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Performance Management Systems in Swedish Banks

A longitudinal study through the deregulations' first quarter of a century

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LICENTIATUPPSATS I FÖRETAGSEKONOMI
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Preface

This thesis focuses on performance management systems (PMSs) in the Swedish banking industry. More specifically, it presents a longitudinal study of how and why the PMSs of Swedish banks have changed over the deregulations' first quarter of a century i.e. from 1985 until 2010. The study is based on the findings of previous literature and interviews with top managers in Swedish banks. Since the Swedish banking industry primarily consists of commercial banks and savings banks the study has been divided into two essays. Essay 1 deal with the savings banks, whereas Essay 2 deals with the large commercial banks. A summary of the main results of the two essays is given at the end of the chapter.

The aim of this introductory chapter is to give the reader a glance at my research process, which naturally has not been as linear as it may appear from the text outlined below. The importance of history has been formative to my understanding and has led me to indulge in a broad reading of literature that deals with times and events that are outside the timeframe of the study. It is in this vein that the present chapter starts with an introduction that takes us back to the early 20^{th} century and the time when the foundation of the modern banking in Sweden was laid. My broad interest in history has made it a constant struggle to focus on the banks' PMSs and leave other matters of interest aside. That brings me directly to a second important clarification. The present thesis does not deal with PMSs, nor does it deal with banks; but it deals with PMSs in banks. As noted by many distinguished authors, the banking industry is indeed different from other industries, not only in terms of its importance to society, but also because of operational specificities that could make certain parts of the PMSs, that are relevant to firms in other industries, of less value to banks. Still, the financial crisis and the consistent claims of miss-management directed at the banking industry have been important motivators for me and do also serve as relevant arguments for the importance of this topic today.

After the introduction I will briefly describe three streams of literature that have been central to my research process. All three fields have different theoretical and methodological underpinnings but there are also commonalities, which have been important in order to link them together and to utilize each field in the process. My main theoretical contribution lies within the third framework, *management accounting change*, where I test two different models that have been suggested to gain a better understanding of why organizations change their PMSs.

In the third part of the chapter I discuss some of the methodological issues that concern the study and proceed with a detailed description of my research method. The method is discussed here for two reasons. Firstly, the aim of the essays is publication (Essay 1 has been accepted in a research anthology with chapters on European banking and finance, and Essay 2 aims to be submitted to the *Journal of Accounting & Organizational Change*) and since the main contributions of the papers lies in the empirical part, the method sections are relatively short in the essays. Secondly, both essays rely on similar methods and therefore one description is believed to be sufficient.

The final part of the chapter summarizes the essays and gives some suggestions on how I will proceed with my research process during the coming years. Another important part of a research process is of course all the people that are involved in this creative process and before proceeding with the chapter I would like to thank some of the main actors.

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First I would like to thank my supervisors Professor Ted Lindblom, Ph.D. Mikael Cäker, and Ph.D. Magnus Olsson for supporting me throughout this process and for giving me invaluable feedback and advice.

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Ph.D. Oskar Broberg from Business History deserves special thanks for giving hands on advices during my internal seminar. These advices have been of great help to improve the final draft of this thesis.

Finally, I would like to thank the savings banks in the western part of Sweden, Vinnova, and the Torsten och Ragnar Söderberg Stiftelser for financial support. All the remaining mistakes are mine.

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TABLE OF CONTENTS

Introduction

In the 1920s and 1930s the world's financial markets went through turbulent times including infamous events like the 'Black Thursday' during the Wall Street Crash of 1929 and the Krueger Crash in 1932. Thereafter, the European banking markets were kept highly national and protected. For about three decades friendly relations dominated between European and US banks and almost no competition existed among the two. However, at the early 1960s, large US companies started entering the European market and, as a consequence of massive US foreign direct investment in Europe, US banks followed. The US banks competed aggressively and reached a dominant position in the Eurocurrency (mostly Eurodollar) market. During the 1960s European banks responded defensively, but they soon came to realize that they needed to adapt to this new climate and in the 1970s the defensive strategies were changed into more successful growth strategies and a faster adoption of new technological developments. The new market conditions created a pressure on the Governments to reduce the bank regulations and the market-oriented liberalization movements, driven by Reagan in the US, and Thatcher in the UK, initiated a deregulatory wave that would spread across the western world and change the financial service industry into its current form (Battilossi & Cassis, 2002; Larson et al., 2011). When banks left the sheltered environment of the postwar period for a competitive and *'unregulated'* market, the need arose for new and more sophisticated information and control systems (Channon, 1986).

The Swedish financial markets were deregulated during the mid-1980s. Since then, Swedish banks have had to adapt to tougher competition, increasing demands for profitability and efficiency, rapid technological change, globalization of the financial markets, and an international reregulation of the banking industry (see the Appendix A for a list of relevant publications). In no way has this adaption been a smooth process, and the Swedish financial crisis at the early 1990s clearly illustrated the close relationship between profitability and risk in banking (Lindblom, 2001). Still the research on management accounting and control in banks has remained limited and according to Soin & Schyett (2009:1392): *'it is surprising that management accounting scholars show so little engagement in the analysis of management accounting practices in financial services, given the importance of this sector to the global economy'*. To address this gap the overall purpose[1] of my thesis is to increase our understanding of what type of performance management systems[2] (PMSs) banks have adopted, how these PMSs have changed, and why they have changed during the deregulations' first quarter of a century. The following two sections describe how I have gone about to fulfill my purpose and what remains to be done.

Framework

Three streams of literature have been of particular importance to this thesis; (i) the strategy, structure, ownership, and performance literature, (ii) the performance management systems framework, and (iii) the literature on management accounting change. The first two streams have primarily been used to inform the method of the thesis, whereas the third one provides a theoretical framework to understand PMS's change.

The strategy, structure, ownership, and performance literature

As discussed above the 1980s marked a turning point in the history of the banking industry, one that is highly interlinked with PMS's change. In order to study a period of 25

[1] The formulation of this purpose has gained considerably from a research project initiated at the Gothenburg Research Institute (GRI) in 2008. For more information please visit; http://gri.gu.se/forskning/bank-management.

[2] See the section on performance management systems below.

years it was believed that the thesis would gain from a historic approach. The interaction between business historians and management theorists is not a new phenomenon but according to O'Sullivan & Graham (2010:775-776) a *'...more direct and explicit engagement between their fields'* would benefit our understanding of business and the management of enterprise. One of the most influential spokespersons for this interaction was Alfred D. Chandler Jr (Whittington, 2008). Chandler (1984) emphasizes two challenges facing the historian: (i) to relate human events and actions to the broader economic, social, political and cultural environment, and (ii) to develop generalizations and concepts that, even though they are derived from a specific time and place, could be applicable to other times and places, and used as analytical tools by researchers active in other fields. To make such generalizations data are needed and in business history such data will consist of *'detailed descriptions…of businessmen and businesswomen and the enterprises they managed'* (Chandler, 1984:3). These descriptions must be related to the context of that time and only if such account is taken can we proceed to generalization.

Chandler has had a significant impact on management accounting field but as Luft (2007) points out his perspective is far from the only one that gives explanations to the rise of modern management accounting. Luft sorts the prevailing explanations into three main theoretical perspectives (see page 272); (i) explanations based on Marxist theories of class conflict between labor and capital, (ii) postmodern explanations related to a shift from physically coercive power over others, to disciplinary power based on measures of individual performance, and (iii) efficiency-based explanations. The works of Chandler (1962; 1977; 1990) are efficiency-based explaining the rise of more sophisticated management accounting techniques with increasing market size and the invention of high-volume production technology that required better ways to handle intraorganizational planning and control. Growth and technology are also commonly used variables in explaining the adoption of more sophisticated management accounting techniques in the banking industry after the deregulations (see e.g. Helliar et al., 2002), and the ideas of Chandler was therefore believed to benefit the study.

In the wake of Chandler, an ambitious research project with the aim of mapping large firms' responses to economic change across Europe from 1957-2007 was launched (Wilson et al., 2007). Although building largely on the ideas of Chandler, Whittington & Mayers (2000) and others[3] have furthered the framework, and they refer to it under the frame of strategy, structure, ownership, and performance (SSOP). According to Larson et al (2011) SSOP studies are rare within the banking industry (the seminal works by Channon (1977; 1986) marks a notable exception) and, therefore, they evaluate the ideas discussed by Whittington & Mayer (2000) and Rondi et al., (2004) within the European financial service sector through a case study of three large European banks (Barclays, ABN AMRO, and UBS). They show that all three banks have pursued similar strategies of becoming global and universal banks, i.e. mergers and acquisitions combined with organic growth. They further illustrate how all three banks have stuck to growth strategies, even when profits plunged and despite clear evidence pointing to more prosperous strategies such as examinations of productivity and providing services in line with core competencies. In addition, all three banks experimented with their organizational structure by applying some type of trial and error process. In other words, they adopted the structure to new internal and external conditions rather than changing the structure to fit the strategy. The authors conclude that the financial service sector differs significantly from the manufacturing sector, but unfortunately they do not elaborate on how these differences may inflict upon the existing SSOP framework. Moreover, they do not discuss what type of information and control systems the banks utilize.

3 See for example (these references are from Wilson et al., 2007:227): Whitley (1998); Whittington & Mayers (2000); Rugman & Verbeke, (2004); Schröter (2007)

At this point it was clear that although the SSOP approach gives highly relevant advice in terms of how to collect and structure data from historical sources, as well as rich discussions on the methodology of historical research (elaborated on below), it offers limited help in explaining how and why the PMSs change, within the banking industry. Accordingly, the next step was to proceed into the closely related 'relevance lost' debate in general and the performance management systems literature in particular.

The performance management systems framework

The 'relevance lost' debate started by strong criticism from Johnson & Kaplan (1987) that emphasized the lack of innovation in management accounting. They asserted that traditional *'management accounting systems are inadequate for today's environment'* (1987:xi). In the traces of these claims researchers described a failure in linking performance measurements to strategic initiatives and to account for advances in technology (Hussain, 2005). The criticism was mainly directed at the manufacturing sector but was equally important to the service sector, including banks (Soin & Scheytt, 2009). The debate has continued within the management accounting area but has expanded to include the practical relevance of the contemporary research on management accounting and control[4] and scholars have started to argue for a broader perspective on these issues (Malmi & Brown, 2008).

One of the early propagators of a broader and more practice-oriented view is Otley and in 1999 he published a paper that summarized the ideas into five questions under the frame of performance management. The main strengths of this framework is, according to Stringer (2007:94), the inclusion of a wide range of performance issues and the recognition that it is the combinations of these performance elements that matters. Still critics argue that the framework is overly rational and prescriptive, and that it fails to address the interconnections between different parts of the performance management system (see Stringer, 2007 and Ferreira & Otley, 2009 for extended discussions). To account for these problems Otley together with Ferreira started working on an update, which got circulated as a working paper for several years until it was finally published in 2009. The updated version consists of 12 questions (see Figure 1) and according to Ferreira & Otley (2009:266) the intention of their framework is to: *'provide a descriptive tool that may be used to amass evidence upon which further analysis can be based'*.

Figure 1 clearly shows the broad nature of the PMSs framework and Ferriera & Otley (2009:264) admit to the difficulties in establishing a single definition of the PMSs concept but they view PMSs *'as the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change'.* Based on a similar definition Adler (2011:254-255) summarizes the typical organizational practices involved with performance management under four main control mechanisms; operating systems and procedures, organizational structure, organizational culture, and training and development. Accordingly, both Ferreira & Otley (2009) and Alder (2011) encompass all the tools used by managers to implement the main objectives of the organization. This definition includes both tools used to control employees (management control systems) and information used for decision support (management accounting systems), and it is also the definition that has guided this study.

[4] See e.g. Lukka & Granlund, 2002; Berry et al., 2009; Helden & Northcott, 2010 for extended discussions.

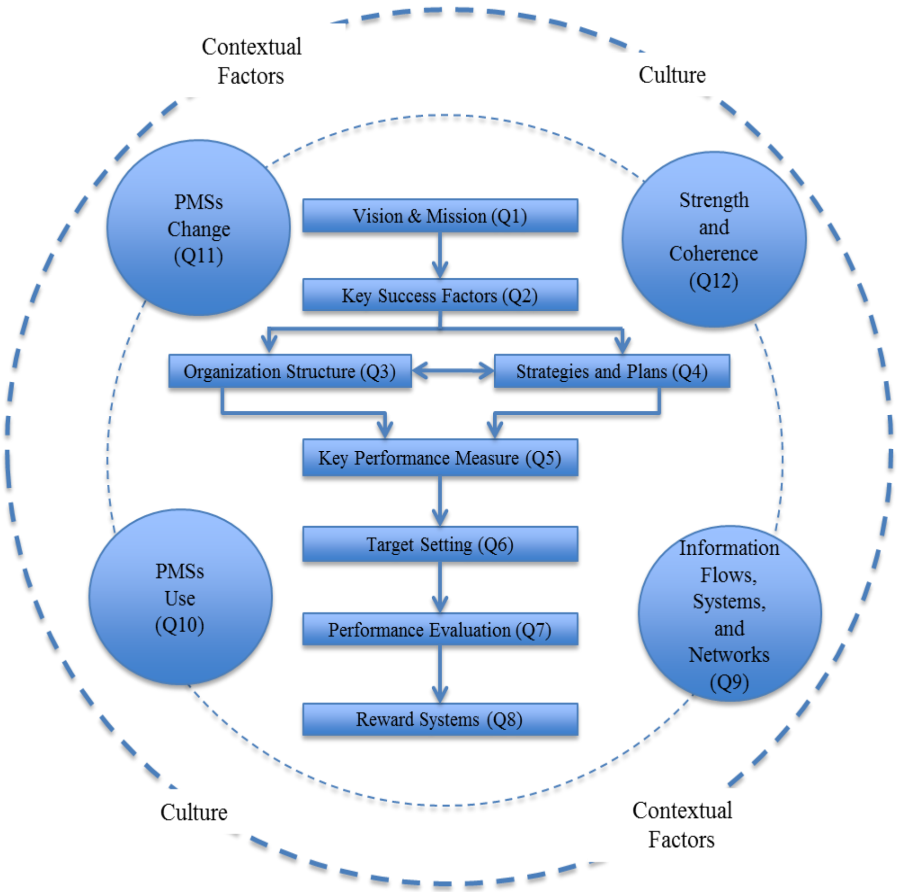

Figure 1. The Performance Management Systems Framework
Source: Ferreira & Otley, 2009:268

Questions of the Performance Management Systems Framework

1. What is the vision and mission of the organization and how is this brought to the attention of managers and employees? What mechanisms, processes, and networks are used to convey the organization's overarching purposes and objectives to its members?
2. What are the key factors that are believed to be central to the organization's overall future success and how are they brought to the attention of managers and employees?
3. What is the organization structure and what impact does it have on the design and use of performance management systems (PMSs)? How does it influence and how is it influenced by the strategic management process?
4. What strategies and plans has the organization adopted and what are the processes and activities that it has decided will be required for it to ensure its success? How are strategies and plans adapted, generated and communicated to managers and employees?
5. What are the organization's key performance measures deriving from its objectives, key success factors, and strategies and plans? How are these specified and communicated and what role do they play in performance evaluation? Are there significant omissions?
6. What level of performance does the organization need to achieve for each of its key performance measures (identified in the above question), how does it go about setting appropriate performance targets for them, and how challenging are those performance targets?
7. What processes, if any, does the organization follow for evaluating individual, group, and organizational performance? Are performance evaluations primarily objective, subjective or mixed and how important are formal and informal information and controls in these processes?
8. What rewards - financial and/or non-financial - will managers and other employees gain by achieving performance targets or other assessed aspects of performance (or, conversely, what penalties will they suffer by failing to achieve them)?
9. What specific information flows - feedback and feed-forward -, systems and networks has the organization in place to support the operation of its PMSs?
10. What type of use is made of information and of the various control mechanisms in place? Can these uses be characterized in terms of various typologies in the literature? How do controls and their uses differ at different hierarchical levels?
11. How have the PMSs altered in the light of the change dynamics of the organization and its environment? Have the changes in PMSs design or use been made in a proactive or reactive manner?
12. How strong and coherent are the links between the components of PMSs and the ways in which they are used (as denoted by the above 11 questions)?

The broad and practice-oriented focus of the PMSs framework was considered appropriate for the purpose of this study for at least two reasons. The first reason is the implicit interconnectedness between the SSOP approach and the performance management framework. Ferreira & Otley (2009) are greatly influenced by the broader control related issues, discussed in e.g. Johnson et al. (2005), which is of major importance also in the SSOP approach. In addition, performance is a key concept in both frameworks. The SSOP approach tries to illuminate how strategy, structure and ownership have affected performance over time, whereas the PMSs framework deals with the systems intended to support performance at a specific point in time. Finally, both frameworks are *descriptive* and can be used to *describe* matters, at an organizational level of analysis. The second reason is more practical and deals with the field-based research methodology of the thesis. Since one of the main data sources of the thesis involves in-depth interviews, with top managers from the Swedish banking industry, a broad framework that relies on a practitioner-oriented typology was believed to facilitate the communication with respondents.

The PMSs framework is highly useful to amass evidence on what type of PMSs the Swedish banks have adopted but it still lacks the explanatory power needed to fulfill the purpose of the thesis. To move beyond the descriptive nature of the PMS framework, a third framework was needed, one that could help to explain how and why the PMSs of Swedish banks had been adapted to the altering external pressures. In search of such a framework it was not farfetched to proceed into the literature on management accounting change.

The management accounting change literature

In the early 1980s Hopwood and others started propagating for a more process oriented view on accounting change, which gradually developed into a stream of literature, viewing accounting as a situated and context-dependent practice. These studies commonly draw on historical data to explain current practices within organizations (Luft, 2007). Among the most influential researchers within this field is Robert Scapens. In the year 2000, he and John Burns, published a framework, which emphasizes the role of accounting in the change process. Building on Giddens structuration theory and old institutional economics, Burns & Scapens (2000:5) propose that *'management accounting practices can both shape and be shaped by the institutions which govern organizational activity'*. A large number of studies, within this stream, have used their framework to gain a deeper understanding of management accounting change through longitudinal case-studies (see Soin et al., 2002; Guerreiro et al., 2006; Van der Steen, 2011 for banking cases). These studies emphasize the importance of closely studying the object in order to map which techniques organizations have actually implemented.

However, the Burns & Scapens (2000) framework has been less successful in explaining how firms respond to external pressures (Munir et al., 2011; Arroyo, 2012) and there have been several recent calls for research that *'…advance our understanding of the interaction between the wider social, environmental and political pressures for change and organizational behaviors – including the choices that organizations make in response to these pressures…'* (Moll et al., 2006:198; see also Burns and Baldvinsdottir, 2005; Modell, 2007). In response to such calls both Munir et al (2011) and Arroyo (2012) have suggested theoretical models of change that bridge the framework with New Institutional Sociology. New institutional sociology stems from the study of organizations (Meyer & Rowan, 1977; DiMaggio & Powell, 1983) and is further discussed in Essay 1, which relies on the Munir et al (2011) model. The authors develop a comprehensive model aimed at studying PMS's change, within the specific context of banks, and the model provides a useful framework for the purpose of this thesis. Similarly, the Arroyo (2012) model, applied in Essay 2, is based on the institutional entrepreneurship literature, which is commonly used by organizational scholars to address the paradox of embedded agency i.e. how actors may change institutions despite pressures of stasis (Battilana et al., 2009). The model does not specifically address banks but is highly relevant for the purpose of this thesis. The strong external pressures facing banks from regulators, media, and the public (Deephouse, 1996; Munir et al., 2011) requires a model that allows for the inclusion of such pressures but which can also be utilized to explain the tremendous change that the banking industry has gone through over the past decades (Wilson et al., 2010) and how it has affected the PMSs.

Contributions

The main theoretical contribution of this thesis is to explore two prominent change models that have been suggested to bridge the seminal work by Burns & Scapens (2000) with New Institutional Sociology. In doing so, the thesis contributes to the ongoing debate in management accounting change about how to combine exogenous and endogenous factors of change. The findings show that research on management accounting change may gain considerably from the use of these models but that further work is needed to establish the relations more clearly. The thesis further contributes to the discussion on the practical relevance of management accounting and control research by integrating the PMSs framework into the two models of change. It is shown that this integration facilitates the communication with practitioners by allowing the researcher to ask relevant questions regardless of the seniority of the respondents. Finally, the timeframe goes beyond the commonly used timeframe in studies of management accounting change and, as discussed further below, this has implications for the collection and interpretation of data. The thesis identifies the importance of time to our perception of change and suggests that further exchange with historical research may advance the study of management accounting change. The next section discusses the methodological considerations of which the thesis is concerned and outlines the methods used to collect and analyze the data.

Methodology

Similar to what is argued by Whittington & Mayer (2000) this thesis is bounded in terms of generalizability primarily in three ways; time, space, and depth. First, the circumstances of the study are bounded in time to the deregulations' first quarter of a century. This means that although the years leading up to the deregulation is likely to have had an inherent effect on the outset of the study, and despite being accounted for to some extent by brief descriptions, it is not the intention to proceed with inferences outside this time-frame. In addition, the amount and type of data that was available throughout the period of investigation differs to some extent. As noted by Ryan et al (2002) internal validity in case study research is often discussed in terms of contextual validity i.e. the credibility of the evidence and conclusions of the research. The authors explain that triangulation is commonly used to improve the contextual validity of the study and they identify a number of ways to use triangulation such as data triangulation, method triangulation, researcher triangulation, theory triangulation and methodological triangulation. One of the major validity concerns of this study refers to memory bias. Respondents were asked to reflect on issues that happened more than two decades ago and several aspects can distort the memory and make people remember certain things and block out other (see Schacter, 1999 for an extended discussion). For that reason complementary data including annual reports, statistical data, historical descriptions, and internal documents, have been used to corroborate the interview findings and improve the contextual validity through data triangulation.

Second, the circumstances of space are less strictly defined. While generalizations external to the banking industry is outside the scope of the study, a field is under constant evolution and the actual definition of the Swedish banking industry is open to debate[5]. The thesis focuses on Swedish banks and gives the other actors, which may be associated with the Swedish banking industry, a more peripheral role. Moreover, the geographical scope could possible reach beyond the national borders of Sweden, not least in respect to the increasingly internationalization among Swedish banks in recent years. The Scandinavian countries, in which several of the Swedish banks have become major players, are included in the bounded space of this study. To that account the study may provide insights for researchers and practitioners outside the fuzzy boarders of space; perhaps not in terms of generalizable knowledge but rather as tentative suggestions in respect to an ongoing compilation of knowledge of the complex relationships of performance management in the banking industry.

Finally, as depicted so delicately by Whittington & Mayer (2000) the nature of this type of generalization is two-dimensional illustrating the limitation in terms of depth of the study. Recent studies on management accounting change have primarily adopted a process perspective on change, arguing for longitudinal case studies as the proper way to study procedural changes (Burns & Scapens, 2000; Moll et al., 2006; Modell, 2007; Johansson & Siverbo, 2009). Although this study will adhere to the longitudinal perspective it is impossible to account for the deep complexity of everyday practice provided for in these studies and as such the study will remain *'thin'*, containing generalizations that can tell us something about what to do in general but little about the particular case (Whittington & Mayer, 2000:45). Still by studying a field, rather than a single organization, the thesis opens up to a *'wider perspective'* on PMS's change (Johansson & Siverbo, 2009:159) that allows for comparisons between organizations, that experience similar external pressures.

Data sources and methods

The study builds on three main data sources; annual reports, previous literature, and interviews. In addition, a number of reports and other internal documents have been received from respondents. The internal documents are not categorized in a systematic way but are studied in combination with other data sources to corroborate and extend the empirical part. For example, documents prepared by a consultant while working with the change process in Gota bank (see Essay 2) are used in the analysis together with the interview. The documents contain material that support much of what was said in the interview, thereby improving the contextual validity[6]. At the same time, the documents do not contain a complete description of the project but only bits and pieces and is therefore considered a complement to the interview, rather than the other way around.

My data collection process started by a collection of annual reports of the four largest banks from 1985-2010, and a booklet called "The Banks" (Bankerna) published on a yearly basis by Statistics Sweden until 2003 (here 1980 was used as the starting year). The more recent annual reports were downloaded from the banks' webpages, whereas the earlier versions were found in the library or received directly from the banks. In the initial stage the focus was put on a few key performance indicators and major events that had affected individual banks. However, the collection was gradually broadened to include most of the balance sheet data, parts of the income statement, and data about CEO and Chairman of the board. The data was transferred into two excel-sheets manually. The first excel-sheet contains the main events concerning each of the four banks for every year from 1985-2010, whereas the second excel-sheet contains the accounting numbers and key performance indicators of these banks over the same period. This process allowed me to familiarize myself with the banks, their financial performance, and the major external events as expressed in the annual

[5] See for example Hoffman (1999) and Dorado (2005) for discussions on what constitutes a field.
[6] It should be noted that the respondent may have studied the documents before the interview possibly affecting his view of what actually happened.

reports. It also allowed me to create a basic chronology over the entire time-period. Following Larson et al (2011) tables was generated based on the accounting data to get a first impression of, for example when and/or if any of the banks had shifted their strategic focus. Deviations from the trend were used as a reason to go back to the annual report and look for explanations. As an example, the cost/income-ratio of SEB changed drastically from an average level of 0.54 between 1985 and 1996 to an average level of 0.67 between 1997 and 2010. This change coincided with a greater focus, in the bank, on income generated outside the net interest income and thus indicated a strategic shift towards diversification (see Essay 2).

The previous literature can be divided into three main categories. The first category includes: research papers, dissertations, books, biographies, reports, and other material related to the Swedish banking industry (see Appendix A). The second category includes all bank-related management accounting studies I could find (about 20 papers and 5 working papers in total), in which Soin & Schyett (2009) offered a good starting-point. The third and final category refers to more general studies on (primarily European) banking. This last category includes an extensive number of publications, hence a selective reading was done based on Goddard et al., (2007), Wilson et al., (2010), and *The Oxford Handbook of Banking*.

The interviews followed a semi-structured interview guide (see Appendix B). Before each interview I prepared by reading the bank's annual reports for the entire period, going through the bank's webpage, and reading up on other material that was available about the bank and/or the respondent such as biographies and other material published by the respondent. One consequence of this preparation was that my own perception of the respondent and the bank was affected. Moreover, since the questions during the interview were informed by the preparation the questions were asked in different order and with different focus in the interviews. Although the preparation may have affected my own understanding it was an important step to ensure that the questions were informed and relevant, and to extract as much information as possible from each interview and as noted by De Loo & Lowe (2012:4) *'[A]a thorough understanding of the events or phenomena that the researcher has studied may be all we can strive for'*. Furthermore, before entering the doctoral program my experience of the banking industry was limited. Throughout the research process I constantly increased my understanding of the industry both through interviews and the reading of additional literature. Thus, even though the theme-questions of the interview guide remained the same, the follow-up questions did gradually become more specific and informed. Thereby the follow-up questions were possibly biased by my "current" understanding at the time of the interview. To alleviate this problem the transcripts and analysis has been cross-checked with some of the respondents.

All interviews were tape-recorded and transcribed. The data analysis is similar to what Quinlan (2011:425) describes as *'the simple approach to qualitative data* analysis'. After careful readings of the transcripts, lists of themes that occurred in the text were prepared. The themes were compared to the other data in which further themes were created. When no additional themes emerged a process of collapsing the themes started. This process was guided by the previously created chronology i.e. the major events that had occurred during the period of investigation and the PMSs framework. Color coding and mind maps were used to proceed the abstraction. Similar to what is recommended by Scapens[7] the data analysis started directly after the first interview, resulting in several revisions of the initial analysis. It was only towards the end of the data collection that further reading of the transcripts did not result in major changes to the text.

[7] Lecture notes received at a Ph.D. course in qualitative research in 2011.

The Essays

Essay 1

The first paper, *‘Performance Management Systems in Swedish Savings Banks – A longitudinal study through the deregulations’ first quarter of a century ‘*, particularly focuses on how and why Swedish savings banks have adapted their performance management systems to altering external pressures over the deregulations’ first quarter of a century. Using interview data from four Swedish savings banks and the Swedish Savings Banks Association, this study explores a framework developed by Munir et al (2011) specifically aimed at analyzing organizational responses to external pressures and PMS’s change in banks. The study shows that Swedish savings banks have developed a wide range of PMSs practices over the period studied. Some of these have been developed in response to external pressures but agency seems to be an important aspect in Swedish savings banks.

Essay 2

The second paper, *’Institutional entrepreneurship and change: A contemporary history of the Swedish banking industry and its’ performance management systems’* discusses Swedish commercial banks in general and focuses particularly on how the four large commercial banks (SEB, Handelsbanken, Nordea, and Swedbank) in Sweden have adapted their performance management systems to altering external pressures over the deregulations’ first quarter of a century. Relying on multiple data sources the study applies an institutional entrepreneurship approach (Arroyo, 2012) to analyze PMS’s change. The findings of this paper indicate that regulatory change seems to have had a limited effect on the PMSs of the investigated banks.

What is next?

In writing this thesis a number of interesting research themes have been identified as promising for the remainder of my Ph.D. process. Below I will briefly elaborate on a few of these, which I suspect will keep me occupied for many years to come. Firstly, since different bank branch offices commonly generate a disproportionate amount of either assets or liabilities (i.e. they are either net funds generators or net funds users), the bank must decide how to divide the net interest income among branches. This is commonly done through the use of transfer pricing mechanisms, which could have strong effects on employee behavior (see e.g. Kimball, 1997 for an extended discussion). During the interviews, several of the respondents did discuss the issue of transfer pricing as a particularly complex area, not least in relation to the new regulatory framework. This is an area that I would like to study more deeply.

Secondly, both essays of this thesis show that sales focus has become an important aspect of the banks’ business. Still, the relationship between a greater sales focus and profitability is complex, not least because too much focus on sales may lead to banks that take on excessive credit risk. Thus, it would be interesting to investigate the relationship between sales-focus and long-term profitability in banks, more in depth.

Thirdly, the role of savings banks on the modern banking market is an interesting area for future research. In times of great turbulence on the financial markets, the need for research that increases our understanding of the constituents for a sustainable financial sector is vital. Do savings banks add to the stability of the financial system or are they just a historical aberration on its way to extinction? With respect to the findings of essay one, the external pressures on savings banks to become more and more like commercial banks are gradually increasing, and now is the time to investigate whether this is desirable or not.

Finally, the re-regulation of the financial market raises many questions. One that I find particularly interesting is whether the new regulation will be the remedy for the many claims of mismanagement directed at banks, or if it will only transfer the responsibility of controlling the financial institutions back to regulators. If the latter is true, it is important to answer the question of whether regulators are really better equipped at controlling banks than are bank managers. Reflecting on the experiences from Essay 2, it seems like crises initiate PMS's change (partly by change of management), while (de)regulation creates explanations and perhaps even excuses for performance failures. The deregulations were used to explain the need for growth in the banking industry during the 1980s and the current re-regulation is used to motivate a centralization of the banks' operations. However, while the financial crisis in the early 1990s was linked to PMSs failure, the current crisis has partly been linked to a regulatory failure, i.e. a transfer of the responsibility and accountability from banks to regulators. Further research is needed to either confirm or reject this observation.

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Appendix A. Useful literature concerning the Swedish banking industry

Almost three decades have passed since the credit ceiling was abolished in November 1985 (commonly referred to as *'The November Revolution'*). Only five years after this major deregulatory initiative, Sweden was hit by a severe financial crisis, which would alter the structure of the banking market considerably. A large number of publications cover the deregulations and the Swedish financial. Many of these are referred to extensively throughout the two essays but a few will be mentioned here; either because they have not been referred to in the text but still have had an important influence on my understanding, or in order to assist others in search of literature on this time-period. *Larsson (1998)* gives a comprehensive historical account of the developments of the Swedish financial system during the 20th century. In *Bergendahl (1989)*, several distinguished people from the banking industry give their view on the future of banking in relation to regulations, the market, and management control. *Larsson & Sjögren (1995)* discuss the background to the Swedish financial crisis in the 1990s. Going back to the mid-1960s the authors use a broad approach to analyze the reasons behind the crisis and the actions that took Sweden out of the crises. *Lindgren, Wallander & Sjöberg (1994)* discuss the causes, consequences, and lessons from the Swedish financial crisis. *Rydbeck (1993)* is a report about the legal responsibility of the board of directors of Nordbanken (later Nordea). As the former CEO of the largest Swedish savings bank; Första Sparbanken, *Pettersson (1993)* discuss the Swedish financial crisis from his perspective. *Carlsson & Nyblom (2008)* discuss the credit losses of Swedish banks from 1988 to 1995. During the crises, several of the Swedish banks created so called *'bad banks'* to which a substantial part of the bad credits were transferred in order to give the viable part of the bank a fresh start and *Bergström, Englund & Thorell (2002)* describe the creation, operation, and liquidation of Securum, the largest bad bank in Sweden (created by Nordbanken).

In addition to the literature on commercial banks there is a strand of publications that deals specifically with mutual banks (savings banks and member banks). In four books *Körberg (1999; 2003; 2006; 2010*) discuss different periods in the history of the savings banks movement. *Eriksson (2006)* has written about the Independent Savings Banks Association (which today is called the Swedish Savings Banks Association). *Bergendahl & Lindblom (2008)* evaluate the performance of Swedish savings banks between 1997 and 2001.

Lars Silver has written several publications about Swedish and European savings banks. In his dissertation *Olsson, 2009* discusses whether savings banks have a purpose in the modern banking system and to what extent they succeed in creating excess returns for their stakeholders. Historically both the savings banks and the member banks have played an important role on the Swedish banking market. However, in the aftermath of the Swedish financial crisis the eleven largest savings banks merged into Sparbanken Sverige AB, and all member banks merged into Föreningsbanken AB. These two banks were gradually commercialized and in 1997 they merged to form FöreningsSparbanken AB, which today is named Swedbank (see Essay 1 for an extended discussion). Today there are only two small member banks in Sweden but readers interested in the history of the Swedish member banks may be referred to *Åsling (2002)*.

The literature that covers the period after the Swedish financial crisis is diverse and there are a number of non-academic books that may be of great interest to anyone interested in the Swedish banking industry. Some of these are listed in Table 1 below together with a selection of academic books, dissertations, and articles. The list is not intended to be exhaustive in any way but has been of great importance for me to reach a better understanding of the Swedish banking industry. The list may also serve as a shortcut for others interested in the Swedish banking industry.

Table 1. Selected publications on the Swedish banking industry

Type of publication	Title	Year	Author/s	Content
Academic references				
Booklet	Prissättning av betalningstjänster	1990	Ted Lindblom	This booklet discusses bank pricing strategies during a period when Swedish banks tried to increase income generation through fees.
Booklet	Stadshypotek i Göteborgs och Bohus län 1983-1992	1994	Anders Bergland & Johan Blume	
Booklet	Stadshypotek AB - Ett nytt bolag på en ny marknad	1995	Anders Bergland & Johan Blume	
Booklet	Handelsbanken förvärv av Stadshypotek	1999	Anders Bergland & Johan Blume	These three booklets discuss the developments of Stadshypotek, a Swedish mortgage company, which eventually was sold to Handelsbanken.
Paper	Cross-Border Bank Mergers and Acquisitions in the EU	2002	Ted Lindblom & Christopher von Koch	This paper analyzes the merger between Nordbanken and the Finish bank Merita from a balanced scorecard approach.
Book	Merging across borders - People, cultures and politics	2003	Anne-Marie Söderberg & Eero Vaara	The book discuss the case of Nordea
Dissertations				

Ph.D.	Ägarstyrning av utländska banker i Central - och Östeuropa	2005	Christopher von Koch	Discuss the development of foreign ownership in East-European banks and how foreign ownership affects profitability, growth, and risk in these banks.
Ph.D.	Payment Efficiency and Payment Pricing - Four Essays	2007	Magnus Willesson	Discuss how electronic payments and developments in technology have provided banks with new ways to price payments and increase payment efficiency.
Ph.D.	Essays on Performance and Growth in Swedish Banking	2007	Pål Sjöberg	Empirically analyzes performance and growth in Swedish banking
Ph.D.	Governing Innovation - Internet and Renewal in Swedish Banks	2008	Zia Mansouri	Discuss the strategies that Swedish banks have adapted to govern innovations in relation to the emergance of the Internet
Licentiate	Tillsynsmyndigheten, tillsynen och vår beredskap inför en finanskris	2011	Hans-Olof Bergqvist	Describe the Swedish Financial Services Authority.
Non-academic references				
Biography	En laber bris	1999	Björn Wahlström	Björn Wahlström has held several senior positions in large Swedish firms, and as the Chairman of the Board in Nordbanken from 1990 he was an important actor of the bank's reshaping.
Anthology	Bank, kund och samhälle i globaliseringens tid	2003	Eds. Bo Ekman	A number of distinguished people from the banking industry discuss various issues in the relation to the future of banking.
Biography	Jacobs Stege	2008	Jacob Palmstierna	Jacob Palmstierna has held senior positions within both SEB and Nordea, and he was an important actor in the reshaping of Nordbanken after the Swedish financial crisis.
Biography	Veni Vedi Redi - En finansmans bekännelser	2011	Knut Ramel	As an investment banker in London, Knut Ramel, discuss his experiences from this competitive and money-intense business.

Case description	Decentralization - Why and How to make it Work	2003	Jan Wallander	The previous CEO of Handelsbanken discusses the way in which he led the reformation of Handelsbanken and the basis of their successful management model.
Case description	Uppstickaren - Skandibankens första tio år	2004	Ingrid Kindahl & Annika Rosell	A case description of how Skandiabanken entered the Swedish banking market after the Swedish financial crisis.
Case description	Fritt fall- Spelet om Swedbank	2010	Birgitta Forsberg	A description of the situation in Swedbank during the current financial crisis
Case description	Den stora bankhärvan: finansparet Hagberg och Qvibergs uppgång och fall: + HQ	2011	Carolina Neurath	A description of the fall of HQ investment bank during the current financial crisis
Report	Shareholder Value in Banking	1999	Hans Dahlborg	Hans Dahlborg, previous CEO and Chairman of the Board in Nordea discuss his view on the shareholder value concept in banking

Appendix B. Interview guide

About the Respondent

- Background in the bank
- Background outside the bank

Performance

- How would you describe the performance of the bank and how it has changed over the years that you have been active in the bank?
- If the performance has changed, what would you say caused the change?
- What has been/is considered important in the bank → what made you sleep good/bad at night?

Strategy

- What have been the key strategic issues in the bank over time?
    - Growth? Diversification? Customer focus? Costs?
- How was/is the strategy communicated to the employees?
- For whom did you run the bank i.e. who are the key stakeholder/s?

Organizational culture

- How do/did you want to be perceived by customers/the public? Why?

- What capacities do/did you highlight as good/bad among your employees? Why?
- How and why did it change over the years?
- How would you describe the bank's organizational culture? Has it changed over time? How and why?
- After a merger what was done to create a common culture?

Organizational structure

- How were/are decisions coordinated in the bank for example in a credit decision?
- How was/is responsibility allocated? Cost accountability, results accountability etc.?
- Please describe any major organizational restructurings during your time in the bank and what caused the restructuring?
- What functions are allocated to the head office and what functions are handled at the branch level? Have the functions been moved during your period at the bank, how/why?

Operating systems and procedures

- What type of information systems do you have and how did you develop these systems?
- How did/do you handle regulatory change and how was it integrated into the systems?
- Did/do you think that the employee should actively seek information to support a decision or should all the information be available at the employee's disposal?
- When do employees need access to information? Should everyone have access to everything or should it be limited? Has the information sharing policy changed over the years?
- When do you consider a customer profitable, how did/do you measure customer profitability? Has it changed? If so, why?
- If any information is missing, how was/is it handled?

- Which are the main key performance indicators in the bank and how are they used? Have they changed over time? If so, why?
- How did/do you set the targets at the bank? Are there primarily short-term (less than a year) or long term. Are the targets flexible or strict?
- How did/do you evaluate the targets? At an individual, group, or business level? What did/do the evaluation process look like? Please give examples. Has it changed over time?
- What happened/s to employees that fail to deliver on the targets?
- What type of incentive schemes did/do you apply at the bank?
- Has any of the above changed over time and if so why?

Training and development

- Please describe the procedures for employee training. Has it changed over time, if so why?

- What has been/is the main focus in the employee training programs, what do they learn? Has it changed over time, if so why?
- What were/are the potential career paths in the bank? Do you have a formal career-path in the bank? Has it changed over time, if so why?

Finally,

Is there anything you would like to add?

Performance Management Systems in Swedish Savings Banks – A longitudinal study through the deregulations' first quarter of a century

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1. Introduction

Over the past three decades the world of banking has changed considerably. Deregulation, internationalization, financial crises and reregulation are just some of the many changes that have affected banking business (Bátiz-Lazo & Wood, 2003; Power, 2004; Larson et al., 2011). Under the influence of their external environment, banks have become larger, more diversified, international and competitive (Goddard et al., 2007; Wilson et al., 2010) prompting the need for new sources of income, complex tools for risk assessment and risk mitigation as well as greater cost- and productivity consciousness (Muir et al., 2011:94).

In the middle of this turbulent environment we find the trustee savings bank; a small, local, and risk-averse player with no owners entitled to its profits. Traditionally, the main objectives of savings banks have been to foster savings, develop the local economy, and to carry out social works in the local area. However, altered competitive conditions and the increasingly shareholder-oriented nature of banking, after the deregulations in the 1980s, have induced substantial changes in the legal, economic, and strategic models of savings banks compelling them to adapt and respond to external market pressures and meet tests of efficiency and performance (Carbo & Williams, 2000:135; Silver, 2007; García-Cestona & Surroca, 2008; Olsson, 2009).

Several studies have investigated the performance of savings banks from a stakeholder perspective to evaluate whether the performance of savings banks differs from that of commercial banks (see e.g. Carbo & Williams, 2000; Bergendahl & Lindblom, 2008; García-Cestona & Surroca, 2008). These studies show that European savings banks generally perform well in comparison to their commercial peers indicating that there is still room for savings banks in today's competitive banking environment. Less common in the literature are studies that try to understand *how* savings banks manage their performance i.e. what type of tools that have been adopted by savings banks to manage their performance and in what way the altering external pressures, over the deregulations' first quarter of a century[1], have affected these tools?

Savings banks are interesting from a performance management perspective, not least with respect to the obvious incompatibility between the increasingly shareholder-oriented nature of banking and the traditional main objectives of the savings banks discussed by e.g. Schuster (2000). Moreover, the small size, local character, and risk averseness of the savings banks are factors that stand in stark contrast to the recent trends in banking, indicating that savings banks do in fact behave differently than their commercial peers. Despite these dissimilarities, savings banks seem to manage their performance well, pleading the question of how this is done in such a hostile environment.

[1] The deregulations' first quarter of a century refers to the 25 years that have passed since the main deregulatory initiative in Sweden (i.e. the elimination of the credit ceiling) was taken in November 1985.

The present chapter provides some insights into this question by studying the performance management systems (PMSs)[2] of Swedish savings banks. More specifically it examines how and why Swedish savings banks have adapted their strategies, structures, and management accounting and control elements to altering external pressures over the deregulations' first quarter of a century. The study is based on interview data from four Swedish savings banks and key representatives of the Swedish Savings Banks Association (SSBA). To corroborate the interviews, additional data was acquired both through external material (e.g. annual reports, relevant academic and business journals, and books) and internal documents received from respondents. An analytical framework that builds on new institutional theory and specifically aimed at explaining banks' responses to alterations in the external pressures is used to discuss the findings. Generalizability is not the main objective here, but instead the study seek to increase our understanding of PMS's change in Swedish savings banks, which can serve as an indicator of issues that are relevant to other settings.

In many ways Sweden provides an excellent environment for this type of study. Being a small and open economy, Sweden has followed the general trend in banking over the period for this study. Moreover, the long-standing relationship between academia and the Swedish business society provides an opportunity to study organizations from the inside which is difficult to achieve elsewhere. Finally, Swedish savings banks have a long tradition of low staff turnover, providing for access to expert respondents who can account as witnesses of the developments over time.

The remainder of the chapter is organized as follows. A brief historical background of the Swedish savings banks is given to set the stage, after which the theoretical framework is presented. Next the research method is outlined and in the two following parts the findings are reported and discussed. Finally, some concluding remarks are made.

2. Swedish savings banks

During the 19th century the number of savings banks increased rapidly and by the turn of the century more than 300 savings banks were operating on the Swedish market. After the financial crisis in the 1920s the savings banks prospered on behalf of the distressed commercial banks (Larsson, 1998). The success of the savings banks continued and in 1942 a joint commercial bank (Sparbankernas Bank) was formed to handle foreign exchange and credit transactions (Polster, 2004). Together with the Swedish Savings Banks Association (SSBA) and Sparbankernas Bank the savings banks developed common institutions to handle data processing, auditing, real estate brokerage, and so on which made the savings banks' movement seem united (Körberg, 2010). However, as the savings banks grew stronger and more competitive an internal consolidation debate was initiated in the late 1960s. It was argued (primarily by the large savings banks) that mergers were necessary in order to compete successfully with the commercial banks. The debate intensified during the 1970s and rendered a long series of mergers, reducing the number of savings banks from approximately 400 in the mid-1960s to 164[3] in 1980 (Körberg, 2010).

Körberg (2010) describes the years from 1980 to 1995 as the most dramatic and radical period of change in the history of Swedish savings banks. On a macro-level, a complete reformation of the financial legislation and the worst financial crisis since the 1920s contributed to this notion. In addition, the conversion of a large part of the savings bank group

[2] Based on Ferreira & Otley (2009), performance management systems is defined as all the tools managers use in implementing the main objectives of the organization The definition includes both tools used to control employees (management control systems) and information used for decision support (management accounting systems).
[3] The Swedish Bankers Association

into public limited companies, through the forming of Sparbanken Sverige AB, was a major factor in reshaping the savings banks' role on the Swedish financial market. However, the period after 1995 has continued to be extremely turbulent for the Swedish savings banks. Increased competition, new regulatory frameworks, the merger between Sparbanken Sverige AB and Föreningsbanken AB into FöreningsSparbanken AB (FSB)[4] in 1997, additional mergers and conversions and a worldwide financial crisis have characterized the second part of the deregulations' first quarter of a century.

Today there are 63 savings banks in Sweden, 49 of which operate under the Savings Banks Act (1987:619), 14 have converted to joint stock banks. Out of the 14 converted banks, nine are fully owned by foundations and five are owned partly by a foundation and partly by Swedbank (SSBA, 2011). The nine banks that are fully owned by a foundation operate under similar terms as those that have not converted, and this paper will focus on these 58 savings banks that commonly refer to themselves as independent savings banks (ISBs). Since most of the ISBs still have a relationship with Swedbank, both as customers and as owners, it is inevitable to provide some evidence about Swedbank and issues concerning the cooperation with Swedbank will appear throughout the paper.

3. Theoretical Framework

This chapter use new institutional sociology (NIS) (see Scott, 2008 for an excellent review) to explain how the ISBs seek to obtain stability and legitimacy by conforming to institutional pressures issued from the state, professions and the collectively shared norms in society. Within NIS, institutional isomorphism is used to describe the mechanisms which forces one unit in a population to adopt systems and procedures in order to resemble other units that face the same set of environmental conditions (DiMaggio & Powell, 1983:150). DiMaggio & Powell (1983) discuss three mechanisms through which institutional isomorphism occur; coercive, mimetic, and normative.

Coercive isomorphism refers to a broad spectrum of both formal and informal pressures exerted on organizations, or organizational units, to adopt systems and procedures issued by other organizations or units of which they are dependent. Regulation is perhaps the most tangible coercive pressure and Deephouse (1996) shows that bank strategy is indeed related to the coercive pressure of bank regulators. Apart from the regulators, the ISBs are exposed to coercive pressures from Swedbank, as their key product provider and main supplier of information systems. Furthermore, even though the ISBs are not prohibited, by law, to expand outside their local area it would be considered an offensive move that might upset the co-operation on a national level (Olsson, 2009).

According to DiMaggio & Powell (1983), mimetic isomorphism follows from an uncertain environment in which organizations seek legitimacy by modeling themselves or other successful organizations. It is commonly argued that banks operate in uncertain environments (e.g. Hussain & Hoque, 2002; Hussain, 2003; 2005; Adler, 2011) and McKendrick (1995) shows that large and successful banks serve as important role models for other banks. Several studies have showed that banks often use benchmarking to deal with the high uncertainty (Cobb et al., 1995; Helliar et al., 2002; Adler, 2011) and the ISBs in Sweden are expected to follow similar practices, indicating that they will adapt their PMSs to resemble those of other successful banks.

The third mechanism, normative isomorphism, stems from the idea of professionalization i.e. that members of the same profession often come from the same background (e.g. social

[4] FSB was renamed to Swedbank in 2006 and has since the merger been one of the four large commercial banks in Sweden. For simplicity Swedbank will be used throughout the remainder of the paper.

class and education), with similar ideas about how to produce the organizational procedures (DiMaggio & Powell, 1983:152). The authors further argue that industries with a service or financial orientation tend to have a particularly high degree of *'filtering'* in which employees are recruited from the same universities and share similar attributes, hence *'they will tend to view problems in a similar fashion, see the same policies, procedures and structures as normatively sanctioned and legitimated, and approach decisions in much the same way'* (DiMaggio & Powell, 1983:153). The dramatic change that the Swedish banking industry has gone through over the deregulations' first quarter of a century is likely to have affected the notion of a professional banker within the ISBs. To account for such alterations of the normative pressure, the ISBs can be expected to adjust their recruitment processes and training and development practices. These are important components of the PMSs as they serve to up-skill and standardize employee behavior (Adler, 2011) as well as aligning the aspirations of individuals with that of the organization (Alvesson & Kärreman, 2007).

Failure to comply with any of the above mentioned pressures would result in repercussions (e.g. financial penalties from regulators and loss of legitimacy among important stakeholders) and the ISBs are, therefore, likely to adapt their PMSs if these pressures change. However, although NIS has been used extensively to explain why firms adopt their PMSs to external pressures it does not consider how those PMSs evolve within organizations (Ribeiro & Scapens, 2006; Arroyo, 2012) and how organizations respond to altering isomorphic pressures (Oliver, 1991; Munir et al., 2011). Several attempts have been made to develop frameworks that address these issues but according to Munir et al (2011) these have primarily been aimed at the manufacturing industry and the authors emphasize that the frameworks offers limited help in studying banks because of operational specificities which are different from the manufacturing industry (see also Lau & Tan, 1998; Larsson et al., 2011). Accordingly, Munir et al (2011) propose a framework specifically aimed at analyzing *'the factors influencing changes in PMSs and the organizational responses to change efforts'* in banks (Munir et al., 2011:108). The model presented in Figure 1 below draws on the framework proposed by Munir et al (2011) but as they refer to performance measurement systems a few adaptions are made here, which are discussed next.

3.1 Introducing performance management systems to the model

Recently, scholars have emphasized the problem of separating specific management accounting techniques (such as the performance measurement system) from other features of the performance management system since these are commonly interdependent (e.g. Otley, 1999; Malmi & Brown, 2008; Ferreira & Otley, 2009; Adler, 2011). In addition, it has been argued that this separation expands the gap between research and practice (e.g. Nixon & Burns, 2005:265; Berry et al., 2009). For those reasons a broader and more practice-oriented approach has been suggested under the frame of performance management systems (PMSs) (see Ferreira & Otley, 2009; Adler, 2011). Since the primary motivation of this chapter is to examine how and why Swedish savings banks have adapted to altering external pressures, it was believed that the field research would benefit from a broad framework that was readily understood by practitioners. Accordingly, the fourth box shows the PMSs framework in a simplified version of that provided by Adler (2011). There are four main control mechanisms intended to support the strategy implementing process; organizational culture, organizational structure, operating systems and procedures, and training and development. Broadbent & Laughlin (2009) argues that the way in which the different components of the PMSs interact and are utilized will differ depending on the organizational context. This means that if the context change, organizations are likely to adapt their PMSs and Oliver (1991) develops a typology to describe the various strategies that organizations seem to apply when institutional pressures change. The organizational responses are described as a continuum ranging from the most passive response (*acquiesce*), in which the organization will follow taken for granted norms, mimic institutional models and obey rules and norms, to the most active response (*manipulate*) where the organization will actively seek to change or exert power over the source of the institutional pressures.

Previous studies show that having no owners provide the top management of savings banks with an opportunity to pursue a personal agenda (Crespí et al., 2004; Silver, 2007). This opportunity may have consequences for the ISBs' responses to altering external pressures as individual managers could have motives that deviate from the best solution for the bank (Forsell, 1992; Olsson, 2009). For example, the ISBs might be prone to utilize the more passive responses if these require less work, or exploiting concealment tactics i.e. disguising their actual PMSs practices to appear legitimate. According to Oliver (1991) such responses often materialize in terms of a decoupling between the internal work activities and the formal structures, and may, therefore, result in PMSs inertia rather than change. In the following section the framework used to organize the findings and analyze the data is presented, the model builds on Munir et al (2011) but, as will be elaborated on below, the PMSs framework also affects the relationship between the different dimensions in the model.

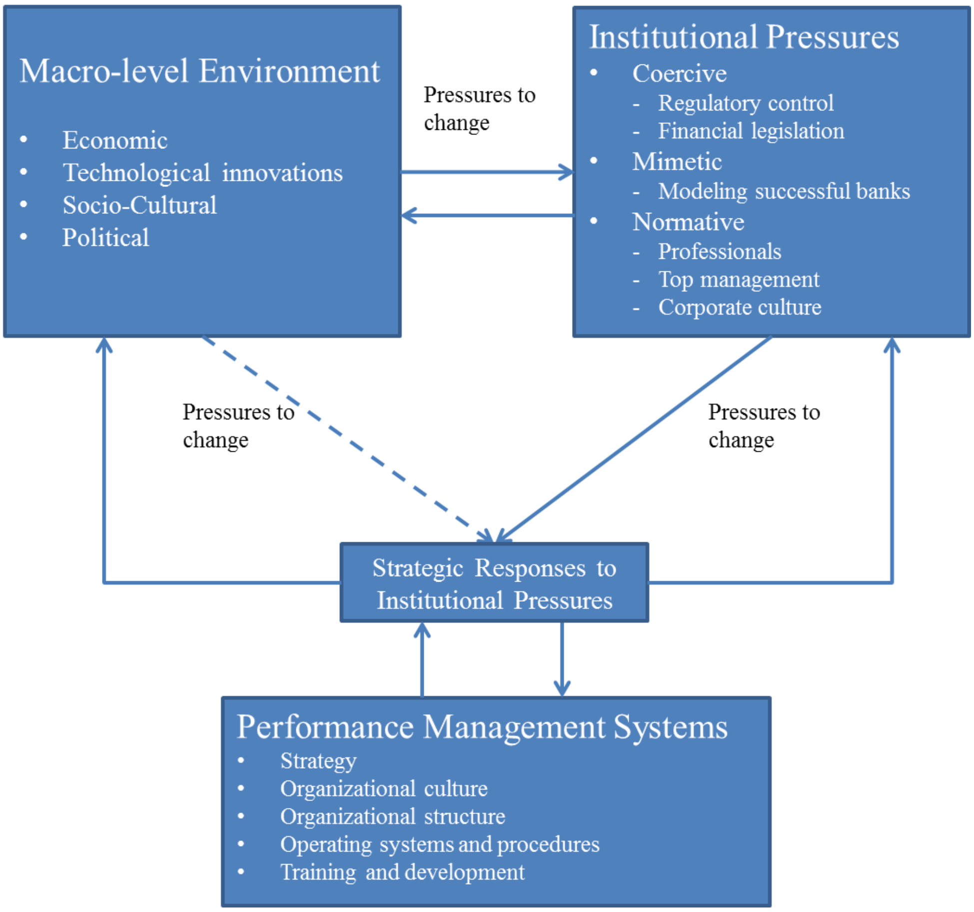
3.2 An analytical framework to analyze PMS's change in banks

The first box in Figure 1 shows the macro-level environment and includes factors that have been commonly cited in the banking literature as influencing how banks are organized (e.g. Helliar et al., 2002). These factors primarily affect the PMSs indirectly through the institutional pressures. For example a political decision to alter the bank regulation will change the coercive pressure. The bank may respond to the pressure by obeying the new regulation and changing its' PMSs to align with the new regulation. As discussed by Wahlström (2009) banks may also respond to new regulations by *'window-dressing'*, i.e. by appearing as if they follow the new regulations, but avoiding to actually implementing the new routines into the PMSs practices. Oliver (1991:174) further argues that *'an organization's responses to the institutional environment will not only influence organizational performance, they may also influence the criteria, measures, or standards used by institutional constituents to evaluate performance'*, i.e. the bank may try to influence the politicians or regulators thereby explaining the arrows from the strategic responses to the top two boxes.

Based on the strategic response the bank may or may not decide to reformulate its strategy, which in turn can affect the main control mechanisms (Simons, 1995; Chenhall, 2003; Ferreira & Otley, 2009; Adler, 2011). Although the strategic response could initiate PMS's change the relationship is not unidirectional, since the banks' existing PMSs will have an inherent effect on the strategic response (Oliver, 1991). For example, those banks that already have PMSs congruent with the new external pressure, are more likely to respond passively, whereas banks that needs to make large changes in their PMSs may even try to actively oppose the introduction of a new pressure.

To identify responses from ISBs when external pressures alter, the analysis outlined in the following sections is divided into two steps.

Figure 1
Framework to examine change in the PMSs of banks



Source: Adapted from Munir et al (2011:98)

4. Research Approach

The first step was to identify alterations in the institutional pressures exerted on the ISBs in Sweden. The theory suggests that when the macro-level environment change the institutional pressures are likely to be affected. Accordingly, a review of the relevant literature on the macro-level environment over the past decades, with specific focus on banks, was conducted. The findings are presented in subsection 5.1, 5.2, and 5.3. The next step was to conduct interviews and describe the ISBs' responses to alterations in the institutional pressures, and this procedure will be discussed next.

4.1 Data sources and selection of ISBs

Although the interviews were used as the prime data source to analyze the IBSs' responses to alterations in the external pressures, both internal documents (such as internal performance reports, protocols, and other material received by respondents) and the external data helped to corroborate and elaborate on the interview findings. The longitudinal character of the study made such data triangulation an important instrument to improve the internal validity (see Ryan et al., 2002), since respondents were asked to reflect upon things that happened a long time ago and may suffer from memory bias (see Schacter, 1999 for an extended discussion).

Four ISBs were selected, in correspondence with a key representative for the savings bank group, based on two main criteria: size and disparity; a brief presentation of the ISBs is given below.

- Ulricehamns Sparbank (USB) was founded in 1852 and is located in a small municipality with 25,000 residents. Over the past 50 years USB has operated with one main office and three branch offices[5]. In 2011 USB had 50 employees, a total balance sheet size of SEK3.9 bn and an operating income of SEK56 million.
- Sparbanken Allingsås AB (ASB) started operating in 1833 and is located in the proximity of Gothenburg in a municipality with 40,000 residents. ASB has four branch offices. In 2010 it was decided that ASB should convert to become a limited company. However, ASB is fully owned by a foundation and is still operating as an ISB. In 2011 ASB had 100 employees, a total balance sheet size of SEK8.2 bn and an operating income of SEK120 million.
- Sparbanken Skaraborg AB (SSB) started its operations in 1847. The bank is located in a region with approximately 50,000 residents and as of 2011 the bank has five branch offices (as one branch office was closed). In 2011 SSB had just over 90 employees, a total balance sheet size of about SEK8 bn and an operating income of SEK120 million.
- Orusts Sparbank (OSB) was founded in 1887 and is located on one of the largest islands in Sweden. In 2011 OSB had four branch offices, close to 50 employees, a total balance sheet size of about SEK5.5 bn and an operating income of SEK100 million.

4.2 Conducting the interviews

Site visits were conducted at each of the four banks during which semi-structured interviews were held with senior managers. The respondents had generally held a senior position within the bank for more than two decades. The interviews followed an interview guide that is highly informed by the questions developed by Ferreira & Otley (2009) and is divided into six categories; performance, strategy, organizational culture, organizational structure, operating systems and procedures, and training and development. All interviews were held in Swedish[6] and lasted between two and three hours. In addition, interviews were held with two representatives of the SSBA and a controller at Swedbank who is responsible for collecting performance data and preparing performance reports for the ISBs.

4.3 Data analysis

The six categories of the interview guide formed the basis for the analysis. Further coding is not done but similar to for example Arena et al (2010) the empirical material is instead analyzed textually in which emergent themes and contingent causalities, pertaining to the conceptual elements (responses to institutional pressures), were highlighted. A common problem in interview-studies is the vast amount of empirical material and the obvious need to make choices among the many variables that may appear crucial (Sigglekow, 2007). To account for this problem many studies rely on multi-author analysis in which each author make individual analysis, which is than compared. This approach was not available in the

[5] It should be noted that two of the branch offices were closed in 2012.

[6] The paper contains citations both from the interviews and the complementary data. These citations have been translated by the author.

present study but similar to for example Adler (2011) the analysis has instead been cross-checked with the respondents.

5. Findings

The findings are presented in three subsections below, following a chronological order, where each subsection is divided into two parts. The first part describes the macro-level environment and the institutional pressures during the 1980s, 1990s, and the 2000s. The second part focuses more specifically on the performance management systems and the interviewed ISBs' responses to alterations in the external pressures.

5.1 Altering external pressures in the 1980s

Throughout the entire postwar period Swedish banks remained under strict governmental control. However, in the 1970s the market-oriented view was gradually entering the Swedish economy. During the 1970s and early 1980s the Swedish economy was characterized by weak governmental finances and by the mid-1980s, Sweden had experienced more than a decade of high inflation. Between 1973 and 1982 the currency was devaluated six times providing for consistently high interest rates (Englund, 1999). The weak government finances, the internationalization of the money market, and technological developments provided for the creation of innovative financial instruments, which made several features of the regulatory framework superfluous (Larsson, 1998, SOU 2000:11). As a result, the government decided to follow the deregulatory wave (initiated by Reagan in the US and Thatcher in the UK) and in just a few years between 1983 and 1986 the Swedish financial markets went through a complete deregulation (e.g. Larsson, 1998).

For savings banks in Sweden the deregulation started in 1969 when the regulation, forbidding savings banks to compete with commercial banks, was abolished. However, it was not until the deregulations in the mid-1980s that the savings banks really started to advance into the same areas as their commercial peers (Larsson, 1998). Even prior to the most important deregulatory initiative (the elimination of the credit ceiling) in November 1985, discussions about the future of Swedish savings banks were on top of the agenda within the savings banks group. It was communicated in an internal memorandum, published in the spring of 1985 that: *'The banking system has left the sheltered and tranquil environment, of which we have been spoiled, and is now subject to the same competitive working conditions applicable to the commercial and industrial sectors. In our opinion, the new banking environment will place great demands on the adjustment of costs and structure as well as leading to a tough prioritization of provision-based business in order to compensate for lower net interest income.'* (Körberg, 2010:69).

The latter part of the 1980s was characterized by exceptionally high demand for credit, increasing prices on the property market, and a tax legislation favoring property speculation (Englund, 1999). During this period the savings banks started a huge credit expansion and from 1984 to 1988 the savings banks tripled the number of loans and more than quadrupled the level of credit to the business sector (Larsson & Sjögren, 1995). In this decade the consolidation debate, mentioned above, reached a new phase and in 1982, Första Sparbanken was formed through a merger of two of the largest savings banks in Sweden (Sparbanken Stockholm and Länssparbanken Göteborg). A few years later five relatively large savings banks merged to form the first regional savings bank (Sparbanken Alfa); and during the same period an additional set of regional savings banks was formed. The merger trend made a number of the smaller savings banks fear for their future existence and they decided to form the independent savings banks association (ISBA) in 1985. The purpose of the ISBA was to gather the strengths of the smaller savings banks in order to act as a united front in key issues.

Initially the ISBA contained 80 of the smallest savings banks, but in 1994 ten additional members were incorporated (Eriksson, 2005). In 1985 there were a total of seven regional savings banks, seven syndicate savings banks, 12 middle sized savings banks, and 89 small savings banks (Körberg, 2010).

The ISBs' responses to the altering external pressures in the 1980s

The economic boom during the latter part of the 1980s delayed the expected cost savings (discussed in the memorandum). Instead growth seemed to characterize the years after the deregulations. As noted above, the savings banks' lending increased drastically and limited attention was paid to risk. The credit manager of ASB comments the years after the deregulations in the following manner: *'Suddenly we [banks] had all the money in the world at our disposal and there were no routines or ideas of how to handle this new situation. An interest rate war broke out and the profitability dropped drastically. A common way of reasoning at that time was that if I provide a credit of SEK10 million and make a two percent margin I might just as well increase the credit to a SEK100 million and earn a 1.5 percent margin; there was no consideration of the risks involved.'*.

The growth strategy during the latter part of the 1980s had a number of characteristics described both in previous literature and by the respondents. Firstly, the economic boom made the demand for credit exceptionally high and since the credit ceiling was abolished a fierce competition for credit issuing arose among the banks. A common way of reasoning was that; if we do not issue the credit, someone else will. Not only was there a lack of proper routines to handle this new situation but the banks frequently ignored the existing routines to be able to issue the credits in a timely fashion.

Secondly, although growth was high in all regions of the country it was more tangible in the larger cities. For the savings banks this meant an abandoning of the church tower principle, i.e. instead of relying on relationship lending primarily to the local private market, several of the savings banks moved outside their local region and started issuing credits to opaque firms in the big city areas.

Thirdly, the internal structural debate disunited the savings bank group. The larger savings banks believed in creating a joint-stock holding company under which all central functions, were to be organized. On the other side, the smaller savings banks, untied under the ISBA, acted to protect and maintain the savings bank model and to remain independent. This development indicates a clear difference in the organizational goals and cultures among the savings banks. The larger banks emphasized the importance of scale and scope through mergers in order to stay competitive on the banking market whereas the smaller banks wanted to remain independent in order to serve their local markets.

Finally, the transition from focusing almost exclusively on the private market to entering the business segment compelled the savings banks to diversify their product portfolios. Both the complexity of the new products and the difficulty in assessing business creditors placed greater demands on the training and development of employees. From 1985 to 1989 the 'other staff costs' increased from less than three percent of total costs to more than four percent (SCB, 1989).

In sum, the changing macro-level environment clearly led to a shift in the institutional pressures exerted on the savings banks. The larger savings banks responded through mergers and growth whereas the smaller savings banks fought to remain independent and preserve the traditional values of the savings banks movement. One key explanatory factor for these divergent strategic responses seems to reside in geographical distance. Savings banks active at some distance from the major cities were insulated from the new institutional pressures and instead followed the taken-for-granted norms that had traditionally existed in the bank (i.e. the church-tower principle). The CEO of OSB gave the following comment: *'back in the 1980s we used to say that new innovations took five years to travel from the big cities to us and ten* *years to be in full use, today it takes one day for the idea to travel here and maybe a month or two until it is in full use'*. Thus, even though a gradual shift towards growth existed within the smaller savings banks, it was not accompanied with any major changes in the PMSs, which remained simplistic until the beginning of the 1990s.

5.2 Altering external pressures in the 1990s

The early years of the 1990s were extremely turbulent, not only for the banks but for the whole Swedish economy. As the 1990s approached, the economy started to slow down and the first signs of weakness in the financial system appeared. In the fall of 1989, the industrial output index and the real estate prices started to go down and interest rates started to go up. Consequently, credit demand, which had remained exceptionally high during the latter part of the 1980s, suddenly began to decrease (Englund, 1999). What initially seemed like a financial crisis caused by a downturn on the real estate market spread to the whole Swedish economy and the number of bankruptcies quickly increased causing huge credit losses for the banks (Larsson & Sjögren, 1995). During this period the Swedish government decided to conduct an extensive tax reform called TR 91. Among other things, TR 91 meant a reduction of the marginal tax on capital income, making it less favorable to speculate on the property-market, and thereby hampering credit demand even further (Agell et al., 1999).

As the crisis intensified, the keeping of a fixed currency, which had remained an important political argument throughout the 1980s, was no longer sustainable. In the autumn of 1992, the Riksbank had to increase the overnight rate to 500 percent to defend the Krona and then weeks later, on the 19th of November, the Krona was left floating. By the end of 1993 the overnight interest rate was down to 7.75 per cent, its lowest point in over a decade (Englund, 1999; Magnusson, 2002).

On an international level the creation of the European Union (EU) had regained momentum with the signing of the Single European Act (SEA) in 1986 (Haan et al., 2009). The aim of the SEA was to create a complete internal EU market by 1992. In 1992 Sweden signed the Agreement on the European Economic Area (EEA), which meant that Sweden was espoused to comply with the EC rules on financial services (Kazarian, 1994). Among the prominent features of the EEA agreement was the provision for free cross-border trade in financial services and the freedom to establish credit institutions in all EEA countries. In Sweden, foreign banks were permitted to establish subsidiaries from 1986, but with the EEA agreement they could also open branches[7] and the restrictions on foreign ownership were removed. Another important feature of the European legal framework was that it encompassed the international standards of the Basel Committee on Banking Supervision (Ems, 1994). Basel I had two purposes: (i) to strengthen the soundness and stability of the international banking system and (ii) to reduce competitive inequalities by creating an international regulatory standard. Put simply, Basel I required banks to hold a minimum capital standard of 8 percent of risk weighted assets[8].

Similar to the commercial banks, the credit losses in the savings banks started to increase and between 1989 and 1992 the credit losses went from less than a half percent to more than six percent of total lending (Larsson & Sjögren, 1995). Under the turbulent years of the crisis, several savings banks turned out to have issued loans without proper consideration of risk and one of the most affected banks was the largest savings bank; Första Sparbanken. To protect some of the savings banks that were hit the worst it was decided that a more unified

[7] A branch can rely on the capital of the parent bank, whereas a subsidiary must have an independent capital base (see Ems, 1994)
[8] http://www.bis.org/bcbs/history.htm accessed 2011-11-04

governance structure was needed and in 1992 all units under Sparbanksgruppen AB[9] were merged into a single organization that later became Swedbank (see section 2). In the first years after the transformation, eleven savings bank foundations[10] together with the ISBs owned the full common stock in Swedbank. However, as the crisis intensified a share issue and several share sales, were conducted in order to avoid a governmental take-over of the bank, and in June 1995 Swedbank was listed on the Stockholm Stock Exchange. From this point on, Swedbank became a commercial bank with a product portfolio similar to other universal banks albeit with a close cooperation with the ISBs (Eriksson, 2005; Körberg, 2010).

During the second half of the 1990s the Swedish economy stabilized, and in the decade after the crisis Sweden enjoyed a stronger output growth relative to contemporaneous experience in much of the OECD and EU (Davis & Henrekson, 2010). The technological development helped increasing productivity and the economic integration increased the demand for products and services. The economic integration was boosted in 1995 when Sweden entered the EU, and even though Sweden refused the entry into the monetary union by referendum in 2003, it still plays a major role in shaping the political economic agenda (Magnusson, 2002).

The M&A trend was one of the most prominent features of banking during the 1990s (e.g. Goddard et al., 2007; Wilson et al., 2010). Sweden is no exception and several of the large commercial banks expanded through M&As during this period. The forming of Swedbank was a result of such a merger with significant effects for the ISBs. In the merger, the ISBs were offered to acquire Swedbank's local branch offices to avoid double-establishments. However, several of the ISBs lacked the financial strength to acquire the branch offices and converted into joint stock banks, with Swedbank as a partner, to afford acquisitions. Apart from this event the ISBs had already gone through a long period of structural reforms, as discussed above, and between 1992 and 2001 there were only two additional mergers[11] (Olsson, 2009).

In the aftermath of the financial crisis the number of banks started to increase for the first time since the 1950s. The signing of the EEA agreement together with continued deregulatory initiatives provided for the entry of foreign players on the Swedish banking market. More importantly, from the ISBs' perspective, the new conditions on the Swedish banking market opened up for new banks with a narrow range of products and services to establish operations. According to Lindblom & Andersson (1997), the poor reputation of traditional banks after the financial crisis, together with the newly established bank guarantee[12], created an excellent opportunity for new banks to enter the Swedish market and from 1994 to 2002 ten niche banks started their operations (The Swedish Bankers Association). The entry of these banks meant a sharpening of the competition for the savings banks. Not only did the new banks offer competitive interest rates but several of them already had branches in the savings banks' local markets since they diversified into banking from insurance or retailing businesses.

[9] Sparbanksgruppen AB was a holding company that was formed in 1990 under which Sparbankernas Bank, eleven regional savings banks, and a number of central functions were organized.

[10] A legislative change in 1991 allowed for savings banks to convert into joint-stock companies and eleven regional savings banks converted shortly after the change. Initially these banks were fully owned by individual foundations.

[11] Even prior to the forming of Swedbank a number of savings banks converted into joint stock banks while still operated as ISBs (see Eriksson (2005) and Olsson (2009) for extended discussion concerning the reasons for converting and detailed descriptions of the banks that chose to convert).

[12] Sweden introduced the deposit insurance in 1996 through the Deposit Insurance Act (1995:1571) and set the insurance to SEK 250,000. In 2008 the amount was changed to SEK 500,000 and from the 31st of December 2010 it is €100,000 exceeding the new EU minimum of €50,000.

The EU membership meant that the gradual shift in financial services from being strictly national to becoming more international continued, and a series of meetings and reports in 1998 led to the launch of the Financial Service Action Plan (FSAP) in 1999, which included the Basel II accord (Haan et al., 2009:50-55).

The ISBs' responses to the altering external pressures in the 1990s

Despite the turbulent environment during the Swedish financial crisis, there was a general consensus among the respondents that they managed the crisis relatively well. The main explanation provided was their limited exposure to the speculative nature of the markets in the larger cities. At the same time, the booming years of the 1980s were over and the cost consciousness discussed earlier was entering the banks. In USB there was a change of CFO in 1990 and during his first years in the bank much effort was put into developing and implementing monthly financial statements. The CFO of USB commented the first years of the 1990s in the following way: *'during the 1980s we only had a yearly financial statement and by the end of the year we did not know what to expect; we did not know whether we had made enough money or not. As the uncertainty increased during the years of the crisis we felt that we needed to get a better understanding of our costs and our income'*.

The cost consciousness seems to have been part of a greater change within the savings banks. Before the crisis they had focused almost exclusively on growth, but in the early 1990s profitability became an equally important target. To become profitable the banks needed to know, at a more detailed level, where the costs and the income originated from. Initiatives such as keeping a monthly financial statement made the ISBs realize that almost all of their total income was stemming from the net interest income. As a result they started to charge customers for products and services that had previously been distributed for free. The profitability focus seems to have affected the way in which the interviewed ISBs conceptualized performance. Although respondents maintain that making money had always been a key objective, they also conclude that they improved considerably, during this period, in explaining both externally and internally why they need to make money. The change that occurred could be described as going from asking 'how much money are we making?' to 'how much money should we be making?'.

An additional initiative during this period was the introduction of benchmarking. In the late 1980s the savings banks started working with benchmarking on a national level. Performance data was collected by the ISBA and distributed to the savings banks on a yearly basis. The respondents provide two main reasons, both related to interest rates, for the superiority of benchmarking over budgets. Firstly, since it is difficult to forecast interest rate fluctuations, and the savings banks' result is highly dependent on interest rates, benchmarking is a better way of determine the banks' performance. Secondly, interest rate accruals are difficult to establish without a support systems. In the early 1990s no such systems existed and therefore benchmarking became an important instrument to inform the savings banks of their performances and to learn from those banks that performed better.

The crisis also seemed to have affected the banks' perception of risk. Before the Swedish financial crisis, credit losses had remained low for a very long time-period. The huge credit losses made the banks aware of credit risks and how it could affect them, and new routines were developed to measure and price risk. As the technological development progressed, more advanced information systems to measure and price risk (e.g. credit scoring) and to calculate profitability on each individual customer were developed. A key issue discussed by several of the respondents was the need for support systems and a proper understanding of risk among the employees. The savings banks acknowledge that being *'a relationship bank'*, as the CEO of both ASB and SSB puts it, makes monitoring more important because *'as humans we tend to be overconfident in our customers, especially when we have developed a relationship, and then it is good to have a system to support our decisions. However, it is* *important that we maintain our human side so if the system indicates that the deal might be bad but the employee can justify it in the next level of the credit line, we might still proceed with the credit'* (CFO, USB).

After the deregulations, the savings banks gradually started transforming from being transactional banks to becoming more sales-oriented organizations. As discussed above this development placed greater demands on the training and development of employees but it also affected the public's perception of banks. The CEO of ASB expressed it as: *'In the past our customers came to the bank with their caps in hand but today it is rather with a helmet on their heads'*. The turbulent times after the financial crises in the 1990s (and today) have contributed to the deteriorated public view of bankers: *'It used to be considered a respectable job to work in a bank but today, if one of our employees goes to a party, I believe that many of them would avoid mentioning that they are working in a bank'* (CEO, ASB).

For USB the turn of the century also meant the start of a period where several of the employees were retiring. The change in personnel started with a new CEO in 2000 as the previous CEO was retiring. The new CEO had a history of working for Swedbank and brought with him ideas about how to make USB more efficient. This was done partly by allowing for a more decentralized responsibility and partly through gradually reducing the number of employees. The CEO also introduced a balanced scorecard in the organization with KPIs ranging from customer and employee satisfaction to risk adjusted return on capital (RAROC). In addition, USB experimented with a trainee program in which two individuals were hired to rotate between the various departments in the bank during one year. Today these two employees belong to the management team, but the bank has not continued with the trainee program primarily because it was part of the replacement strategy and USB did not feel the need to provide all new employees with such a comprehensive training.

In sum, the crisis and the developments within the EU again altered the institutional pressures for the savings banks. Simply growth was no longer a sustainable strategic direction and in response the savings banks started focusing more on efficiency and sales. The financial crisis and the increasing competition had some major implications for the PMSs of the savings banks. Firstly, in order to become more efficient they needed a more detailed understanding of their costs and income. Thus, new operating systems and procedures (e.g. monthly financial statements) were established and the pricing mechanism was changed. Secondly, after the crisis the savings banks could no longer ignore credit risk, providing for new procedures towards risk measurement and a gradual shift in the organizational cultures towards a more conscious risk-taking. Finally, the competitive pressure that was developing after the crisis created a need for the savings banks to become more sales-oriented, which not only affected the training and development within the banks but also the recruitment process. A new type of banker was needed who could endure the downgraded public perception of bankers in general and, who was also more sales-oriented as an individual.

5.3 Altering external pressures in the 2000s

The burst of the IT bubble in the early 2000s caused huge losses on the stock market and forced many of the newly started companies within the IT sector to file for bankruptcy. The bubble primarily affected the IT, biotechnology and telecommunications industries (e.g. Waldron & Jordan, 2010) and the savings banks experienced limited impact by this event. However, the IT bubble and corporate scandals such as Enron accentuated the new regulatory regime that emerged during the early 2000s (e.g. Mikes, 2011), which greatly affected the Swedish savings banks (Olsson, 2009).

As mentioned above, the FSAP included the Basel II accord. Basel I had in principle been criticized since its introduction, via its amendment in 1998, to its replacement with Basel II, which was released in 2004 and implemented in the beginning of 2007 (Blundell-Wignall & Atkinsson, 2010). Based on interviews conducted in 2005, Wahlström (2009) reports a general consensus, among the largest banks in Sweden, that the implementation costs of Basel II would create big problems for the smaller banks. This is confirmed by Olsson (2009) who concludes that the new regulations were a major reason for the renewed consolidation phase initiated in 2005. From 2005 to 2010 the number of savings banks decreased from 78 to 63 (Internal Performance Report, 2005; 2010) primarily through mergers between some of the smallest savings banks into larger banks with the financial strength to fulfill the new regulatory requirements (Olsson, 2009). In addition, new rules for employee training and development were introduced by the FSA in 2004. These rules placed tougher demands on the documentation and routines in relation to financial advice and meant a sharpening of the competence requirements of financial advisors (FFFS 2004:4).

The recent financial crisis has been traced back to August 2007 but the 2008 bankruptcy of Lehman Brothers investment bank was the trigger of the world-wide financial crisis (Caprio & Honohan, 2010). Swedish banks exited the crisis relatively well in comparison to banks in many other countries, but the Swedish Government still had to take action and in February 2009 they decided to allocate SEK50 bn for bank recapitalization (Goddard et al., 2009). In addition, three Swedish banks have lost their bank charters and three out of the four largest commercial banks issued new equity to absorb the anticipated credit losses. According to Lindblom et al. (2011) the financial crisis had a strong negative effect on the financial performance of Swedish savings banks primarily due to ownership engagements in Swedbank.

Finally, in response to the crisis, the Basel Committee developed additional regulatory measures directed towards the financial industry. Sweden has accepted the Basel III framework with the implementation starting in 2013 and finalized by 2019. The framework includes an increase of the capital requirements from eight to at least nine and a half percent, a gross debt-equity ratio, two quantitative liquidity measures and stricter rules for the reporting of liquidity risk (Ingves, 2011).

The ISBs' responses to the altering external pressures in the 2000s

The performance of savings banks is a rather vague concept. Starting in the mid-2000 the ISBs began a reconceptualization of their main objectives. These discussions have been analyzed by Silver (2007) and Olsson (2009). Both authors conclude that the ISBs have moved away from the somewhat fuzzy objective of promoting thrift to focus more specifically on activities that generate growth and customer value in the local region. This development was a recurring theme in the interviews and the respondents kept emphasizing that: *'it is difficult to find the right projects to invest our money in because we are keen to find projects that generate growth and could be widely shared by the local community'* (CFO, USB). In addition, the sponsoring activities should enforce the picture of the ISB as a local player, thus favoring the bank: *'when the savings bank foundation invests money in a local project it should also come back as marketing for the bank'* (CEO, SSB).

In the new millennium the savings banks seem to have moved further away from growth focusing primarily on profitability and sales. The main reason is said to be the large market shares that they already have in the local markets, making continued growth difficult to accomplish. The move away from growth is also exemplified by the removing of KPIs focusing on growth. Today the KPIs primarily include sales indicators (e.g. number of customers meetings per employee) and efficiency indicators (e.g. the cost income ratio prior to provisions and net profit after provisions divided by the number of employees). Moreover, in 2001/2002 the saving banks decided to update the benchmarking report, which had previously contained information primarily from the balance sheet and income statement. The new report was gradually improved and today 32 savings banks get monthly information about their relative position based on KPIs within four categories; profitability, risk, sales, and customer satisfaction.

Throughout the deregulations' first quarter of a century, the interviewed savings banks appear to have maintained lean and flat organizational structures. A large responsibility is delegated to the branches and according to the CEO of ASB, approximately 90 percent of the credit decisions should be dealt with at branch level. Even when the decisions cannot be made at the branch level, the time to reach a decision is generally very short. This is expressed by the credit manager of ASB: *'The physical distance is very short meaning that we can keep the decision making process short even in larger decisions, often within the same day. In particular when dealing with large business customers we have a credit capacity which is between five and ten times the local branch of our competitors, thus a decision that might take three weeks to handle, in a large bank, can be handled by us within a couple of days'*.

The Basel II framework has affected the organizational structures of the savings banks, compelling them to add formal functions for compliance and internal auditing. There seem to be a general consensus among the respondents that the Basel accords take limited account of the smaller players on the banking market. However, according to the CEO of OSB, the Basel II framework also has a positive side: *'although it has been tough, it has been helpful to actually write down our risk procedures on a piece of paper'*. An important reason why many savings banks have managed to survive is their co-operation with Swedbank. Swedbank provides them with access to a wide range of products and services including information systems and a diversified product portfolio. Still, respondents are concerned about that they sometimes pay for systems that are more advanced than what they need and this notion becomes apparent when discussing how Basel II has affected the operating systems and procedures: *'When reporting to the FSA the bank uses the simplified approach but since Swedbank apply the advanced internal approach the system calculates our capital requirements based on the latter'* (CEO, ASB).

The training and development of employees have also been affected by the new regulatory features for financial advisors. Respondents withhold that the co-operation with Swedbank has played an important role for the savings banks' ability to adapt to this new situation: *'in connection with the new rules from the FSA we have defined new professional roles and we have chosen to strictly follow the roles defined by Swedbank to make sure that we are aligned with the expectations of the regulators'* (CEO, ASB). Still, it is important for the ISBs to maintain their autonomy and both time and effort is devoted to discussions concerning how the individual savings bank can add a local touch to the training sessions supplied by Swedbank.

In sum, the technological development and the IT bubble, corporate scandals and a world-wide financial crisis during the past decade have played an important role in yet another reshaping of the institutional pressures exerted on the Swedish savings banks. The regulatory reformation is still ongoing and the continuous adaptation of the PMSs, described above, could possibly be understood in relation to the ISBs' need for legitimacy on the modern banking market.

6. Discussion

Institutional theory predicts that firms will adapt to altering institutional pressures caused by changes in the external environment (DiMaggio & Powell, 1983; Scott, 2008). In addition, Oliver (1991) suggests that the responses can differ depending on how receptive the organization is to change and to what extent the altered institutional pressure conforms to the present state of the organization.

During the 1980s the macro-level environment for Swedish banks changed radically. Socio-cultural and political factors promoting competition, free markets, and regulatory liberalization greatly affected the institutional pressures exerted on the ISBs. Not only did the regulatory pressure decrease but uncertainty also increased drastically as the banks could no longer rely on the Riksbank to price interest rates. However, neither the larger savings banks nor the ISBs seem to have made any great changes to their PMSs in response to the altering external pressures during the 1980s. The larger savings banks responded to the deregulations by pursuing growth strategies, competing fiercely with the commercial banks by reducing interest rate margins and ignoring profitability. Nevertheless, ISBs in more rural areas did not fall into this mimic behavior to the same extent. The major explanation seems to reside in their reliance on the traditional church tower principle. The ISB bankers were familiar with their customers and could make a 'sensible' valuation of the individual securities. One interpretation of this behavior is that the banks took an active response to dismiss the norms and values of the banking market at that time. However, a more plausible explanation is that banks located at some distance from the larger cities were insulated from the new institutional pressures and instead followed the taken-for-granted norms that had traditionally existed in the ISBs.

The next large change in the macro-economic environment of the ISBs was the Swedish financial crisis. The crisis affected the institutional pressures in several ways. The coercive pressures increased with the forming of Swedbank, the character of uncertainty was altered from boom to bust in a matter of months, and the publics' perception of banks deteriorated. The crisis brought the previously expected cost consciousness back on the agenda and the savings banks group was changed completely. Much of the PMSs that are still in use in the ISBs, including the benchmarking practices, were built up during and after the financial crisis. Profitability and risk became important additions to the strategic directions and the ISBs started to move away from being transactional banks focusing on private customers to more sales-oriented organizations with diversified customer segmentation strategies. The ISBs worked hard on transforming their organizational cultures to promote safe and sound banks with the main purpose of making money to ensure the survival of the individual savings bank. In order to support a more sales-oriented approach training and development of employees became important and much effort was directed to internal training programs. The strategic response to the institutional pressures during this period seems to have been close to what Oliver (1991:152) describes as 'comply' i.e. accepting the norms that were developing.

The third shift in the macro-economic environment was triggered by a series of corporate scandals and the bursting of the IT-bubble in the early 2000s. The efficient working of markets, particularly in the banking industry has become increasingly questioned, which culminated with the financial crisis that started in 2007. This shift has resulted in a gradual re-regulation of the banking industry, and the new regulatory regime expressed by the Basel accords and the framework covering financial advisors have great implications for the ISBs. Firstly, some of the ISBs, which could not support the more centralized organizational structure enforced by the regulators, have had to merge. In addition, those ISBs that have not merged seem to become more dependent on their relationship with Swedbank. Thus, the decoupling between the risk procedures used by the ISBs (the advanced internal approach), and those reported to the FSA (the simplified approach) shows how the ISBs are trying to simultaneously respond to coercive pressures from regulators and from Swedbank. Referring again to Oliver's (1991:154) typology it would indicate that the savings banks are using concealment tactics i.e. disguising non-conformity behind a façade of acquiescence. However, based on findings of this study, it does not seem like a deliberate strategy to avoid the new regulations. It rather appears as if the ISBs have passively adopted the intrinsic procedures of the information system provided by their main supplier and simultaneously are trying to obey the rules of the regulators.

External pressures are commonly described as particularly important factors of change for banks, not least in view of their distinctive role in society (e.g. Helliar et al., 2002).

However, as discussed earlier, the unique governance structure of savings banks gives the managers a strong position (Crespí et al., 2004; Silver, 2007; Olsson, 2009) and the findings of this study confirms similar findings among Swedish ISBs in relation to PMS's change. The small size and the absence of strong owners provide an excellent environment for managers at key positions to influence the PMSs. In USB the changing of CFO in the early 1990s provided for the use of monthly financial statements and thus a better understanding and control of the bank's costs and income. Similarly, the new CEO in USB introduced, among other things, a more decentralized responsibility and a balanced scorecard. Although the changing of CEO in ASB is rather recent, a new measurement system has already been introduced.

7. Conclusion

The first aim of this study is to investigate how the Swedish savings banks have adapted their PMSs to altering external pressures over the deregulations' first quarter of a century. It has been shown here that the ISBs have transformed their PMSs from a bare minimum to consideration of a wide range of activities. These include strategies focusing on profitability, sales and customer diversifications; organizational cultures promoting the ability to make money and prudent risk-taking; lean and flat organizational structures; sophisticated information systems and benchmarking practices; and extensive training and development. Still, the number of ISBs has been reduced from almost 150 to 58 over this period, and whether this trend will continue remains to be seen. According to the PMSs literature, organizations should align their key objectives with the PMSs design (e.g. Chenhall, 2003; Adler, 2011). The findings of this paper indicate that those ISBs that have remained independent, have succeeded in adapting their PMSs to the changing external environment, which provides some reasons to believe that the ISBs will continue to be an important factor on the Swedish banking market.

The second aim of this study is to explore why the adaption of the PMSs has occurred. Several external factors have been observed here as drivers of PMS's change in ISBs such as the Swedish financial crisis, the technological development, and the new risk regime. However, different from what we could expect, based on the predictions of institutional theory, the deregulations seem to have had a limited direct effect on the PMSs. Only after the Swedish financial crisis did the savings banks start adopting their PMSs to the new institutional pressures. This observation is interesting in relation to the new regulatory regime, which was triggered by misbehaving organizations in other countries and implemented by international regulators. The ISBs have only just begun their adaption to the new regulatory regime, but why increase the regulatory pressure on banks that already behave? This question begs for continued research but the reducing number of savings banks, and the decoupling between the new regulatory framework and the risk practices used by the savings banks, could be a signal to policy-makers that small local banks may need a different regulatory framework.

Finally, the broad theme and longitudinal nature of this study contributes to our understanding of PMS's change in the ISBs. At the same time, the study naturally becomes 'thin' in terms of accounting for the complex every-day practices and routines within the banks. The framework used here focus primarily on the effects of the external environment but the findings indicate that internal factors may be equally important to explain PMS's change in banks. Therefore, a more comprehensive framework that includes both external and internal factors could provide a more fine-grained understanding of the rationale behind PMSs' change in banks.

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Institutional Entrepreneurship and Change: A Contemporary History of the Swedish Banking Industry and its Performance Management Systems

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INTRODUCTION

The cross-national deregulation of the banking industry, in the 1980s, was argued to provide for the efficient working of markets through self-regulation (Cerny, 1991; Vipond, 1991). Among other things the deregulation would provide incentives for banks to develop more sophisticated management accounting and control instruments (Bergendahl, 1989) and research shows that banks have adopted a wide variety of such instruments including: activity based cost management (Innes & Mitchell, 1997; Helliar et al., 2002; Soin et al., 2002; Norris, 2002; Vieira & Hoskins; 2005), the balanced scorecard (Ittner et al 2003; van der Steen, 2011) and various benchmarking activities (Cobb et al., 1995; Helliar et al., 2002; Hussain, 2003; 2005; Adler, 2011).Yet, in the past decades the world of banking has witnessed a series of corporate failures (like Barings Bank and Lehman Brothers), large-scale one-off losses (like the Allied Irish Bank in 2002 and Société Général in 2008), regional systemic crises (like the Nordic bank crisis in the early 1990s and the Asian bank crisis of 1996) and most recently the large scale global systemic financial crisis (Mikes, 2011:226). These events have made critics argue for a re-regulation of the financial service industry aiming at reducing the risk of bank failures (Barth & Landsman, 2010) and several regulatory initiatives such as the Sarbanes-Oxley Act in the US and the Capital Requirements Directives enforcing the Basel accords in Europe have been taken (Power, 2004; Mikes, 2011). With most countries still suffering from the world-wide financial, and economic, crisis the question of how to reform existing institutions has assumed greater urgency (Battilana et al., 2009:66) but despite of the tremendous change that the banking industry has gone through over the past three decades (Bátiz-Lazo & Wood, 2003; Goddard et al., 2007; Wilson et al., 2010; Larson et al., 2011), we still know little about how bank managers respond to external pressures of change, and how those responses affect the banks' performance management systems[1] (Seal & Croft, 1997; Helliar et al., 2002; Soin & Scheytt, 2009; Munir et al., 2011).

The present work is a case study of the Swedish banking industry from the deregulations in the 1980s until today. Using an institutional entrepreneurship framework (Greenwood et al., 2002; Munir, 2005; Battilana, 2009; Arroyo, 2012), the aim is to study how the performance management systems (PMSs) of large Swedish banks have been adapted to the ongoing transformation of the banking industry, and the reasons behind the adoption. In order to cover such a wide and extensive theme, Sweden offers an excellent research environment. Firstly, Sweden is a small and open economy which banking industry has followed the general European trend of deregulation, internationalization and consolidation (e.g. Larsson, 1998; Wilson et al., 2010). Secondly, the Swedish banking industry consists of a limited number of players[2] making it feasible for conducting explorative studies on a field-level basis. Thirdly, throughout the recent financial crisis, Swedish banks have managed well, compared

[1] Drawing primarily on Ferreira & Otley (2009) and Adler (2011), performance management systems are defined as all the tools managers use in implementing the main objectives of the organization. The definition includes both tools used to control employees (management control systems) and information used for decision support (management accounting systems). According to Adler (2011) the four control mechanisms used for implementing the main objectives are: organizational structure, organizational culture, operating systems and procedures, and training and development

[2] In December 2010 there were a total of 114 banks in Sweden.

to their peers, and could offer interesting insights of how successful banks have coped with the ongoing transformation. Finally, Swedish bankers have a long tradition of staying within the same bank, thereby providing access to expert respondents which can account as witnesses of the developments over time.

Thus, this article addresses the question of how different types of external pressures are interpreted and integrated into the PMSs of organizations. Although limited in terms of generalizability, the results of this study highlight some fundamental aspects of the PMS's change process, which may be of relevance to other settings. The institutional entrepreneurship framework allows us to move between different levels of analysis and illustrate the dynamics of how organizations, which experience continues, but altering pressures of change, are involved in a seemingly endless process of theorizing (Munir, 2005). The manner, in which PMS's change was expressed throughout this theorizing process, relied extensively on the nature of the external pressures and how top management interpreted these pressures and integrated them into the PMSs. The deregulations in the mid-1980s created a growing pressure on banks to improve their performance, and one reasonable response would have been for the banks to either improve the existing PMSs or introduce new systems (Hussain & Hoque, 2002; Munir et al., 2011). Still, even though the deregulations led to a deinstitutionalization of the existing PMSs in the Swedish banks, they were not replaced by new innovations but instead by a set of practices that ignored the existing rules and routines. Similarly, the new regulatory regime during the 2000s seems, so far, only to have reinforced an ongoing transformation of the PMSs, but major direct effects to the PMSs are absent. To the contrary, the Swedish financial crisis in the early 1990s resulted in a complete change in the PMSs of the banks and the theorization process that followed the crisis facilitated the integration and institutionalization of these new innovations.

The analysis is developed in the remainder of this paper, which is organized as follows. In the next section I introduce the theoretical framework, and motivate the usefulness of the framework in explaining PMS's change. I then go on to describe the method used in this paper, after which the case study will follow. Finally, I discuss the findings and provide some concluding remarks.

THEORETICAL CONTEXT

Institutional Entrepreneurship

There have been an extensive number of studies of management accounting change[3] during the last decade (e.g. Busco et al., 2007). Two commonly used theoretical frameworks to analyze the different aspects of management accounting change are Old Institutional Economics (OIE) and New Institutional Sociology (NIS) (see e.g. Moll et al., 2006 for a discussion about different streams of institutional theorizing). OIE has primarily been utilized

[3] The way in which managers seek to control employees and collect information for decision support purposes has received various definitions and conceptualizations including: management accounting, management control systems, management accounting systems, and management accounting control systems (e.g. Chenhall & Langfield-Smith, 1998; Chenhall, 2003; Malmi & Brown, 2008). Recently scholars have emphasized the problem of separating management accounting techniques from other features of the performance management system since these are commonly interdependent (e.g. Otley, 1999; Malmi & Brown, 2008; Ferreira & Otley, 2009; Adler, 2011). In addition, it has been argued that this separation expands the gap between research and practice (e.g. Nixon & Burns, 2005:265; Berry et al., 2009) since they are not treated separately in practice. For those reasons a broader and more practice-oriented approach to study performance management systems have been suggested and this paper will adopt such a framework. However, as much of the change literature have relied on the term management accounting, when conceptualizing change in the control mechanisms, I will refer to both concepts interchangeably throughout the theory section.

to explain the change process itself but offers limited help in addressing the role of external pressures, i.e. the social, political and economic issues that influence the organizational context in this process. NIS has proven useful in explaining why organizational practices diffuse, but does not consider how those practices evolve within adopting organizations (Arroyo, 2012:3-5). A few recent studies have tried to combine OIE and NIS (see e.g. Ribeiro & Scapens, 2006), but according to Arroyo (2012) the combinational approach still underestimates the role of agency in the change process. To overcome this problem she introduces an institutional entrepreneurship (IE) framework to the study of management accounting change.

IE stems from the study of organizations, and was first introduced by DiMaggio (1988), with the purpose of bringing back the role of agency into institutional theory. The main idea was to develop a framework that could explain how actors can shape institutions while simultaneously being constrained by them (Leca et al., 2006:2). Within IE theorizing, the institutional entrepreneur is an actor who leverages resources to create new, or transform existing, institutions (Battilana et al., 2009:68, see also DiMaggio, 1988; Garud et al., 2007). Institutional entrepreneurs can be either individuals, or organizations, with different motivations (e.g. values, ideology, power or problems to be solved), which makes them either intentionally or unintentionally challenge the current institutions (Leca et al., 2006). The institutional entrepreneurs draw on these motivations to develop visions, mobilize people and motivate others (Battilana et al., 2009). In addition, the institutional entrepreneur may pursue goals at different levels of analysis. When acting at the field level, they may strive to change the current institutions e.g. norms or regulations. On an organizational level the goal may be to change organizational practices; and at the individual level they may seek to realize or enhance their own interests and values. Still, not all change agents are institutional entrepreneurs but only those who both initiate change, and actively participate in the implementation (Battilana et al., 2009; Arroyo, 2012).

Since its introduction, the literature on IE has grown exponentially (Battilana et al., 2009), and the framework offers two main advantageous in the study of PMS's change. As discussed above, the IE framework gives a pivotal role to agency, thus, allowing for elaborations on the endogenous factors of change. Still, IE does not refrain from the fact that exogenous factors may be equally important in explaining change, and thereby the IE framework bridge OIE and NIS by countenancing the researcher to move between different levels of analysis (Arroyo, 2012). In order to clarify how change processes can be understood and combined, at different levels of analysis; the next section illustrates the conceptual framework used to inform the investigation and the interpretation of data.

Organizational Fields and Institutional Change

DiMaggio & Powell (1983) defined an organizational field as *'sets of organizations that, in the aggregate, constitute an area of institutional life; key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products.'* (148-149). Scott (1995; 2008) adds to this definition by emphasizing that fields partake in a common meaning system, which makes them interact more frequently with each other than with those outside the field. Moreover, a field is not a static thing but it is under constant evolution (Hoffman, 1999) and therefore, what constitutes a field will be open to debate, both by those who belong to the field and those standing outside (Dorado, 2005).

Following Greenwood et al (2002), the process of institutional change, at the field level, consists of six stages. The first stage begins with a precipitating jolt i.e. a social upheaval, technological disruptions, competitive discontinuities, or regulatory change. In the second stage, new players enter the field, old players leave, and the deinstitutionalization of old practices begins. During this second stage of the change process, institutional entrepreneurs may disturb the current socially constructed consensus by introducing new ideas, which tend to start as independent innovations to locally perceived problems in the pre-institutionalization phase (stage III). In order to gain legitimacy the ideas are theorized (stage IV), first, through a specification of the problem, and then, through a justification of the possible solution. As the ideas are objectified and packaged into more pragmatic forms, in which the functional superiority will be stressed to confer legitimacy, they may diffuse (stage V). Finally, as the new innovations become re-institutionalized (stage VI), i.e. taken-for-granted, the innovations gain cognitive legitimacy and become socially accepted within the field.

Although the sequential model described above has become accepted, and commonly used in the literature, it has also been subject to critique. For example, Munir (2005:94) asserts that by attributing institutional change to jolts, the model moves away from the social constructivist roots of institutional theory. Instead, Munir suggests that it is theorization which makes a jolt disruptive. Rather than just being a stage in the process, theorization spans the entire process. By stressing the role of theorization, in the process of institutional change, agency becomes essential because jolts need sponsors, and these sponsors are often institutional entrepreneurs searching for jolts to bring about institutional change (Munir, 2005:107). As will be elaborated on below, the PMSs may be subject to change in several of the stages in the process of institutional change.

Performance Management Systems and Change

The understanding of jolts as possible, but not necessary, triggers of change provides for the conceptualization of PMS's change as part of a negotiation process in which institutional entrepreneurs impart meaning to jolts by, for instance, pointing at faults in the existing PMSs (Munir, 2005; Arroyo, 2012). In the negotiation process, stakeholders exert pressures on organizations, which could result in a reformulation of the main objectives, and once the main objectives are defined they may shape the main control practices (Simons, 1995; Chenhall, 2003; Adler, 2011; Arroyo, 2012). According to Oliver (1991), organizational responses may differ depending on the strength of the pressures exerted on them, and how congruent these pressures are with the organizations current objectives, but *'an organization's responses to the institutional environment will not only influence organizational performance, they may also influence the criteria, measures, or standards used by institutional constituents to evaluate performance'* (1991:174). This line of reasoning brings us close the suggestions made by Burns & Scapens (2000:5) that *'management accounting practice can both shape and be shaped by the institutions that govern organizational activity'*. They emphasize, that for new management accounting practices to become institutionalized the organizational actors must encode, enact, and reproduce them. Still, the authors give little guidance on how organizational actors follow those processes and, therefore, Arroyo (2012) introduces the concepts of interpretation and integration. The former relates to *'the process of explaining, through words and/or actions,… an insight to one's self and to others'* (Crossan et al., 1999:525 in Lawrence et al., 2005:185). The latter concerns how the idea is integrated among managers to form a common understanding of the concept through mutual adjustment and coordinated action (Lawrence et al., 2005; Arroyo, 2012). After the new idea has been interpreted and integrated, it is presented for the organizational actors to encode, enact and reproduce. In order for the new practice to become institutionalized, at the field level, it must also diffuse, be reproduced, and become highly accepted by other organizations.

The main elements of Arroyos (2012) model are illustrated in Figure 1. The model draws largely on the conceptualization of institutional change suggested by Greenwood et al (2002) and the process of institutionalization proposed by Burns & Scapens (2000). The theory suggests to initially focus on the process at the field level, and then to evolve the examination to the organizational and individual level. Thus, each part of the findings starts by identifying and describing the precipitating jolt, and the field-level theorizing process. I will then identify adaptions in the banks' PMSs and describe the processes of interpretation and integration, within the investigated banks, in relation to a precipitating jolt. Although I will not be able to study, closely, the processes of encoding, enactment, and reproduction I may be able to say something about the diffusion of PMS's practices at the field level. Before proceeding with the findings I will describe the research approach in the next section.

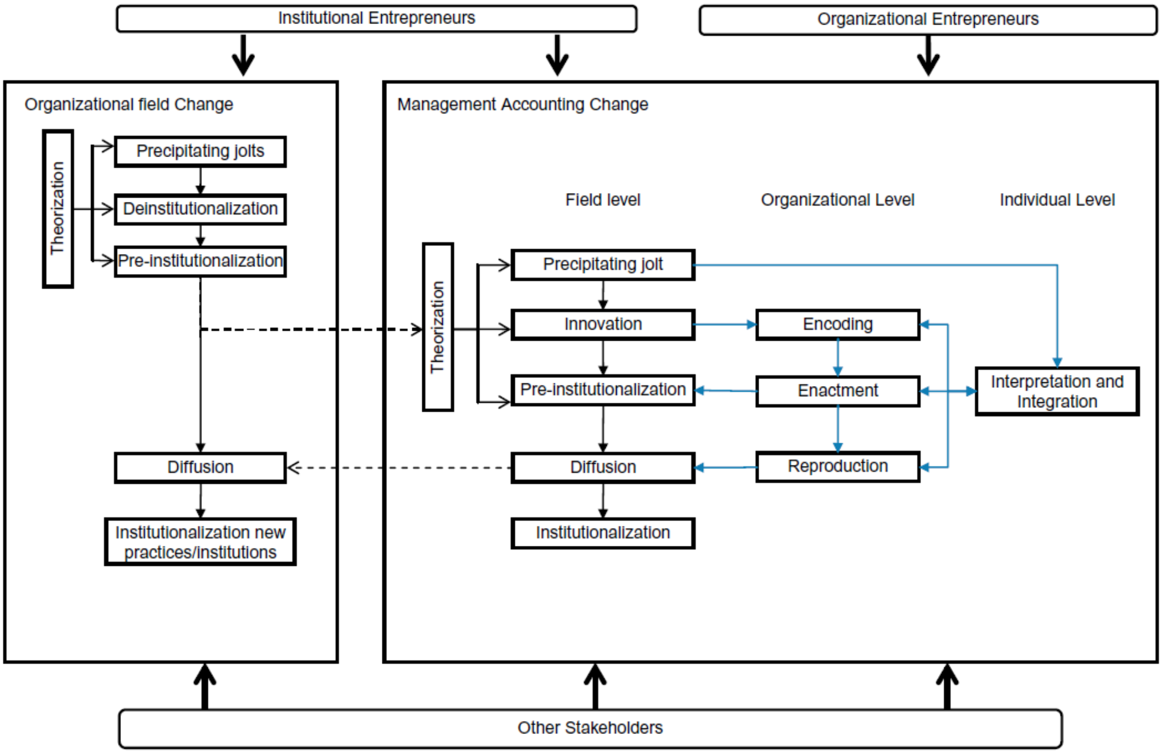

Figure 2. An institutional entrepreneurship framework to PMS's change
Source: Arroyo, 2012:295

METHODS

Site

The field of interest here is the Swedish banking industry which includes professional associations (e.g. the Swedish Bankers Association), regulatory bodies (e.g. the Basel Committee, the Swedish FSA, and The Riksbank), and the banks, which is the primary concern of this article. As mentioned above a field is not a static thing but under constant evolution, and different constituents have played key roles at different periods. It has been the intention here to illustrate the evolution of the Swedish banking industry and its PMSs, but research is concerned with making trade-offs (e.g. Weick, 1995), and this paper are concerned with such restrictions in at least two ways. First, the study will primarily focus on the large commercial banks in Sweden, partly because these players have existed (in some form) throughout the whole period of investigation, and partly because they have consistently held a market share of about 80 percent of the Swedish banking market. Second, as in any case work the empirical material is vast and many variables may appear crucial, yet theory is only helpful if it can rise above the idiosyncratic case and, therefore, one need to make choices (Siggelkow, 2007:21). The focus on the processes of interpretation and integration in relation to a precipitating jolt is the result of such a choice, motivated by the critical dialogue *'in the interplay among theory, researcher subjectivity, and empirical material'* (Alvesson & Kärreman, 2007:1266) as further discussed in the data analysis.

The Swedish Banks

Over the past three decades the structure of the Swedish banking industry has changed considerably and Table 1 below shows the number of banks within each segment over this period. In December 2010 there were a total of 114 banks in Sweden; 19 commercial banks, 29 foreign banks, 64 savings banks out of which 14 have converted to joint stock banks, and two cooperative banks. Five large banks accounted for more than 80 per cent of deposits and lending in Sweden. From the table we can observe that the number of banks remained stable throughout the 1980s (apart from a gradual reduction in the number of mutual[4] banks). In 1986, the regulations forbidding foreign banks to operate on the Swedish banking market were abolished but the influence of the foreign players remained limited throughout the 1980s (Larsson, 1998). In the early 1990s Sweden was hit by a severe financial crisis and as can be seen below the number of banks decreased drastically, but as the economic conditions stabilized the banks started to increase gradually, reaching its peak in 2007. With the new regulations (e.g. Basel II) a number of the smallest savings banks have merged to survive the increasing administrative burden, thus accounting for the decrease of banks during recent years (Olsson, 2009).

Table 2. Banks in Sweden from 1980 to 2010

Type of Bank	**1980**	**1983**	**1986**	**1989**	**1992**	**1995**	**1998**	**2001**	**2004**	**2007**	**2010**
Swedish Commercial Banks	14	14	14	14	9	14	15	25	26	28	33
- Large Banks	3	3	3	3	6	5	4	4	4	4	4
- Converted Savings Banks	0	0	0	0	0	1	4	11	12	11	14
- Niche Banks	0	0	0	0	0	5	5	8	10	13	15
- Other Banks	11	11	11	11	3	3	2	2	0	0	0
Foreign Banks	0	0	12	10	6	11	17	21	22	31	29
- Subsidiaries	0	0	12	10	5	0	2	2	3	4	3
- Branches	0	0	0	0	1	11	15	19	19	27	26
Savings Banks	164	154	119	109	91	90	85	77	76	65	50
Co-operative Banks	420	395	389	383	0	0	0	2	2	2	2
Total	598	563	534	516	106	115	117	125	126	126	114

Source: Data received from The Swedish Bankers Association

Data Sources

The article relies on data from multiple sources including; archival data (annual reports, internal documents and news-paper articles), previous literature (academic articles, books, autobiographies and historical accounts), statistical data, and interviews.

Initially the annual reports of the four largest banks in Sweden from 1985 to 2010 together with a booklet (named "The Banks"), published by Statistics Sweden, from 1980-2003 were read in order to create a basic understanding of the field and a chronology of events. These reports were used to create a database of the key performance ratios reported by the banks over the complete time-period. The annual reports offer a systematic, easily accessed and yearly published document, which, even though regulations have changed, keep a similar structure throughout the full period. However, the link between the annual reports and the actual PMSs practices have been contested (e.g. Ax & Marton, 2008) and therefore additional data was acquired through interviews, and internal documentation received by respondents.

4 Mutual banks include savings banks and member banks

The process of selecting respondents was guided by two main criteria. First, the respondents should have a long experience of the banking industry; preferably more than 20 years. Second, since the study moves across different levels of analysis the respondents should be part of, or have been part of, the top management team in the bank. The respondents were identified through the reading of relevant books, biographies, and historical accounts of the Swedish banking industry. In addition, the annual reports were a useful tool to identify potential respondents since the reports provide the tenure and position of key employees. Finally, advice on suitable respondents was received from both researchers and practitioners in the field. A list of potential respondents was prepared and each person was contacted individually. Some declined[5] to be interviewed, some suggested alternative respondents and in some cases the respondent helped out in gaining access to additional respondents. This selection process is similar to the snowball sampling (e.g. Bryman & Bell, 2007) and was used for two purposes. Firstly, it is difficult to estimate the full population of respondents only based on external information. Secondly, since the respondents primarily belong to the top management team of the largest financial institutions in Sweden, recommendations from others in the same group is helpful in order to get access to the appropriate respondents.

Alvesson (2003) discusses three positions when using the interview as a research method: neopositivism, romanticism and localism. This paper follows the latter which, according to Qu & Dumay (2011:242) *'…is based on understanding interviews in a social context, instead of treating it as a tool for collecting data in isolation'*. The authors advocate the use of semi-structured interviews when adapting the localist position and they explain that *'[T]he semi-structured interview involves prepared questioning guided by identified themes in a consistent and systematic manner interposed with probes designed to elicit more elaborate responses'* (246). In this paper the interview guide has been highly informed by the performance management systems framework discussed above. The questions were divided into six categories: performance; strategy; organizational culture; organizational structure; operating systems and procedures; and training and development. All interviews were tape-recorded and have been transcribed[6], and field notes (including pictures at some sites) have been taken to improve procedural reliability (see Ryan et al., 2002, chapter 8).

Finally, to gain a deeper understanding of the field-level change a large number of research papers, books, business press articles, and governmental reports have been studied. Here too a snowballing approach was used, and in some cases the author of the specific book or report was contacted in order to get comments and ideas for additional data collection.

Data Analysis

According to De Loo & Lowe (2012:6) reflexivity is commonly used in case-study research to tackle the more technical aspects of research i.e. the method. However, they argue that reflexivity should also play an important part in the data analysis phase. There are many ways in which reflexivity can be introduced into the data analysis, but De Loo & Lowe draw on Alvesson (2003) to show how the critical dialogue between data and theory can be analyzed and understood from different perspectives. The idea of keeping a critical dialogue between theory, researcher subjectivity, and empirical material is not uncommon in contemporary qualitative research, but according to Alvesson & Kärreman (2007:1266) striving for friction, rather than harmony, in this dialogue may provide equally valuable

[5] In two of the interviews access was negotiated by another researcher. These two interviews were held by the other researcher and with a different set of questions. Meetings were held prior to the interviews to inform the other researcher of the purpose and questions of this paper, and after the interviews to discuss the interviews. The interviews were transcribed by the author of this paper.
[6] The responses quoted in this study have been translated from Swedish to English by the author.

contributions. This dialogue will be part of the researchers own theorizing process (Weick, 1995) and may change during the research process.

This study uses an unconstrained deductive content analysis to make sense of the empirical material i.e. previous research (the performance management systems framework) is used to define a broad set of categories. Within the bound of these categories, sub-categories were developed based on an inductive approach (see Elo & Kyngäs, 2007 for an extended discussion of this method). The problem of this approach was that the analysis became too descriptive, and therefore a different framework was introduced to help analyze the data (i.e. the IE framework). The new framework helped explain several of the features in the change process and made the story of the paper more coherent. Thus, the initial analysis was guided by the idea of creating friction between the data and the theoretical framework, but the new framework instead provided for harmony. In addition, the new theoretical framework gave reason to extend the initial list of informants. In particular, organizational actors involved in, or closely related to, activities identified as subject to change (e.g. risk practices, international expansion), but who were not originally included because they were considered outside the scope of the study, were identified. The following two sections report and analyze the findings of the study.

The Swedish banking industry from 1980 to 2010

Deregulations - the start of the change process

The decades after World War II were characterized by strict governmental control resulting in tougher regulations and increased state ownership within the Swedish financial sector. However, apart from gradually limiting the room for banks to own shares, until it was finally prohibited in 1934, only minor changes were made in the bank legislation until the early 1950s. During the 1950s the state introduced liquidity ratios, interest regulation, share issue control, stricter requirements for capital adequacy, and regulations limiting bank lending. All these regulations strengthened the Riksbank's role as a central bank. At the same time competition was strongly depressed and the banking market developed into an oligopoly market[7]. To modernize the banking law and allow for greater competition the first deregulatory initiative was taken in 1968 allowing mutual banks to compete with commercial banks. During the 1970s the banks found ways to avoid the regulations and the internationalization of the money market made several features of the regulatory framework superfluous. The deregulation during the 1980s is summarized in Table 2 below (Larsson, 1998:207):

Table 3 Deregulatory initiatives

Deregulatory initiative	Year
The share issue control was relieved	1983
The interest rate regulation was abolished	1985
The lending ceilings were lifted	1985
The penal interest for credit agencies' borrowing in the Riksbank was replaced by an interest depending on the amount of borrowing	1985
The credit agencies placement requirements were abolished	1986
The currency control regulating capital transactions with foreign countries was gradually reduced until it was abolished and replaced by an emergency law	1989

7 Readers interested in the history of Swedish banking may be referred to e.g. Glete, 1994; Larsson, 1998; 2011; and Broberg, 2006

Before the 1980s regulations were action oriented strictly limiting the banks' acting space. Consequently operational procedures and information systems remained simple and banks could enjoy satisfactory profits largely without considerations of effectiveness and efficiency (Englund, 1999). Not only can the deregulations be seen as the starting-point for the transformation of the Swedish banking market, but as the central bank released its stranglehold on the financial market, profit margins started to decrease and the need for more sophisticated PMSs was expected to arose among the Swedish banks (Bergendahl, 1989).

Deregulations and PMS's change

After the oil-crisis in 1974 Sweden struggled with high inflation and deteriorating governmental finance. Between 1973 and 1982 Sweden devaluated the currency six times and even though the devaluations caused the Krona to become temporarily undervalued, the appreciation continued, and the expectations of further devaluations provided for consistently high interest rates. When entering the second half of the 1980s, Sweden had experienced more than a decade of high inflation and together with consistently increasing prices on the property market, and a tax legislation that made it favorable to speculate on the property market, demand for credit was exceptionally high. Thus, when the credit ceiling was abolished, in November 1985, it was like opening the Pandora's Box. Suddenly credit became a ubiquity, and in just a few years bank lending more than doubled, and the overall balance sheet size of the banking sector almost tripled (see Englund, 1999 for an excellent historical account). Before the deregulations, traditional banks had started to lose some of their business to other players on the market (e.g. the finance companies) and they argued strongly for deregulations, which, according to the banks, would allow for more equal competition. When the banks were no longer restricted by the regulations, they wanted to regain some of their market shares, and growth became the key objective of most banks. An interest war broke out in which the banks competed fiercely with each-other. Not surprisingly, extending credits to the real-estate sector was considered the most prominent way to achieve the ambitious growth targets. Traditionally, credit losses within the real-estate sector had remained at very low levels and historical data showed that property prices would continue to increase. It was not uncommon, during this period, to extend credits at more than 100 percent of the property value, i.e. accounting for a future increase in the value of the property. In retrospect, the careless extension of credits was not a sustainable path, but during a few years of the late 1980s, the Swedish banks were among the most profitable banks in the world. Although most Swedish banks followed a similar path, the case of Gota Bank is illustrative for the developments on the banking market in the 1980s. In less than a decade, Gota Bank, or Götabanken as it was named back then, went from being a successful regional bank with roots dating back to the early 19th century, to bankruptcy.

***The case of Gota Bank*[8]**

In 1981/82 Götabanken, together with SIAR (Scandinavian Institute for Administrative Research), launched what was to become one of the first strategic development initiatives on the Swedish banking market. The strategy work resulted in a decision to no longer focus on all customer groups, but instead Götabanken selected two customer groups as the bank's key segments: small and middle-sized firms; and wealthy individuals. An example of how Götabanken aimed to attract customers within these segments was the novel introduction of a

[8] This short description is based on an interview with a consultant that was involved in a change-project at Götabanken from 1982-1985. In addition, internal documentation related to the change project was received at the end of the interview. Finally, the case of Gota AB from 1985-1992 is carefully described in Petersson (2004). Petersson relies primarily on internal correspondence between the main actors of Gota AB and Proventus, and the focus of the report is *governance during institutional and organizational change*.

personal banker for customers with more than SEK 40,000[9] in their savings account. In addition, the strategy work created a need for information systems that could provide customer and product profitability numbers. At this point the technological development of information systems had reached a level at which it was technologically possible to include more information than just the account data in the code snippet. A small Gothenburg-based consultancy firm was recruited to help out in the design of the new computerized system, which was going to be linked to the strategy. The new system was highly sophisticated in respect to the standards of that time and information about *account*, *responsibility*, *product* and *customer* was included in the code snippet. In addition to creating a system in which it was possible to measure profitability there was a problem of accounting for risk exposures. Previous to this project employees who took on large exposures to risk (e.g. by extending unsecured loans) were celebrated, as they brought new volumes to the bank. However, since credits with a high risk utilized a large part of the capital adequacy requirements a new internal price mechanism was developed, which took credit risk exposures into account.

In 1985 an investment company named Proventus bought a major share in Götabanken, which at that time was the fifth largest bank in Sweden. Proventus applied strong and active governance, and in 1986 a new management team was appointed (Petersson, 2004). According to a consultant involved in the earlier reshaping of the bank, several of the employees were worried since the new management was dismantling the information system that they had developed: *'I was approached by several people from Götabanken, which said that they [Proventus] were removing the risk-sharing mechanism in order to allow for a faster expansion'*.

Throughout the remainder of the 1980s Götabanken continued its expansion both by extending their credits and through M&As. In 1990, Götabanken merged with Wermlandsbanken and Skaraborgsbanken[10] to form Gota Bank. In 1988 a new business strategy was developed in which the main target was to achieve a profit of SEK 2b in 1991. The idea was to generate this profit through a growth in lending to the real estate sector. In the early 1990s, credit losses started to increase and on the 16th of September 1992 Gota AB, the owner of Gota Bank, suspended its payments and a few months later the Swedish Government bought the shares in Gota Bank from the bankrupt estate (Petersson, 2004). Gota Bank was later integrated into Nordbanken[11], and according to the previous CEO of Nordea his first meeting with the employees of Gota Bank, after they had been taken over by Nordea, was dramatic because: *'they had no idea about how bad the conditions of the bank was'*. This illustrates how the organizational members had come to accept the new practices as the most viable way and how they were not susceptible to the extreme consequences of those practices.

Similarly, it is interesting to note that in an article in the business press a few years after the bankruptcy, Gabriel Urwitz[12] (1998:58-59) provided four major reasons for the failure of Gota Bank: (i) the absence of an information system that provided a thorough overview of the overall loan portfolio and its' risk; (ii) an overly decentralized organization; (iii) a performance measurement system with too much emphasizes on return on equity; and (iv) the organizational members difficulties in handling the cultural change from operating under strict regulation to free market-orientation.

The absence of PMSs rather than PMS's change

On the field level, new financial products were rapidly developed, and in just a few years the Swedish certificate market grew to become the fifth largest in the world (in absolute

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[9] In today's currency value that is equal to about SEK 100,000.
[10] Proventus had bought major shares in Wermlandsbanken in 1986 and Skaraborgsbanken in 1988.
[11] Nordbanken is now named Nordea and for simplicity Nordea will be used from this point on.
[12] Former chairman of the board in Proventus and one of the main actors in Gota Bank between 1985 and 1992

terms), and Sweden became one of the few countries in the world with a domestic credit rating agency, Nordisk Rating (SOU 2000:11). In addition, innovations such as the ATM, telephone banking, and electronic information systems to handle transactions, quickly diffused among the banks (see e.g. Ems et al., 1993; Thodenius, 2008). Still, Table 3 shows that the Swedish banks continued to earn most of their income through the net interest income, and the carless risk-taking described both by respondents, and by earlier studies, indicate that innovation in terms of introducing new PMSs practices and routines was absent (Pettersson, 1993; Larsson & Sjöberg, 1998; Urwitz, 1998; Englund, 1999). Both intuitively, and based on the results of previous studies, the expected reaction to the deregulations would have been a change in the PMSs by the banks e.g. by introducing new cost accounting and profitability reporting routines (e.g. Fox-Wolfgramm et al., 1998; Euske & Riccaboni, 1999; Helliar et al., 2002). To the contrary, the high credit demand and economic boom during this period seem to have made the banks ignore, or even dismantle, the existing control mechanisms. Not until the banking industry was hit by a second jolt was the expected PMS's change brought to the fore.

Table 4 Amount of income stemming from net interest income 1980-1989

	1980	1983	1986	1989
Wermlandsbanken	74.54%	76.48%	69.41%	77.49%
Östgötabanken	75.58%	75.19%	65.45%	72.38%
Götabanken	69.78%	70.26%	61.31%	74.79%
Sundsvallsbanken	83.79%	78.60%	NA	NA
Skaraborgsbanken	71.40%	75.43%	70.41%	80.54%
Uplandsbanken	77.14%	78.24%	NA	NA
Svenska Handelsbanken	69.57%	72.76%	67.93%	74.45%
Jämtlands Folkbank	85.85%	81.27%	46.93%	76.44%
Skånska banken	79.01%	74.99%	69.28%	76.50%
PKbanken	82.38%	81.69%	69.36%	81.73%
Bohusbanken	70.67%	72.93%	58.48%	65.45%
Sparbankernas bank	52.02%	50.00%	61.24%	37.35%
Föreningsbankernas Bank	82.06%	79.21%	52.87%	40.70%
Skandinaviska Enskilda Banken	62.89%	62.18%	57.99%	62.20%
Nordbanken	NA	NA	71.02%	76.45%
Svea Banken	NA	NA	86.50%	86.66%
Mean	**75.22%**	**75.00%**	**66.17%**	**75.42%**
Median	**75.06%**	**75.31%**	**68.60%**	**76.44%**

* It should be noted that throughout the 1980s three banks (PKBanken, SEB and SHB) accounted for approximately 70 percent of total assets of Swedish commercial banks and if Götabanken and Sparbankernas Bank[13] is included these five banks accounted for 85 percent of total assets.
* Sparbankernas Bank and Föreningsbankernas Bank are excluded from the mean since these two banks acted as central banks for the savings banks and member banks and therefore had dissimilar portfolios.
* The decreased net interest income in 1986 can be explained by increased funding costs resulting. Before the deregulations, banks were obliged to buy state bonds and the increasing interest rates offered by the Riksbank meant that the interest received on the margin between the bond-rate and the lending rate was reduced.
Source: Statistics Sweden

[13] Sparbankernas Bank was a commercial bank founded by the Swedish savings banks to act as a central bank for the savings banks group.

The Swedish financial crisis and PMS's change

The first part of the 1990s was characterized by one of the worst financial crisis in Sweden's history. In the fall of 1989 the industrial output index and the real estate prices started to go down and interest rates started to go up. Consequently credit demand, which had remained high during the latter part of the 1980s, suddenly began to decrease. What initially seemed like a financial crisis caused by a downturn on the real estate market quickly spread to the whole Swedish economy and the number of bankruptcies quickly increased causing huge credit losses for the banks (Larsson & Sjögren, 1995). From 1990 to 1993 Swedish banks declared credit losses of more than SEK 180b and in 1992, which was the worst year, the credit losses amounted to SEK 70b (see Figure 2 below).

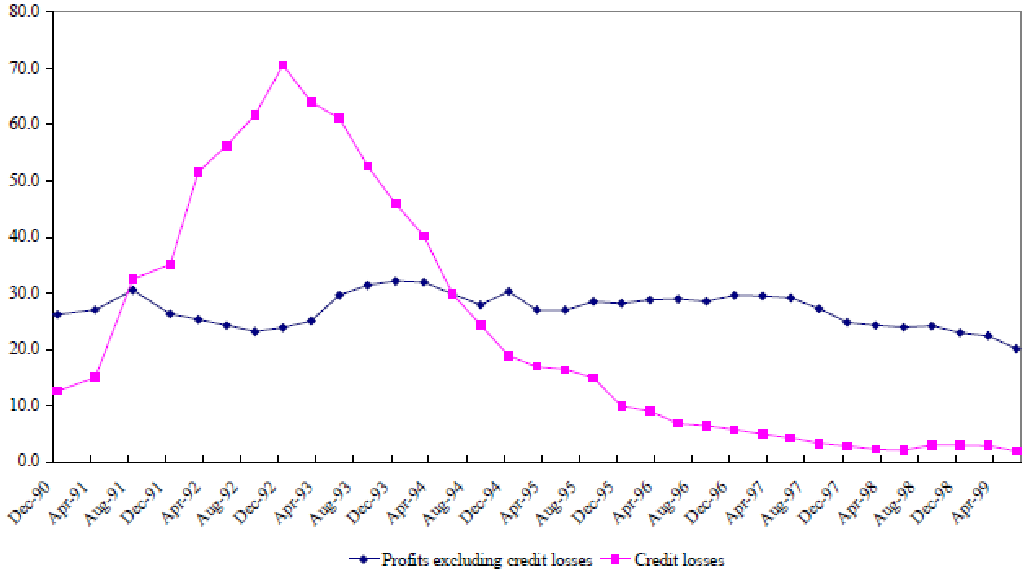

Figure 3 Bank Profits and Credit Losses, 1990-9 (billion SEK, 12-month moving average)
Source: Englund, 1999:90

The main reasons for Swedish financial crisis at the early 1990s was, according to respondents, the lack of proper information systems, lack of routines, and negligence in the credit evaluation process. These arguments have also been the most commonly cited in the literature (see e.g. Larsson & Sjögen, 1995; Englund, 1999). From a theoretical perspective these arguments could be seen as part of the interpretation and integration process (Arroyo, 2012) justifying the solution of which a major change in the PMSs appears to have been an important component.

The crisis led to a complete restructuring of the field, and several of the established commercial banks either went bankrupt, or merged with other banks to survive. The co-operative banks merged and formed Föreningsbanken, and the large savings banks merged to form Sparbanken Sverige (both were introduced at the Stockholm Stock Exchange in the mid-1990s). During the first months of the crisis the Swedish government was reluctant to act as a lender of last resort, but as the crisis intensified more active governance was necessary. The state took over the full ownership of Nordbanken and Gota Bank, and several support measures were designed to strengthen the financial system. In 1993 the state decided to form a bank support agency (Bankstödsnämnden), which came to administrate the support mechanisms and the state ownership. The bank support agency together with the Swedish government can be seen as strong stakeholders in the negotiation process that resulted in a number of new key objectives for the Swedish banks. Three objectives recurred in the data as particularly important for the PMS's change that followed over the coming years; (i) profitability focus, (ii) a more balanced risk-taking, and (iii) diversification and internationalization.

Profitability focus and PMS's change

With increasing loan losses, and strong pressures from the state to improve bank efficiency, several large cost reduction initiatives were introduced during the early 1990s (e.g. SEB, 1990:5-6; Nordbanken, 1990:4-5, Åsling, 2002; Körberg, 2010). For example, the forming of Sparbanken Sverige[14] (Swedbank) was, according to the CEO at that time, partly a consequence of the pressing need for rationalization within the Swedish banking system: *'…these large savings banks were terribly sub-optimized, if we take Sparbanken Alfa there was just building on building on building. Originally Alfa was a merger between five regional saving banks and after the merger they had just put them together and added a corporate head office, without any rationalization what so ever…'*. Consequently a program to reduce the labor force with 20 percent from 10,000 employees to 8,000 employees was initiated. The program was guided by a new vision to: *'recreate the savings bank of the 1940s to the environment of the 1990s'*. The vision meant a drastic decentralization of the organizational structure in which the 700 branch offices were organized under 130 local divisions with their own board of directors and full decision-making power. Because Swedbank was primarily a retail bank, with a historical heritage in the savings banks movement, decentralization was a key aspect both in terms of motivating the employees and to control the risk-taking. Communication was essential in order to diffuse the new practices to the rest of the organization, and 15 teams, each responsible for different aspects of the implementation, were set up with people from different parts of the organization. This process was facilitated by the CEO's established network within the savings banks group: *'My great advantage, during this time, was that I knew all the people in the system. Because I had been around and met them all I knew who to talk to and who to avoid. Apart from my experience within banking, this network was my unique advantage'* (Previous CEO of Swedbank). The respondent further explained that an internal broad-casting system was utilized to hold weekly sessions in which all employees got information about the current performance of the bank and what steps were necessary to proceed with the program (see also Körberg, 2010).

The long-term financial goals for the bank was set to; a 15 percent return on equity, a cost/income ratio of 0.50, a credit losses to loan ratio of less than 0.5 percent, and an equity to asset ratio of 6.0 percent (AR, 1993). The divisions were organized as result units and were evaluated based on six financial ratios; earnings before and after loan losses per full-time position, loan losses as a percentage of lending, results before and after loan losses, commission, fees and other income in relation to the cost of personal and the cost/income-ration before and after loan losses (AR, 1994). These performance measures reflect the focus on cost efficiency, profitability, and risk that dominated after the Swedish financial crisis.

The case of Swedbank is descriptive of the developments on the Swedish banking market. The profitability focus and high dependence on financial KPIs to measure performance can also be seen as an expression of the uncertain environment in which the Swedish banks operated (Hussain & Hoque, 2002; Hussain, 2003; 2005) after the crisis and, as will be elaborated on below, a need to restore legitimacy.

[14] The forming of Swedbank was initially a merger between the 11 largest savings banks in Sweden and Sparbankernas bank. In 1995 Sparbanken Sverige AB was introduced at the Stockholms Stock Exchange and two years later they merged with Föreningsbanken AB to form FöreningsSparbanken AB. In 2006 they changed name to Swedbank (see Essay one).

Risk procedures and PMS's change

Before the crisis, Swedish banks had only experienced limited credit losses but with the crisis, a new reality appeared and suddenly the banks had to become painfully aware of the risks involved in banking (Carlsson & Nyblom, 2008). All of the respondents discussed the effect of the crisis on the risk culture within Swedish banking, which resulted in new control mechanism and routines that were developed to support a more organized risk-taking. The need to restore legitimacy, both between individual banks and the state, and between the banks and the Swedish people, can be seen as an important driving force in the post-crisis reconstruction work, perhaps more so in Nordea than in any other bank: *'We were full of some sort of passion to repay every penny, that we got during the crisis, to the Swedish people. This passion, to do good for our shareholders, for the Swedish people, it persisted a long time and it is still there'* (previous CEO of Nordea). A new top management team was recruited in Nordea, and one of their key tasks was to reinvent prudent risk-taking and create a strong risk-culture within the bank. Two major initiatives were taken at an early stage and these are described by respondents in the following manners: *'We started by centralizing all the major credit decisions to get a grip on, both the bad credits, and the bad creditors. The bad credits were placed in Securum*[15] *and the bad creditors had to do something else in life'* (Previous chairman of Nordea). *Shortly after being appointed we created a training program in which more than 1,000 employees were trained in the basics of giving credits'* (Previous CEO of Nordea). The quotes clearly demonstrate the interpretation and integration process that went on, among the top management team, and how it resulted in the formulation of a new training program that was diffused among the organizational members for them to encode, enact and reproduce.

The changed perception of risk within the large Swedish banks did not only affect their organizational cultures, but also their organizational structures. Several of the respondents discussed the importance of giving the credit organizations a more prominent role and the large banks started separating between the risk and reward evaluations in their business decisions. Credit committees were formed to decide on the bank's overall risk-appetite and, unlike the reward-decisions, credit-decisions could never be taken by one person. During and after the crisis there is also a much greater focus on risk in the annual reports of the large banks. As noted above these were initially focusing on credit losses, but from the mid-1990s various risk-adjusted performance measures and value-at-risk discussions start appearing in the annual reports (SEB; 1994; SHB, 1996; Nordea, 1999; Swedbank, 2002). With new PMSs supporting profitability focus and prudent risk-taking, the Swedish banks were set to take the next step, and in the aftermath of the crisis, Swedish banks followed the global trend in banking of diversification, mergers and acquisitions, and internationalization (e.g. Larson et al., 2011).

Diversification, internationalization, and PMS's change

A combination of factors provided for the next step in the theorization process, which seem to have relied heavily on the arguments of economies of scale and scope. The former chairman of the board in Nordea infers the expansion, which started in the mid-1990s and continued until 2007/08, to three factors: (i) the risk of being acquired by one of the large international players on the banking arena, (ii) the opportunity to expand into eastern Europe with the fall of the Soviet Union, and (iii) the need for sheer size to absorb the growing expenditures on IT-systems and customers demand for larger and larger credits (Palmstierna, 2008:165-166). Initially the mergers were restricted to the national level but it quickly spread

[15] Several of the large commercial banks in Sweden created so called 'bad banks' to which they transferred their bad credits. The bad bank of Nordea was named Securum, and about one third of Nordea's total business lending (SEK 67b) was transferred to Securum in 1992 (see Bergström et al., 2002 for a detailed description).

to become pan-Nordic (Lindblom & von Koch, 2002), and in the 2000s Swedish banks also started to expand outside the Nordic countries, primarily into the Baltic region. However, the expansion did not only occur through M&A's, but also by a desire among the Swedish banks to become universal banks. The deregulations had allowed banks to enter into other areas of the financial sector (e.g. insurance business) and after the crisis, the large commercial banks gradually started moving away from the dependence on interest taking for income generation (see Table 4).

Table 5 Amount of income stemming from net interest income 1990-1999

	1990	1993	1996	1999
Östgötabanken	78.31%	73.84%	NA	NA
Gota Bank	81.30%	67.40%	NA	NA
Norra Nordbanken	82.93%	NA	NA	NA
Svenska Handelsbanken	76.68%	69.34%	58.96%	67.47%
JP Bank	32.30%	92.56%	NA	NA
Skånska Banken	82.97%	NA	NA	NA
Nordbanken	82.66%	69.25%	66.35%	59.44%
Bohusbanken	70.01%	53.47%	NA	NA
Sparbankernas Bank	37.82%	62.76%	63.81%	58.97%
Föreningsbankernas Bank	39.10%	75.95%	68.96%	NA
Skandinaviska Enskilda Banken	64.87%	54.50%	40.93%	34.99%
Svea Banken	93.29%	NA	NA	NA
Mean	**74.53%**	**68.78%**	**59.80%**	**55.22%**
Median	**79.80%**	**69.25%**	**63.81%**	**59.20%**

Source: Statistics Sweden

The diversification and the M&A driven internationalization during the latter part of the 1990s led to a divisionalization of the organizational structures in the large Swedish banks. Since the divisions were commonly (and still are) results units, more complex cost systems, transfer pricing mechanism, and capital allocation techniques had to be implemented (see Hussain, 2005). These systems enabled banks to start charging customers individually, based on the cost of a specific product or service. Accentuated by the technological development, transaction-based lending (i.e. lending based on financial statement lending, asset-based lending, or credit scoring) started evolving and several of the respondents discussed the growing importance of sales-orientation during this period. According to the HR-manager of SEB the demands on bank employees have increased drastically in relation to the rationalization programs, increasing competition, the tougher climate on the banking market, and more diversified product portfolios: *'there has been a consistent movement towards giving the employees clearer targets, and the demands on each individual to perform has also increased'*.

In less than a decade the Swedish banks went from complete crisis, to being among the most efficient and high-performing banks in Europe (Polster, 2004). The political reforms during the 1990s seemed to have paid off, and by the early 2000s an international literature discussing "The Great Moderation" was evolving. It was argued that the new politics of deregulations, floating exchange rates, international integration, strict inflation targets, and reduced dependence on the state had provided for a more stable economic environment (e.g. Benati & Surico, 2009). However, the internationalization of the financial markets, the economic integration of the EU countries, and an increasing number of corporate scandals (both in the EU and in the US), created a need for more international regulations of banks.

This development was amplified by the financial crisis that hit the world in 2007/2008, and since then, a growing regulatory regime has practically flooded the banks in new administrative routines, with probable consequence for the PMSs of the large Swedish banks (e.g. Fox-Wolfgramm et al., 1998; Euske & Riccaboni, 1999; Helliar et al., 2002).

A new regulatory regime, the world-wide financial crisis and PMS's change

The deregulations in the mid-1980s resulted in a new regulatory framework and in 1987 a new Banking Act (SFS 1987:617) came into force (Larsson, 1998). The new legislation had a broader scope and was more functionally oriented, which made it more coherent with the EC regulations (Kazarian, 1994). In 1992 Sweden signed the EEA agreement meaning that Sweden was espoused to comply with the EC rules on financial services. An important feature of the European legal framework was that it encompassed the international standards of the Basel Committee on Banking Supervision (Ems et al., 1993). Basel I had two purposes (i) to strengthen the soundness and stability of the international banking system and (ii) to reduce competitive inequalities by creating an international regulatory standard. Put simply Basel I required banks to hold a minimum capital standard of 8 percent[16]. The basic nature of Basel I made it subject to extensive critique and a series of meetings and reports in 1998 led to the launch of the Financial Service Action Plan (FSAP) in 1999. The idea of the FSAP was to remove market and regulatory barriers within EU's financial service sector in order to create a level playing field among the market participants (see Haan et al., 2009:50-55 for a discussion of the content of FSAP). The FSAP included the first draft of the Basel II framework and can be seen as the starting point for the explosion of new regulatory requirements (see Table 5 below) directed at the banking industry.

Table 6. Regulatory initiative during the 2000s

Regulation	Content	Introduced	Effective by
Basel II	Pillar 1 minimum capital requirements, Pillar 2 supervisory review, Pillar 3 market discipline through disclosure	2004	2007
Basel III	Increased minimum capital requirements, a gross debt-equity ratio, liquidity measures, and stricter liquidity reporting	2009	Implementation starting in 2013 and finished by 2019
FFFS 2004:4; MiFID	Regulations and guidelines regarding competence requirements and documentation procedures for firms providing financial advice to consumers	2004	2004 and adapted to MiFID in 2007
FACTA	The US tax authorities place requirements on foreign banks to report if they have US customers and to treat these customers according to FATCA.	2010	2013

Other regulatory initiatives include the Packaged Retail Investment Products (PRIPs), the Directive on Alternative Investment Fund Managers (AIFMD), the EU regulations on OTC derivatives (EMIR) and the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, there has been a vast development within the financial accounting framework for banks and in 2005 it became mandatory for Swedish listed companies to adhere to the IFRS issued by the International Accounting Standard Board (IASB).

The main objective of banking regulators is prudential i.e. to reduce the risk level for bank creditors (e.g. depositors) and to mitigate systemic financial risks (Barth & Landsman, 2010:401-2). Still, the consequences of implementing such comprehensive and complicated

[16] http://www.bis.org/bcbs/history.htm accessed 2011-11-04

regulations are multidimensional. For example, Olsson (2009) shows that some of the smallest savings banks on the Swedish market have been forced to merge in order to survive the financial burden of adapting to the new regulations. In addition, Whalström (2009) predicts that the new regulations will have a centralizing effect on the banks, as the complexity of the new regulations increase the influence of specialists located at the banks' headquarters. In fact, signs of centralizations are already visible, among the large commercial banks in Sweden, and both Nordea and SEB have introduced strategic initiatives that foster centralization (i.e. the *'One Bank'* concept in Nordea, and the *'One SEB'* concept in SEB). Thus, the regulatory regime forced top managers of Swedish banks have to interpret and integrate an increasing number of regulations. This process was made even more complicated by the advent of the financial crisis and the numerous additional regulations which have been suggested in the aftermath of the crisis. Still, as will be elaborated on below some of the investigated banks had already started this transition prior to the reregulation and the crisis.

The internationalization, which was initiated in the late 1990s continued well into the 2000s and from 2000 to 2008 the total balance sheet size of the four largest banks grew from approximately SEK 5200b to almost SEK 11,000b. Throughout this period the shareholder oriented view came to dominate much of the banking scene (e.g. Schuster, 1999; Dalborg, 1999[17]) underpinned by what appears to be a belief that sheer size was a key component of efficiency, or at least survival (Larson et al., 2011:58). As mentioned earlier, the rapid growth led to a divisionalization within the Swedish banks, but with the centralizing pressure of the regulations, and the obvious conclusion of the crisis that size alone was not sufficient for survival, the large Swedish banks have started to emphasize organic growth, relationship lending, and customer orientation. The rationale behind this gradual shift seems to reside in a negotiation process that builds primarily on three factors; reregulation and the need for unification, the consistent success of Svenska Handelsbanken, and the turbulence on the financial markets.

Reregulation and the need for unification

During the growth period Swedish banks had become fragmented, which gave rise to sub-optimization problems and the large number of M&A's provided for the need to unite the banks around a set of common values. This was expressed by the HR-manager of SEB in the following way: *'The bank expanded a lot in the late 1990's and into the 2000's, in Germany, in the Baltic States, and throughout Eastern Europe. We bought TryggHansa[18] in 1997, so the bank was very much in a growth mode for a number of years. When our new CEO[19] came in, we started to shrink our portfolio, started to focus, we were not the only bank that did this, but we created 'One SEB'. During the growth period the bank had been organized in a holding structure, and each division acted in their own interest. We turned this, which means that we have been forced to centralize and coordinate our activities at the bank level'*. The quote indicates that centralization was perceived as a matter of necessity motivated by the need for a more holistic view of the bank's operations. For SEB[20], this process started already in the early 2000s after the planned merger between SEB and Swedbank was cancelled by the EU-commission for competitive reasons. After the failed merger SEB introduced a strategic initiative named the three Cs; customer satisfaction, cooperation, and cost-conscious. Thus, not only did the new regulation pressure SEB to become more centralized, by forcing the bank to transfer resources to the head office, but there was also an internal rationale

[17] A pamphlet on shareholder value in banking written by Hans Dalborg, which at that time was the CEO of Nordea.
[18] A Swedish insurance company.
[19] Referring to the Annika Falkengren, who started as CEO in November 2005.
[20] Nordea also started a similar program to unite the bank in the early 2000.

encouraging coordination at the top management level. Perhaps not surprisingly, these pressures have made SEB gradually change their PMSs practices for example by: integrating ideas about cross-selling and cooperation into the training programs; measuring and rewarding employees based on their ability to cooperate (e.g. *'being a good corporate soldier')*; and by altering the budget process from a bottom-up process to more of a top-down analysis in which the budget targets are set at the group level.

The Handelsbanken model

After an organizational crisis in the late 1960s, Jan Wallander, a former economist and at that time the managing director of a medium-sized regional bank (Sundsvallsbanken), was recruited to conduct a reshaping of Svenska Handelsbanken (SHB)[21]. Wallander decided to radically decentralize the bank (although some tasks, such as the bank-to-bank lending, were in fact centralized), by allocating responsibility and credit authority to branch offices. The organizational culture was shifted towards empowerment and cooperation, the manpower at the head-office was cut by a third, and budgets were abandoned in favor of information systems on a need-to-know basis. Wallander describes it as a time-consuming and sometimes tedious endeavor which took more than a decade to complete, and during much of the 1970s and 80s, SHB was critiqued for its *'dogmatic'* management approach. However, with the Swedish financial crisis, the critique quickly faded. As it turned out, SHB managed the crisis far better than the other banks and was the only major bank to go through the crisis without need for government support[22]. Similar to the other banks, SHB has grown significantly both organically and through M&As' and the expansion and diversification on the Swedish market in the mid-1990s was followed by entrance into the other Nordic countries and the UK. Two main objectives have guided the SHB approach ever since the re-shaping of the bank in 1970s; (i) to be the most profitable bank in every home market they act on, and (ii) to achieve higher than average customer satisfaction in the banking sector. To accomplish these goals SHB has been organized in a flat structure with only three hierarchical levels (CEO, regional manager, and branch manager). At the branch-level, benchmarking is used extensively and the branches are compared in terms of cost/income ratio and customer satisfaction. These simple but effective control mechanisms together with the consistent reinforcement of the core values (empowerment, responsibility, and cooperation), through internal communication, training and development, and the recruitment policy, has remained relatively unchanged over the past decades, and according to the SHB's own communication, the bank has reached their main goals almost without exceptions the last 40 years (e.g. Wallander, 1999; Cäker, 2012[23]).

Although some of the respondents mentioned that they glanced at SHB after the Swedish financial crisis, the influence of the SHB model appears to have grown stronger under the 2000s. Today the four large banks all have a strategic focus on customer satisfaction, relationship lending, and organic growth. This is to be achieved through decentralized organizational structures, greater reliance on non-financial performance measures and extensive usage of relative performance evaluations, strong and prudent risk management, and more collaborative organizational cultures. Although none of the other three banks have abandoned the budget they have adapted a more flexible approach towards it in which the budget targets are evaluated in relation to external and internal conditions. Relative performance evaluations are used by several banks (e.g. through comparing the results of similar branches to each other or to evaluate the performance trend rather than the absolute number) to overcome the

[21] The case of SHB has been very well documented, not least through the many publications by the former CEO and Chairman, Dr. Jan Wallander (see e.g. Wallander, 1995; 1999; 2003).

[22] Although SEB had discussions with the Bank Support Agency, they never actually resulted in any direct support but instead new equity capital was invested in the bank by the private owners to ensure that capital requirements were fulfilled (Englund, 1999)

[23] Unpublished working paper.

problem of external influences. This is expressed by the Head of Merchant Banking in SEB in the following way: *'You know, when evaluating performance it is difficult to know whether 15 percent return on equity is good or not but if we move from 15 to 17 percent than we are probably doing something right'*.

The turbulence on the financial markets

Already in 2007 signs of the financial crisis had been visible but when Lehman Brothers filed for bankruptcy in September 2008 it became the trigger of the world-wide financial crisis (Caprio & Honohan, 2010). Swedish banks exited the crisis in a relatively good condition, compared to many of their international peers, but the Swedish government still had to take action and in February 2009 the government decided to allocate SEK 50b for bank recapitalization (Goddard, et al., 2009). In addition, three Swedish banks have lost their bank charters and Swedbank, SEB, and Nordea, all issued new equity to absorb the anticipated credit losses. Swedbank was hit badly by the crisis; primarily because of large exposures to the Baltic market, and because a large part of their credits were funded by short-term market lending, but the bank also had a complex outstanding tri-party loan repo agreement to Lehman Brother of approximately SEK 9.2b, which resulted in a massive collapse of the bank's share value. In response to the crisis the top management team in Swedbank was replaced and at the General Meeting in 2009 the new CEO presented a new strategic direction; *'back to the roots'*. Although it might be questionable, as the *'new'* direction is very similar to the reshaping that took place in the 1990s, it would seem as if Swedbank is now also moving closer to the SHB model for example by creating strong regional offices and transferring the credit authority closer to the customers.

DISCUSSION

As outlined in the previous section, the large Swedish banks have adapted their PMSs to the external pressures in different ways depending on the type of pressure. The findings reflect how deregulations, financial crisis, technological development, internationalization and similar events are interpreted by top management top become integrated into the PMSs and diffused throughout the banks. As illustrated above, the large Swedish banks have developed in a strikingly uniform way and certainly the isomorphic pressures (DiMaggio & Powell, 1983) of regulators, successful competitors, and the norms of the field, are part of the explanation. Still, reducing the banks to passive players in a path-dependent search for legitimacy does not seem to tell the full story. Discussing the study further I seek to explain how different type of jolts were interpreted and integrated into the PMSs in different ways depending on the nature of the jolt.

How are external pressures interpreted and integrated into the PMSs?

A common factor to explain institutional change is precipitating jolts at the field level i.e. social upheavals, technological disruptions, competitive discontinuities, or regulatory change (Greenwood et al., 2002). The Arroyo (2012) model suggests that the individual process of interpreting a jolt also plays an important role in the integration of PMS's change. As illustrated above the Swedish banking industry has experienced a series of such jolts with varying effects on the PMSs of the four largest Swedish banks. Interestingly, neither the deregulations nor the re-regulations seem to have had any substantial effects on the PMSs in the investigated banks.

The interpretation and integration of regulatory change

Previous studies have found regulatory change to be an important factor to explain PMS's change in banks (e.g. Euske & Riccaboni, 1999; Helliar et al., 2002; van der Steen, 2011). Still, the present study shows that the way in which the deregulations were interpreted at the top management level in the banks did not result in any major change to the PMSs. In the aftermath, both researchers and practitioners have ascribed the absence of PMS's innovation to the swiftness of the deregulations and the inexperience of banking staff to the new market conditions (Petersson, 1993; Larsson & Sjöberg, 1998; Urwitz, 1998; Englund, 1999). Yet, as shown by the case of Gota Bank it was not only a matter of not having the proper systems or experience but also a consequence of a failure among top management to reinforce and improve current practices in order for organizational members to persistently enact and reproduce them. Moving back to Figure 1 this suggests that rather than a field-level jolt always being followed by innovation in the PMSs, the jolt may also be followed by deinstitutionalization of the existing PMSs to be replaced by practices that ignore the existing rules and routines. The fact that the employees of Gota Bank did not understand how bad their situation was and the comments made in hindsight by Gabriel Urwitz, indicate that such "bad" practices can even become integrated into the cognitive maps of both managers and employees through the process of institutionalization.

However, as noted by Arroyo (2012) the absence of PMS's change does not necessarily mean that the organizational members will not have to interpret and integrate the precipitating jolt. The change of management in Gota Bank indicates the power-struggles that went on during the deinstitutionalization of the PMSs and the hostility of the interpretation and integration processes in which only those who shared the same beliefs of the strongest actors were allowed to stay. According to Lawrence et al (2005) only a limited number of new ideas will be accepted on the group or organizational level, and in the interpretation phase, this is best facilitated though influence based on access to scarce resources, relevant expertise, an/or culturally appropriate social skills. This might explain why the top management was not replaced directly after Gota Bank was acquired. However, in the integration phase, force, based on formal authority, is the most prominent strategy (ibid) explaining why the top management did eventually got replaced. Crossan (1999) further ascribes personal experience an important role during the interpretation and integration phase. On a more general level the experience among Swedish bankers was that extending credits to the real estate sector was not associated with any major risks (i.e. they did not know how to price risk under the new market conditions), thus, offering valid arguments for the vast expansion within this segment. As the new practices diffused among the banks, each organizational member went through their own process of interpretation and in some cases they did not agree (e.g. when the worried members of Gota Bank approach the consultant) but through disciplinary measures such as socialization, compensation, and training (Lawrence et al., 2005) they were formed to follow the same expansive strategies that were propagated by the top managers.

Moving on to the re-regulation, the field-level theorization process is still ongoing but so far it has primarily revolved around two key issues; the need for internationally viable bank regulations (Haan et al., 2009) and corporate scandals and crisis (Barth & Landsman, 2010; Mikes, 2011). The pressure on the Swedish banks from regulatory stakeholders such as the FSA, the Ministry of Finance, and the Riksbank has been growing and was further amplified by the financial crisis. However, the findings of this study show that not even regulations emphasizing market discipline through disclosure (such as the third Pillar of Basel II) have had any major direct effects on the PMSs of the investigated banks. Wahlström (2009) discuss centralization as a probable consequence of a larger regulatory burden but centralization had already started in at least two of the large Swedish banks (Nordea and SEB) prior to the introduction of Basel II. Furthermore, none of the investigated banks discussed regulation as the main driver of centralization but instead centralization was described as a necessary consequence of growth and divisionalization. Similarly, the increasing focus on risk management and risk-related performance measures, in the large Swedish banks, did also start long before the Basel II framework came into effect.

The interpretation and integration of crises

The Swedish financial crisis abruptly ended the credit expansion and created a large pressure on the banks to change their practices. The banks' trust index plummeted and the need to restore legitimacy for the financial system was vital, not only for the banks but also for the Swedish state. Thus, in the field-level theorization process the state became a strong stakeholder, not least because it had been forced to ensure the survival of practically all the banks. To restore legitimacy the banks independently specified their problems and came up with a number of *'innovations'*, consistent with the demands of the state, to bring order to the chaotic situation. The structure of the field also changed drastically during this period, initially through a reduction of the number of banks, but as the conditions stabilized new players started diversifying from other core businesses (e.g. insurance and food) into banking. The deregulations made it possible for these new players to enter the field and the crisis offered an opportunity for new banks to attract customers on behalf of the distressed banks. These new players put further pressure on the existing banks to rationalize their operations and become more cost efficient.

The findings show that unlike the deregulations, the Swedish crisis had two rather direct effects on the PMSs of the large banks; expressed through profitability focus and prudent risk management. In Swedbank the need for rationalization was an important part of the interpretation process and in the power struggles that resulted from the merger[24], the relevant expertise and social skills of the top management were important resources in mobilizing the change. To integrate a rationalization program that meant a reduction of the labor force with 20 percent, under normal conditions, would probably have required extensive use of force (Lawrence et al., 2005). The crisis facilitated this process and through the persistent communication of the need for drastic measures the employees were trained to perceive change as a prerequisite for survival. In fact, the change process in Swedbank follow closely the three steps of implementing change as identified by the management literature on change (see Battilana et al (2010) for a review) i.e. developing a vision, mobilizing people behind that vision, and motivating them to achieve and sustain the vision suggesting that future studies on PMS's change may gain from an interaction with this field.

On the field level, the fierce competitions that started after the deregulations resulted in reduced profit margins for the banks. As long as the banks could compensate decreasing margins with larger volumes they remained profitable, but with the crisis, increasing the volume were no longer an alternative and instead the banks started programs to reduce their costs. As the pressure from the crisis faded, new rules and routines were necessary to institutionalize the cost consciousness. The banks implemented activity based costing and similar techniques, propagated shareholder value, and emphasized financial performance measures to make organizational members continuously encode, enact, and reproduce the idea of profitability through cost control. Similarly, prudent risk management was institutionalized through the altering of organizational structures, developing training programs, and shifting the internal power structures by strengthening the role of the risk function. In Nordea the poor state of the risk management, prior to the crisis, even forced the top management to conduct *one masse* training sessions on the basics of giving credits.

The effects of the recent crisis on the PMSs of the large Swedish banks are more ambiguous. Although the field-level theorization process seems to have ended the international expansion and the M&A-driven growth, among the investigated banks, major PMS's change are largely absent. Swedbank has decided go *back to the roots*, and thereby approaching the SHB model, much like SEB and Nordea started doing in the early 2000s. Maybe the organizational memory of the Swedish financial crisis, as mentioned in the

[24] See footnote 14

interviews, mitigated the negative effects of the crisis and provided arguments to maintain the existing PMSs. Further research on the effect of the financial crisis on the PMSs of banks is needed and particularly comparative studies between countries that have not had a relatively recent financial crisis, prior to the current crisis, and those that have.

Institutional entrepreneurs and the process of PMS's change

Based on the idea of the institutional entrepreneur as an actor who leverages resources to create new, or transform existing institutions (Battilana et al., 2009:68) it is quite difficult to discern any particular individual or organization that were acting as the initiator of the "mal" practices that diffused among Swedish banks after the deregulations. The same holds for the majority of change processes discussed here, and accordingly the present work gives support to the growing number of studies that view institutional entrepreneurship as a collective phenomenon (e.g. Dorado, 2005; Lausbury & Crumley, 2007; Delbridge & Edwards, 2008). Perhaps the only institutional entrepreneur, acting individually, throughout the modern history of the Swedish banking industry is SHB or even Jan Wallander. If so, the practices have taken more than 30 years to diffuse and are still partly resisted (e.g. the other large banks still use budgets) despite the successful performance of SHB. This observation raises at least two important issues; (i) the time-frame adopted when studying institutional change in relation to PMS's change and (ii) does PMS's change depend on the field-level conditions?

In general, organizational scholars studying institutional change tend to adopt a time-frame of 10-20 years (see e.g. Greenwood et al., 2002; Sherer & Lee, 2002; Munir, 2005) whereas studies of management accounting change have adopted a somewhat shorter time-frame (for example Cobb et al (1995) use five years, Helliar et al (2002) study a period of seven years, Soin et al (2002) use two years, and van der Steen (2011) use five years). The results of this study indicate that a time-frame closer to the former may be auspicious when investigating the relationship between institutional and PMS's change but a more comprehensive debate concerning time-frame is encouraged.

The high degree of institutionalization (e.g. Deephouse, 1996) and the homogeneity of the Swedish banking industry (e.g. with the same four large commercial banks continuously dominating the field) may impede institutional change (Battilana et al 2009). However, as noted by Dorado (2005:400) different type of fields may need different profiles to initiate institutional change. She claims that opportunity opaque fields (i.e. more institutionally developed fields) may need institutional partaking: *'the act of countless agents converging over time'*. This would explain why it is difficult to identify a single organization or individual as a main actor in the change processes discussed in the present study. More importantly, it gives advice to future studies when applying an institutional entrepreneurship approach to PMS's change, suggesting that such studies should account for the field-level conditions as a factor to identify actors involved in the change process.

CONCLUSION

The present study shows how external pressures such as regulatory change and financial crises are interpreted and integrated into the PMSs of large commercial banks in Sweden. A model to investigate PMS's change from a multilevel perspective (Arroyo, 2012) is used to illustrate the dynamics of the multiple processes of change initiated by a precipitating jolt. The institutional entrepreneurship approach stems from the study of organizations, but as suggested by Arroyo (2012), the findings of this study indicate that accounting scholars interested in PMS's change have much to gain from utilizing this approach. Not only does the IE framework bridge two commonly used frameworks to explain *how* and *why* PMSs change (i.e. NIS and OIE) but it could also be utilized to answer the questions of *what and who* initiates PMS's change. However, as noted above the latter requires an understanding of the field-level conditions of which the organization/organizations under study are subjected to.

The need for multilevel studies of change is driven by the economic integration and globalization (Tracy, 2011; Arroyo, 2012), and the present study shows how the external pressures on organizations are becoming increasingly global, both in terms of crises and regulations. The consequences of such globalized external pressures are only just starting to materialize but they are sure to engage researchers for many years to come. Still, whether the pressures are global or local, external or internal, they will always be interpreted by individuals from the perspective of their own experience, and as shown here such pressures may or may not become integrated into the PMSs.

An adjacent and important question is raised by the finding that the large commercial banks in Sweden only to a limited extent have adapted their PMSs in response to regulatory change. Is regulatory change only an artificial way to transfer responsibility and accountability from banks to regulators, without any real effects on banks practices? McKinzey (2012) estimates that return on equity for European retail banks will fall from on average 10 percent to 6 percent as a result of the new regulations. These are costs that will ultimately be borne by bank customers i.e. each and every one of us. Clearly the arguments that preceded the deregulations, only a few decades ago, has lost its force and powerful stakeholders such as the European Central Bank, the European Banking Authority, and the Bank for International Settlements have much to gain from stricter and more complex bank regulations. Much more work is needed on the effect of regulatory change on the PMSs of banks, both to establish whether the findings of this study are generalizable to other contexts and to contribute with insights on how to reform existing regulations.

Finally, the case of the Swedish banking industry shows the usefulness of adopting a broad approach to management accounting and control issues when studying banks. Soin & Schyett (2009) argues that management accounting may have passed its glory days in the financial services industry, but the present work indicates the opposite. Over the years, banks have adopted numerous management accounting techniques including ABC, ABCM, the BSC, sophisticated performance measurement systems, complex remuneration packages, and various transfer pricing and capital allocation mechanisms (Kimball, 1997) and this study shows that several of these tools are still in use, at least in the large Swedish banks. Despite such tools, banks have been strongly criticized for having poor management control practices and examples of bad management, ranging from extensive risk-seeking activities to fraudulent behavior, are common (see e.g. Wall Street and The financial Crises: Anatomy of a Financial Collapse) and the recent $2 billion trading loss by JPMorgan Chase & Co. are just one of the many examples of management control failures. Thus, it is both timely and important to increase our understanding of how these systems can be evaluated and improved. However, to reach a deeper understanding of these issues require a broad perspective. Modern banks are service organizations with a high dependence on sales, profitability, and risk management and the relation between these issues needs to be studied from an accounting perspective (see Merton 1995; Kaplan, 2011), but studying either one separate from the other is problematic since they are intrinsically linked and mutually dependent.

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