Agent’s dyadic and complex working environment with multiple principals

Case study of a liner agency

Arto Hartikainen

Master’s Thesis
International Business Management
2021

MASTER'S THESIS	
Arcada	
Degree Programme:	International Business Management
Identification number:	7351
Author:	Arto Hartikainen
Title:	Agent's dyadic and complex working environment with multiple principals – Case study of a liner agency
Supervisor (Arcada):	Tove Kietz
Commissioned by:	Henrik Nyman

Abstract:

This study is qualitative research that aims to illuminate on how agents, who are involved in multiple principal-agent relationships, perceive their working environment and which control mechanisms are used to control their actions. It explicitly searches to answer the following research questions: 1. How do the interviewees perceive their working environment? 2. How do the interviewees identify towards the organization? 3. What kind of agency problems can be recognized from the interviews? In communicating the aim of this study, it draws on literature of agency theory and stewardship theory. The study is conducted as theme-centered interviews among five industry professionals, who are ranked as top management in their countries. All the interviewees in the study work for the same group, which means that this is a case study, investigating phenomena in a specific environment. The results indicate that the interviewees perceive their working environment as dyadic and complex because different principals have different needs and all of them are running their own agenda. The interviewees' role is trying to satisfy all the needs of their principals, which is impossible. Also, the contracts between the principals make the interviewees working environment even more complex as they do not support success for both parties. The interviewees identify themselves more towards their own companies, rather than towards any principal. The clearest result in identification is that when the interviewees must choose to whom they are loyal to, the principal who pays their salaries or the principals whose business they run, the interviewees tend to choose the one that pays their salaries. Three different agency problems are recognized from the data and they are in line with agency theory's assumption about the most common problems present in principal-agent relationships. As a conclusion, all parties within the study act according to agency theory's description rather than stewardship theory.

Keywords:	Agency theory, Stewardship theory, Liner agency, Container shipping company, Principal-Agent relationship, Working environment, Agency problems
Number of pages:	66
Language:	English
Date of acceptance:	

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1 INTRODUCTION

Corporate governance in today's world is playing growingly more important role than ever before. Employees are being monitored more closely and the performance of the companies is under magnifier glass, as the owners of the companies want the companies to be as efficient as possible. How does this effect the employees themselves? Can they keep themselves motivated and do they feel trusted?

This thesis is about researching the working environment of five industry professionals who are working in a complex set of relationships between principals who are directly paying their salary (inside principal) and principals whose business provides the profits for the inside principal to pay the salaries for the agents.

Understanding the pulling and pushing forces of corporate governance in this complex working environment is important as it explains why the interviewees in this study are managed in this particularly interesting way. The topic is important as understanding why things around you happen in a way they do, is vital for the employees as uncertainty and unpredictable actions in everyday life, might cause lack of motivation and in worst case it can make you guess your own purpose in the role that you were hired to do.

Theoretical framework of this study presents two opposites of the corporate governance studies. One presents a view where the model of a man is self-interested and deceiving other parties as soon as the opportunity arises. The other presents a view where the model of a man is pro-organizational and trustworthy (Davis et al. 1997 p. 20)

1.1 Aim of the study

The aim of the study is to understand how the agents, who are involved in multiple principal-agent relationships, experience their working environment. Additionally, this study investigates control mechanisms that are planned to align the agent's actions with the principal's needs. These are studied by analyzing the data collected through interviewing the agents.

Five country heads of different liner shipping agencies were chosen to represent the agent in this study. Participants are presented in detail in the chapter 4.2.1.

In this study, agency theory and some of its definitions about agency problems are used to understand some of the elements risen from the interviews. They serve also as guideline to describe agents' working environment and recognize the control mechanisms used by the principals. Usually, agency theory studies the conflicting interests between principals and agents in one company, but in this study, we are using its framework in more complex context where one agent has multiple relationships with different principals.

This study also uses stewardship theory as a tool for analyzing the agents' identification towards the principals' organizations.

1.2 Research questions

In this study, we are answering to these three research questions:

- How do the interviewees perceive their working environment?
- How do the interviewees identify towards the organizations?
- What kind of agency problems can be recognized from the interviews?

1.3 Structure of thesis

This thesis is divided into seven chapters. Following the introduction, we present the context of the study, which is important for the overall understanding of the researched phenomenon. Within the context of the study, we present the prevalent market situation, which explains the results. In chapter three, we present the theories used in this thesis and following that, we present the methodology of this study. Chapter five presents the results of the study and chapters six and seven include the discussion and conclusions of the study.

2 CONTEXT OF THE STUDY

This part of the study presents the business environment where the companies studied operate. Also, the case companies will be introduced and the prevalent market situation from the time of the interviews.

2.1 Ocean freight industry

Ocean freight industry is a global industry, which is vital for the world's economy to function. It is the most cost-efficient way of transporting goods and the most environmentally sustainable way of transport. The amounts of goods that can be moved via ocean freight are significantly larger than in air- and road freight combined. Currently the largest container vessels operating in the world can ship up to 23.000 teu[1].

Ninety percent of all goods transported in the world are transported via ocean and sea freight. Ocean freight is also easier choice for transportation method than the other transportation methods as there are fewer restrictions for the cargo. This means that companies can transport dangerous goods easier via ocean and sea freight than with air cargo or with road transport (Freightos.com 2020).

2.2 Different actors in the field of ocean freight industry

This chapter will present actors, which are essential to this study, in the field of ocean freight industry.

2.2.1 Container-shipping company

Shipping company is a firm that owns or leases ships, which they operate under their own name. There are a lot of different kind of shipping companies from small companies where the company only operates one ship to global groups that operate hundreds of ships and has a turnover that is counted in billions. The ten largest container-shipping companies in the world are described in the Table 1 in order from largest to smaller ones. The table is created from the data provided by Alphaliner.com (2021).

[1] Teu is abbreviation for a twenty-foot equivalent unit. It is equivalent to one 20-foot-long container, which can contain up to 33 cubic meter of freight weighting maximum of 28 tons of payload cargo.

Name of the container-shipping company	***Cargo transported per year in teu***	***Share of the global market***
APM-Maersk	4 121 789	16,9%
Mediterranean Shipping Company	3 920 784	16,1%
CMA CGM Group	3 049 743	12,5%
COSCO Group	3 007 421	12,3%
Hapag-Lloyd	1 789 399	7,3%
ONE Ocean Network Express	1 600 531	6,6%
Evergreen Line	1 345 537	5,5%
Hyundai Merchant Marine (HMM)	752 604	3,1%
Yang Ming Marine Transport Corp.	628 463	2,6%
Zim	409 810	1,7%

Table 1 World's largest container-shipping companies

The container-shipping companies transport cargo in containers and as break bulk. Containers are uniformly designed transport units that can be easily transported meaning that the cargo in containers is secured seaworthy before they are lifted inside the vessel. Break bulk is loose cargo, usually large machinery, that is loaded into the container vessel by cranes and the break bulk cargo is then secured seaworthy inside the vessel (Wood et al. 2002 p. 90).

The shipping companies that we are studying in this thesis are globally or intercontinentally operating container-shipping companies. The turnover of these companies varies from 10 billion euros to 500 million euros.

2.2.2 Alliances

Shipping companies are already large companies by themselves, but in order to create better and more comprehensive global coverage to their services, shipping companies form alliances where they can rationalize their resources. Best and most recognized alliances are formed in Europe-Asia trade. Currently there are three massive alliances, which are formed as presented in the Table 2. The table is created by using the data provided by Boroski Mendoza (2020).

Name of the Alliance	***Members of the alliance***	***Capacity of transportation in teus***
THE Alliance	Hapag-Lloyd Ocean Network Express HMM Yang Ming	4,5 million
Ocean Alliance	CMA CGM COSCO OOCL Evergreen line	3,5 million
2M Alliance	MSC MAERSK LINE	2,1 million

Table 2 World's biggest shipping company alliances

2.2.3 Liner agency

Liner agency companies work as agents for container shipping companies, which means that the liner agencies are responsible for operational actions in one or more countries. In short, this means that the liner agency performs all day-to-day operations on behalf of the container shipping company meaning performing sales, taking in bookings, arranging the actual operation of moving cargo from point A to point B and finally invoicing the customer. (Wood et al. 2002 p. 140)

Liner agencies (the agent) under this study are operating with an agreement where they are responsible for running all day-to-day operations, sales, and marketing. The agent's remuneration is performance based without any fixed amount of monthly or annual payment. Container shipping companies' (the principal) running expenses from the agent are limited to equipment cost and logistics costs that occur from moving empty equipment between ports, otherwise the principal only pays the agent a fee based on their performance. (Wood et al. 2002 p. 255)

2.3 The case Group and companies

This study is done about Group X, which is a leading European holding company owning and actively managing transportation companies. Roughly, half of the companies operate in the field of logistics as non-vessel operative companies, which are known within the industry as NVO's. We will concentrate fully on the other half of the companies, which operate in the shipping agency business. This is because we want to study the agency relationship between globally operating shipping companies and their shipping agencies and specifically, we want to study the working environment of the country's top management under principal-agent relationship. Majority of the companies are located in the Nordics and some of them are located in continent Europe. Target companies operate in Finland, Sweden, Denmark, Norway, Poland, Czech Republic and Austria.

The target companies operate as agencies for several shipping companies which have global presence and global network included with several thousand employees. These shipping companies have outsourced their business for these liner agencies because they need to have presence in the specific geographical area and by hiring an agent to run their business, they are also able to save money on running expenses. The outsourcing of the business in this case means that the container shipping company has given the responsibility for the agencies to operate on their behalf in specific countries under the principals' brand.

There are three companies from which the people have been chosen to be interviewed. These companies shall be named as Agency A, Agency B and Agency C which are presented in detail below.

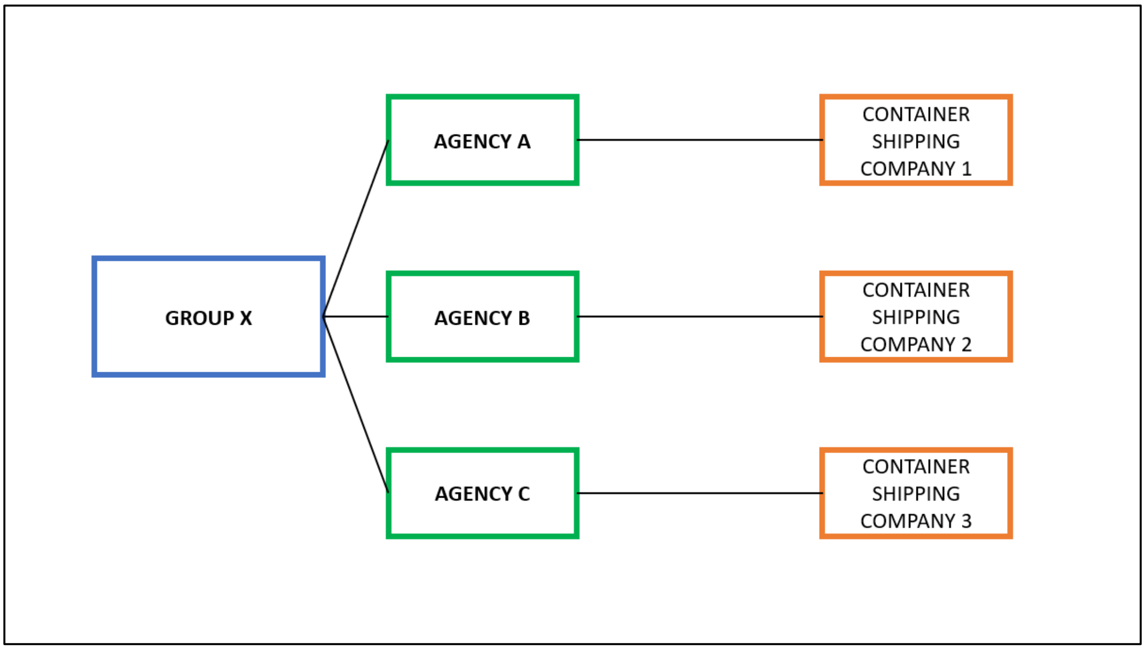

Figure 1 Agencies' inside and outside principals

Starting from the above figure, we are going to use the following color codes to illustrate different parties: Inside principal = blue, Agent = green, Outside principal= orange.

Agency A is an agency for a container shipping company (outside principal) that is ranked in the top 10 in size, in the world. The container shipping company (outside principal) has gone through vast reconstruction process during last four to five years and it is still actively rearranging its operations to gain more growth. Agency A as an agency represents the principal in seven different countries within Europe. Agency A has an office and active management in each country, they all have sales representatives and operational staff who handle the day-to-day business. Some of the uniform work activities are done centralized in one service center which operates under the supervision of Group X.

Agency B is an agency for a shipping company (the principal) that operates in Europe and in Africa, including Canary Islands. The shipping company has long tradition in its business, and they are highly valued within the market. Agency B as an agency represents the principal in thirteen different countries within Europe and Russia. Agency B has an office and active management in each country, they all have sales representatives and operational staff who handle the day-to-day business. Some of the uniform work activities are done centralized in one service center which operates under the supervision of Group X.

Agency C is an agency for a shipping company (the principal) that operates in Europe and in North America and Canada. The shipping company also operates to some smaller islands in the north Atlantic Ocean. Agency C as an agency represents the principal in three different countries within Europe. Agency C has an office and active management in each country, they all have sales representatives and operational staff who handle the day-to-day business. Some of the uniform work activities are done centralized in one service center which operates under the supervision of Group X.

2.4 Framework of contracts

It is essential to understand that the contract between the outside principal and the inside principal sets the framing for our interviewees (the agent) work and working environment. The contract(s) effecting this study are classified and therefore we cannot use them as an explanatory item within the study. The author works within the company and has access to the contracts and therefore has knowledge about the terms. We use the framework of agency contract made by The Federation of National Associations of Ship Brokers and Agents (FONASBA) to get an understanding of what the contracts are about.

Standard liner agency agreement includes firstly the information of the participants entering the agreement. Secondly the contract includes General Conditions which determines for example the area where the agent is representing the principal. Third part contains the duties of the agent towards the principal. These duties are divided in five different categories (General, Marketing and Sales, Port Agency, Container and RORO traffic and Accounting and Finance).

These five categories include in total 47 different contract items. Fourth part of the contract contains the principals' duties which in total include five contract items. Sixth part of the contract is about the remuneration of the agent for their work for the principal. This part of the FONASBA contract differs significantly from the contract that controls the participants within this study. FONASBA's contract has multiple remuneration factors whereas the contract within this study only has one remuneration factor, which is percentage from main freight rate, excluding additional surcharges. So, it is possible that FONASBA's contract would provide the agent with better remuneration than the contract within this study.

2.5 Market situation

Interviews of this study were conducted in Spring 2020 and to be able to analyze the collected data, it is essential to draw realistic picture of the market situation during that time. Figure 1 below shows the development of container rates from the time of the first interview until the end of April in 2021. It demonstrates how difficult the financial market situation was during the time of the interviews. The rates were very low compared to the situation of May 2021. It is obvious that the difficult market situation affected the interviewees' companies and the principals.

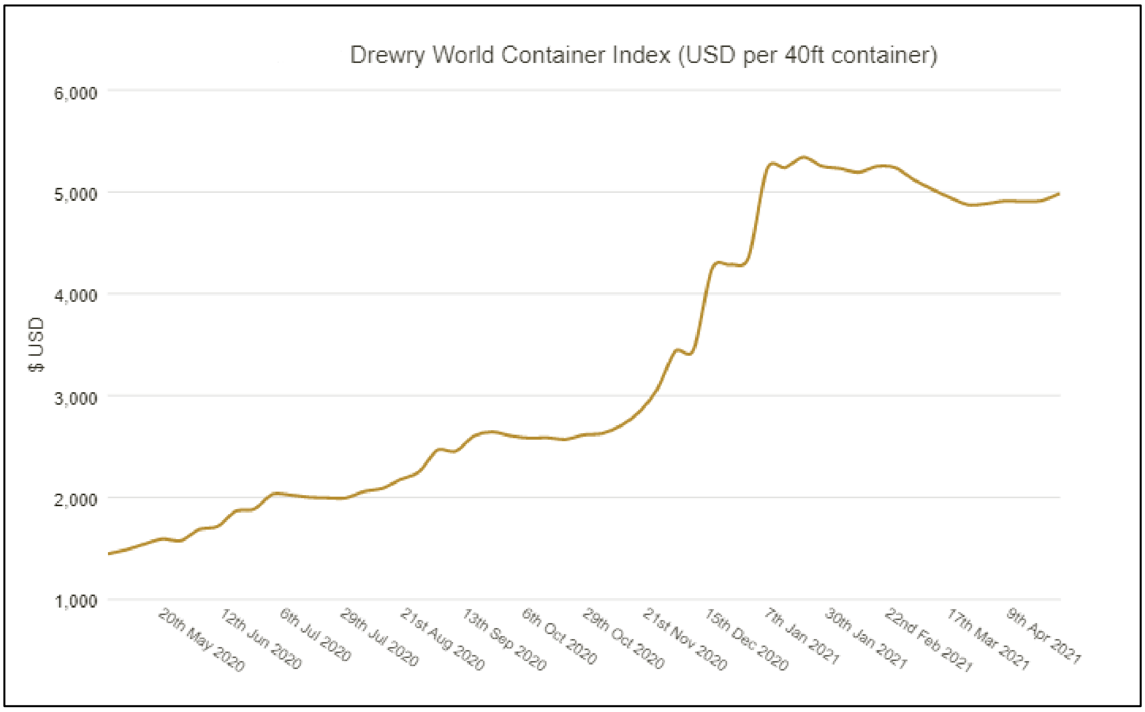

Figure 2 World Container Index development

3 THEORY

This section presents the agency theory and the stewardship theory and discuss some of the main differences between these theories.

It is commonly known that these theories are contraries towards each other, and many authors have suggested a hybrid model of these theories to answer some of the questions more efficiently, but yet there have not been widely accepted models presented (Grundei 2008 p. 141, Donaldson et al. 1990 pp. 376-379). This might be due to the theories' fundamental differences, which do not align easily. These differences are presented here below shortly to explain the divergence of the theories (chapter 3.2). Before that, we define the key concepts of our study in the following chapter.

3.1 Definition of Agent, Agency, and Principal

In this thesis, the terms *agent*, *agency,* and *principal* are defined according to Merriam-Webster.com Dictionary (2020). According to it, an **agent** is "the one who is authorized to act for or in the place of another", an **agency** refers to "the relationship between a principal and that person's agent" and **principal** is "a person who has controlling authority or is in a leading position".

More specifically, we are interested in **agency relationship** in this paper, and we use Ross' (1973 p. 1) definition of it. According to him an agency relationship arises "between two (or more) parties when one, designated as the agent, acts for, on behalf, or as representative for the other, designated principal, in a particular domain of decision problems". This means that all arrangements that are based on contractual relationship, for example relationship between employer and employee, include important elements of agency. Mitnick (1975 p. 8) adds a remark to agency definition, in agent-principal relationship, agent's actions on the behalf of the principal should generally "benefit" the principal.

3.2 Agency Theory vs. Stewardship Theory

Agency theory is based on economics and its performance criterion is to create shareholder value. Whereas stewardship theory is based on organizational psychology and sociology and its performance criterion is based on stakeholder value and mutual interest in the company.

Relationship between the principal and agent, in agency theory, includes goal conflict where the parties have different goals. In stewardship theory, the relationship includes goal alignment where both, the steward and the principal share the same goal. Agency theory's model of a man (see chapter 3.3.1.) is based on individual opportunism where stewardship theory's model of a man (see chapter 3.4.1.) is based on pro-organizational behavior (Grundei 2008 pp. 142-143).

Both theories study the motivation of agents/stewards where agents are assumed to have extrinsic motivational factors and stewards are assumed to have intrinsic motivational factors acting as primary fuel for the actions taken. In agency theory, the general approach to the managerial behavior is the assumption that agents are not reliable and that they avoid acting towards the principal's goals unless these are aligned with their own. In stewardship theory, the same assumptions are reversal meaning that the principal trusts the agent and accepts their actions as they assume that they have the same goal (Grundei 2008 pp. 142-143).

To clarify the differences between these two theories we use the comparison given by Kristen Joie Madison (2014). Madison has illustrated the differences in three different categories: what, how and why.

	Agency theory	*Stewardship Theory*
What	**Based on the principal-manager employment relationship:** describes the behavior of the parties and the resulting structural mechanisms of the organization	**Based on the principal-manager employment relationship:** describes the behavior of the parties and the resulting structural mechanisms of the organization
How	**Performance:** principal enacts governance mechanisms to curb an agent's opportunistic behavior	**Performance:** principal creates an environment conducive to facilitating a steward's pro-organizational behavior
Why	**Economic model of man:** individual/self-serving	**Humanistic model of man:** collective/other-serving

Table 3 Agency and Stewardship Theoretical Elements

3.3 Agency Theory

As its simplest form agency theory studies, relationship, possible problems and their solutions and contracting, between the principal and the agent. The agency theory is interested in the agency relationship, which is born when one party (the principal) hires another party (the agent) to work for them. The relationship includes that the principal delegates some degree of decision-making power to the agent (Ross 1973 p. 1, Jensen and Meckling 1976 p. 308). By hiring an agent, the principal purchases an access to the expertise of the agent, which can be beneficial for the principal (Zhao 2005 p. 257).

Agency relationship is not limited to a relationship between the owners and the managers, but it can be formed between others too, for example between the minor shareholders and the major shareholders or between other stakeholders, meaning creditors, employees, and customers, and shareholders (Mähönen & Villa 2006 p. 88). Agency relationship actually forms simply when one individual is dependent on the action of another (Pratt & Zeckhauser 1985 p. 2).

When two parties enter agency relationship, they are bound to face problems because rational actors have different interests and relationship to risk bearing. The problems that occur due to above are called agency problems of which the most obvious one is information asymmetry, which leads to adverse selection and moral hazard (Fama & Jensen 1983 p. 323). The agency problems are presented in detail in chapter 3.3.2.

According to the agency theory, it is plausible that the agent is the one who will not act in the best interest of the principal (and not the other way around) (Jensen & Meckling 1976 p. 308). This is possible because there is an information asymmetry between the principal and the agent, meaning that the agent (manager) knows better than the principal (owner) what is going on within the company. The principal also cannot verify for sure that the agent acts perfectly when running the business and therefore the principal cannot be sure that the agent is acting towards the principal's best interest (Eisenhardt 1989 pp. 58-61, Pratt & Zeckhauser 1985 pp. 2-3).

In agency theory, there are two contractual mechanisms described for uniting the interests of principals and owners and those are monitoring the agent's behavior directly and using incentives (Cuevas-Rodríguez et al. 2012 p. 532). These mechanisms will be presented in chapter 3.3.3.

Davis et al. (1997 p. 24) summarizes the agency theory in the following matter: "Agency theory provides a useful way of explaining relationships where the parties' interests are at odds and can be brought more into alignment through proper monitoring and a well-planned compensation system."

3.3.1 Agency problems

As discussed before an **agency problem** occurs when two parties (principal and agent) have different and opposite goals and interests. This can mean that the agent wants to maximize his profits as quick as possible and minimize his risks, while the principal is assumed to be risk tolerant and willing, for example, to invest money and wait for longer time for greater profits, opposite to the agents' short-term profit maximation (Ross 1973 p. 1).

As explained already before (chapter 3.3.), agency theory assumes that if the agent and principal of the agency relationship are utility maximizers and it is plausible that the agent is the one who will not act in the best interest of the principal (and not the other way around) (Jensen & Meckling 1976 p. 308).

Mitnick (1975 pp. 33-34) puts forward the view that in agency relationship it is principal's problem to motivate the agent to act in a way that the principal prefers by offering a financial incentive or to give the agent information which may lead to desired behavior or alternatively use negative sanctions towards the agent to get wanted actions. In the same study, Mitnick (1975 p. 34) indicates that the agent's problem is to choose how to satisfy his liking for self- and other goals.

In literature, the agency problems are categorized in eight different types of which the following are essential for this study: **information asymmetry**, **moral hazard**, **separation of ownership and control**, **risk preference** and **duration of involvement**. The three other types of agency problems are adverse selection, decision making, limited earnings and retention of earnings (Panda & Leepsa 2017 pp. 81-82). These three types are not essential to our study because they arise in different context of the agent-principal relationship than the one we are studying.

Numerous papers indicate that **the information asymmetry** is the first and most common agency problem to arise when entering the principal-agent relationship. When appointing an agent to work on behalf of the principal, the principal cannot know the agent fully, meaning that the agent might exaggerate his skill set and/or motivation to work for the principal (Oljemark 2015 p. 1, Panda & Leepsa 2017 pp. 80-82, Shapiro 2005 pp. 263-264). This incertitude creates the problem to the principal.

One of the problems that creates between the principal and the agent is **information asymmetry**. The information asymmetry means that the agent knows better than the principal what is going on within the company. The principal also cannot verify for sure that the agent acts perfectly when running the business and therefore the principal cannot be sure that the agent is acting towards the principal's best interest.

Regarding Panda and Leepsa (2017 p. 82) information asymmetry also shows when principals need to get information about the company and they have to depend on the information given by the agent, which might not be the same as it would be, if the principal were running the company. In other words, the agent is assumed to give subjective information for the principal, which might be colored to assist the agent to reach its self-goals rather than assist the principal to reach the optimal desired outcome.

The outcome of the information asymmetry at 'post contractual state' is **moral hazard**, which is a problem where the principal cannot observe the agent's behavior perfectly and detect undesirable traits of the agent's work and therefore the agent has an opportunity to pursue own interests on principal's time or just shirk. Agent might do his finest work for the principal, but only if their interests align and the agent benefits from it too (Moe 1995 p. 133).

Separation of ownership and control means that the owners have given a mandate for committing managerial decisions to the agent and therefore the owners are separated from the control of managerial decisions. This problem is created for example when a company, which is run by the owner (principal), who does all the decisions on his own, hires a chief executive officer (agent) to run the company. By hiring the agent, the principal grants the agent the control to run the company's day to day operations and separates himself from the power (Marks 1999 pp. 692-693).

The problem of **risk preference** arises from the differences between the principal and the agent. Principal is considered to be risk tolerant and therefore more willing to take risks to collect profits later, but the agent is considered to be risk averse and hesitant to take unnecessary risks from his point of view as he is getting compensated anyway, whether the risk was taken or not (Linder & Foss 2013).

This problem of risk preference can affect agent's decision-making, as the agent might only be interested in the survival of the company that pays his salary. Therefore, the agent might make decisions that have low risk to maintain status quo, but at the same time, the decision might be against the principal's goals (Panda & Leepsa 2017 p. 77).

Agency theory suggests that more risk equals more profits to a company and less risk means less profit. This view encourages the principal to push the agent to make more riskier decisions, which in outcome-based compensation plan aligns the interests between the agent and the principal. This said, if the agent does not see the link between the risk and reward (or has fixed salary), the agent is bound to start acting more risk averse (Cuevas-Rodríguez et al. 2012 p. 538).

Duration of involvement means that the principal does not know how long the agent is going to work for him as the agent does not have any stake in the company and therefore the only thing holding the agent in the relationship is the compensation that the principal is paying him (Panda & Leepsa 2017 p. 81).

3.3.2 Solutions for fixing agency problems

As explained before, in the principal-agent relationship the principal gives the decision-making authority and the principal needs to take actions to make sure that the agent will act in the best interest of the principal and figure out what actions to take so that the agent behaves desirable. These actions create costs to the principal (i.e., agency cost) that Jensen and Meckling (1976 pp. 308-310).

The principal can form **incentives** for the agent and create **monitoring measures** to keep up with the agent's actions and impose internal controls (Jensen & Meckling 1976 pp. 308-309). It is important to understand that agency theory considers information as commodity, meaning that it can be purchased and that is has a value. Therefore, companies can invest in information systems and use managerial supervision as a tool to control agent opportunism (Eisenhardt 1989 p. 64).

Monitoring happens when the principal takes the monitoring action. The action might be as simple as naming a board of directors between the principal and the agent. According to Jensen and Mecklin (1976 p. 308) the term monitoring means "more than just measuring or observing the behavior of the agent". Monitoring can also be done through budget restrictions, compensation policies, operating rules etc. to 'control' the behavior of the agent.

Naming a **board of directors** can be considered also as a tool or a remedy to the separation of ownership and control from the most important decisions, which means that the owner(s) appoints the board of directors to monitor and confirm or dismiss the decisions taken by the agent. The board of directors usually decides about the rewarding of the agent in cooperation with the residual claimant (principal) (Fama & Jensen 1983 p. 323). This control mechanism helps keeping the agent's actions aligned with the principal and it could also act as a sparring platform for the agent to consider different angles to questions at hand.

Managerial ownership according to Jensen and Meckling (1976) increases the owner-managers (Agent) engagement to the company and decreases the agency cost as the need for costly monitoring of the owner-managers actions decreases. The theory assumes that when the agent becomes partial owner of the firm, his mindset changes towards the same interest as the principal has and that, at least in general, is to increase the value of the firm (Jensen & Meckling 1976 pp. 312-313).

Financial incentives help to control the agent's choices to be in interest of the principal. Jensen (1994) argues that incentives are always present and that the challenge is to choose the incentives that needs to be motivated and the ones that needs to be suppressed. He also adds that because there are other incentives rather than money that motivates people, that is the exact reason, why one needs money incentives to motivate the actions over the other incentives (Jensen 1994 p. 3).

Agent's value in labor market is evaluated by his wins and losses. When the agent is operating as a manager in a firm, the current performance of the agent might not affect his position or compensation immediately, but the fortune or defeat effects his value in the future as this reveal information of his abilities as a manager (Fama 1980 pp. 291-292). In the context of our study this could mean that the person acting as an agent might perform more aligned with the principal to gain utility for himself in the future. It is also useful for the other principals to know about the agent prospect's history as it helps to overcome the problem of adverse selection where the principal must select the agent with limited information.

Concentrated ownership has similar effect on the principal-agent relationship and problems as does the adaption of board of directors. When a firm has only few owners which own majority of the firm, they have better ability to monitor the actions taken by the agent's and therefore have more control (Madhani 2016, p. 12). This remedy to agency problem is similar to the first introduced solution of managerial ownership, but the main difference is that concentrated ownership means more power to the principal rather than making the agent act similarly to the principal by making him one of the owners.

Agency theory also studies **contracts**, between principal and agent, which are used to solve agency problems (Eisenhardt 1989 pp. 58-59).

3.3.3 Agency theory's limitations

One of agency theory's limitations is the assumption that contracting can eliminate the agency problems. However, this is not true because there are several hindrances like information asymmetry, rationality, fraud and transaction cost which can affect the agreement (Panda & Leepsa 2017 p. 79).

It has also been argued that agency theory does not take into consideration the complexity of organizations, which can be dehumanizing and potentially hazardous (Perrow 1986 pp. 13-16). For example, Perrow (1986), criticize the agency theory because it considers only the agent to act opportunistically, not the principal. According to him this consideration "may stem from unrealistic assumptions about an unimpacted (i.e., highly fluid) market for labor: the assumption that there is no authority relationship within firms, but only a series of contracts, because if the principal cheats, the agent is free to go elsewhere" (Perrow 1986 p. 14). However, in the reality the agents do not leave, because there are no certainties that the agent would find similar job instantly.

If an unequal power of the parties to the contract would be admitted, then it could easily be proven that the principal would have more possibilities to exploit the agent, as the principal would hold the power to design the contract to serve his own self-interest rather than making it equal (Perrow 1986 p. 14). Wiseman et al. (2012) points to the above with a notion that when the ownership concentration increases, it is plausible that the principals are not eager to share the surplus profits with the agent because it would directly lower their own profits. It has also been argued that highly concentrated ownership can be linked to lower agent pay and more intense monitoring and incentive alignment (Wiseman et al. 2012 p. 212).

3.4 Stewardship Theory

This chapter will present stewardship theory, which got its origins from criticism towards the agency theory. In stewardship theory, the players are same as in the agency theory, the nominal difference in concepts of the involved participants is that in the stewardship theory the acting party are called as “stewards” as in agency theory they were called “agents”, in both theories the owner(s) is called the “principal”.

In 1986, Perrow criticized the agency theory researchers for only concentrating on the agent and not considering the fact that problems might occur from the principal’s side. He noticed that the option where the principal might exploit and deceive the agents, as was assumed other way round, was not considered in previous studies. He also noted that the agents might be unaware that they are put into a working environment that might be treacherous and where the principal might act as opportunist. He presented an alternative theory where people are assumed to be noble and that they are willingly working towards common goals and for the improvement of the company. This research laid the ground for the theory known as stewardship theory (Panda & Leepsa 2017).

Davis, Schoorman and Donaldson (1997) created an alternative view of the stewardship theory by studying the differences where they used psychological factors and motivation as center of interest. They describe the basic assumptions of a model of man given by the agency theory and propose their own perception of model of man in form of a steward by taking into consideration the psychological factors. Motivational differences between the theories can be seen through their considerations about the motivation. The agency theory is interested in extrinsic motivation in form of rewards (tangible items, such as money and stocks) and stewardship theory in intrinsic motivation in form of intrinsic rewards (intangible items, such as achievements and growth).

Stewardship theory assumes that successful improvement in the execution of the company by the steward will satisfy majority of the stakeholders, as they want to see the betterment of their investment. From the above, stewardship theory makes a conclusion that as the betterment of the stakeholders' investment makes them satisfied and as the steward is motivated by satisfying stakeholders with his pro-organizational behavior, the steward can by acting this way collectively satisfy the shareholders competing interests (Davis et al. 1997 pp. 24-25).

3.4.1 Model of the man in Stewardship Theory

Where agency theory suggests that humans are self-serving individuals who try to maximize their own utility, stewardship theory takes another view and presents people as stewards who are acting in the best interest of the group rather than putting their own needs in front of others. Stewardship theory also include the assumption that the steward (agent) is going to get the best utility available by maximizing the company's performance and therefore maximizing the owners (principal) profits (Davis et al. 1997 pp. 22-25).

Stewards are assumed to understand that there are trade-offs to be considered in his/her behavior, but the stewards feel strongly that the collective way of acting will fulfil the steward's personal needs better than individualistic way of acting. Therefore, the theory presumes that the steward is somehow limited in his/her selection of risk and reward combinations because they are guided by their perception where pro-organizational behavior has higher value than individualistic, self-serving behavior (Davis et al. 1997 p. 25).

The theory indicates that the steward is motivated if he/she is given enough liberty to pursue his/her goals as trusted person and that in contrary, if the steward is controlled and shown no trust, the control mechanisms act as demotivating for the steward (Davis et al. 1997 p. 25).

According to Davis, Schoorman and Donaldson (1997 pp. 29-30), identification towards the organization is an important part of stewardship theory as it is seen as proof that the steward (agent) has accepted the principal's norms of action. Traits of identification towards the organization can be spotted from the language the steward (agent) is using when talking about the business. If he or she takes credit on the wins and losses of the organization, it is more likely that he or she acts more like stewards rather than agents. As well, vice versa, if the person externalizes himself or herself from the failing of the organization, he or she can be considered not to identify with the organization and therefore act more like an agent.

A person who is identifying himself or herself with the organization are said also to be more motivated to make the organization succeed and that he or she is more qualified to perform in their jobs. Also, according to the authors, "people who have high identification with the organization are more likely to become stewards in principal-steward relationship than are people who have low identification with the organization" (Davis et al., 1997 pp. 29-30).

4 METHODOLOGY

This chapter will explain the chosen research approach (chapter 4.1) and how the data collection (chapter 4.2) and modifications are done. Finally, research evaluation is presented (chapter 4.3).

4.1 Research approach

This study is a **qualitative research** where the information is gathered in a natural and real environment and it is comprehensive. Goal for this study is to describe real-life phenomena which are complex and multilayered. We try to find facts from the corpus rather than proving existing claims or hypothesis (Hirsjärvi et al. 2014 p.164). We use theoretical framework to confine the phenomenon studied. Our theoretical framework composes of agency theory and stewardship theory.

In this study we use **inductive analysis,** and we research the corpus multilaterally and in detail. The inductive analysis moves progressively from individual observations to more general ones and its progress is led by the corpus. Material-driven research obliges the researcher, to stick only within the material, to be systematic and to preclude his own preconceptions and background layout from the theory (Saaranen-Kauppinen & Puusniekka 2006, Hirsjärvi & Hurme, 2000 p. 136).

In **material-driven research** the analysis units are not pre-set, but instead they rise from the corpus. Material-driven analysis might seem as random and intuitive. Therefore, it is important that the researcher reflects on his choices and evaluates the reliability of the research and offers the reader information on the background of the study and justifies the decisions made (Saaranen-Kauppinen & Puusniekka 2006).

We are using qualitative methods to gather the corpus, more specifically**, theme-centered interview**. This is justified as we aim to get information on the phenomenon studied (i.e. multiple principal-agent relationship), specifically from the interviewees point of view. Theme-centered interview is chosen as corpus gathering method because it is diverse and flexible. Also, it suits to the goals of the study as it can be used in individual interviews and it allows the interviewer and the interviewee to discuss openly. The interviewee can also ask follow-up questions, which can provide important information about the phenomenon studied, if needed (Schorn 2000 pp. 2-3).

As it is required in qualitative research, the **subject of the study** (i.e. the participants in the interview) is chosen appropriately, not as part of a random sample (Hirsjärvi et al. 2014 p. 164). We chose the participants based on their status in the organization and based on their expertise in their field of business. It was important that the participants had longer working experience as it gives the participants more seniority, which leads to more comprehensive understanding of the business. This also gives the answers more creditability.

We have chosen a **case study** as a strategy for our study. This is because the goal for the study is to describe a phenomenon and make new observations of it. Therefore, we delve on few specific cases (i.e. answer of the five interviewees) and we study them from different angles. Hence, we do not try to find generalizations or cause and effect ratios (Hirsjärvi et al. 2014 pp. 134-135).

Research using case study can be criticized for that its results are not generalizable (Saar-anen-Kauppinen & Puusniekka 2006). However, for this study, it is more important to get specific information on the quality of the principal-agent relationship, in the particular context of this study, rather than make generalizations from broad data. Also, it is typical that in case studies creating the same design again is practically impossible. We strengthen the importance of the results and their correctness by describing the corpus and its analysis thoroughly. In addition, we have acknowledged the researcher's role's significancy in creating a valid case study (see chapter 4.3)

Corpus gathered via interviews was analyzed in below manner:

1. Corpus is organized and its structure is visualized via transcription.
2. Corpus is cleaned (repetition and irrelevances are deleted).
3. Interactive reading of the corpus
4. Actual analysis of the corpus, where observations are classified and interpreted.

(Hirsjärvi & Hurme, 2000 p. 137, 144)

During the reading of the corpus, we asked the corpus the following questions:

- How do the interviewees describe their working environment?
- How do the interviewees describe their relationship with the principal(s)?
- How do the interviewees identify towards the outside and the inside principal?

Answers to these questions were then classified. Premise for the classification were the research questions. Based on the classifications, conclusions were made, and the research questions were answered.

4.2 Data collection

Data was collected by conducting a theme-centered interview with eighteen open-ended questions of different themes. Interviews were planned to address topics about support, control, tools, and communication and one major topic was to find out if the interviewees saw differences in the actions between the principals and the outside principals. Interviewees were not informed about the questions beforehand. This method of getting the answers reactively was chosen to avoid premeditated “diplomatic” answers about the topics.

Technically, the interviews were executed as a video call and they were recorded for transcribe purposes. The interviewer also took notes during the interviews. All the persons interviewed were explained before the actual interview that all the recordings are going to be destroyed after the thesis is done and that the persons interviewed will be anonymized so that the persons cannot be identified.

4.2.1 Participants

Five professionals were chosen from the cluster of companies operating under the Group X. The chosen persons have combined experience of 92 years in shipping industry and minimum experience of five years individually in position’s that include sales operations and managerial responsibility.

One of the participants (INT 5) works for singular company, two out of five participants have similar roles in two different companies (INT 2 ja INT 3), one has role in three different companies (INT 1) and one has roles in four different companies (INT 4). The same Group X owns all companies that the interviewees represent. All the interviewees work under one or more of the following titles: managing director, liner director, commercial director, commercial manager, or sales manager.

The vast experience within the field of shipping industry qualifies these participants as professionals of their fields and therefore the data received from them can be considered valid. Each participant works in different country within the European Economic Area (EEA), which gives the data more depth and creditability as none of the country’s individual biases were overly presented in the study. This could have been the case if all the participants would have been chosen from one specific country.

4.2.2 **Timeline of interviews**

The data for this thesis was gathered during spring 2020 via video interviews, and notes were taken in every interview to record thoughts, and reactions. Specific dates of the interviews in March were 25th, 26th, 27th and last interview was done on 1st of April 2020. Interview's durations varied between 25 and 41 minutes, averaging on 31 minutes per interview. After the interviews were conducted, they were transcribed word by word in written form during April and May of 2020.

4.2.3 **Interview questions**

Interview started with general questions about the participants and their role in their company/companies. This was done to verify interviewees' creditability as experts and to ease the possible tension of being interviewed. The first three questions were:

(1) Could you briefly present yourself?

(2) How long have you been working in your current position and what led you to this position?

(3) Describe what your current responsibilities are at your work?

Then, the interview continued with the theme questions. First theme was the tools that the interviewees have or lack in their work. The question was formulated as presented here below.

(4) Do you have all the tools you need to succeed in your work?

- *If YES, please describe.*
- *If NO, please describe.*

After the question four, the interviewer explained the terms *principal* and *direct management* to the interviewee. In general, the concepts mean the same, but in this study and in their line of work they have a different definition. In the context of the interviewees' working reality *principal* refers to the shipping company they are agents for (later outside principal) and *direct management* refers either to the board of directors to which the interviewee is accountable or to managing director for which they are accountable (later inside principal). The following questions after giving the definitions to the interviewee included these two different terms and the interviewees were asked to reflect their answers considering them and the differences and similarities between the outside and the inside principal.

The fifth question of the interview was formulated to get information about interviewees' perception of their principal's way of communicating with them and if the principal produces unified message or mixed message for the interviewee. Additionally, the intention of the fifth question was to give the interviewee a chance to start thinking about the differences or similarities in the communication between the principals and possibly in later questions bring something extra to their answers about the topic. The question five was:

(5) Is there a clear difference in the guidance you get from your principal versus your direct management, or do they align?

The last twelve questions of the interview (excepting numbers 10 and 11) were asked in a manner that the subject was either *principal* or *direct management*.

All the interviewees are actively part of their company's sales operations either by being sales managers of the company or by managing the salespersons working for the company. Due to that, next four questions were themed as sales related. Also, sales related questions were chosen to guide the interviewees to give more pervasive answers than when answering questions about, for example, administrative targets. The questions six and seven were:

(6) How does your direct management support your sales efforts? Please give three or more examples.
(7) How does your principal (the shipping company) support your sales efforts? Please give three or more examples.

With questions six and seven, the interviewees were given an opportunity to elaborate their thoughts on how they are supported or if they lack support from their principals. The interviewees were encouraged to think about the topic and give three examples of how they are getting support. Giving three examples was not mandatory.

Questions eight and nine considered the relationship between the interviewees and their principals. They opened a possibility for the interviewees to give information about control mechanisms set by the principals. The interviewees were asked about their opinion on sales targets and to explain their opinions. The questions 8 and 9 were:

(8) In your own opinion, are the sales targets given by the PRINCIPAL realistic? Please explain why?
(9) In your own opinion, are the sales targets given by your DIRECT MANAGEMENT realistic? Please explain why?

With the question ten, the interviewees were asked if the assumption that they are managed from two different sources is correct. In the follow-up question eleven, the interviewees were asked to elaborate their feelings about the management situation. Goal was to get an insight on how they feel about their situation where they must balance between possible intersecting management and their own work.

Rest of the interview was divided on two paths where the questions (12-14) were about the principal (meaning the shipping line, outside principal) and the questions (15-17) were about the direct management (inside principal). These questions treated the information exchange, its content and the quality of it. All questions gave the interviewee the freedom to understand the questions independently and they were only guided if asked.

In the questions twelve and fifteen, interviewees were given an open platform to elaborate on the exchange of information. The detailed meaning of the exchange of information was not explained in any matter and the answers were expected to come with wide variation.
(12) How would you describe the exchange of information between you and your PRINCIPAL?
(15) How would you describe the exchange of information between you and your DIRECT MANAGEMENT?

In the questions thirteen and fifteen the interviewees were asked to outline specifically what kind of information was exchanged between them and the principal or the direct management. The author of the thesis expected that the answers would give more details on what kind of information was exchanged and what was is missing which is important when defining the principal-agent relationship and principal-agent problems.

(13) Describe the information exchanged with the PRINCIPAL.
(16) Describe the information exchanged with the DIRECT MANAGEMENT.

Lastly in the questions fourteen and seventeen, the interviewees were asked to describe the quality of the information exchanged with the principal or with the direct management. The interviewees were given a possibility to elaborate on the richness of the information for purpose to find out whether the communication was experienced meaningful and helpful rather than mechanism of control.

- *(14) Please describe the quality of the information which is exchanged between the PRINCIPAL and YOU? Spot on? Deprived?*

(17) Please describe the quality of the information which is exchanged between the DIRECT MANAGEMENT and YOU? Spot on? Deprived?

At the very end of the interview the participants were given an opportunity to ask anything from the interviewer and if they wanted to add something on their answers.

4.3 Research evaluation

It is important for the reader of this thesis to acknowledge that the author of this thesis works within the industry and that the interviewees had a pre-existing relationship with the author. Therefore, the answers received from the interviews could be considered to be more open than they might have been if the interviewer would have been previously unknown to the interviewees.

The author of this thesis has given a great consideration on the fact that he has pre-set assumptions of the outcome of the thesis and that he has acknowledged the facts that there is a risk of trying to proof these pre-set assumptions to be accurate. The author has done everything in his power to study the topic objectively and in the appropriate manner, which follows the universal rules of ethical research.

It is to be known that the author of this thesis has not received any monetary support from any company or organization and that the research has been conducted solely because of the interest towards the topic.

5 RESULTS

In this thesis, we were not interested in interviewees' relationship towards one specific principal, but the general situation where they are working with multiple principals and how they conceive it. This way we can have an overall picture of the environment as it is perceived and not just different individual pictures from different relationships as our goal is to understand the overall working environment and overall difficulties in decision making in a complex domain.

5.1 Agents' position in matrix organization

In this first chapter of the analysis of the data, we present the working environment of the interviewees', which gives us an understanding of the position they are in. We start with positioning the interviewees within a simple company structure (see Figure 2).

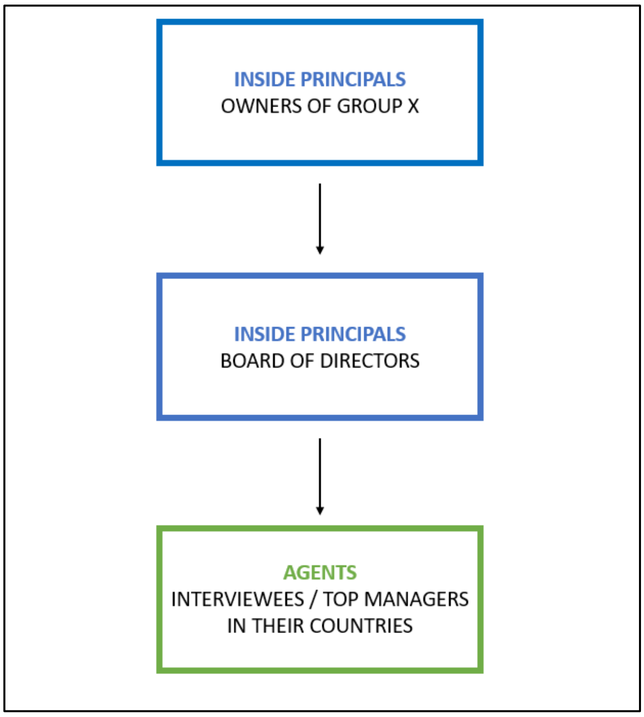

Figure 3 Simple company structure of Group X

On the top, there are the owners of the company, who are acting as principals towards the interviewees. In the middle, there is the board of directors (BOD), who also act as principal towards the interviewees. On the bottom, there are interviewees who have provided the data analyzed in this paper. They act as agents towards the BOD and the owners. Unfortunately, the author cannot make clear difference between the owners and BOD from the answers in every case. Therefore, the author considers the answers related to the inside principals to contain elements from both and assumes that the owners and BOD talks with the same voice.

The company structure provides the first indication towards controlling the agent as the owners of the company have assembled a board of directors from individual directors. As mentioned in chapter 3.3.2. by hiring a board of directors, the owners have implemented one tool that according to agency theory is solving the agency problem of separation of ownership from control (Fama and Jensen 1983, p. 323).

The company mentioned above is the employer and the payer of the interviewees' salary. This is an important notice, as later in the analysis we are bound to consider how it effects the relationships and the principal preferred.

Interaction with the owners is minimal as the BOD handles the communication with owners' voice towards the interviewees. The structure of the BOD is as follows: Managing director of the Group X acts as head of the board and Chief Executive Officer (CEO). Additionally, there are three members in the BOD and each of them have different responsibilities. One acts as Chief Operations Officer (COO), one acts as Chief Financial Officer (CFO) and one acts as Chief Commercial Officer (CCO).

According to one of the interviewees, the BOD has divided the responsibilities of acting as a lead for each agency by selecting one of the members of the board to act as a leader for an individual agency or company. This means that the interviewees are simultaneously responsible for their actions directly to one of the members of the board, for their actions within that one specific company and to the board as whole, for their collective action on the cluster of agencies or companies they are managing.

From the above we can notice that the interviewees have multiple roles within the Group X they are working in and when we later introduce the other outside principals to the equation, a picture of complex matrix of relationships starts to form. Before that, we present how the interviewees describe their roles in the Table 4. From the Table, can be seen, that interviewees have many different responsibilities in their companies, and that they must be aware of what is happening all the time to be able to manage the business as whole.

Interviewee	Interviewee's description of his role within the organizations
Interviewee 1 (INT 1)	Manager of three different companies, small group, hands on type of work, everything including sales responsibility.
Interviewee 2 (INT 2)	Manager of one company (in two countries), small group, has double position and title, head of sales and operations, responsible for profit and business procurement.
Interviewee 3 (INT 3)	Manager of two different companies, small group, involved in everything (staffing, sales, communications), focal point.
Interviewee 4 (INT 4)	Manager of four different companies, small group, has double position and title, partial sales responsibility, focal point.
Interviewee 5 (INT 5)	Manager of one company, small group, has double position and title, commercial and sales responsibility.

Table 4 Interviewees' role within the organizations

The position of the interviewees is illustrated more in detail in Figure 3 where the accounting and sales are presented as separated functions. In the Figure 3, the abbreviation OPS refers to operational staff.

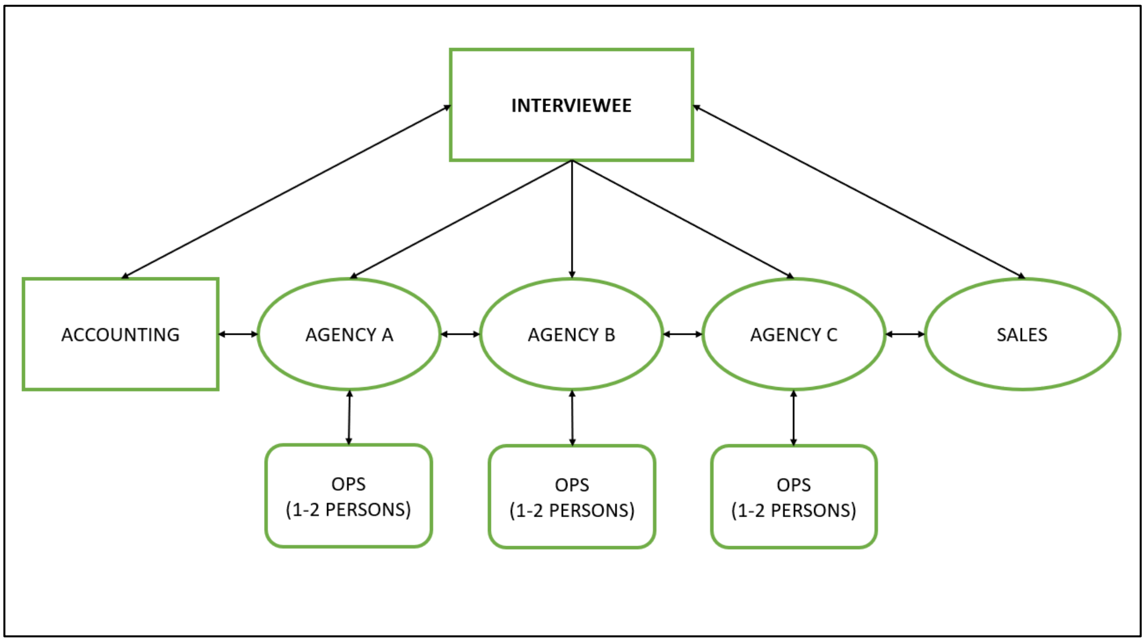

Figure 4 Management layout for interviewee example

The Group X controls the accounting of the business and the accounting manager in each country is directly accountable for the CFO. The relationship between the interviewee and the accounting manager is just informative, meaning that the interviewee does not have any authority towards the accounting manager. This is one way of controlling the agent's doings as it aligns with the agency theory which states that it helps to discipline the managers from making inefficient decisions that might be harmful for the company's profitability (Novaes 2003 pp. 49-50).

According to the background materials of the study, the companies might be in debt towards the Group X's mother company and by controlling the accounting part of the business and by issuing loans for companies within the Group X, the mother company has a lot of guiding power towards the agent. The mother company (which is ultimately controlled by the owners of the Group X) can at any point order the loans to be paid or something similar that might disable the agent to extent where there are limited number of options for the agent to take (Novaes 2003 pp. 49-50).

When it comes to sales functions, some of the countries that the interviewees represent, have their own sales managers who perform majority of the sales operations on behalf of the interviewees, but not excluding the function from them. Each company has their own operational staff that handle day-to-day business. In this thesis, we are not interested in individual management responsibility of the interviewees, but we are interested in the experience the interviewees have on leading a team(s) and how they perceive the challenges in communication.

Now that the interviewees have been placed within their own companies and the Group X in the Figure 3, it is time to look how they are placed within wider view of the business, where the outside principals are added to the matrix. The Figure 4 presents one way of illustrating the situation and shows how the interviewees place in the middle of the equation.

The interviewees are the main focal point between the agency and the shipping line, as some of them mentioned in the interviews themselves (illustrated with the blue transparent arrows in the Figure 4). These arrows also indicate the communication structure that is studied in this thesis. The communication structure means the communication and guidance between the interviewees and the shipping lines general management level. In between there are levels that are not taken into consideration in this study. To name a few of the levels: the operational staff discusses issues with the shipping lines operational staff and salespersons discuss issues with pricing and marketing staff.

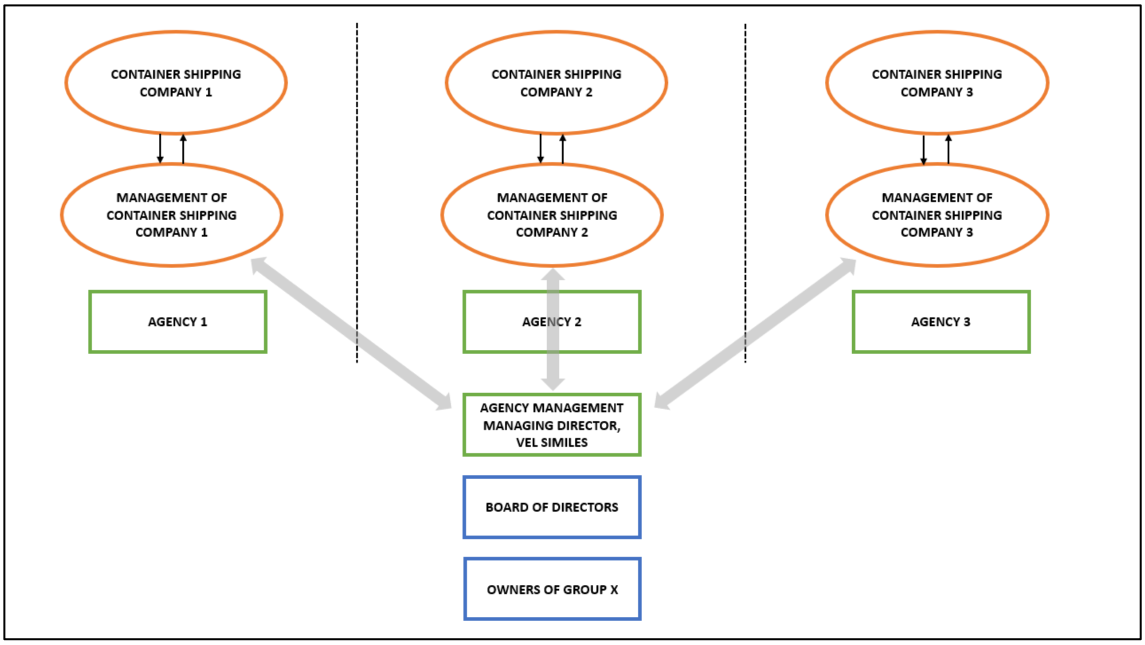

Figure 5 Agency working environment

The same organizational environment can be found from INT 1 answer (see quote here below). INT 1 is working in three different companies and all of the companies act as agents for individual shipping lines.

> "I'm leading a department of several agencies: agency 1, agency 2 and agency 3" (INT 1)

This means that INT 1 has three outside principals and one inside principal, which is the owners, represented by the BOD. In total, INT 1 is responsible for four different principals, from which each one of them probably has their own agenda. Rest of the interviewees are responsible for, from two to five principals, meaning that all of them are working under multiple principals and we can extend the assumption that each one of these principals have their own agenda to regard all these relationships. By having their own agenda, we mean that all companies are trying to make profit from their business, which puts the interviewees in a situation, where they ultimately must decide how to distribute their working efforts. Understanding this situation is an important point of this thesis and we will shed light to this situation in later chapters in order to understand the position where the interviewees operate in.

5.2 Working environment according to the interviewees

In the first chapter of the results, we have given a picture of the basic working environment of the interviewees and now we can move forward to get more in-depth vision of the working environment by answering to the research question 1 which is:

- How do the interviewees perceive their working environment?

To do this, we use the grid here below (Table 5). We have analyzed all the answers from the corpus and recognized answers that were related to the five different themes presented in the grid. Based on these answers we have formed answer to research question 1.

	RESEARCH QUESTION 1				
Themes investi-gated from the data	**Descriptions of the working environment**	**Tools**	**Targets**	**Information**	**Outside and inside princi-pal**
INT 1					
INT 2					
INT 3					
INT 4					
INT 5					

Table 5 Analysis Grid for Research Question 1

In the first part of the chapter 5.2.1, we investigate relationship between the agent and its outside principal and in the second part, between the agent and the inside principal. In the last part of the chapter 5.2.1, we concentrate on the agent’s perception on being managed by multiple principals. In the chapter 5.2.2, we study the interviewees’ answers that are related to the agency contract.

5.2.1 Dyadic and complex nature of the working environment

Agent’s working environment is dyadic and complex because the needs and wants of the inside and the outside principals differs. This can be clearly seen from the information received from the interviews. One of the major differences in the wants and needs of the principals according to the interviewees is their vision of how much business they can do. Inside principals demand the agents to pursue as much business as possible while outside principals show little interest towards the agency’s areas.

> ”[…] for example that the line is not seeing that they can provide us with as much volume as, as our management team would like, for example: We might have an agency budget of 1000 teu and the line thinks that it’s possible with the current rates to make 100.” (INT 3)

> ”Well the volume for example, the principals basically they at the moment they want to restrict the volumes to and from [country][2], [...] we could sell more, but they don’t want paper and low paying cargo as much as we could produce on board. […] then our board of directors, they of course request more and more volumes and more and more income. That is clear difference between those two visions.” (INT 1)

Relationship with outside principal

From the data, we can find six different description types for the agent’s and outside principal’s relationship. According to the interviewees the outside principal does not show interest in agent’s business, is not sharing information while demanding it, has limited resources, which lead to favoring their own offices and has problems in internal communication.

According to the interviewees, the outside principal(s) are not interested in supporting the agents in their business while at the same time they are demanding them to find business that pays premium rates and fits the needs of the principal perfectly.

> “They want us to be active, but they don’t want the cargo, to be honest.” (INT 1)

At the same time, the outside principals are not sharing information of their resources with the agents and they do not give proper guidance for the agent to find suitable cargo for them.

> “We don’t get any support, because they won’t give us priority.” (INT 4)

Outside principals also demands the agent to provide them with very rich information of their markets and competition, without giving any back.

> “It is in some cases one-way information flow, so principal is asking for many data, many information in detail and for micro management, but on the other side I can’t get back sometimes crucial information for example how or what is the vessels’ space situation overall, does it make sense to target specific business’s or specific commodities, whatever, and also missing information about which destination we should target.” (INT 2)

> “The information flow is not really perfect in my direction, from principal to my direction.” (INT 2)

One-way information is a negative issue for the agent as they are providing the principal with information they gather from their markets and they also fulfil all the principals’ requests for additional information. Yet for return, the agents do not receive as sufficient amount of information as they would need.

[2] To secure interviewees anonymity the country specific name has been replaced by [country].

> "[…] we provide that information to them; they don't basically report anything to us." (INT 1)

> "[…] sometimes you are lacking information from the principal, we try to give them the market knowledge we have and sometimes I think the principals are not that eager to let us know what information they have as the one we have, because that is also part of the deal but sometimes you feel like that it would [be] good if they could share little bit more." (INT 3)

Overall, the interviewees see a lot of negative issues with outside principals, who seem to have no interest in their own business, which on the first look seems unreal. There can found some positive remarks about the outside principal from the data, but they are all related to good personal relationships between certain persons and cannot be generalized.

One explaining reason for outside principal's lack of interest in agent's business could be limited resources.

> "With limited capacity [outside principal] is not giving priority to out port countries like Finland, Denmark, Norway or Hinterland areas like Czech, Slovakia, Austria, Hungary." (INT 4)

Outside principal's limited resources can be seen as one explanation on the interviewee's notion that outside principals are lacking interest in the agent's business, but it is not comprehensive enough to explain the negative image that the interviewees described before. Limited resources also cause problems that might occur suddenly and when the business is prioritized as mentioned above, it can lead to situations which can be damaging for the agent. With limited resources the outside principal prioritizes their own offices before agent's which can lead to a situation as INT 2 explains here below. INT 2 begins to explain the situation as talking with principal's voice:

> "Okay you little agent, you cut your bookings on the vessel because we need space, there is a draft restriction now from Hamburg on / for that vessel" (INT 2)

And then continue with own voice:

> "But we took that booking three, four weeks ago, for some 30, 40 teu and we simply cannot escape, we just have to push the customer and to cancel his cargo, what we confirmed weeks ago, so this makes it very difficult and usually it is very hard to get support from the principal to bring such situation to a good end. Yeah, and weeks after, the same principal is pushing to bring more cargo exactly from this customer what we cut some weeks ago. This is the difficulty in these times also." (INT 2)

These kinds of situations are demotivating for the agent. Already as a single incident they damage customer relationship and if repeated they are devastating for the agent's business. Those situations can make the customer lose trust in the outside principal and its service. Also, those situations can cause trust issues between the outside principal and the agent. From agent's perspective those kinds of situations can be seen as arbitrary and those can paralyze the agent from trying.

It is also clear that there are some issues, according to the interviewees, within the principal's own organization. Some business units are separated and do not discuss matters internally. This shows as mismatch information at the agent's end.

> "The problem there is that for example [outside principal's] side, export decisions are done in Europe and import, I mean west bound decisions and rates are agreed in Asia, and those two countries and cities they don't discuss, and the demands there don't match, so if there is a discrepancy it's clearly seen on our desk that they don't support in bound, but they need more export, it's just impossible." (INT 1)

Above description has straight negative effect on the relationship between the agent and the principal where the agent cannot trust the principals' doings as they do not speak with one voice.

Relationship with inside principal

According to the interviewees, the inside principal is performance oriented. Inside principal monitors agent's performance closely and perform rapid interventions if they see negative issues in the business.

> "Mainly performance, performance is number one, that goes on to volume and on gross profits." (INT 4)

Inside principal's way of managing, according to one of the interviewees, is intense and even painful at times, which could even be described as micromanagement.

> "If you want to make it more politically correct word, you could say close-follow-up and motivating, it's actually the opposite but […] (Laughing)" (INT 4)

Being monitored excessively can create an atmosphere where the agent can feel that he/she is not trusted and his/her ability to handle the work is questioned.

> "Direct management is always accessible. They are hands on. Of course that's also painful sometimes, but when I need something of them at least then they are not too far away." (INT 4)

Same interviewee also sees the benefits in having management following your work closely. INT 4 describes that the inside principal is easily accessible and can therefore give fast input in things where the agent might need some help. Other interviewees recognize this same element in the inside principals.

> "I think that I can call to CMT or I can send e-mail and I obtain feedback very fast." (INT 5)

According to the interviewees, the inside principal sometimes fails to communicate in polite matter when confronting negative issues. This can cause personal issues between the agent and the principal as it can be seen as lack of mutual respect.

> "If figures or facts or whatever is not that positive or is not something that they have expected or something is going wrong, then it can be very nasty." (INT 1)

Inside principal is focused on measurable values more than on people and their doings. That might be due to demanding economic situation at the time of the interviews which might have forced the management to lead the company by numbers as it was struggling to cut losses (see chapter 2.5). This can be demotivating for the agent as they might feel neglected.

> "They are not interested in people; they are interested in figures." (INT 1)

Inside principals are supervising the business from close range and the inside principals are well informed about the business by the agents. Even as the inside principal keeps the agents in tight leash, the agents see positive elements in the inside principal. The interviewees explain how they have good and open relationship with the inside principals and that they trust in the information they receive from them.

> "It's good information flow with proper information, in time information." (INT 2)

INT 4 describes the quality of the information exchanged with the inside principal the following way:

> "I think that's very good and constantly up to date and that's partly, mainly because of the accessibility I talked about, we have regular communication, on more or less on daily basis." (INT 4)

The inside principals listen to the agent and the agents have a say when setting targets and adjusting budgets. Below INT 4 comments on whether the targets set by the inside principal are realistic:

> "Yes, I would say they are. The sales targets are often based on that, actually the board of directors have good insight on what our capacity and our toolbox is." (INT 4)

All interviewees do not see the target setting to be realistic. For example, according to INT 2, there are some issues with the target setting by the inside principals. Some targets are reachable, but others are so far out of range.

"It is almost impossible to reach that level, especially the profit per teu." (INT 2)

Relationship with multiple principals

All interviewees agreed that they are managed from multiple sources. This confirms previously presented findings about the agent's dyadic and complex working environment. Next we will analyze the interviewees' feelings of being managed from multiple sources. The working environment of the interviewees, where they are managed from multiple sources, can be considered to be natural, as INT 3 convinces in his/her answer:

"I think it's natural in the environment we are working, I think it has to be this way." (INT 3)

The working environment can be seen as motivating platform for the agent, as for some, this kind of way of working can be interesting as one must be able to find solutions that are pleasing for all the stakeholders.

"I think this gives you a drive as well." (INT 3)

For INT 3, feelings towards this specific style of working were optimistic and he/she seemed to be enthusiastic about the fact that the working environment was so challenging. This said, INT 3 also recognized that this style of working might not be that common:

"But of course, it's a different way of working compared to some." (INT 3)

Rest of the interviewees felt differently about being managed from multiple sources and they recognized many problems. All of them felt that this style of working was difficult and stressful, and that it caused them to feel uncomfortable at times.

"It's very difficult, because you can't smile to both directions." (INT 1)

"It's difficult situation and it's not comfortable situation." (INT 5)

One of the interviewees described that he/she was put into this situation without him/her even recognizing it and without any preparation in advance, leaving him/her in a situation where the working style was forced to be learnt alone.

"I learned everything based on my mistake. I had to learn fast." (INT 5)

INT 5 concludes the learning experience, by agreeing that the learning curve had to be steep, but in the end the result was positive. Even though the working environment is demanding and requires lots of learning the work can be done.

> "Because of my experience now, I am able to obtain what I want from principals and from directors." (INT 5)

We recognized two obvious challenges from the data, and we present the findings below. First challenge according to the interviewees was, how to please both, the inside and the outside principal.

> "You are kind of playing two horses here." (INT 4)

INT 4 continued explaining that both of the parties are demanding the agent to fulfill their individual agendas. In earlier comment INT 1 said that doing that is difficult as you cannot smile to both directions at once, which is understandable when there are separate agendas that do not align. INT 4 commented the difficulty of pleasing both parties:

> "You have to act kind of politically incorrect, but not in a way which will offend the principal." (INT 4)

INT 5 told in the interview that he/she feels like a politician, which is similar to the INT 4 comment where the agent needs to act in a manner that is not pleasing the outside principal fully, but simultaneously the action is still at acceptable level for the outside principal. Above situation can be difficult to handle and it can be complex and dyadic.

The other recognized challenge from the data is similar to the first one but differs enough to be handled separately. The challenge of delivering a unified message.

> "Actually, it's pretty difficult because at the same time I have the local staff to keep happy and trying to be there as the filter and bringing sort of unified message to my staff from two totally different sources." (INT 1)

When the outside principal is demanding one thing and the inside principal is demanding another, it can be hard for the agent to bring a message to the staff, that takes both demands in consideration and gives the staff tools to find ways to fulfil them. This challenge can be extended to also consider messages towards customers, sub-contractors, partners, officials, and competitors. Consequences of failing to bring unified message to all these parties can be far-reaching. Staff can feel like they are deceiving other at the expense of another, customers might not trust the agent if they see that there are issues between the parties, and competitors might take an advantage of the situation by spreading rumors that there are trust issues between the parties.

INT 1 concludes the interview by stating the following:

> "I would say that both the principal and the board, they are both missing the importance of the local staff and how to keep them happy." (INT 1)

Conclusions on the relationships

There are major differences between the inside and the outside principal. Inside principal acts in very strict manner towards the agent and demands actions that are advancing the inside principals' agenda. Simultaneously the outside principals do not show undivided interest on the agents' doings towards the outside principals' agenda and at the same time they are letting the agents know, that they are favoring their own offices on expense of the agencies. We can conclude that the conflicting agendas effect the relationships negatively and the conflict makes delivering unified message towards agency's staff and customers difficult for the interviewees.

5.2.2 Current contract's feasibility to uphold healthy business for agency

One element that has substantial effect on the working environment is the contract between the outside and the inside principal. The contract determinates how the inside principal gets paid and how the responsibilities of the business are divided. The framework of contracts was presented earlier in the study in chapter 2.4[3].

In this study, the agents (interviewees) can be seen as middlemen, who are working to find an optimal solution for both parties. This assumption that the middleman would try to find an optimal solution for both parties, can be argued to be invalid as the inside principal pays the agent's salary, meaning, that the inside principal has more power to influence the agent than the outside principal has.

Next, we investigate if the interviewee's see the current contract to be feasible for the agency to uphold healthy business and how they see their possibilities to succeed.
INT 4 talks in length about the agency contracts and mentions that current agency contracts are very strict and leave little leeway for the agents to make money. INT 4 gives an example:

[3] Actual contracts are confidential, but author of this thesis works within the company and has knowledge of the framework of the contracts, which is sufficient for the purposes of this part.

> "[…] in today's tuff agency contracts, which are the same around the world, […], at least (the shipping line) has said that they have the same set-ups for all agencies, […] they are keeping the import documentation to themselves, […], and of course in that landscape, volume is the only, […], topic that's basic for making it even possible for an agent to make money these days." (INT 4)

What INT 4 means by "keeping the import[4] documentation to themselves" means that the shipping line keeps the rate for the freight visible in the documents, which means that there is full visibility in the structure of the invoicing for the end customer, making it impossible to add any profit margin for the agency. Therefore, the agency only makes money on local charges and via commission that the shipping line pays them according to the contract. INT 4 tells that the current market situation is demanding and that the freight rates are low, which could be a reason for why the shipping line is keeping the import documentation to themselves:

> "Everybody has been under a lot of pressure and keeping costs down, and keeping costs down for principal, is to limit the earnings for the agent in the contract." (INT 4)

INT 4 also mentioned above that the volume of containers in their business is the only way for the agency to make any money. INT 4 also informed that the current volume is not sufficient to keep the agency afloat, if they would follow the contract fully:

> "From the board of directors, I am under pressure to perform with earnings and of course by making earnings according to the BOD, instructions, I am actually not, it's not actually possible for me to follow the agency contract terms, you know what I mean? Especially now, with limited volumes." (INT 4)

INT 4 mentions that for them to reach healthy numbers, the volume would need to be roughly 20 times more than it was while the interviews were conducted. This kind of difference in numbers cannot be fixed without fundamental changes in the business or in the contract.

The situation described here above shows clearly that the agent is under a lot of pressure because meeting the goals from both side and answering to different expectations is practically impossible. Adding pressure to the mix is INT 4's next comment:

> "You have to provide whatever the principal is asking from you, but of course your own agenda is to pull out as much earnings as possible from your business in order to survive." (INT 4)

Following this:

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[4] Import in this case means cargo volume coming into the agent's territory. Export (meaning cargo departing from agent's territory) documentation is in the hands of the agent, leaving them more room to get creative in invoicing.

"If you only would focus on the principal, then you wouldn't really make any money." (INT 4)

The interviewees' answers draws a following picture of their situation:

- One cannot comply with the contract if one follows inside principals' instructions on how to make earnings.
- One must do what the outside principal is asking to do.
- If one follows outside principals demands and does only what the outside principal asks, one will not make any money.

As a conclusion of interviewees' descriptions of the current contract situation, it is more than comprehensible to say that the interviewees are put into a really difficult position, where their success is unlikely at least if the success is measured by earlier notion of finding an optimal solution for both parties. Agents are working in an environment where the contracts are guiding their work and the contracts do not support the possibility of success is contradictory.

To sum up the findings of this chapter 5.2.2, the current contract that has been formed in between the outside and the inside principal is not feasible for the agency. This means that according to the interviewees, it is impossible to succeed with current contract, which leads to a situation where the agents are forced to act against the contract terms, if they try to fulfil the targets given to them by the inside principal. It must be noted that as the interviewees have earlier described and as we have earlier shown in chapter 2.5, prevalent market situation at the time of the interviews was difficult and it might have been the biggest influence for this outcome where the contract between the parties did not create financial conditions for both of them to succeed.

5.3 Agents' identification towards the principals' organizations

In this chapter we answer research question 2, which is:

- How do the interviewees identify towards the principals' organizations?

As the previous data has shown the interviewees are put in an environment where there are dyadic forces pulling them in different directions. Meaning that in any case, whether they want it or not, they are going to act in a manner that ultimately will offend one of the principals. It also has been shown that the contract between the inside and the outside principal is built in a way that is more beneficial towards the outside principal in expense of the inside principal. Next, we are going to analyze whether the interviewees identify themselves towards the inside or the outside principal, or, if the interviewees see both principals to be distant and that the interviewees would identify themselves towards the companies they are in charge at. This will be done by analyzing the language (pronouns) the interviewees use, by using a guideline from stewardship theory, explained in chapter 3.4.1.

We have analyzed the data by highlighting the pronouns: *we/our*, and *they/their* from the interviews. Then we chose parts where the interviewees were talking about an individual principal, comparison between the inside and the outside principal, and the company they represent themselves. By doing so, we aimed to find how the interviewees talk about the different principals and whether they took credit of the wins and losses (positive and negative) of the principals' organizations or if they turned the ownership towards the company, they represent themselves. Then we analyzed the findings and made conclusions on to whom the agents identify themselves with. To do the above, we used the grid presented here below.

	RESEARCH QUESTION 2	
Themes investigated from the data	**Pronoun "WE, OUR" and their subjects of reference**	**Pronoun "THEY, THEIR" and their subjects of reference**
INT 1		
INT 2		
INT 3		
INT 4		
INT 5		

Table 6 Analysis Grid for Research Question 2

First impression from the data was that the interviewees firstly identify themselves within the company they represent when they introduced themselves in the interviews:

"*We* have a little group, five persons in total" (INT 1)

"*We* are only three people in our office" (INT 2)

"*We* are a small shipping agency" (INT 3)

"*We* are a small organization." (INT 4)

The interviewees also show traits of identifying towards the inside principal when they describe situations where they are interacting with the outside principal. Below is a comment from INT 5, where he/she is explaining how the inside principal helps in negotiations with the outside principal:

"He supports me, for example, during *our* meeting in EHQ[5]. Especially with senior management, he has better relationship with [name of a director of the outside principal], with other guys, he knows *them* a lot, so, I always can count on him, because many times *we* have difficult situation and when I couldn't explain something he always help me." (INT 5)

When INT 5 talks about target setting with the inside principal, there are clear traits of co-operation which leads to identification towards the inside principal's organization.

"Because *they* talk to me and *we* can find *our* targets in the middle" (INT 5)

Other interviewees show identification towards the inside principals' organization when addressing the board of directors as ours:

"*Our* board of directors" (INT 1)

"*Our* board of directors or to *our* MDs" (INT 2)

"*Our* management team" (INT 3)

"*My* board of directors" (INT 4)

One of the interviewees felt that the layoffs they were experiencing at the time were not because of their organization and therefore resisted identifying the inside principals' actions as their own, meaning, that at least on one dimension, the identification towards the inside principals' organization was not perfect.

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[5] European Headquarters

Clearest result from the analysis was that none of the interviewees identified towards the outside principals' organizations. All the interviewees showed clear resentment towards the outside principal. Their answers were full of comments that showed confrontation between the agency and the outside principal.

> "*We* could sell more, but *they* don't want" *(INT 1)*
>
> "the principal need to let us know if *they* want cargo and what rate *they* think is realistic and *we* have to try match our customer and with the principal" (INT 3)
>
> "*We* don't get any support, because *they* won't give us priority" (INT 4)
>
> "*They* need higher rates, and *we* need lower rates" (INT 5)

As conclusion to analysis of identification towards organizations, we found out that the interviewees identify themselves most clearly towards their own company or companies where they are in charge. Secondly, the interviewees identified their direct management to be part of their own team, but at the same time, there were some strains of confrontation, probably due to the difficult financial situation. Last, the interviewees resisted identifying towards the outside principals' organization so clearly, that it should be taken seriously.

5.4 Agency problems

In this chapter we answer research question 3, which is:

- What kind of agency problems can be recognized from the interviews?

As we have described in earlier chapters 3.3.2 and 3.3.3, agency problem in its simplest form is a problem that occurs when the principal cannot know for sure that the agent is acting in a way that is in the best interest of the principal. Quick solution to this problem would be to demand full transparency, so that the principal can see and verify what the agent has done and why. Other solution would be to restrict what can be done and how it can be done. Also, making the agent's compensation linked to the well-being of the principal can help solving the problem.

In the following chapters we present the different agency problems that we can recognize from the data. The recognition of the agency problems is done through analyzing the control mechanisms present in the interviewees' answers. To do the above, we used the grid presented in Table 7.

	RESEARCH QUESTION 3			
Themes investigated from the data	**Control mechanism**	**Agency problem 1**	**Agency problem 2**	**Agency problem 3**
INT 1				
INT 2				
INT 3				
INT 4				
INT 5				

Table 7 Analysis Grid for Research Question 3

The agency problems that we presented in chapter 3.3.2. were information asymmetry, adverse selection, moral hazard, risk preference, duration of involvement and separation of ownership and control. Some of these agency problems cannot be found from the data. The adverse selection happens in pre-contractual state and therefore cannot be present in the context of this study. The duration of involvement could be present in the context of this study but cannot be recognized from the data because the interviewees do not refer to it in their answers. Also, the duration of involvement would be more apparent when interviewing the principals. The risk preference is present in the data but as only one interviewee mentions it, we cannot generalize it to a conclusion.

The agency problems that we have recognized from the data are information asymmetry, moral hazard and separation of ownership and control. They are analyzed in the chapter 5.4.1.

5.4.1 Agency problems recognized from the data

Owners of the agencies (inside principal) have hired a board of directors to run day to day business within the group. Compilation of the board of directors (BOD) was explained in length in chapter 5.1. Interviewees confirmed the presence of the BOD by mentioning BOD or board of directors many times in the interviews:

> "The sales targets are often based on that actually *the board of directors* have good insight on what our capacity and our toolbox is." (INT 4)

> "I would say that both the principal and *the board,* they are both missing the importance of the local staff and how to keep them happy." (INT 1)

> "[…] taking part in the *board of directors* meetings." (INT 2)

In agency theory, hiring a board of directors (BOD) is mentioned to be a remedy for agency problem of separation of ownership and power (see chapter 3.3.1). From the answers of the interviewees, we can find many elements of BOD monitoring and controlling the agents to make sure that they act in line with the owners' goals. Hence, we can conclude that also in these agent-principal relationships the agency problem of **separation of ownership and power** is present.

First element described was the close personal monitoring of the agent's work:

> "So I'm in daily contact with him and when he's not happy with the figures, which is difficult these days to be, then he's kind of a, let's…not pushing me, but he's on me saying okay, have you…what are you doing regards of pushing more awkward sales for instance? Which customers have you been in touch with? If you want to make it more politically correct word you could say close-follow-up and motivating. It's actually the opposite but." (INT 4)

INT 4 describes very vividly, how the BOD members are interfering the agent's work by acting in a way that could be described as micromanagement. Above gets verified by INT 1, where he/she comments how the BOD is supporting the agent's sales efforts by pushing and demanding rather than offering efficient tools:

> "They are not really supporting, I would say that they are pushing, so they are cutting our salaries, they are cutting our working hours due to the restrictions given by the principals, but at the same time they push us to sell more which is a little bit difficult under these circumstances, so there is not really supporting actions." (INT 1)

INT 1 also describes some methods that the BOD is implementing to cut costs, meaning that they are partially laying off the agents, which leads to lower compensation for the agent and growing feeling of urgency as they allegedly must perform same tasks in shorter time due to layoffs. This is also verified by INT 4:

> “[…] the cost picture is important which is what we are constantly looking at. I mean, these days, that my whole organization, me included is on 50% layoff.” (INT 4)

Second element of monitoring described by the interviewees is reporting. Below is a comment from INT 3, where he/she confirms that due to difficult market situation, they must give more reports to BOD:

> “We are getting more and more reporting.” (INT 3)

Then he/she describes what the reports are about:

> “A part of it at least is the same, market knowledge but also information about how the principal, what is happening there, are we getting good rates, are we getting high rates, are we getting space, are we getting equipment, how is the team, and salary levels, yeah a little bit of everything.” (INT 3)

INT 1 confirms the above by describing reporting as follows:

> “Everything. They are basically…okey, they are not interested in people they are interested in figures. They want to see positive figures of course, related to sales and GP and end results and they want to hear about measurements that we are taking or have been taken or will be taking, in order to improve, yeah and that’s basically it, and of course figure out new cost saving factors.” (INT 1)

We can conclude that reporting is one element of monitoring the agent’s behavior and a way for the inside principal to regain the connection between the owners and power. Agency theory remarks that this will not solve the problem fully, but it is closest to the optimal solution available.

Also, all these monitoring measures are used to solve the **information asymmetry** problem which is the first and the most common problem to occur when two parties enter to an agent-principal relationship (see chapter 3.3.2). Therefore, we can also conclude according to the findings in the data that in these relationships the information asymmetry problem is present.

The outside principal tries to solve similar issues towards the agents as does the inside principal. We can see from the interviews that the outside principal is monitoring the agent’s actions by demanding wide variety of reports, even to the extent where one of the interviewees felt that the principal is guilty of micromanagement.

> “Principal is asking for many data, many information in detail and for micromanagement, but on the other side I can’t get back sometimes crucial information.” (INT 2)

INT 4 explains more in detail what the reporting includes:

> “It’s about everything really. It’s about everything from details around terminals, until potential feeder costs, down to market intelligence, in regards of what our competitors are doing, in surcharges, in feeder set-ups, and of course you have this fixed set-up where we have this weekly report which is regarding sales.” (INT 4)

As mentioned already in chapter 5.2.1 and in above comment by INT 2, the interviewees claim that the information flow with the outside principal is one way, meaning that the outside principal is demanding a lot of information, but not giving any back. This can be seen as controlling the agent’s knowledge about outside principals’ resources, which they could utilize in their business, if they would know it. Limiting the agent’s knowledge about resources can be seen as fixing an agency problem of **moral hazard**, which is explained in detail in chapter 3.3.2. By limiting the agent’s knowledge about resources at hand, can focus the agent’s efforts to create business in areas that are wanted by the outside principal rather than letting the agent choose which resources to utilize for their own needs. Hence, we can conclude that also in these agent-principal relationships the agency problem of moral hazard is present.

6 DISCUSSION

This chapter includes detailed discussion of the research results with reflections to the chosen theories.

6.1 How do the interviewees perceive their working environment?

Based on the analysis of the corpus, the structure of the working environment for the interviewees who are working under multiple principals is complex and decision making is restricted. Complexity of the working environment is due to the fact that the interviewees are responsible for multiple companies which all have different outside principals. Also, the fact that the interviewees have collective and individual responsibility of their actions towards the board of directors is proof of complex working environment.

Decision making for the interviewees is restricted because there are two levels above them in power structure meaning the BOD and the owners. In addition to the restrictions in decision making with the inside principal, there are also restrictions set by the outside principals. This means that the interviewees' decision-making is restricted from both sides of the table, leaving them with limited number of options available.

Both relationships with restricted ability for the agent to make independent decisions is in line with the agency theory rather than with stewardship theory. In agency theory, the principal enacts governance mechanisms to curb the agent's opportunistic behavior. If this had followed the stewardship theory's assumptions, the interviewees would have described how the principals try, in co-operation with the agents, to create a permissive environment.

Additionally, the corpus shows that the working environment is dyadic by its nature. There are conflicting wants and needs between inside and outside principals. Inside principal wants to maximize the business in all areas possible, whereas the outside principal is only interested in doing business within their limited resources. The outside principal is also prone to favor its own offices, which shows as lack of interest towards the agents.

The conflicting goals between the outside principal and the agent (inside principal) aligns with the agency theory's first fundamental assumption that there is always a goal conflict present in the principal-agent relationship, which needs to be fixed. Stewardship theory assumes that there is no goal conflict between the principal and the steward. If the working environment described by the interviewees were according to stewardship theory, there would be mentions about realistic common goals.

Analysis of the agency contract's feasibility for both parties shows that the contract favors the outside principal. The contract does not provide the agency enough profit to stay afloat. This leads to situation where at least one party is not satisfied with the contract. According to the agency theory, the main purpose for the contract is to keep the agent's actions aligned with the principal's wants and needs. If both parties followed the contract literally, it would do its job of controlling the agent to act as the principal wants to and align with the agency theory. However, from the data, we found notions, which indicated that the contract is not always followed literally. This is also in line with the agency theory's assumption that the agent is expected to act opportunistically and deceive the principal if it fulfils the agent's self-serving goals. This result shows that both parties act as the agency theory assumes and neither party acts in a way that would be in line with the stewardship theory. According to the stewardship theory, the contract would be created to answer in both party's needs.

6.2 How do the interviewees identify towards the organizations?

Research showed that the interviewees firstly identify themselves towards the companies in which they are in charge. Secondly, the interviewees showed traits of identification towards the inside principal. This was expected result as it is more common for an individual to identify towards an instance who is paying their salary directly, rather than taking the side of a party, that is not fully committed towards the individual. From the data it was clearly seen that the interviewees did not identify themselves towards the outside principals at all, they also indicated that the outside principals were making their lives harder by not offering support towards the agent's goals.

Above result shows that even if the interviewees are in a role of an agent towards both, the outside and the inside principal, in the larger picture, the interviewees are leaning more towards the inside principal, which would make them seem fully as an agent towards the outside principal. In this context, we can see that the interviewees show more stewardship kind of identification towards the inside principal and more agent kind of identification towards the outside principal.

6.3 What kind of agency problems can be recognized from the interviews?

The first and the most recognizable agency problem present in the data is the problem of information asymmetry. From the data, we find many control mechanisms that are used to fix this problem. These are from the inside principal's side excessive monitoring of the agents' actions such as different kind of reporting and implementation of board of directors. Both methods are in line with the agency theory, where the agents' actions are monitored rather than trusted.

The outside principal controls the information asymmetry by controlling the needed tools for doing business and by controlling the information given to the agent about the resources at hand. It is evident that the outside principal favors their own offices and keep the agents at check by closely monitoring their actions.

Hence, one of the main findings in this study is, that both, the outside and the inside principal, monitor the agents closely and do not show trust towards the agents. If the agents were treated as stewards, the managing would be described differently, and the agents would be trusted to deliver the mutually agreed end result. We do not find any clear evidence of traits towards stewardship theory.

Second agency problem recognized is the separation of ownership from power. This is more clearly seen on the inside principals' side as they have implemented the textbook remedy for this problem by appointing a board of directors to maintain their own vision of how the company should be run. Agency theory offers this method to be the most effective tool for the owners of the company to maintain in power (chapter 3.3.1), even though they already have agreed to let the agent run the business on their behalf.

Notions from the corpus about how actively the BOD is controlling and guiding the agent's daily work is obvious. The interviewees explained in length how the BOD controls their daily actions by person-to-person monitoring, which has clear indications of being micromanagement, implementing increasing monitoring systems and by restricting the agent's actions by implementing financial restrictions (layoffs). Outside principal handled this problem by restricting the agents' resources, which can be seen efficient because when you do not have resources, you cannot do anything.

The third and last agency problem recognized from the data is moral hazard, which in this context means a situation where the outside principal cannot monitor what the agent is actually doing. We can conclude from the data, that even though the outside principal has already many control mechanisms in place, meaning reporting etc., the outside principal is withholding vital information about their resources from the agent, which makes it impossible for the agent to prepare and plan future actions. By doing so, the outside principal controls the agent's ability to generate business that is not wanted by the outside principal. As the inside principal pushes the agent to always find more new business, it seems natural, that the outside principal controls the resources in a way, that prevents the opportunistic behavior of the agent. This kind of controlling is again textbook method from agency theory and the relationship is not built on trust, which means that there are no traits of stewardship theory.

7 CONCLUSION

Humans' motivation to do good is challenged in the agency theory. Stewardship theory takes this into consideration and offers more humane approach on corporate governance. Both theories work, if the whole organization has unified mindset and desire to do their work according to either individual theory. Problem arises when part of the organization identifies themselves as agents and part as stewards. Especially, if the owners have mindset according to the agency theory and the manager they have hired, identifies themselves as stewards.

Conflict between these two visions can be easily seen in the frustration of the manager, who wants to act towards the common goal, but then is managed in a way, where his/her every move is doubted and lack of trust towards the manager is clearly shown in the control mechanisms used. This situation can lead to unmotivated manager, who then starts to act towards the assumed model of an agent, who is only doing things, if they benefit him/her. It is possible, that if the parties have opposite visions of how to act, the one with the power, can and will turn the other one to act as they assume. It can become a self-fulfilling prophesy.

7.1 Managerial implications

As a conclusion for this case study, it can be suggested that the principals within this study should consider using different approaches when managing their agents rather than just agency theory. Using just a single economic theory as a base for corporate governance might work for them, but it does not take into consideration that people are different. Not all people want to deceive their employers and maximize their benefits with minimal effort. Some people want to belong to something meaningful and larger than themselves. They might want to work towards betterment for humankind and create profit as a side product, not as a main purpose for the company to exist.

Above mentioned are of course high values that are hard to achieve. All businesses will never achieve such nor is it in their intentions to do so. The point is, that usually when we talk about upper management of a company, we talk about people who are highly educated and highly motivated when hired. This should be embraced rather than suppressed. Meaning that if this kind of person is not trusted to do what is best for the company, it can be demotivating for this person and it might end up in a situation where this person decides to leave the company or lose their motivation and turn in to an agent who then acts upon these expectations.

In today's world where equal values and diversity are fundamental, it can be true, that hired managers want emotional response from the companies they work for and organization would need to act upon these wants. It is for the future to show, if organizations can someday act in civilized manner together, rather than have cynical assumption about people's intentions.

7.2 Limitations and suggestions for future research

Due to the nature of case study, the results of this study are not generalizable. This study was done at one point in time and therefore lacks the timely depth of change. It would have been interesting to do a follow up interview one year from the original interviews and see if the results would have been different.

Other limitation in this study was that we only studied the agents who were in the middle of this complex environment. For more comprehensive results, it would have been interesting to interview the BOD and the different principals to get their vision of the situation and see, if there would have been other explanatory factors.

For future studies, we suggest studying the same issues from the principal's point of view and in addition of a third dimension, it would be interesting to hear the voice of the customer of these companies. Do they perceive the service to come from unified company that can be trusted or does the possible mistrust towards the managers show in their service?

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