Routinisation of patterns of interaction:
Forgings links between the rules embedded in control and the routines of interaction

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Abstract:
This paper presents a case study at 14 banks belonging to the Rabobank group. It provides an example of organisations that use formal means, in this case newly prescribed accounting procedures, to achieve changes in routine interaction patterns. The paper presents a discussion of the interaction between the formal rules (as embedded in the accounting system) and routines (defined as scripts of interaction). The dialectic of rules-routines is considered part of the process of structuration (Giddens, 1984) which has been adopted by various institutional theorists (Tolbert & Barley, 1997; Burns & Scapens, 2000) to provide explanations of institutional change. The banks wanted to make people act accountable to and responsible for the bank. The degree to which the various banks succeeded in altering the deeply routinised patterns of interaction between organisational inhabitants differed a great deal. Some member banks appeared to be receptive of interventions in existing routine patterns of interaction, while to others, its effects were disappointing to the management of the bank.

The resulting transformations appeared at least in part attributable to the combination of a transformation in structures, and a transformation in desired behaviours that were emphasised in lockstep. The paper therefore argues tentatively that behaviour and structure were mutually supportive at some banks. It appeared that routine interaction patterns were most susceptible to change -1- when they were not directly contradicting the features of the formal change program; -2- when the formal change program was supported by wider formal structures and -3- the degree of ambiguity remains low.
**Introduction**

How formal rules affect routinised patterns of behaviour is a question that is central to institutional change. For institutional change arises from interactions between rules and routines (Burns & Scapens, 2000). As such, explorations of these interactions are key to studies of institutional change. The current paper addresses the introduction of a change program at the Rabobank, that was aimed at the introduction of a sense of accountability on the part of the employees in the bank. The program Results Oriented Management (ROM) introduced accountability as new criterion of acceptable behaviour. The banks argued that this criterion would affect the routine interaction patterns between organisational inhabitants. The ultimate objective of this focus on accountability was that organisational participants, including management team members would select their action alternatives according to new tacit criteria that had a strong emphasis on being accountable for ones actions. Accordingly, this paper poses the statement that the Rabobank sought to alter routine interaction patterns by the introduction of a formal change program within their local communities.

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Accountability as new criterion of acceptability alters behaviour; at least that is what the member banks hoped for. The ultimate objective of this focus on accountability was that organisational participants, including management team members would select their action alternatives according to tacit criteria that had a strong emphasis on being accountable for ones actions. Accordingly, this chapter poses the
statement that the ROM project sought to alter routine interaction patterns within member banks with the objective of institutionalisation.

**Background**

The Rabobank organisation is one of the top three banks in the Netherlands with a balance sheet total of some 403 billion euros and employing some 57,000 people in 2003. Its extensive network of branches (some 1378 at the end of 2003) and its direct focus on the agricultural community are traditionally its strong suits. Moreover, it traditionally has had a very strong credit rating, reflected by its triple A status, rated by all three major rating agencies. This has been a continuing source of pride for the Rabobank, as it is the only bank in the Netherlands that is rated triple A. It is especially well represented in the private mortgages market as well as in the agricultural and dairy and foods industry.

The element that distinguishes the Rabobank most from other major banks in the Netherlands today is that it is a cooperative. Within this ownership structure autonomous local banks are the member banks of the cooperative. These member banks have members of their own in the form of private persons from their local environment. A number of these members also form the board of each of the local banks. Formally, the member banks are independent and have full decision autonomy, except for matters related to the supervisory role of the Dutch Central Bank, for which they have delegated responsibility to the supra-local organisation, Rabobank Nederland. This includes local intervention when solvency falls below legally stipulated levels or in cases of gross mismanagement. But in most cases, local banks are formally autonomous. They are organised in the “Centrale Kring Vergadering”, translated: Central Circle Meeting (CKV), which now has decision authority over all strategic matters concerning the Rabobank group. The bank doesn’t have stockholders and as such it doesn’t pay out dividends. The basic idea behind a cooperative is that members of the cooperative, that is private customers and companies, benefit from this in the form of cheaper capital and higher interest on their lendings.

Essentially, the Rabobank has always been a three layer democracy:

![Decision Making Diagram]

Decision making within this democracy has always been a time consuming process. Since local banks are essentially autonomous, part of decision-making involves the act of convincing and persuading
local banks. For example, the decision to merge was a matter of mobilising proponents and convincing opponents (Sluyterman et al., 1998). However time consuming (some have named the bank a Mammoth tanker, due to its inability to initiate change quickly), the core of cooperative banking has long been the provision of material benefit to the members.

Economically speaking, over the last decades the bank has come to resemble its competitors much in terms of cost structure and profitability. Some say that member banks have become somewhat complacent and are so cost inefficient that, although they don’t pay dividends, they are still unable to produce their services at lower rates than their competitors. The material benefit from having no shareholders is not translated into lower rates for members; rather it has been used to maintain inefficiencies. The Rabobank has long been seen as a lifetime employer, with some of the best benefits in its sector. The manager of one bank remarked: ‘people do not see the fact that they must contribute to the bank in order to earn their salaries. To some of them, the salaries they require and the effort they put in the earning power of the bank, those are two completely different things to them. For this bank, I think it is a good idea to make people realise that they have to give something in return for their salaries.’

In all, the group realises that the cooperative nature of the bank has led to an absence of stringent financial and behavioural controls. Although the bank now realises that the cooperative structure can potentially be its main competitive advantage, it also sees that the absence of shareholders has led to the maintaining of inefficiencies, instead of providing tangible benefits to its members. The result has been that the full potential of being a cooperative has not been exploited, and that the bank does not succeed in differentiating from its competitors by excellent member service. Rather, it has allowed itself to become similar to its competitors in many respects, as it does not have the economic leverage (because of its ongoing inefficiencies) to turn the absence of shareholders into material benefit for members and customers. This realisation caused a strong focus on efficiency and financial results within the Rabobank, that still fitted the cooperative ideas. The argument was basically that a leaner and meaner organisation means more residual income that could be used for the good of the members and the group. Since residual income and efficient operations were equated with the good of cooperative cause, the path was cleared for an explicit focus on efficiency and results orientation. In this light, a program such as Result Oriented Management became evident.

ROM, the program that was developed to influence the manner in which people connected action to result, had primarily a number of structural features that can be compared well with those found in standard operating procedures. It consists of a number of discrete rules of how to plan ahead, how to be result oriented and how to be in control. To most member banks, these rules were useful for their effect on employees’ behaviour. They were to influence patterns of behaviour, including interactions and decisions, at those banks. The program was a number of steps that a subgroup of the organisational population would go through. Although structured as a planning & control cycle, most member banks
were using the program to forge a behavioural change. More specifically, the member banks under study were looking for adaptations of socially acceptable behaviour. The formal procedures surrounding the program are depicted in figure 1:

Figure 1: Results Oriented Management at the Rabobank

To this paper it is important to note that both the program and the agreements resulting from the program are presented to the wider organisation as objectives for behaviour. I.e. these are presented as the formal rules of conduct. The program formally delivered a number of plans (strategic-, year-, etc.) that reflected the changes in attitude that the bank wanted to achieve.

The interaction of the rules that ROM is made up of and the actual types of behaviours that people display in relation to ROM is an example of structuration as proposed by Giddens (1984). Structuration addresses the existence of institutions by the actions that enact them. Basically, Giddens addresses the
fact that institutions exist by virtue of the repeated occurrence of certain action patterns. However, Barley & Tolbert (1997) cite some criticism on the lack of attention for the temporal nature in structuration, as well as its inability to account for human agency in institutional development. They offer an alternative view that addresses these concerns. These are adapted by Burns & Scapens (2000) and are used to form abstract explanations of institutional change. These authors argue that institutional change occurs through the interaction of rules and routines. Rules are formal regulations such as standard operating systems, the accounting system, and indeed the program ROM as proposed by Rabobank Nederland. Routines are the behavioural regularities that are affected by rules, as well as other dimension. Both Barley & Tolbert (1997) and Burns & Scapens (2000) argue that institutional change arises from a dialectic between rules and routines, but neither specifies how this precisely operates. This paper seeks to contribute here to. It addresses the dialectic between the formal arrangements in the member banks (rules), that include the accounting system and the ROM program on the one hand, and behavioural implications on the other. Its relevance should be obvious to a broader understanding of the changes in institutionalisation of behaviour. Barley & Tolbert (1997, pp. 98) contend that ‘the institutions relevant to a particular setting will manifest themselves in behaviours characteristic of that setting and, hence, will appear as local variants of more general principles’. As institutional change occurs through a process involving rules and routines, it is this process that needs to be explored further before institutional change in itself can be addressed.

The next section will first introduce the method of study employed. Then we will respectively clarify the meanings of rules and of routines. Then a model of interaction between the two will be proposed. This model will serve as framework for explanation of the events at the various sites of the Rabobank. The events as the Rabobank will also be used for the refinement of the proposed model.

**Methodology**

The primary method of data gathering for this work has been the case study method. The case study approach focuses specifically on understanding the dynamics present within single settings (Eisenhardt, 1989). Yin (2003) argues that within single case studies, multiple levels of analysis can exist. The case studies presented in this thesis have been conducted on different levels. Although the primary unit of analysis is the individual in the specific social group in which he is located, it is specifically the interaction between this individual and the various social structures of which he is part that form the challenge in this work. Basically, it addresses the duality of structure on many different levels, and as such the cases demonstrate arguments on multiple levels.

The interviews were held at the 14 local member banks, and at the supra-local Rabobank Nederland. At twelve of these autonomous banks and at Rabobank Nederland, the number of interviews per organisation was approximately three. At the two other member banks, the process of Result Oriented Management was traced from the beginning for a period of two years. The interviews were preferably held with the following functions at each bank: -1- the General Director; -2- a commercial manager,
that is the manager of the segments Corporate Clients, Financial Advice or Client Advice, these are the primary ‘customers’ of the program; and -3- the Manager Business Administration, who is often the designated project leader. In those cases where this manager was not the project leader, the interview was held with the person who performed this role. Further interviews were conducted with employees from various segments. The objective of the entire study was to trace if and how institutionalisation of new accounting principles takes place at the Rabobank. The current paper is a sub-section from this study.

Rules

Burns & Scapens (2000) define rules as the ‘formally recognised way in which ‘things should be done’’. Rules are part of the existing institutional order and they are carried forward in time by both existing practice/ routines and in the structural features of the organisation, that include standard operating rules, manuals and accounting regulations. To this paper, the program ROM also introduces many new structural features, or rules, such as a clear sequence of steps that each yields a specified result. It is important to clearly distinguish between rules and routines, to avoid confusion on their interaction. Their relationship is depicted in the following figure:
Sharp (1994) suggests that Standard Operating Procedures (SOP’s) can be construed as routines that facilitate decision making in the face of complexity and uncertainty. In this, he makes no distinction between formal rules and factual behavioural routines. Burns & Scapens (2000) and Cohen & Bacdayan (1994) do make this distinction. They perceive routines to be the informal counterpart of formal rules of behaviour. They separate Standard Operating Procedures from routines-in-use. In their perspective, rules are the formalised statements of procedures (Burns & Scapens, 2000, pp. 7). Rules also include expressed managerial preferences and guidelines. These are formal rules that are sanctioned by the appropriate organisational authorities empowered by their hierarchical position in the organisation. Widely publicised managerial preferences are therefore much akin to the traditional notions of rules.

Routines

Barley & Tolbert (1997) and Burns & Scapens (2000) argue that routines as expressions of habitual behaviour combined with formal arrangements are the basic components for institutions. However, there are considerable differences of opinion in the precise meanings of routines. Therefore, this section will provide a notion of routines that is empirically meaningful, as well as fits the terminology of institutional change.

There is a large literature base addressing routines. Questions such as: ‘How can replication be a strategic practice’ (Winter & Szulanski, 2001); routines as uncertainty reduction (Becker & Knudsen, 2004); and organisations as vehicles for carrying routines (Hodgson & Knudsen, 2004) are addressed using an organisational perspective. This stream of literature regards the organisation and its inhabitants as parts of differing evolutionary strategies that lead to either extinction or to replication of successful practice (see also Nelson & Winter, 1982). However, they also point to some qualities of routines that can also be observed at the micro level of the organisation.

Routines allow actors to make complex decisions, without resorting to extensive search behaviour for alternatives and preferences. Their value lies in the reduction of the ‘complexity of real-world decisions to manageable levels by limiting the scope of the “problemistic search” for solutions’ (Sharp, 1994). Nelson and Winter (1982) argue that routines reduce decision complexity by providing a narrow range of environmental signals (cues) that indicate possible causes for action (see also March & Simon, 1958). The price that one has to pay for increased simplicity is that actors are not overseeing all possible alternatives, but only part of these (bounded rationality). Stein (1997) notes that the cognitive processes of reduction and elaboration can lead to choice biases, as well as influence to which sensory inputs we attend to and to which we don’t. The decision maker’s capabilities are then better described as bounded-rational rather than full fledged rational. Moreover, if decision makers are incapable of capturing all information available, and they use cues to direct their attention, then the consequence is that decision makers are satisficing creatures rather than optimising. Simon (1957) noted already that reality might be better reflected in assuming that decision makers are not optimising, but satisficing.
creatures. Satisficing behaviour would imply that decision makers are not constantly trying to increase efficiency or hunt for the optimal solution, but only do so when conditions fall below a certain threshold that ‘force’ decisions to be taken.

Giddens (1984) sees routines as the very fabric of structure. Structure exists because of the continuous production and reproduction of action. Yet, at the same time, routines enable the continuity of the personality of the agent. In different terms: routinisation enables structure as well as personality of those operating under the influence of structure. He therefore under addresses human efficacy or agency, which is critical to institutional change. Barley & Tolbert (1997) have modelled the relationship between interactional episodes and institutional principles. They argue that social behaviours constitute institutions diachronically, while institutions constrain actions synchronically. Today’s institutions constrain today’s actions that affect tomorrow’s institutions and so forth. Louis (1980) observes that in normal every day action, individuals operate in ‘a kind of loosely preprogrammed, nonconscious way, guided by cognitive scripts’ (pp. 239). She suggests that conscious thought does not play a major part in these activities. Porac et al. (1983) note that ‘many experienced employees perform their work with highly routinised behavioural patterns and thus may not engage in much causal reasoning simply because work has become “scripted”’. These writers refer to scripts, but related notions have been used before, including schema (Weick, 1979) and habitualization (Berger & Luckmann, 1979). Barley & Tolbert (1997) argue that to them, scripts are behavioural regularities. They consist of ‘observable, recurrent activities and patterns of interaction characteristic of a particular setting’. This notion of routines as scripts is empirically sound, as scripts according to this definition are observable, contrary to scripts as cognitive phenomena. Moreover, scripts, not action, reproduce institutions (Jepperson, 1991), as action connotes conscious choice, which does not do justice to the taken-for-granted nature of institutions.

The above implies that an exploration of the processes influencing the relationship between rules and routines can productively become an exploration of the relationship between rules and scripts, as routines are scripted patterns of interaction specific to a setting. Routines as they are used by Burns & Scapens can fruitfully be defined as scripted behavioural patterns. To this paper, routines are similar to scripts and they then are: ‘observable recurrent activities and patterns characteristic of a particular setting’ (Barley & Tolbert, 1997). Following the logic of Burns & Scapens (2000), these patterns are influenced by formal rules and vice versa. Moreover, these patterns are local representations of wider organisational principles. But how this process of routine- or script change proceeds is not clear yet.

This consideration relates to routines’ – or scripts’ ability to change. As noted earlier, routines have been considered resistant to change because of the fact that they tend to be invoked somewhat automatically even in inappropriate conditions. But Feldman (2000, 2003) questions the assumed stability of routines by pointing to the continuing evolving of routines at a student-housing organisation. She points out that routines are not resistant to change per se. Rather, she argues,
following structuration theory arguments, that performances, including routines and scripts, create and recreate understandings of how the organisation operates. In turn, these understandings guide performances in specific routines, which affect further understandings of how the organisation operates. She argues that the agency-structure duality proposed by Giddens and Bourdieu also holds for routines: relevant performances, including routines, guide understandings on how the organisation operates. These understandings in turn enable and constrain specific relevant future performances such as routines. Basically, Feldman argues that routines are susceptible to change if understandings on the organisation support the change.

She takes a position that is interesting, for, if routines or scripts are not resistant to change, and routines are one of two foundations of institutions, it would be unlikely that institutions are resistant to change themselves; a position that is difficult to maintain. Either institutions have features that routines do not have, allowing resistance to change in their own right; or we must abandon the idea that institutions are resistance to change. This paper supports the first notion by arguing that routines (in the definition used here closely related to scripts) are difficult to change by virtue of their degree of tacitness or the degree of ambiguity or misalignment with associated formal structures surrounding the routines.

This section has identified a number of properties of routines that are in part definitional by nature. The regularity implied in the presented view may lead to sub optimality as scripts can be applied to situations where they are not fully suitable, as well as leave sub optimality unobserved. Furthermore, new information is processed in terms of existing schemas, which implies that existing schemas are seldom challenged by new information itself.

**Degree of tacitness of scripts**

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**Degree of tacitness of scripts**

Scripts are only resistant to change if they are invoked unconsciously based on tacit criteria. Feldman (2000) observes that yearly patterns of action do change from one iteration to the next. The routines consisted of yearly activities of which the result was aimed to be the same over the years (i.e. yearly move-in in dormitories, the yearly hiring and training of student personnel). She explicated that each yearly routine was preceded beforehand by the extensive reflection on the result of last years’ iteration. Feldman observed that routines were especially susceptible to change when the intended outcome was not achieved, or the outcome was unintended and undesirable, or outcome produced new possibilities, or the outcomes fall short of ideals. In any case, extensive reflection occurred retrospectively on the outcome of each new iteration. Basically, Feldman (2000, 2003) and Feldman & Pentland (2003) argue that routines are more susceptible to change than previously thought. They attribute this to the fact that people are often consciously assessing the situation in which they find themselves. In doing so, they are able to select between various scripted responses. Scripted decision-making may have been at the basis of the actions that were to follow, but in the case of the yearly move-in in student dormitories, they also instigated a yearly review of last years results and subsequent adaptation of routine behaviour. The selection of a course of action was not uniquely determined by following scripted knowledge. This
recognition points to the fact that scripts/routines may be susceptible to changes if they are not taken for granted, and not selected on tacit criteria. Interestingly, the definition of institutions of some authors revolves around the taken-for-grantedness of features of structure and interaction (Jepperson, 1991). The above argument therefore states that institutions are resistant to change as they are made up of tacit scripts, that are local representations of these wider institutional principles. Therefore, we argue that two categories of scripts can usefully be distinguished: tacitly invoked scripts and consciously invoked scripts. The former consists of patterns of action and interaction that are invoked rather mindlessly (the restaurant script of Shank & Abelson, 1977). The latter involves the conscious enactment of actions with predefined purposes, such as the scripts defined by Feldman, or those seen on aircraft carrier flight decks (Weick & Roberts, 1993).

**Tacit scripts**

Cognitive scripts as guiding and regular principals of behaviour open the door for a motivation on the occasional sub optimality of decision-making, noticed by Simon. Gioia & Poole (1984) note that ‘the recall of events for a similar or prototypic situation provides the decision maker with the script for understanding and predicting the outcome of the decision. Scripted decision making, therefore, is efficient decision making, but not necessarily good decision making. The scripting of decision situations has an obvious drawback: it can induce a failure to be aware of the fine-grained differences that distinguish a current decision problem. … This is because the process of deciding is based on a protoscript, rather than a step-by-step accounting of the uniqueness of events relevant to the present situation’ (pp. 454). The implied regularity of script based decision-making, leads to occasional suboptimality. Harris (1994) proposes that the schema-directed (of which scripts are part) nature of the perceptual process ‘lessens the frequency with which schema inconsistent information is discovered and made conscious. The very nature of schemas act to ensure that drastic challenges to their validity seldom arise.’ (pp. 311). This is because new knowledge is usually fitted in existing schemas. It implies that new knowledge is formulated in terms of old schemas, and therefore helps to sustain these schemas, as this reduces the odds greatly that this knowledge would challenge existing schemas.

An example of these types of scripts was the recall schema at Ford. Gioia (1992) reports that full recalls of problematic types of cars would only occur if they fit recognisable patterns, e.g. cues. Any deviation in the types of signals would not trigger behaviour that was appropriate with hindsight. The inability of the recall coordinator and his team to invoke an appropriate script led to the fact that a faulty product was not recalled, simply because the problems did not fit existing patterns of what a recall case should be. Although many instances of tacit scripts are less dramatic, they always run the risk of being invoked at the wrong occasion. For example, the description of Louis (1980) on newcomers in organisations is an illustrative contradiction. Newcomers have little knowledge of cues and associated scripts, so they learn much of this matter in those first weeks. They consciously attempt to make sense of the events in their new settings, and they thus learn about the types of cues that
warrant the various behaviours. In those early stages, they learn to use scripts that are invoked consciously by the newcomer.

**Consciously invoked scripts**

Consciously invoked scripts are those scripts that involve a degree of sense making before and during execution. Apart from the example of organisational newcomers, there are various examples in the literature. Weick and Roberts (1993) use the concept of heedful interrelating to argue that actors in specific systems understand the relations between their actions and those of others (representation), as well as their contributions the system of which they are part (subordination). Weick and Roberts (1993, pp. 357) argue that variation exists in the heed with which individual contributions representations and subordinations are interrelated. Their example of an aircraft carrier flight deck can be used to illustrate an environment where most scripts of interaction are consciously invoked.

A discussion on the effects of routines and rules is basically a three-tier argument along the lines of the following figure:

![Diagram](image)

**Scripts & rules at the Rabobank**

The next section will address the changes in a number of scripts at the Rabobank that are related to changes in formal rules: the management accounting system in general and ROM in more detail.

**‘All is well and it will pass’**

This script involves interactions that people at a number of member banks have in reaction to adverse conditions or when they are confronted with bad news. They proceed in similar manners on a variety of occasions. The scripts follow the following profile at the various member banks:

- A piece of adverse information reaches one or more organisational participants.
- This information is given meaning through experiences with earlier information. The meaning given often differs from the message that was conveyed originally. From group processes, people use
rationalisations of why their ideas on the limited severity of the situations are justified. They downplay the implications of the information.

- People respond either not at all to the bringer of the news, or in a somewhat relaxed manner that reflects the redefinition of personal threat they feel from the news.

- Logical inferences stemming from the information are not well understood by the parties affected as they have made a different ‘mental translation’, a different meaning has been provided.

The Rabobank Zevenhuizen-Moerkapelle provided an example of this script. The Management Team of the bank decided to shut down its travel agency primarily because it could not achieve a banking productivity of 1.3, meaning that for each euro in cost, it needed 1.3 euro in revenues to remain sustainable on the longer term. However, recognising that this was not realistic to the travel branch, and considering the additional traffic that a travel agency generates, the bank decided that the travel agency needed to be at least self-supporting. However, the accounting system produced a productivity of between 0.7 and 0.8, which was instantly unacceptable to the management team. The travel agency needed to be closed. But the people working there maintained in their belief that things weren’t that bad. Consider this self-critique of the General Director of the bank:

‘This was our situation. It was clear to everyone that this was not sustainable, I thought. We needed to closely look at the costs and our revenues to see if we could approach the 1.0 productivity. If we could do that, or we saw light at the end of the tunnel, then we would go for it; otherwise we needed to pull the plug. Looking back, I must say that it was sufficiently clear to me, but I haven’t repeated it sufficiently to the people. I mentioned the types of choices we needed to make, but my people have thought: ‘It will be fine, so many people are working on the issue, calculating to establish the sustainability of the travel agency; The bank is obtaining good financial results, it has operated nicely over the years; it will all be fine…’ That is where the source of the massive unrest lay when we decided to shut down travel operations indefinitely. With regards to communication… the facts have been stated to the people involved, but they placed the information in a context that I now can vividly understand, but that was not meant to.’

From his position and role as a General Director, he made judgments that were extensively communicated with members of the management team, and to some extend with the people involved. However, the mere fact that the available information was placed in a group defined context that was different from the one of the management team, is not always problematic. In the above example it was, because the meaning provided by the travel agency employees was not compatible with the one of the management team. Similar issues arose at the Rabobank West-Zeeuws Vlaanderen. An employee of the department Client Advise notes that messages that the bank was not doing as good as it should, given the size and number of employees, was simply unbelievable.

‘We honestly thought we were in great shape, our office building, the presents, the many Belgian customers, amongst ourselves, we were convinced that we were doing marvellous.’ However, the
management team used the efforts in ROM to provide counter evidence, that did not fit with current conceptions.

‘When Results Oriented Management produced the realisation that we were not doing so well on the domestic market, compared to other sister banks, we could not believe it. Cees (the General Director) confronted us many times with the performances of our sister bank in Baarle-Nassau and provided evidence from the accounting system, such as averages of services provided per year, but it took us some time to realise that our assumptions may have been inaccurate.’

The ‘all’s well’ script is a mode of interaction between people that relies heavily on the shared assumption that their organisation is in optimal condition. The events they are finding themselves in (see Weick, 1985) are interpreted and given meaning under the assumption that they are not related to the current state of the organisation. Others, often managers and directors, are providing information that they find compelling proof of their point. However, at the various member banks, the proof was discussed instead of the point it was making. Every time managers and consultants were using accounting information stemming from the ROM processes to indicate their take on the position of the bank, people would argue that the accounting information was either faulty or irrelevant as it contradicted their understanding of the economic position of the bank. Basically, the ‘all’s well script’ of interaction was founded on an institution. This institution, a taken for granted shared assumption on the state of the bank, was the pivotal element that allowed the ‘all’s well script’ to function’. People were able to develop interactions by virtue of similar understandings they had with regards to the position of the bank. In this light, the messages of managers and consultants were literally unbelievable, and this was reinforced by interactions of people outside the management teams that all shared the assumption that, whatever was going on, it couldn’t be something that had to do with the state of the bank.

‘All is well and it will pass’ is a script that reduces ontological insecurity on the part of organisational participants, especially when they feel threatened. As respondents at Rabobank Zevenhuizen-Moerkapelle and West-Zeeuws Vlaanderen indicated, the script remained in full operation even when the formal signals indicated that all was not well. The Zevenhuizen-Moerkapelle member bank was showing massive losses on their travel operations; West-Zeeuws Vlaanderen was demonstrating that the bank was severely overstaffed for servicing the domestic market. These signals, which were a reality created by the use of accounting information, were ignored to a large part by the organisational population, as they found contrary evidence through their sense making processes. The formal rules were downplayed by a collective sense making process that yielded completely different results: ‘Managers are working hard to improve results, therefore it will be fine’. The output of the accounting system and the managerial interpretations called for mobilisation of people. Employees were for a large part ignoring the accounting information as they were presented with, even created evidence to the contrary, through their collective sense making processes that were based on scripts already present.
Even stronger, in the face of adverse information, the scripts gained salience for the organisational participants who were affected by the formal changes, such as the closing of a travel agency. The situation was typified by increasing ambiguity and employees were prone to share their take on the situation with their peers. They tended to use the collective scripts to interpret, or make sense of new information. As a result, major differences in meaning arose as managers were employing different scripts for meaning creation than the employees that were affected.

The figure indicates an ambiguity between the formal messages conveyed by the accounting system and their managerial interpretations, and the scripted interaction patterns that are in place. This ambiguity forces organisational participants to downplay either side to resolve the apparent contradiction between formal signals and their collective interaction patterns. At the member banks under study, people most often opted to downplay the importance of the signals stemming from the accounting system. At the same time, they interpreted organisational action in terms of their dilemma: ‘People are working to resolve this situation, therefore, it must be alright’. The sentiment that formal systems were producing invalid signals was reinforced by the scripted patterns of interaction that in turn were self-re-enforcing their importance as guiding behaviours and interpreting organisational events. Put differently, the ambiguity resulting from a misalignment between existing patterns of interaction and the signals from formal systems led to the re-enforcing of the existing patterns at the expense of the validity of formal systems. As a result, organisational participants were not prepared to consider the ramifications associated with the chance that the formal systems were valid sources of information.
The absence of a confrontation script

This discussion is not about a script that was present, but one that was not present at a number of member banks. The interest in these types of scripts was fuelled by the frequent references by respondents at various banks to the banks’ inability to confront each other on the results obtained. They indicated that they were especially disappointed by the fact that there was very little control on the agreements made in terms of the ROM program. This was a weak spot throughout the program, given the adaptations in the second version of the management manual of the ROM program: ‘Many local member banks have successfully created policy plans over the last few years. The real challenge however is to realise these policy plans by which we can achieve better results. It is for this reason that this management manual emphasises Control on the execution of the policy plans’. Although the formal documentation of Rabobank Nederland speaks of improvement of control as discrete routine, many respondents talked about the notion of control on a much more personal level. To them, managers and employees, control was a behavioural notion, not a structural one. To most, control was about confronting people with the obtained results, offering support to those who need it, and learning from those who appeared to be successful in their tasks. These were patterns of behaviour that were not embedded in day-to-day interaction. Rather, the organisation was often satisfied with limited knowledge on the causes of deviations.

The cause of the absence of such a script of accountability, so common in the business environment, can be attributed to the absence of a need to be accountable. Many member banks were almost monopolistic in their presence in local communities. Their strong embedding in local communities sometimes provided local market shares exceeding eighty percent. Moreover, people used to have a close relationship with the local member banks, whose staff is from the same communities and whose general director often is a notable of the community. The fact that the member bank is part of a cooperative, owned by its members, has had its consequences for relations in the bank. The cooperative has flourished for many years, where the local assembly of members exercises control, namely its board of members and a board of supervision. Both of these groups are not professional managers. Moreover, they possess only a fraction of the information that the General Director of a bank and his management team have. This leads to the situation that control of the member bank by its owners, the members, is incomplete. The slack that member banks had, by their comfortable market position and by the inability of the control organs to exercise their control in a proper manner, led to inefficiencies at member banks. Organisational members have therefore developed modes of interaction that focused on a friendly communication, where addressing someone on their results was seen as an undue intrusion of personal space and a denial of the valuable position that someone had in the organisation.

People indicated that they were making plans, with which they were quite pleased. But when it came to control on those plans, the check on the achievements of those plans, people were more critical. Not
only managers, but also employees reported that the process was hindered severely by the absence of a control routine. At the Leeuwarden bank that was rather active with ROM, the question on control triggered a response that the bank did not pay much attention to control. The member banks in West-Zeeuws Vlaanderen, West-Drenthe, Groningen, Leeuwarden and Zevenhuizen-Moerkapelle were all aware of the difficulties they had with shaping a control routine, both in terms of structures and in attitude. The people were just not familiar with confronting each other with the results they achieved. This was a problem on multiple levels: it affected the relations between managers and employees, between employees, between managers and even between customers and the bank. Witness to this last point is the statement by a financial controller of the Groningen bank:

‘differences between banks become visible … for example when debtors default. The criteria are not always clear, but I am sure that interpersonal elements play their part. We have had such an issue with someone. And we stuck by him. I have always wondered what it was that made us decide to continue with that person: was it because we felt that his business was viable or didn’t we dare to confront him with the fact that we did not believe in his venture anymore.’ Indeed, for many member banks, it was very difficult to maintain a strict separation between its business mission and its local assignment.

The absence of the control scripts was nothing new, but ROM exposed this absence as a problem. The fact that whole groups of organisational participants did not know how and when to appeal to each other’s responsibilities made most of the efforts surrounding ROM redundant, a fact that a number of participants discovered after the first cycle of ROM. To some member banks, the absence of a script that dealt with being accountable to ones peers and ones managers was a cultural trait that needed change. Therefore, a number of member banks started to implement more explicit control structures in the hope that this would lead to a behaviour that includes more explicit accountability towards each other. The effects of these control structures were unpredictable as the organisations responded differently to the introduction of these new routines that were enforced from the higher echelons of the member banks. The new control structures that were observed were the following:

- Systems that attempted to administrate personal contributions
- Evaluations on personal level, attempting to confront people with their ‘production’
- Financial evaluation schemes that act as incentive. In Rabobank terms, this is called the ‘Employee Value Plan’.

These formal procedures were basically formal rules that were meant to induce new behaviours and scripts. The earlier mentioned ‘all’s well script’ is an example of formal rules and specific scripts that are not fully compatible. The absence of a control script is an example of the introduction of formal rules that do not have a foundation in behaviours or patterns of interaction. There is no reconciliation between scripts and the formal structures that were formed, simply because there were no scripts that supported the formal structures being developed.
In the absence of a control script, that is a pattern of behaviour that is dealing with feedback on previous action, member banks attempted to introduce similar mechanisms by means of formal programs. This situation is different from the one described above, as there are here no competing scripted behavioural patterns; rather they were not present at all. The formal procedures they launched had some indirect short-term effect. People at multiple banks were being evaluated on their contribution to the organisational goals according to a program called Result Oriented Rewarding, a spin-off of Result Oriented Management. To make people personally accountable for their objectives was new to most member banks. However, as a respondent at a participating member bank remarks:

‘The targets per employee, that is almost impossible... Now we are stuck with a system in which employees must tally their own production. And based on that, we have to determine if people are achieving their targets. So there isn’t a system in which a sales person enters the savings accounts he has just sold, and those sales get added to the status of that person. Rather, one needs to enter the customer in multiple systems, then you add something for your own file about the customer, and then you need to establish your sales. So basically you can tally as much as you want. We do have guidelines, but some people will tally their activities sooner than others. So that is difficult to measure. And now the bank is talking about performance related pay, but with the current systems, that is not really feasible’.

Related to the attempts to influence behaviour through performance related pay, a respondent from the West Zeeuws-Vlaanderen member bank noted: ‘We do have the Employee Value Plan, but no-one is seriously considering this, except in March, when we learn how much we will receive. But there is no-one who thinks: ‘If I try real hard the coming month, then there will be something extra for me next year in March.’ The Employee Value Plan, in my eyes it does not make any sense.’ Indeed, at the occasions where the amounts were announced, no one outside the management teams was making any reference to their performance.

If we consider managerial action to be expressions of a desired formal state, then more sources of ambiguity are present: ‘There has been much uncertainty, much change. It has been said that Client Advise needs to decrease in numbers of employees, now the project FAST is approaching so Financial Advise needs to decrease in size. It has been said that the fiscal harmonisation will be a threat to the bank, Investor Relations needs to reduce its size, but nothing actually does!’

In these situations the formal rules embodied in the systems and those formal rules embodied in formal evaluations are not compatible with themselves. The management of the various banks wanted to improve on the accountability of its employees. These formally expressed desired rules of behaviour were to be enforced by specific accounting techniques, such as control systems and performance related pay. However, both are in their current form unsuited to support the formal aspirations of the management team. One could therefore state that formal arrangements in themselves are causing ambiguities.
Moreover, through the absence of a history in which scripted interaction patterns could develop, are there very few, if any, practices that could support the formal rules of control in their early stages. So this situation is also very unstable by virtue of the absence of actual behavioural patterns and contradictory formal structures.

This figure demonstrates that the formal requirement of accountability is problematic in its own right. The systems and formal procedures meant to support these requirements were not yet fully operational, and this fact was signalling that accountability was important, but so were many other things. It signalled a shift in priorities that may not have been meant this way. Since management was sending very mixed signals, the message did not even reach the scripted patterns of interaction. The result was very little influence on patterns of interaction, which could easily be construed as resistance (Prasad & Prasad, 2000)

The main difference with the situation earlier described is that in the current no conflicting scripts are noticed. Ambiguity is caused here by contradictions in formal signals. The link between scripts and formal rules is depicted here with dotted lines, as these formal changes have had little effect on actions and interactions.
The dynamics of the script-rules unity

The above discussion of the presence or absence of specific scripts at the Rabobank illustrates the interaction between scripts, patterns of behaviour, which may or may not have tacit features, and formal rules that are embodied in a new way of making people accountable.

The dynamics between these scripts and formal rules were rather different at the various member banks. Some member banks were actively influencing interaction patterns of her employees, by emphasising the importance of accountability towards each other, while other banks were mainly concerned with implementation of the structural features of the model. The member banks were situated somewhere along the following continuum:

<table>
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<tr>
<th>Emphasis on structural features</th>
<th>Emphasis on actual interaction</th>
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The interaction between existing scripts, e.g. patterns of behaviour, and new formal rules as expressed by the accounting system at the Rabobank can be explained by addressing the two types of scripts mentioned above.

Implications for change

This chapter has proposed a method of exploring how formal rules and guidelines affect people’s propensity to alter routine interaction patterns. It did so by exploring the effects of rules to scripts. In the Rabobank setting, two types of scripts were identified that were deemed inappropriate for the bank by the various managers. As a consequence different formal structures were set up, including evaluations, reward schemes and control systems. This paper studied how these structures affected existing patterns of interaction. Using the method proposed, a number of implications can be drawn up.

One of the implications of viewing change in this manner is that one can expect that changes are most vulnerable once the project form has been abandoned. Change programs such as those at the Rabobank are often implemented using a project form, where temporary resources such as MT+ teams and consultants are assigned to the program. As long as the project is working, it has a strong formal basis, but it may be weak on its impact on routine behaviour. At the Rabobank, this was clearly observable.

The MT+ groups and consultants were well aware of the difficulties associated with passing on the meanings they had defined to the wider organisational community. In terms of the model used in this chapter, in those early stages, the change effort rests primarily on formal structures. After a considerable amount of time, several years at the Rabobank, if the change effort has succeeded, the change is carried in behaviour, because that is the ultimate objective of a change such as ROM. These two recognitions lead to the statement that change programs, such as ROM are most vulnerable just
after the project form has been abandoned, because formal structures surrounding the program are dismantled and embedding of program principles in collective behaviour is still in its early stages. This recognition can be captured graphically as follows:

The figure depicts a model of the vulnerability of a change effort in project form over time. Vulnerability can be defined as the probability that formal change objectives are not becoming embedded in collective routine behaviour. The figure starts with a high vulnerability of the change effort. For, at its inception, there are no formal supporting structures created yet, such as project organisations, think tanks and MT+ teams. As there is also no behavioural embedding, the project runs a high risk of being abandoned. The only feature that is present in this phase is the perceived need of change (the need for change at the Rabobank). This perceived need, combined with the political will is the driving force behind the set up of formal structures to guide the change. The phase at which formal structures are starting to develop are indicated with an “A” in the figure.

At the point designated with a “B”, most formal requirements are in place and key people are appointed to their temporary posts in the project hierarchy. Meeting structures and task divisions have been communicated. From this point on, the formal project structures and key people in those structures are carrying the desired changes. The changes are kept alive through enactment by the people in the project organisation. As such they exist by virtue of strong formal structures that issue guidelines of behaviour, comparable to formal rules.

At the phase that is indicated by the letter “C” the project-form is abandoned. Mostly because it has achieved its formal objectives, the project is deemed complete. The formal project organisation is dismantled, the consultants are re-assigned and the conclusions of the project are communicated to the
entire organisation. The script-rules duality that has been explored in this chapter dictates that with the reduction of formal structures surrounding the program, the importance of behavioural embedding increases. However, at the Rabobank, a single project cycle took between six and nine months. Respondents at Rabobank West-Drenthe indicated that this was sufficient to learn what was expected from them, but that this time frame was much too short to allow routines to develop. The participants at various member banks indicated that especially after the program formal requirements have been met, attention to the agreements made within the context of the program weakens. Basically, although most member banks wanted an explicit focus on behavioural adaptation, the project form was eliminated when only formal requirements, such as submission of year plans and budgets, were achieved. Therefore, the point “C” indicates an increasing vulnerability of the program, as its formal supporting structures are removed and behavioural routine actions did not have time to develop.

At the point “D” the change can go either way: it could become less vulnerable to ignoring as its principles achieve a ‘critical mass in behaviour’ (comment General Directors of Zevenhuizen-Moerkapelle and of Groningen), meaning that a sufficient amount of people are enacting its principles in behaviour. Or its principles are not included in patterns of behaviour and interaction (scripts), and the program becomes vulnerable to a degree where it has effectively failed. This is in line with Barley & Tolbert (1997), who note: ‘institutions that have a relatively short history or that have not yet gained widespread acceptance are more vulnerable to challenge and less apt to influence action’ (pp. 96).

With regards to this final control phase, the participating banks felt two main problems. The first problem addressed by a number of banks was their inability to mobilise broad commitment and support outside the MT+ teams. The project leaders and consultants were often very pleased with the progress made in the project organisation in terms of commitment and the achievement of formal goals. However, the achievements outside the MT+ teams were often felt to be poor. As noted earlier, member banks strived for a bank-wide change in attitudes towards risk and accountability. It was these objectives that were difficult to achieve for the entire bank. However, the current framework provides an explanation for these difficulties. The people outside the project structure were experiencing different balances in formal rules and their scripts of interaction. They were external to the project structure, which meant that they were less exposed to its signals, as well as that the signals were less intense to them. Moreover, the MT+ groups were developing a mode of interaction that became routinised: a mode of interpreting the results of the program. People outside of the MT+ groups did not have such a common basis. They interpreted the formal signals through their existing routines that were different to those employed by the MT+ groups.

The second problem addressed by many of the banks that cooperated with this study was the control on the agreements made in the context of the program. Once the program was complete, the bank had yet to implement control. This phase was difficult to the banks under study as the project structure did not exist anymore as driving and supporting change. Also, a paradox can be identified in the program
ROM. For control to succeed without a project organisation, the program and its behavioural implications needed to be embedded firmly in practice, but in order to support implications to behaviour, control is needed. To ROM, the control phase is both the medium and the outcome of change, an example of the duality of structure. Control both embodies structural features of the program, as well as behavioural ones. This therefore provides the explanation for the difficulties experienced with control.

Within the ROM program, control was to commence at point “D” in the figure. At this point, the project organisation was to be dismantled and behavioural embedding was low due to the short period in which the project was active. Under these circumstances, member banks were expected to deal with their control that is the carrier and result of change at the same time. This makes it the backbone of the program, as it defines failure and success. However, it cannot use the resources used in earlier phases of ROM, and it is dependent on the low behavioural embedding. It is therefore understandable that member banks had difficulties with routinising control as an integral part of their ROM cycles and of accepted behavioural patterns. The comments at the Leeuwarden bank illustrated these difficulties.

'We have never talked about how we would deal with control. We were just finished; the strategic plan was ready, and so was the year plan. And now could track the numbers, that was the feeling then. And so we went. But how we going to do that and what we would do if deviations from planning occurred, we did not discuss that.'

Another respondent at this bank confirmed its importance: ‘Since there are so many different persons, with so many different frames of reference, control is an important stage as it structures the way you can think about deviations: “is it me, or the processes, or leadership….”. It is rather childish, but this is the way we need to learn to think. And at a certain moment, you are used to it and it has become a standard of behaviour’

The banks that were operating ROM for a few years realised that without a sufficient embedding of control, the rest of the program was in jeopardy; for planning without control reduces the credibility of planning greatly. But it was this crucial phase that was most difficult to achieve.

Conclusions
This paper has addressed the manner in which the formal properties of change and routine interaction patterns affect each other. The literature provides much evidence that this interaction must be present, but few attempts have been made to unravel this mutual influence. Studies on institutional change often assume this relation and use this interaction to explain institutional change. Assumptions on the interaction between rules and routines do not clarify how these operate. This understanding is material to explanations of institutional change, as institutional change arises from the dialectic rules-routines (Tolbert & Barley, 1997; Burns & Scapens, 2000).
This chapter showed two instances of the interaction between the formal rules involved with the change, that include steps to be taken in the project, managerial preferences, accounting systems, and the reports to be delivered; and routines that are envisaged as scripts of habitual interaction. The first instance of rule-routine interaction was on the failure of management and employees to interact as a results of differences in perceived meanings of various signals. The scripts in place allowed for the affected employees to maintain ontological security by interpreting formal signals by the scripts in place. Thus alarming figures from the accounting system had a profound effect on the management team members, but they did not trigger similar reactions with the employees affected. They collectively decided that the signals from a management working to explore options weighted more than the potentially threatening accounting figures. This was an instance of contradiction between formal properties of the program ROM, or its consequences, and the routines in place. The formal signals (travel operations are severely loss giving) were dismissed, as they were incompatible with existing principles of interaction that allowed for an interpretation of the fact that managers were working on possible alternatives. The second instance of interaction between rules and routines, could perhaps count as an example of an absence of this interaction. For, formal signals were so ambiguous, that they were seen to have a very limited effect on routine interaction patterns. Even more so, by virtue of the ambiguity of formal signals, people turned more to existing interaction patterns in attempts to make sense of what was actually happening. And in sense making, the scripts actually gained validity as they proved to be unchallenged by the direct social setting of the employees (outside of the scope of managers, that is).

From the events at the various banks, a visualisation was created of the vulnerability of change efforts in accounting. It yields some interesting conclusions that may also be of value to practice. Changes that are implemented using temporary structures, such as project organisations, tend to be carried by those structures. The change exists by virtue of those structures. Outside the scope of the project organisation, commitment to the project is very low. This was clearly observable at the Rabobank. People outside the MT+ groups felt inadequately informed and had little feeling for the work of the MT+ group. When the project form is abandoned, some of the pillars of the change are removed. It is in this phase that the change runs a high risk of abandonment. Some of the formal structures are removed, while behavioural embedding is still in its early stages. So, this work concludes that management accounting change is vulnerable right after its formal objectives are fulfilled; this realisation is shared by the participants at most Rabobanks visited as witnessed by two broad classes of problems they have identified: -1- The difficulties involved in the embedding of the principles of the change outside of the project organisation. -2- the achievement of control. Control occurs after the project has been completed; it is also a feature that is expressed in structure and in behaviour. The above arguments would indicate a difficult situation indeed when it comes to control. There is little formal structure surrounding the control of people and results achieved as there is no supporting project organisation. Moreover, the program is relatively new and behavioural embedding of control is likely
to be limited. Therefore, the arguments made in this chapter provide an explanation of the two barriers to institutionalisation that many independent banks mentioned.
References


