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Title: Efficiency vs. values : Institutional logics, situated rationality, and performance measurement in a cooperative bank

Year: 2023

Version: Accepted version (Final draft)

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Please cite the original version:

Järvenpää, M., Teittinen, H., Auvinen, T., Sajasalo, P., Sintonen, T., & Takala, T. (2023). Efficiency vs. values : Institutional logics, situated rationality, and performance measurement in a cooperative bank. In P. Kalmi, T. Auvinen, & M. Järvenpää (Eds.), Responsible Finance and Digitalization : Implications and Developments (pp. 78-96). Routledge. https://doi.org/10.4324/9781003144427-7

Efficiency vs. values – institutional logics, situated rationality and performance measurement in a cooperative bank

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This is an Accepted Manuscript of a book chapter published by Routledge Press in Responsible Finance and Digitalization – Implications and Developments on September 30, 2022, available online: https://www.routledge.com/9780367700614

Abstract

This qualitative case study explores how situated rationality is achieved and maintained between two coexisting institutional logics, 'global' financial efficiency and 'local' customer-owners, around a performance measurement system in a large cooperative bank. We focus especially on the relationship between financial performance measures and softer, cooperative and communal organisational values. The results highlight that communal values may be effectively used to smooth and manage managerial contradictions; thus, situated rationality for operations can be achieved and maintained. This may also explain the resilience and success of communal values and cooperatively-formed organisations in markets, even though the efficiency of such organisations is sometimes doubted. This also indicates the potential of alternative, more responsible and moderate modes of banking and finance for healing some of the problems of an extreme style of capitalism.

Keywords: cooperatives, banking, institutional logics, situated rationality, organisational values, performance measurement, control

1. Introduction

Cooperative banks are one of the leading types of alternative organisations in the banking industry. However, previous studies have identified a number of managerial challenges for cooperative organisations. They differ from other forms of business in the following respects: a lack of external investors and venture capital; a hesitant managerial attitude toward innovation; the passivity of and potential tensions between owner-customers (i.e., the members of a cooperative who use its services); generally poor representativeness; cautious decision making; and senior management control (Davis, 1997; Holmström, 1999; Teittinen et al., 2018; Tuominen et al., 2009).

The premise of cooperative organisations is to achieve their members' financial interests through communality. Communality and equality are key elements of cooperative activity as the administrative basis for cooperatives resides in the members of the cooperative democratically participating in its management. A key feature of cooperatives' operations is that those who utilise the products and services provided by the cooperative also own and manage the cooperative. Decisions in the cooperative are made on the basis of 'one member, one vote'. Decision making is thus fragmented, and no single owner has a dominant role (Jussila et al., 2007).

Troberg (2014) emphasises that cooperative organisations have a dual nature. They must operate efficiently and competitively in the market to provide economic benefits to their members through service provision; at the same time, they are also value-based, democratically-controlled communities that serve the needs of their members. Financial success and performance in accordance with members' values must be in balance in a cooperative organisation. According to Troberg (2014) and Teittinen et al. (2018), the tension between financial success and value-based management is a challenge in managing cooperative organisations.

Values are often described as the most important factors that influence organisational activity (e.g., Hall, 2001). An organization's success and development rest on a shared value base among the organisation's owners, employees and customers as well as with other stakeholders. Organisations often emphasise 'soft' values, such as communality, sustainable development or security. However, economic (financial) success is also a value as such, inspired by economic-efficiency thinking. While economic success is essential for any for-profit organisation, organisations very seldom highlight economic success as their guiding value. Organisations can most often measure (absolute or relative) economic value using typical financial indicators, like earnings before interests and taxes (EBIT) or return on investment (ROI). Thus, financial values are often referred to as 'hard' values. (Teittinen et al., 2018).

Values can work as control mechanisms within an organisation (Alvesson & Kärreman 2004, 2007; Flamholtz & Das, 1985; Kolehmainen, 2012; Malmi & Brown, 2008), and they may be softer or harder (Teittinen et al., 2018), representing different rationales and logics. For the taken-for-granted rationales embedded in organisational control, we use institutional logics (Thornton & Ocasio, 2008) in our analysis, which suggest that organisations may have different types of coexisting and even competing logics: in this case, the first logics are based on global financial efficiency and the second are softer, communal and local customer-owner- based cooperative logics.

In this study, we are interested in how organisations produce and reproduce situated rationality by constantly balancing two existing institutional logics. The logics are: *financial efficiency* – materialised in various purely financial performance measures which play a key role in organisational control – and *the communal cooperative logics, including soft,* local customer-owner-based communal *values* which simultaneously arise to steer the organisation toward desired goals. In our analysis, we will focus on the interface and ongoing interplay between these different types of institutional logics. The study explores the ways in which our case study organisation balances the challenges that originate from the extensive use of financial performance measures by interpreting them based on organisational values.

The remainder of this chapter is structured as follows. We begin by briefly reviewing the previous literature on institutional logics and organisational control before defining the objectives of the study. We then present our research method and data, followed by our findings. Finally, we summarise and discuss our findings in relation to those of previous studies in the literature. As a result, we offer a more focused understanding of the balancing of institutional logics in organisational control.

2. Institutional logics and collective identity

Institutional logic was introduced by Alford and Friedland (1985) to explain the contradictory practices and beliefs inherent in institutions. According to Friedland and Alford (1991), the core institutions of society have a central logic that constrains both the means and ends of individual behaviour and is constitutive of individuals, organisations and society. An institutional logics approach helps to understand how behaviour is located in a social context as well as the social mechanisms that influence that behaviour (Thornton & Ocasio, 2008). In this study, this approach made it possible to analyse how institutional logics are strongly related to the imposed financial efficiency and softer, local customer-owner-related values in the case study organisation.

Institutional logic is a common guiding decision-making principle for organisational actors (Lounsbury, 2008; Thornton & Ocasio, 1999). Thornton and Ocasio (1999) defined it as ‘the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality’. Institutional logics provide a link between individual agency, cognition and socially constructed institutional practices and rule structures.

A collective identity is a central concept that is closely related to institutional logic. It is the cognitive, normative and emotional connection experienced by members of a social group because of their perceived common status with other members of the social group (Polleta & Jasper, 2001). It is thus a central mechanism which affects institutional logic (Thornton & Ocasio, 2008).

Collective identities emerge out of social interactions and communications between members of the social groups. Individuals are likely to follow the norms and prescriptions of social groups and seek to protect the interests of the collective and its members against contending identities (Thornton & Ocasio, 2008). As collective identities become institutionalised, they develop their own distinct institutional logic, and these logics prevail within the social group (Jackall, 1998). Institutional logics may affect the allocation of attention to alternative schemas for perceiving, interpreting, evaluating and responding to environmental situations (Ocasio, 1995). In allocating attention, institutional logics provide individuals and organisations with a set of rules for deciding which problems to attend to or which solutions to consider. Institutional logic focuses the attention of decision makers on issues and solutions that are consistent with prevailing logics. It focuses attention on issues and solutions through, for example, determining their appropriateness and legitimacy, rewarding certain forms of behaviour, shaping the availability of alternatives and selectively focusing attention (Thornton & Ocasio, 1999, 2008).

According to this approach, the interests, identities, values and assumptions of individuals and organisations are thus embedded within prevailing institutional logics. Moreover, collective identity is a central mechanism which affects it. In abductive spirit (Lukka & Modell, 2010), these theoretical ideas of collective identity and institutional logic were considered to be valuable for investigating the co-existence and balancing of two major types of institutional logics that take place at the very same time.

Recently, ter Bogt and Scapens (2019) developed an extended institutional framework which recognises both external and internal institutions, the role of deliberation and human agency and the power of specific individuals and/or groups to impose new rules. By incorporating deliberation within the framework, the importance of different logics, like institutional and situational logics, is emphasised. They argued that local institutions within the organisation combine with the broader institutions to shape the forms of situated rationality which are applied by individuals and groups within the organisation. Different groups within an organisation can have different forms of situated rationality, and contradictions in these forms of rationality can be a source of institutional change or resistance to change within the organisation. In recent accounting and control research, the institutional logics approach has been used, for example, by Lounsbury (2008), Rautiainen and Järvenpää (2012) and Järvenpää and Länsiluoto (2016).

3. Performance measures and values in organisational control in cooperatives

The push for increased efficiency and profit can be viewed as a major source of tensions within business organisations. Tightening competition also drives organisations to seek competitiveness and efficiency by resorting to ever more tightly controlled entities, which often involves the standardisation of operations and the centralisation of control.

Although performance measures (PMs) are among the most important forms of organisational control (Malmi & Brown, 2008), they may also create challenges within organisations

(Teittinen et al., 2018). When management is steering an organisation towards its desired direction, they typically translate the organisation's financial goals into PMs. This may create tension with respect to achieving target levels within the organisation. Previous studies have recognised several PM-related challenges in organisational control: standardised solutions, tensions between business units, centralisation vs. decentralisation, organising decision making and responsibilities, measurement and evaluation of performance and use of reward and information systems (e.g., Busco et al., 2008). However, previous studies of control challenges have typically focused on large for-profit organisations or public-sector organisations instead of cooperative organisations (e.g., Jussila et al., 2008; Troberg, 2014) with some recent exceptions like Teittinen (2018).

In practice, large cooperative organisations often form groups whose controls combine both hard values (primarily financial) and soft values (based on cooperative ideology) that blend to create a mix of cooperative control methods; a 'hybrid model'. This 'hybrid model' includes the cooperative group's special organisational structure, characterised by a close relationship between the independent cooperatives and the central cooperative that together forms the group. Large cooperative organisations may often experience conflict between the local and the group perspective as well as between the soft cooperative values and the hard financial values. Standard solutions, efficiency-driven logic and bureaucracy, and softer, individual-oriented customer-owner values and communal cooperative culture are often polarised counterparts within the organisation. However, sufficient financial success is also instrumental to owner-customers in order to maintain a sustainable basis for the continuity of the cooperative (e.g., Teittinen et al., 2018).

When using strict financial PMs, most organisations aim for the best possible financial performance, which may be further emphasised by employing performance measurement systems (PMS) and reward systems. At the same time, the organisational members should act according to the organisation's cultural control, that is, the shared organisational value base (Hall, 2001; Sandelin, 2008). Thus, contradictions may arise between soft cooperative values and the achievement of hard financial goals.

Organisational values are widely discussed in the literature and are regarded as important for organisations (Hall, 2001). However, knowledge of the values as part of control remains relatively scarce (Kolehmainen, 2012; Sandelin, 2008). Because organisational members' commonly shared values are a key starting point in cooperatives, they provide a particularly interesting context for an examination of the interaction between financial PMs-based control and values. This raises the question of how the financial PMs are driven by financial efficiency logics and if the softer and communal cooperative logics (Thornton & Ocasio, 2009) are used to balance the management of cooperative organisations and how the organisations produce situated rationality (ter Bogt & Scapens, 2019). This is especially worthwhile to consider because the primary goal of cooperative organisations is not to yield financial profit for their shareholders but to act as producers of financial wellbeing for their owner-customers (Jussila et al., 2008).

Of note, Simons (1995) linked values with belief systems acting as guiding principles, which each member of the organisation should internalise. However, values are not often present in the literature on control (Kolehmainen, 2012). Malmi and Brown (2008) integrated values directly into a control systems package. Alvesson and Kärreman (2004) combined the values of socio-ideological control and technical guidance. Kolehmainen (2012) argued that value-based management is often the opposite of bureaucratic management and that it may be suitable in situations in which formal control methods fail. She presented the idea that values can become part of organisational control in four ways: the internalised values of the individual, the integration of values internalised by an individual with those of the organisation, value communication and value-related rewarding. Furthermore, Sandelin (2008) demonstrated the importance of cultural control as a primary control in his case study (see also Collier, 2005).

The previous literature on control in cooperatives has mainly focused on examining governance models (Cornforth, 2004; Davis, 2001; Gorton & Schmid, 1999). Earlier studies of values in cooperative organisations remain scarce, with some exceptions like Davis and Worthington (1993), Forcadell (2005) and Teittinen et al. (2018). This study further develops the theorisation between control and values in cooperatives by analysing the two competing logics, contradictions between them and situated rationality.

The purpose of the present study is to explore *how* organisations *produce and reproduce situated rationality by constantly balancing two existing institutional logics.* In this 'balancing', situated rationality is achieved and maintained between two coexisting institutional logics, namely global financial efficiency and local communal logic, with an emphasis on customer-owners in a large cooperative bank. In practical terms, we focus in particular on the relationship between financial PMs and softer, cooperative organisational values.

We study the challenges created by PMs representing financial efficiency-based institutional logic within cooperative organisations and the role of values representing another co-existing logic in smoothing and managing those challenges while the organisation is producing and maintaining the situated rationality. In doing this, our study also considers the role of communal values in explaining the resilience and success of cooperative forms of organisations.

4. Methodology and data

Our research strategy uses a qualitative and interpretative case study approach (Ahrens & Dent, 1998; Kakkuri-Knuuttila et al., 2008; Vaivio, 2008). We utilise content analysis for the empirical data, interpreting the textual data in order to form a concise understanding of the studied phenomenon. We connect our observations and results to a wider theoretical context and to previous research findings (Vaivio, 2008).

The empirical data was collected in 2012–2019 as part of a wider research project. The data for the whole project currently consists of about 230 theme interviews and internal organisational documents. The data collection was conducted by semi-structured theme interviews, with the key themes of topical managerial issues, strategy, control, PMS and organisational values. The data for this report consists of interviews with 20 top management representatives and financial experts, supplemented by internal and external documents. Triangulation was used between researchers and data. In the analysis section, we present some selected excerpts from our interview data and a few selected newspaper quotations.

We applied the abductive approach and selected the institutional logics and situated rationality theory (ter Bogt & Scapens 2019; Thornton & Ocasio 2008) for the interpretive theory. Abductive reasoning is about the development of theoretical explanations with the help of empirical and theoretical knowledge of the issue under study (Lukka & Modell, 2010). Abduction has an important role in a case study as a means of stimulating researchers' reflexivity in striving to make theoretical sense of empirical observations (Alvesson & Kärreman, 2007; Lukka, 2014. Lukka & Modell, 2010).

Our case organisation, the OP Group, is the largest financial organisation in Finland. It employs over 12,000 people, has a balance sheet of €188 billion and yields a net profit of €1.1 billion (OP Group, 2016). The OP Group emphasises that its activities are based on cooperation and joint success; the group states that its task is to increase the financial wellbeing of its owner-customers. Its main objective is not to maximise profit for the owners but to provide services to the cooperative's members and customers as comfortably and efficiently as possible (OP Group, 2017a).

In particular, we examined the group's three regional cooperative banks, one large and two medium-sized banks. The OP Group was selected as the case organisation because of its cooperative nature and particular organisational structure. It is composed of 147 independent cooperative banks, 16 regional OP alliances and 2 million owner-customers, thus creating an extensive, nationwide organisation with network qualities. In terms of organisational control, the OP Group, which comprises independent banks with a strong coordinating central cooperative, makes a promising empirical environment for the exploration of the interplay between control and two institutional logics.

5. Results

This section presents the results of our analysis. We will first examine the challenges created by the standardised financial PMs of the OP Group. We will then analyse how these challenges were smoothed with the group's communal values and theorise this with institutional logics

(Lounsbury, 2008; Thornton & Ocasio, 1999) and situated rationality (ter Bogt & Scapens, 2019) approaches.

Financial performance measurement and managerial challenges

Financial PMs seemed to lead three types of managerial contradictions in the Group. The first one was related to the attempts to use the standardised set of common financial PMs and can thus be called a *standardisation challenge*. The second one dealt with attempts to set and monitor group-level ambitious financial targets for local units and can be called a *target level challenge*. The third one was based on group-wide attempts to compare local units in a competitive spirit and was called the *challenge of internal competition.* Therefore, challenges also existed between the central cooperative and the local banks in the first two challenges and between the local banks in the third one.

By illuminating the essentially external nature of the financial efficiency logics, society and regulatory bodies, such as the Financial Supervisory Authority, the target levels (among other things) of the solvency measures were set. The PMs and the set targets generate top-down types of challenges between the central cooperative and the local banks. At the individual level, personal PMs and rewards also create competitive challenges between the local banks and their managers and, furthermore, between the employees.

Challenges between the units take place via comparisons and benchmarking of local banks, and particularly because of the diversity of local banks and their operating circumstances, it was somewhat difficult to make fair comparisons. At the individual level, similar challenges around fair comparisons were also observed.

Standardised financial measures

PMs inevitably play a key role in the OP Group's financial control. The group developed in about 2014 a set of relatively common financial performance measures. The key performance indicators the group monitors are *market share* and *the market share's growth rate, solvency, profitability* and *sales* by business sector. Looking top down, some challenges occurred here. The central cooperative designs the financial measures and sets the targets for the local banks which are then monitored against the targets. For the local banks, however, these PMs are imposed by the central cooperative.

> We have strategic performance measures within the group that every local bank has to implement. We also have a strategic plan, a profitability plan and a market-share plan. (Top management representative, Large Local Bank)

One of the key group-level objectives of the OP Group is thus to standardise its operations. For the PMs, the central cooperative aims to harmonise the indicators it uses across all local banks. These financial PMs resulted in some conflicts between the central cooperative and the local banks, especially if the latter needed to abandon their own locally recognised measures.

> The whole … Group aims to use the same performance measures in all local banks. Here at (Large Local Bank) for example, we've been using our own measures, which work for us. (Top management representative, Large Local Bank)

Ambitious group level targets

The central cooperative also sets the target levels so that the entire OP Group will strive to achieve the same ambitious goals of growth, profitability and solvency. This sometimes challenges the perspective of the local banks who must achieve the set targets despite the clear geographical differences.

> The performance measures have certain ranges and limits, and if we are not within those limits, the central cooperative gives us instructions and requires … changes instantly. (Financial expert, Medium-sized Local Bank)

There are many functional and regional differences between the local banks which form challenges between the group-level standards and local practices as well as with the described target levels in goal setting.

Internal competition in comparing units

At the local level, banks operate independently within their respective regions, and thus they do not compete with one another. The central cooperative very intensively monitors and compares performance measures. Other local banks within the group are sometimes perceived as or even referred to as ‘competitors’, even if there is no real regional competition. This comparison between local banks, however, may potentially lead to at least some contradictions between the local banks.

> I regularly get comparisons of the … largest local banks …, and if you rank in the top quarter… then you’ve probably succeeded in comparison. (Top management representative, Medium-sized Local Bank)

Performance measurement is a central form of organisational control in the OP Group, and PMs are set for all business sectors and are actively used for monitoring and comparisons. Financial goals are central in all scorecards used within the group, including at the personal level. Individual performance is measured and monitored, and rewards are linked to actual performance against the goals, thereby intensifying the internal competition.

Towards situated rationality – the resilience of the cooperative form of organisation

Analysis of financial performance measurement

Our findings revealed some situations in which the standardised financial PMs led to challenges and contradictions within the case organisation both from the top down and between the units. These challenges took place in the central cooperative's externally originated financial efficiency requirements for local banks, at performance measurements at the local banks and, finally, in the individual level monitoring and comparisons.

The group's strict regulatory control and the regulatory target levels, for example, on solvency, is one major rationale for developing these 'global' common financial efficiency measures. They are thus derived from group-level external pressures and are then cascaded down to the local level. They primarily originate from international and national regulatory requirements governing the financial sector. Secondly, they stem from the fierce competition in the industry. Thus, the institutional logics of financial efficiency is an example of the externally imposed coercive logics that originate from international and national controlling bodies and from the competition.

According to these 'global financial efficiency logics', financial performance should be the most central form of control. Co-existing communal values do exist in talks and speeches, and they are maintained and reproduced, but it is generally acknowledged how 'everything' will at the end of the day accumulate on the bottom line.

> Our business is based on the values we have, and we'd like to have as uniform values as possible ... The meaning of this, at the end of the day, is to improve our financial performance. (Top management representative, Medium-sized Local Bank)

In line with the logics, the continuity of operations is ultimately based on financial profitability. The OP Group's strategy relies on three pillars: growth, profitability and solvency. The main challenge involves managing society's requirements and values while simultaneously targeting high-level financial success.

> Sometimes it seems to be extremely difficult: you try to reach the best possible financial results for the bank, but at the same time, you need to understand the human perspective of the local cooperative members. (Financial expert, Medium-sized Local Bank)

Our findings illustrate challenges between both the central cooperative and the units and between local banks. These findings contribute to our understanding of the role of PM between two co-existing types of institutional logics, that is, global financial efficiency represented by financial measures and softer, local communal cooperative logics (Lounsbury, 2008; Thornton & Ocasio, 2009) In the following section, we will look at how the communal values were used to smooth and manage these challenges both top down and between the units within the OP Group, and how this led to achieving and maintaining the situated rationality (ter Bogt & Scapens, 2019).

Communal values

The OP Group's core values are represented by the *'people-first approach', 'responsibility' and 'prospering together'*. The 'people-first approach' means that the organisation cares about individuals, including both customers and members of the work community. Human appreciation must be visible in all activities (OP Group, 2017b). The 'responsibility' value emphasises that the OP Group operates locally, regionally and nationally and that the service is based on strong expertise. 'Prospering together', in turn, emphasises that customers determine the direction of development and that the OP Group operates in a unified manner. The following sections show how these three OP Group values act as a mechanism for managing financial control-related challenges in achieving and maintaining situated rationality.

The people-first approach:

The role of communal values is reflected in the target setting by the central cooperative. Targets can be adjusted to account for local conditions in order to support the needs of the owner-customers (i.e., the people-first approach).

> Competitors are withdrawing their activities from here [i.e., this locality] … But [staying] is our responsibility to the people-first value and cooperative activity. (Top management representative, Medium-sized Local Bank)

Control-related challenges are also smoothed by flexing the control period. At the OP Group, the period is very long, including both good times and bad times. This provides room to manoeuvre while longer-term investments that are in line with the OP Group's values can be made.

Communal logic also aims to intensify the OP Group's internal sense of unity. Their own values are considered to be 'better' than those of the publicly-listed competitors. The group continuously highlights the communal values and identity that set the group apart from the competition.

> The values of our main competitors involve increasing the owners' value … [They] should ask how much the staff is really excited about only raising the share value. (Top management representative, Large Local Bank)

The group's values appeal to customers and employees alike. When employees compare the OP Group's values to the values of their publicly-listed competitors, they can be proud of the

Group’s organisational and cooperative values. When customers make a value-based choice and when they become owner-customers of the Group, their values are then in line with the Group.

> Values … are very important to me. … Values shouldn’t be forgotten under this efficiency drive. (Financial expert, Medium-Sized Local Bank)

The value of the locality and the needs of local units and customers are also well understood and accepted by the top management of the central cooperative. A shared value-based understanding of the importance of locality can thus be seen as a key for smoothing and managing challenges and finding and reproducing the situated rationality.

Responsibility:

Communal logic is emphasised in, for example, situations in which organisational members have doubts about whether establishing business relations with clients would be acceptable because of the nature of the clients’ businesses. Local banks may turn down a business client despite its strong cash flow and growth potential.

The OP Group’s activities emphasise responsibility for the owner-customers. The basic function of a cooperative organisation between business and community is to be managed by taking into account the local circumstances as a starting point when setting financial targets for different local banks. Responsibility means that the target levels of performance measures will be set by the group, but those levels can be adjusted according to different localities.

Responsibility is also associated with the benefits for the whole OP Group. Sometimes priorities in one area can be seen to benefit the whole of the OP Group. In this way, in justifying the central cooperative's decisions in light of the benefits to local banks, the aim is to control the challenge between the central cooperative and the local banks. Regional boundaries determine the operational base for each local bank. Determining a clear, self-standing and autonomous region or market segment is thus a major tool for reducing challenges between local banks.

> We set the numerical targets … depending on the competitive position of the bank and depending on the market area … but not same for everyone … (Financial expert, Medium-Sized Local Bank)

Although the local banks operate independently, their performance targets are set by the central cooperative and then smoothed to be 'acceptable' for the local banks. Operations are centrally managed and monitored from the group level using financial figures, but the matching of target levels is done by taking the local context into account, illustrating the institutional logic of the communal value of responsibility in control.

Prospering together:

Utilising financial PMs for benchmarking and comparisons can lead to positive competition, but it may turn unhealthy, too. However, this was usually avoided because of the clear regional boundaries. Of course, some challenges were observed between local banks. Managers of local banks meet several times a year and try to learn together in order to prosper together.

> Many times during a year with the … largest local banks … (we) consider how we can operate better in the future. … We … try to learn from each other. (Top management representative, Medium-Sized Local Bank)

'Prospering together' involves the acceptance of the benefit to the whole group, even if the benefit does not always appear positive from the local perspective. Ultimately, owner-customers are viewed as key players for the success of the whole group.

> This … creates discussion within the group. Many times, we find ourselves in severe conflicts with our values … with those of our owner-customers and with profitability and efficiency. (Top management representative, Medium-Sized Local Bank)

Confrontations around territorial interests did not appear to be a major problem for local banks, despite the benchmarking. The success of the group was also partly based on the sharing of knowledge and ability for shared learning. Moreover, challenges were smoothed and managed by common meetings that fostered 'prospering together'.

Finding the situated rationality between two institutional logics

Based on our data, the role of cooperative organisational values is particularly manifested in *justifying, comparing* and *appealing* various matters, thus leaving financial performance requirements and other financial matters in the background. (For deeper analysis on this part, see also Teittinen et al., 2018.) We found that the challenges created by standardised financial PMS representing the financial efficiency logics were balanced with the co-existing softer and communal cooperative institutional logics by justifying decisions with cooperative values, comparing cooperative values with harder financial efficiency-related values (and thus creating communality) and appealing with local-oriented cooperative values.

> Our operations will always have a very big place for locality … And … cooperative values in our operations... (Top management representative, OP Group)
> The nature of a cooperative organisation is, that in certain situations … We take more into consideration than just getting the best possible ROC. (Top management representative, OP Group)
> The dual role [is] the foundation of a unique identity … we're strongly emphasising the dual role of the cooperative … the business … and the community. (Top management representative, OP Group)

By combining and balancing these two institutional logics, the OP Group is achieving and maintaining a situated rationality (ter Bogt & Scapens, 2019) in their operations. Quotations from the leading Finnish newspaper (HS) support the analysis regarding the importance – and challenges – of values and locality as well as challenges between the two institutionalised logics. Moreover, it connects our analysis with the most recent strategic debate around the OP Group.

> OP came to the new era as diversified company, seeking new businesses, divided by regional borders, financial group, which is hard to control. New CEO Timo Ritakallio took it as his duty to streamline the financial group. The number of local banks was intended to drop [remarkably] and to cut the non-core activities. But in OP it is never not just the finance at stake. (HS, 12 Nov 2019)
>
> In the future, there might be only 20 OP banks in the Finland instead of current 149. Or maybe only 5 independent banks. Currently there 10-15 banks merging annually. … Decreasing number of OP banks can be expected to raise emotions. So far, part of the mergers has taken place unanimously, but in some cases, they have raised hard opposition. (HS, 1 Nov 2019)
>
> OP office is the last service in many small villages. If the OP office lights are switched off, the whole village is darkened mentally. Local co-operative banks have their roots deep in the regional history. They contribute tax incomes to the home municipalities and support local culture and sport activities. But because of these same emotional reasons, they are also problematic. Local customers are hold tightly – even conditions out of the contemporary financial world. Expensive coverage of local offices represents one of such conditions. (HS, 12 Nov 2019)
>
> Streamlining is a sensitive issue for firms acting directly with customers. For OP, it is exceptionally sensitive, because of the emotional bond based on the ownership. But maybe it is exactly the ownership base, which prevents to make a mistake made by Nordea (major competitor): it streamlined itself out of people's life. (HS, 12 Nov 2019)

6. Discussion and conclusion

Our results demonstrate that the OP Group, is – according to institutional logics of global financial efficiency – conventionally controlling its operations in accordance with financial requirements, and control essentially takes place by using financial PMs. The operations of large cooperative organisations are not merely aimed at being not-for-profit nor are they based solely on values. Instead, they are strictly tied to the very same set of financial objectives and results-based system supported by financially-oriented PMs in any other firms. This indicates the generative role of financial PMs for rationality of managerial efficiency (see Krauss & Lind, 2010) and global financial efficiency institutional logics that rely on this assumption (ter Bogt & Scapens, 2019).

The use of these financial PMs that represent the global financial efficiency-oriented institutional logic may, however, lead to some managerial challenges both top down and between the units in the studied cooperative bank. We defined them as challenges of standardisation, target levels and internal competition. Attempts were made to manage and smooth these challenges by balancing them with softer, communal and cooperative-oriented institutional logics. Different actions were often justified with cooperative values. Value comparisons were also constantly performed. Finally, these values were used to appeal various issues if necessary. Our results demonstrate the situated rationality, that is, the co-existence and 'merger' of two dominant, simultaneous institutional logics for which contradictions are smoothed and balanced by the values of the second logic. Our results illuminate the role of communal organisational values, particularly in smoothing managerial challenges related to the efficiency-based financial logic. This demonstrates and explains the resilience and success of both communal values and cooperatively-formed organisations, even though they may be considered inefficient compared to limited liability companies.

This situated rationality means, on the one hand, that it is required for the local cooperative banks to conform and be controlled by the standardised guidelines of the central cooperative group since the objective is to succeed as a single banking group. On the other hand, the organisation makes continuous adjustments to the financial PMS, representing the financial efficiency logics, in a way that must be in line with shared OP Group values representing the communal cooperative logics. Local banks are engaged in discussions on how they can learn from each other and how they can act so that the group as a whole can succeed. These continuous discussions and talks produce and reproduce the situated rationality combining the two competing logics (Rautiainen & Järvenpää, 2012; ter Bogt & Scapens, 2019).

In search of situated rationality, organisational values can also be compared to those of other banks and thus be distinguished to strengthen the perceived collective identity (Thornton & Ocasio, 2008). Organisations may do this, for example, to differentiate competitors and to create the image and feeling that they have somehow 'better' or 'higher' values (e.g., 'responsibility') than competitors. Our findings indicate that communal cooperative logics also affected long-term planning at the upper level by viewing things within longer timespans instead of maximising short-term results. This illustrates the role of communal values in performance evaluations and management and, more theoretically, the continuous seeking of situated rationality (ter Bogt & Scapens, 2019).

Moreover, we contribute to Simons (1995), Malmi and Brown (2008), Sandelin (2008), Kolehmainen (2012) and Teittinen et al. (2018) by further clarifying the role of the values in control. Specifically, we illuminated how they may be used in adjustments and justifications of problematic managerial decisions (Alvesson & Kärreman, 2004; Kolehmainen, 2012) in the continuous search for and maintenance of situated rationality (ter Bogt & Scapens, 2019) between institutional logics (Lounsbury, 2008; Rautiainen & Järvenpää, 2012; Thornton & Ocasio, 2008). In addition, we demonstrated the role of communal values as a means of smoothing the challenges that result from organisational control executed via conventional financial PMS (in standardising, target setting and international competition).

Our results show that the externally-imposed institutional logic of global financial efficiency led to challenges which materialised in the use of financial PMs which are compromised, smoothed and balanced by organisational values stemming from the co-existing communal cooperative logics. This sought-after situated rationality might, for example, mitigate unhealthy internal competition within the organisation, allowing them to 'prosper together'. This illuminated ability of communal values to smooth and balance may partly explain the resilience and success of cooperative forms of organisations, despite their sometimes-doubted efficiency, if compared to limited liability companies. We think that this may also indicate the wider potential of alternative, more responsible, fair and moderate ways of doing banking and finance to heal some of the problems of an extreme style of capitalism.

We are not claiming that no other competing institutional logics existed than those we studied. Quite to the contrary, there were other observable continuums to be studied, such as between core bank vs. multiple businesses, group unity vs. local entities and traditional banking vs. digitalisation. Moreover, it was not true that some people clearly and simply favour only some logics. For example, upper management advocated the global financial efficiency logics, but also understood and facilitated the communal cooperative values. In the same vein, local people acknowledged the importance of financial efficiency logics in addition to the local communal cooperative logics.

We propose further research more thoroughly analysing the relationships between co-existing and competing institutional logics (Rautiainen & Järvenpää, 2012) and the search for situated rationality (ter Bogt & Scapens, 2019) in banking. Furthermore, future studies may continue to study challenges between PMs, incentives and identity with more details from the financial sector. We encourage in-depth studies on the variety of institutional logics, values, controls, identities and PMs and their interrelationships in cooperatives in the financial industry (Jussila et al., 2007) and other alternative modes of banking and finance.

Acknowledgments: We would like to thank OP Group Research Foundation grants 201600095 and 201400169 for funding our research.

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