both in-house and external service provision, and including sectors other than waste management (Smith, 2014: 729), could prove valuable in elaborating on the significance of institutional leadership. In addition, the mechanism of leadership agency deserves more attention and in-depth analyses than we have been able to give it here.

The transformation journey

First, in the ‘what’ section we present the trajectory of our case organisation and its development from a firmly integrated part of the municipality’s technical services department, through a gradual disaggregation and autonomisation in house, to the corporation of today, consisting of four limited companies organised pursuant to the general Limited Companies Act (Aksjeloven).

Second, the ‘how’ section elaborates on important features of the organisation’s trajectory, including the formal reorganisation and changes in the operating core, based on how our informants perceive the processes. Third, we explore the role played by the CEO of the corporation, who has served as the leader of

the municipality's waste service continuously for 15–20 years. This 'why' section also makes allowances for the importance of middle managers in building a new organisational identity.

What?

The trajectory of the case organisation: Organisational separation and technological transition

After the turn of the millennium, two features of the trajectory of our case organisation signify a discontinuity with the past. The concepts of separation and transition (Ibarra et al., 2010) capture well how the organisation, as well as the waste sector as such, has 'shed its skin'. As to the structure of governance, most municipalities have opted for a policy of disaggregation and autonomisation, organised as partnerships, either as inter-municipal companies (IKS) or as limited companies (AS).

At the same time, the waste sector has partly undergone deregulation, meaning that since 2004 contracts for the collection and processing of industrial refuse have been exposed to competition. However, the sector also has been subjected to increasing environmental regulation from both EU (Dreyfus et al., 2010) and national authorities. Regarding separation and transition, an evolutionary and incremental pattern underlies the trajectory of our case. Although compared with the original vertically integrated structure in which the service of refuse collection and handling ('Renovasjonskontoret') resided in the technical services department of the municipality, the reorganisation process after 2002 has resulted in an entirely different model of governance.

In 2002, the municipal organisation went through a total overhaul. The traditional hierarchical structure with 3–5 management levels was replaced by a flatter design of only two levels and without the usual corps of middle managers. The four departments (among them one for technical services), each headed by a middle manager ('etatsjef') reporting directly to the municipal CEO ('rådmann'), were split into 128 semi-autonomous operative agencies or performance units ('resultatenheter'), each with its own agency manager.

Overnight, the CEO's span of control increased from four to 128 managers. One of these operative agencies was the waste management unit ('Renovasjonen') with a statutory responsibility for the collection and disposal of household refuse. A few years later, the municipality established three in-house municipal firms ('kommunalt foretak' or KF), one for the collection of industrial waste ('Næring'), one for waste treatment ('Produksjon') and another for waste management infrastructure. In 2007, the 'Renovasjonen' agency and the 'Næring' and 'Produksjon' municipal firms were assembled under a new municipal firm, and in 2010 all these entities were merged into a corporation with one 'parent' and three 'daughters', organised as four separate 100% municipally owned limited companies with partially overlapping boards.

At the same time, the waste sector has gone ‘high tech’. Not only are more advanced vehicles applied for refuse collection, such as crane lorries being operated by one employee instead of three, but more importantly and as a consequence of stricter environmental requirements, the processing of refuse based on sorting different fractions, recycling and exploring new niches for commercial use is far more skilled than it was previously. In addition, the EFTA Surveillance Authority (ESA) keeps an eye on the economic actors within the field to prevent internal cross -subsidisation, a condition that favours disaggregation and autonomisation. As to our case, it has gained a reputation for being ahead of others in the sector. That applies in particular to the introduction of a system of optical sorting, described by the senior safety representative in this way:

We empty the rubbish into a pit. Then the bags are conveyed to a reception hall through boxes with digital cameras. The cameras scan the colours of the bags; different colours codes help to distinguish between the different kinds of waste.

Although optical sorting in itself hardly signifies a technological breakthrough, the system is innovative in the sense that one re-employs and extends an available technology to a new niche. In addition, the organisation has been a pioneer in designing a system of transporting waste through underground pipelines into deployed containers. In some urban areas, the system even conveys the waste directly into the reception plant. According to the operational manager of “Husholdning” this installation:

[i]s the only one of its kind. The longest distance is 2.4 kilometres. It is quite unique. People from different parts of the world have visited the installation.

In the 2011 annual report, the CEO mentions that about 15% of households are connected to this underground pipeline system. In 2014, this process has come a great step further (Annual Report 2014). The ambition is to get rid of trashcans and containers, and to make the pipelines an integrated part of the technical infrastructure. In this way, the organisation promotes itself as a high-tech service company that is aimed at selling consultant services for institutional customers. Such visions contribute to the image of the organisation as innovative.

Figure 1 sums up the trajectory of the formal reorganisations of our case organisation.

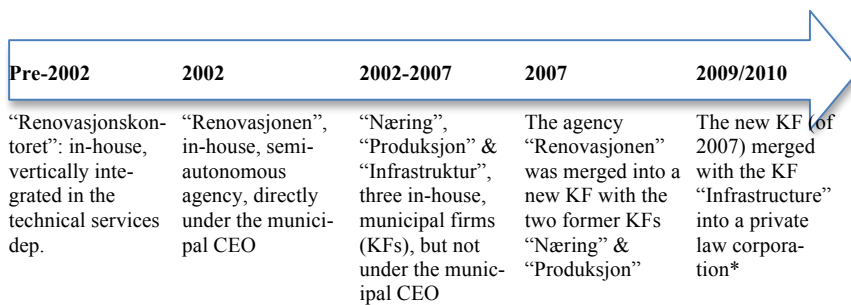


Figure 1 The trajectory of the case organisation (*since 2009/2010 consisting of four limited companies, one 'parent' and three 'daughters'; all four fully owned by municipal authorities).

The development of the municipal waste service is a history of ‘hiving-off’ and putting the service increasingly at ‘arm’s length’ from the owner, but without privatising it. This includes the reorganisation in 2009–2010 when the municipality decided to merge and transform the semi-autonomous KF entities and the Renovasjonen agency into a corporation in accordance with the general Limited Company Act. This implies that the corporation is fully owned by the municipality, although organised and run according to private law.

In 2010–2014, the total sales of the corporation increased from approximately 152 million NOK to approximately 191 million NOK while the profit (after tax and depreciation) decreased from 15.6 million NOK to 11.2 million NOK. However, in 2013 the corporation experienced a deficit of 4.3 million NOK. The next year, the corporation turned the tide by cutting staff (4/5 of the cut in the ‘parent’ company), tighter cost control and increasing sales. It is uncertain if the municipality had been able to achieve this change so fast had the service been retained in house.

How?

The incorporation of new values, norms, and practices

According to our informants, the discontinuous trajectory of the reorganisations has left important marks on today’s operative routines and practices. The implications of enhancing the decision-making authority especially stand out. Compared with the previous regime, it has meant the empowerment of those in charge of the operating core. Two of the veteran workers who have worked within this service under all three governance regimes (in-house until 2002, mixed semi-autonomous 2002–2009 and separate legal personality period 2009–2010) describe the autonomisation process as follows:

Earlier we had to apply to the municipal council for funding and approval of the purchase of a new car. Today we can invest as we like within reasonable limits. As part of the technical services department, we had to present the case to the municipal council every time we were buying a new car. Old women asked why we needed an automatic when it costs 40,000 NOK more. Today it is ten times better, the speed is much faster. In the old municipality many bureaucratic barriers prevailed: One had to pass many levels in order to purchase a shovel, a jacket. Nowadays, you contact a superior directly and point out: 'That's what we need'.

These statements indicate that the step-by-step structural separation of waste management from the political-administrative centre of the municipality has led to a noticeable increase in the operational autonomy of the service as well. There are some diverging viewpoints concerning which step was the most decisive, and some are not quite sure themselves. Our informants describe at least two steps as particularly important: first, the gradual transition during 2004–2007 from integrated departmental provision to in-house municipal firms (KF), and second the transformation of these bodies into separate legal entities, i.e. AS (2009), including the establishment of the corporation (2010).

When we compare the different statements and evaluations, however, the last step seems to stand out as particularly important. The KF form means lower economic risk for these companies because their budgets are included in the general municipal budget. The general Local Government Act, which forbids bankruptcy, protects them, whereas the AS form gives no such protection, and therefore these companies have to rely much more on their own performance. Living without this safety net seems to imply a need for greater freedom for limited companies to find their own solutions.

When asked what they consider the greatest difference between the KF and the AS form, key personnel, independently of each other, apply the notion of 'non-interference', meaning 'non-interference from politicians' in the core activity of the corporation. These statements indicate a deep dissatisfaction and frustration with the former tight political steering, especially when the organisation belonged to the technical services department. The local politicians' lack of relevant competence is a complaint that one mentions as an argument for why politicians should steer 'from a distance'. One of the veteran workers explains the effects of disaggregation and autonomisation in this way:

To be one of 4,000 employed in the municipality, it is like being a herring in a barrel. It made no difference if you did a good or a bad job. There was no measurement of performance. When you are independent companies with your own board and a clear and visible management, and the companies have their specific tasks, who is respon-

sible for what has been more clearly defined. This has led to good results.

Further, some of our informants have noticed a change in attitude among employees as well, for example, the veteran special worker:

I as well as the boys take and want to have responsibility. Thereby you develop a type of ownership to your workplace, when you yourself are involved and are allowed to participate in the development ... They [the employees] are aware that their performance is what makes them earn a living.

One of the veteran workers explains that 'now we think more business-like than we did earlier, when we worked for the municipality and the traditional waste service. This applies to the whole corporation, but particularly to the industrial waste company ['Næring?']. And he goes on:

I think we feel that this is somehow our company, and that we wish to succeed. We take care of our customers, we take care of our equipment and we take care of each other. If we don't pull ourselves together and work hard there will be red numbers.

The statements in this section indicate that macro-level formal reorganisation unleashes a transformation process at the micro-level of the service-providing organisation. Of course, such verbal statements have to be scrutinised further to settle whether and how the incorporation of a new organisational identity actually informs the way employees enact their roles. Nevertheless, they at least suggest that more fundamental changes are in progress, although their speed and impact may vary internally. Not surprisingly, some informants claim that employees in the Husholdning company 'still haven't developed a commercial focus, nor a customer focus perhaps. People in Husholdning wear a municipal hat on their heads, and the municipal mentality is more engrained there'. This observation gives a poignant illustration of the challenging transition phase described by Ibarra et al. (2010).

On the other hand, there have been some bumps in the road, i.e. the processes of separation, transition and incorporation have not proceeded without costs. In different respects, the incorporation of the limited company model in particular has caused tensions. Not surprisingly, a concern emerged among employees as to the implications for their jobs. As the senior safety representative, having a trade union background in addition to being a member of the corporation board, remarks:

We were terrified of changes, and the shift to a limited company and the prospects of being bought up by others. We were sceptical. Much turbulence and many tough fights.

Another veteran worker emphasises the anxiety pertaining to the process:

We did cling to the old order of things, and the security of being employed by the municipality. Now it was a question of splitting the staff, hither and thither, and during this period sick notes increased.

In addition, separation required the introduction of a new structure for managing the relationship to the political principals as well as systems for handling the transactions between the subsidiaries. Our informants at the strategic apex of the organisation soon experienced that the political principals were partly unfamiliar with and partly tended to 'stretch' the rules regulating limited companies. The Limited Companies Act determines how a principal should govern, usually at 'an arm's length' through the annual general meeting (AGM), transferring considerable autonomy to the board and the top management. According to the financial director employed in the parent company, she has advised politicians on more occasions 'to observe the Limited Companies Act'.

We have made a lot of effort to make the owner understand that they have to comply with the requirements contained in the legal framework. They were unaware of the fact that only AGM has a say as to how the subsidiaries are to be run. They must not assume that what is spoken in the local council is taken into consideration. In the worst cases, if they are discontent, there is an option to get rid of the board. However, such situations have not occurred so far.

Further, the corporate structure of four limited companies has imposed transaction costs in the form of internal invoicing. To separate the economies of the monopolistic and self-cost-based household waste service (Husholdning) and the activities exposed to competition, i.e. industrial waste and production, it has become necessary to formalise the transactions between them. More informants conceive of this system as not only demanding but constituting a barrier for co-operation as well. According to one of the workers, the staff should be utilised across the organisational borders:

Things may be very hectic at work some days, as for instance for us in Produksjon. We are 'the heart' of the company. Fifty lorries may arrive. But if we cannot handle the refuse, everything stops. However, others may have finished their tasks in the middle of the day, waiting for the time to pass so that they can leave.

The same person also regrets that:

Today it is somewhat difficult to serve one of the other subsidiaries without sending an invoice. I think that it is somehow cumbersome. Strictly speaking, we remain one company.

By way of summarising the presentation so far, it suggests that over the years the case organisation as well as the waste sector have undergone a transformation. Nowadays, little reminds us of the traditional collection of refuse, with landfills as the normal method of 'treatment'. A visit to the facilities of the case organisation is sufficient to convey the image of a modern and professional organisation that cares for its reputation as an attractive workplace aimed at improving the physical environment. Certainly, the reorganisation has been demanding, and it has given rise to new challenges, especially in terms of transaction costs inside the corporation. Nevertheless, it remains a puzzle why so much has been achieved during a short period, considering the living legacy of the past not least due to the striking stability of the staff.

In the next section, we seek to elaborate further on the 'why' issue, focusing on the significance of leadership agency and especially questioning how far Selznick's notion of institutional leadership brings us in resolving this puzzle.

Why?

As elaborated on in the analytical section, junctures, according to Selznick, call for institutional leadership that transcends the technical routines of daily operations. Institutional leadership involves critical decisions and hence efforts to fulfil the role as 'primarily an expert in the promotion and protection of values' (Selznick, 1984: 28). However, the complexity pertaining to junctures such as these implies many pitfalls. Not only is it urgent that the organisation is prevented from drifting, in the sense of losing sight of its mission, or yielding to 'outside pressures' (Selznick, 1984: 145), but institutional leadership also goes beyond displaying responsibility and steering 'a course between utopianism and opportunism' (1984: 149). Innovation is required as well, including efforts to gain support and internalise new practices and values among employees. Seen against this background, which pattern does our empirical material reveal?

Leadership through promoting new values and building a new organisational identity

The CEO appears as a core actor in more respects. First, he represents the continuity of waste management activity in our case municipality. Actually, he has been the leader of this service since 1997, and he therefore has played an important role in organisational transformation, the introduction of new technology and other changes for a long period. Practically all of our informants describe his

role as significant and give him great credit for what the organisation has achieved. In addition, other leaders receive credit, especially leaders of the 'daughter' companies (Andersen & Torsteinsen, 2015). It is difficult, however, to ascertain to what extent assessments made by our informants are attributions or sober analysis. Nonetheless, as long as they believe in the importance of leaders, this may affect their thoughts, emotions and behaviour. One of the veteran workers emphasises and compares the importance of leadership to structural change in this way:

To believe that reorganising from a KF to an AS or from a municipal agency to an AS is the only possible solution, is, I think, a very simplistic way of looking at it. It depends very much on the type of leader you have.

According to the veteran special worker in Produksjon, the entry of today's CEO into the organisation in 1997 marked a clear break with the former management regime:

He delegates responsibility. You are left with a responsibility, unless you seem unable to bear it. In this way, you grow as a person.

Another veteran worker praises the CEO and the female chair of the board for their efforts:

...to build up our identity as an independent company. Credit is given, and we are told that many appreciate what we have achieved whenever he [the CEO] presents something about the organization. This is important, I believe, for our well-being at work.

Obviously, the great majority of our informants voices similar assessments. The CEO has a personality and a management practice that instils trust in employees. He generally seems respected for his strategic and innovative capability, an ability that he has played out across different organisational contexts for nearly two decades. People talk about him as a man of initiative and integrity and one who stands up for and identifies with the corporation, the service and the employees. By emphasising the promotion of the organisation's distinctive competence, he, in addition, complies with what Selznick conceives of as an important aspect of institutional leadership.

However, he is not alone. Several informants also describe the managers of the 'daughters' as transformational/charismatic leaders (Conger & Kanungo, 1998). One veteran worker speaks of his leader as 'skilful with a lot of energy':

He has set up a team where everybody supports each other, and the atmosphere is good. We have instilled a fighting spirit in people in spite of being a monopoly.

Another 'daughter' company manager is said to have 'brought with him such a drive and energy into the organisation that I do not even dare to think what would have happened if he had not come'. Generally speaking, one gets the impression that the leader team in the corporation devotes much energy to the integrative function (Strand, 2007: 482–504), and, according to the financial director:

We have established an arena for all middle-level managers: They have to attend the gatherings, to discuss issues of joint concern; on how to work together, on how to treat the employees.

To Selznick, performing the integrative and mobilising functions of institutional leadership is tantamount 'to [having] many strings to one's bow'. This relates, for instance, to the recruitment of personnel when 'selection must take account of more than technical qualification, as when leading individuals are chosen for their personal commitment to precarious aims and methods' (1984: 57). The politics of internal change requires 'sensitivity' as well and 'depends on how secure the participants feel' (1984: 153).

Leadership through protecting institutional integrity

As mentioned previously, the transition has not proceeded without costs. Not surprisingly, the process has given rise to several new challenges, requiring leadership in the sense of handling external as well as internal relations and transactions without jeopardising the integrity of the organisation. This not least applies to protecting the values and norms underlying its changed formal status as an independent company.

First, it has been demanding to arrange internal transactions to avoid illegal cross-subsidising and at the same time capitalising on the synergies of corporatisation. Obviously, to achieve this delicate balance requires situational judgments that go beyond legal competence and insights into the regulating regime of the waste sector. On the one hand, to avoid possible allegations of cross-subsidisation from competitors, one has to formalise transactions between the daughter companies, making them transparent. On the other hand, one wants to exploit the collaborative advantages of belonging to a collective of organisations.

Second, defending integrity has revolved around keeping the political principal at arm's length. The CEO and the chair of the board especially have spent much time and energy navigating this 'minefield'. Certainly, those at the strategic apex recognise that the company's survival relies on stable and friendly relations with the community, including the municipality as the owner. On the other hand, they have to protect the company's acquired status as an independent enti-

ty, regulated by the Limited Companies Act, in addition to preventing it from being exploited financially as a 'cash cow'. After introducing the parliamentary model locally, the leading party, the Conservatives, said 'now it is time to change the board'. The corporate CEO, however, insisted on complying with the Limited Companies Act:

We are a limited company, and the selection of the board has to be formally correct, made by the annual general meeting (AGM). Politicians have to be taught. Nevertheless, almost without informing us they removed two members, belonging to the opposition, although they claim that steering the companies politically is out of the question.

Obviously, he conceives of his relationship to political principals as ambiguous:

I am familiar with the political game. I have fought many battles with politicians, but I deliver. Previously, they would like to reveal something discrediting. That is not the case today.

The chair, too, emphasises how demanding it has been to handle the negotiations with the municipal owner and to keep the principal at arm's length. On the one hand, the owner lacks the distinctive competence within the municipal administration on waste management and hence a cognitive asymmetry prevails. When the municipal administrators are in doubt, they, according to the chair, usually phone the CEO: 'He is a living 'work of references' because he knows the history and has acquired a comprehensive network within the sector'.

On the other hand, the political alliance in position during our study on more occasions has intervened in ways which have been deemed inappropriate by the corporate leadership and threatened to jeopardise the organisation's autonomy. Taking into account that a company needs a board of directors possessing branch competence, it was frustrating to experience that party membership actually mattered. The rather inexperienced representative of the ruling city government made it clear informally, so the chair reports, that 'we must get our own persons into the board'. According to the chair, the vice-chair of the board 'was removed because he had the 'wrong party colour''.

Nor does the top leader team perceive the principal's expectations regarding return on invested capital as complying with the conception of a professional owner. Rumours have been circulating, and we got a hint indicating an expectation of about 7%–8% annual return. According to the chair, the board responded instantly, arguing that for a recently established company, this would not be a realistic option at all. At the AGM, the principal did not meet with the politicians in charge of financial matters but instead sent the rather inexperienced political adviser. To the chair's surprise:

He said that they had expected to receive a much larger return. I thought, ‘You do not know what you are talking about’. Indeed, they lack a professional competence in this matter. When we keep household waste apart from the turnover, it is halved. No return is allowed from the self-cost financed household waste company. Then, it is not possible to deliver a result as expected.

The transformation journey of our case organisation has been demanding not least in the sense of defending and protecting the integrity as an independent though publicly owned organisation. What has made it especially challenging is coping with an owner who appears rather inexperienced and incompetent in enacting the principal’s role of steering at arm’s length. Certainly, one of the political advisors admits that much remains to be done in terms of clarifying and professionalising the role as owner.

As far as we can see, no routines exist as to how one should execute the ownership, and how to build competence. It revolves around simple issues such as where the protocol is from the former AGM, and what we said on that occasion. At present, we prepare a document targeting ownership to get such matters under control.

Seen from those in the strategic apex of the company, it requires a balancing act to protect the operating core against interventions, which jeopardise its autonomy, while maintaining a predictable and friendly relationship with the owner. Coping successfully with this challenge is vital in order to defend the institutional integrity as a devolved organisation; hence the promotion and protection of identity and values represent ‘two sides of the same coin’.

A concluding remark

Unlike many studies of public management reform, this paper draws a fairly positive picture of a NPM-inspired reorganisation of a municipal service. The main explanation for this relative success is linked to leadership. Almost 60 years ago, Selznick (1957/1984) pointed to the significance of institutional leadership in navigating organisations through critical transformations, making them viable institutions by promoting and protecting their mission. We have sought to pursue our case study in his tracks, supplemented by insights from Ibarra et al. (2010). The analytical clues which they provide, in combination with the methodological utilisation of the strengths of a single case study design, should make it feasible to reveal the complexity of transforming a previously vertically integrated low-tech activity into an independent and high-tech organisation.

As to analysing why this demanding process has been accomplished during a rather short period, we especially consider Selznick’s notion of institutional leadership as clarifying. However, some unsettled issues pertain even to a fun-

damental contribution like this. Following Sørhaug, we ask whether Selznick aims too high and hence tends to portray the institutional leader in a rather heroic way (1997: 11).

On the other hand, we acknowledge that Selznick conceives of the institutional approach as a practical project as well and ‘above all because it is a voice of resistance to the culture of shortsightedness’ (1984: vi). According to him, it raises an increasing concern that our ‘major institutions – political, legal, educational, and industrial – are under pressure to perform in the short run’ (1984: vi). Thus, his notion of institutional leadership serves not only as a framework for comprehending the fundamental processes of ‘the thick institutionalisation’ or anchoring what constitutes the distinctive character and competence of the an organisation, but for prescribing as well the urgency of promoting and protecting that mission against pressure originating from both inside and outside. This conveys a heroic dimension to his notion of institutional leadership.

It is hardly a deficiency pertaining to his framework as such that the micro-processes of building and protecting an identity need further elaboration. Here Ibarra et al.’s (2010) contribution adds an important and complementary dimension. Obviously, performing institutional leadership has gained in importance not least due to conflicting requirements facing the operating core of more and more organisations (Thornton et al., 2012). Caring for the integrity of an organisation applies especially to junctures in which organisations have to ‘shed their ham’.

Moreover, we maintain that leadership agency depends on a window of opportunity, on the concurrence of time and space. In our case, this window was opened through the stepwise disaggregation and autonomisation of the waste service. If the local politicians had decided to keep the waste service as an in-house operation, the room for leadership agency would have been considerably smaller and, consequently, probably so would the potential for innovation.

Hence, our case study may substantiate some of the conclusions inferred by Smith (2014). Like her, we refrain from treating organisational form as the sole factor generating variation in entrepreneurship. Unlike her, we have included the individual-level variable of leadership agency, especially in relation to the transformation of organisational identity. Thus, the effect of leadership agency hinges on the capability of these individuals to involve, empower and mobilise their colleagues in a collective endeavour that instils meaning, pride, self-respect and cohesion, and thereby stimulate the development of an organisational identity. This is of course not a simple task, but without these social faculties in combination with strategic foresight and perseverance, the probability of success will be much lower. By combining macro-roles of formal reorganisation with micro-roles of institutional transformation, the corporate CEO in cooperation with his team have brought new life to the notion of institutional leadership.

Further, we find it urgent to emphasise that the issue of whether a service should be kept internal or devolved is contingent on the kind of service in focus. It may be crucial here how specialised the service is, the extent to which it is conceived as politically sensitive, whether it has the potential to provoke discord between different parties, its degree of market exposure, and so on.

Organising and managing waste collection and disposal does not (so far) seem to constitute an important or controversial issue in the political agenda, perhaps except for the determination of the garbage fee. On the contrary, the incitements to disaggregation and autonomisation are rather strong taking into account that the service is highly specialised technologically and includes commercial resources and tasks such as industrial waste and waste treatment that are exposed to competition. Seen in this way, a policy of disaggregation and autonomisation is not suited for every field of municipal service procurement.

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Appendix (interviewees)

1. Political adviser (Conservative party) for the leader ('mayor') of local 'government'
2. Political adviser (Liberal party) for the local 'government'
3. Councilor from the opposing Socialist party
4. Councilor from the opposing Labour party
5. Municipal administrative manager, responsible for reorganisation projects
6. Managing director of the corporation
7. Financial director of the corporation
8. Marketing advisor
9. Veteran worker, safety representative, "Produksjon"
10. Worker "Produksjon"
11. Veteran, special worker, "Produksjon"
12. Information adviser
13. Veteran, internal service "Husholdning", union representative and board member
14. Administration employee
15. Worker "Næring"
16. Veteran worker "Næring"
17. Manager of "Produksjon"
18. Veteran, operations manager "Husholdning"
19. Chair of the corporate board

Notes

¹ We refer to the 1984 version of Selznick's original text.

² We appreciate Sørhaug's preface (1997) to the Norwegian edition of Selznick's *Leadership in Administration*. According to Sørhaug, even 40 years after its publication in 1957, it still has importance. Indeed, it is even more urgent today to understand the logic of institutionalisation and the significance of an institutional leadership. However, measured by the number of references in traditional leadership literature, its influence seems rather limited (Washington et al., 2008: 729-730). This applies in particular to the notion of institutional leadership. Certainly, elements from the original text underlie much of how leadership is portrayed, though not infrequently in an insipid way

(Sørhaug, 1997: 7), or almost to the point of rendering it commonplace, as for instance when culture building appears to be a management and communication tool.