

*Essays on Performance Management Systems, Regulation and Change in
Swedish Banks*

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Abstract

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The 2007/2009 financial crisis exposed large discrepancies in the management of banks. The societal significance of the banking industry means that such discrepancies receive extensive attention from governments and supra-national authorities, which have introduced a plethora of new regulatory requirements in the wake of the crisis. Crises and regulatory change are examples of external events that are expected to influence the internal management of organizations. This thesis focuses on the interaction between the external and internal perspectives in order to analyze the systems and procedures that banks have developed to manage risk and performance. In particular, the aim of the thesis is to explore how Swedish banks organize, and adapt, their performance management systems (PMS) to the dynamic context in which they are embedded in order to contribute to our understanding of PMS, regulations and change in banks.

The first three essays of the thesis address this aim through a historical and procedural perspective. Institutional theory is used as a lens in order to explore and interpret how Swedish banks have adapted their PMS to the constant flux in their external environment. A multi-level research approach is pursued in accordance with the recent developments within institutional theory-based research. Specifically, the relationship between external events, such as crises and regulatory change, and PMS change is explored. The evidence suggests that it is vital to distinguish between different types of external events in order to better understand when and where we might expect PMS change. The thesis proposes that the concept of decoupling can be a promising way forward to make this distinction more precise.

Essays 4-5 zoom in on funds transfer pricing (FTP), which is widely acknowledged as an important part of the PMS of banks. These two essays address the overall aim of the thesis by exploring the different objectives of the FTP system in banks, the efficiency of sophisticated FTP systems in efficiently allocating resources under different market conditions, and the role of the FTP system in small, local and risk-averse banks. The essays confirm the importance of the FTP system in banks, a notion that is further enhanced by the recent regulatory developments. At the same time, the essays point to the complexities inherent in organizing an efficient FTP system and the delicate balance between theoretically optimal and practically viable solutions.

Key words: Banks, Savings Banks, Performance Management Systems, Regulation, Change, Institutional Theory, Funds Transfer Pricing

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