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From Vernacular Accounting to Standardized PMS – Logic Multiplicity in a Cooperative Bank

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Abstract

In this chapter we analyze how local member banks shifted from local, vernacular, accounting and performance measurement systems to centralized and standardized performance measurement systems in a cooperative bank organization. The member banks reduced the use of vernacular accounting systems (VAS) to achieve greater cost-efficiency and to meet regulation requirements, but they still maintained their strong local logics beside the cooperative unity logic, with only minimal or moderate conflict. We suggest that the power of individual actors, i.e. CEOs, affected the balance of these logics, and the way PM targets were chosen at the local level from the standardized template. We found that the feeling of autonomy maintained by the member banks after the centralization aided the standardization. Moreover, we contribute to recent digitalization discussions and suggest that if a centralized accounting system provided by the group supports the local values, the local actors are more willing to adapt the system and reduce their use of VAS.

Keywords: vernacular accounting systems, performance measurement systems, cooperative banking

Introduction

Since the 2008 financial crisis, European level regulation has aimed at banking becoming more integrated across Europe (e.g. BASEL, MiFID, PSD2). Further, banks and other financial entities are also supervised and regulated at the national level. Increasing digitalization and shifting competition at the field level is pressuring traditional banking as well. Banks are therefore experiencing both competitive and regulatory demands on their operations as well as uncertainty, e.g. because of the recent Covid-19 pandemic. Accordingly, the banks have been updating and changing their internal processes, including accounting and strategy, and IT systems, including the performance measurement systems (PMS). For cooperative banks, in which the local member banks own the central cooperative, these external regulatory and field-level competitive changes have encouraged the centralization of accounting operations previously performed separately by the member banks.

Typically, banks that have decentralized decision-making, i.e. that make the loan decisions at the regional branch level, give larger loans to SMEs with softer information such as their assessment of the suitability of the entrepreneurs, than centralized banks (Canales & Nanda, 2012), thereby implementing local ways of operating. In our case organization, many loan decisions are made at the local level but the performance measurement system (PMS), strategy, and values are centralized. Each member bank chooses some mandatory and optional measures out of the standardized PMS template. While PMS is in this way broadly similar between different banks, nevertheless the 141 member banks do have slightly different choices of measures as well as differing managerial views, operational size, customer distribution and demography, and differences in using customized local (*vernacular*, see Kilfoyle et al., 2013) accounting tools.

Kilfoyle et al. (2013, p. 383) argue, that the use of vernacular accounting systems (VAS) signals either that formal systems fail to answer the information needs of local managers or that local managers are unable to trust the formal systems in the context of certain decisions. As our subcase banks operate in different local contexts, the integrated and standardized PMS may not answer to the needs of each bank, and there may be local institutional logics and mistrust too towards the formal systems used in the organization, causing a need for vernacular accounting systems. VAS have been used for example as inventories of knowledge or defensive resources (see Kilfoyle et al., 2013).

In management accounting studies, institutional logics have been used as a theoretical framework explaining isomorphism, loose coupling or practice variation between organizations in specific fields or sectors (e.g. Lounsbury, 2001; Rautiainen & Järvenpää, 2012, also DiMaggio & Powell, 1983; Lukka, 2007), whereas studies exploring institutional logics within specific organizations are common in management studies (e.g. Besharov & Smith, 2014). Institutional logics are defined as “the socially constructed, historical patterns of cultural symbols and material practices, assumptions, values, and beliefs by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their daily activity” (Thornton & Ocasio 1999, as in Thornton et al., 2012 pp. 38–39).

The social construction is important since regardless of the context (e.g. field level or organizational level) institutional logics and their relations can be used to explain how and why organizations or their local units adapt or neglect local and organizational accounting systems (cf. Kilfoyle et al., 2013). Moreover, as has been noted (e.g. Rautiainen & Järvenpää, 2012), there can be different even competing logics within the same context. At the organizational level, Besharov and Smith (2014) explain this logic multiplicity using two dimensions,

compatibility and centrality, and three levels of analysis, institutional field, organizational, and individual. In this chapter, we focus our analysis on the organizational and individual levels.

The impact of different institutional logics on PMS have been studied qualitatively in many fields, (e.g. Carlsson-Wall et al., 2016), where the context and situation affect the logics used. This notion of changing, dynamic, emphases of institutional logics according to the organizational situation resembles the concept of situated rationality (e.g. ter Bogt & Scapens, 2019; see also the chapter by Järvenpää et al. in this book). However in this chapter we focus on how different institutional logics, i.e. logic multiplicity at member banks appear and how independent member banks both adapt the standardized PMS over the localized (vernacular, Kilfoyle et al., 2013) PMS and maintain their local focus.

This longitudinal case study aims therefore at understanding how logic multiplicity and standardization of PMS intertwine in a cooperative bank organization, where the independent local member banks own the central cooperative but where the central cooperative is centralizing and standardizing accounting at group level. Our research questions are:

How are the group level performance measures (PM) selected and used in local member banks and how are the possible differences with local logics dealt with?

How does the centralization of reporting affect the local member banks' use of vernacular accounting systems?

Shifts and variation in the use of PMS in local units have been noted (see e.g. Marquis and Lounsbury, 2007; Lounsbury, 2001, 2007, 2008). However, only a few qualitative studies have focused on the accounting shifts and institutional logics in local cooperative bank units (see however van der Steen, 2011). The different ownership forms and organizational structures of the cooperative bank thus provide an interesting setting for academic research (e.g. Fiordelisi

& Mare, 2014). Further, the analysis of localized PMS, and PM selection and use in this chapter relates to the concept of vernacular accounting systems, where informal accounting, performance measurement, and reporting systems are used often in parallel with the formal, centralized, system (Kilfoyle et al., 2013).

Vernacular accounting systems

In accounting literature, the existence of informal accounting systems has been noted for decades (e.g. Clancy & Collins, 1979), but the term ‘informal’ has been used to denote four different phenomena (Kilfoyle et al., 2013). In this paper we use the term vernacular accounting systems, which refers to informal accounting systems as “local systems based on ‘non-legitimate’ records” (Kilfoyle et al., 2013, p. 384; see also Clancy & Collins, 1979).

Kilfoyle et al. (2013) categorize accounting systems based on two dimensions, modality, i.e. the hardness and softness of the information, and source of legitimacy, i.e. the localness and hierarchy of the accounting system. Instead of defining the hardness based on only the characteristics of the information (objective vs. subjective, quantitative vs. qualitative), Kilfoyle et al. (2013, p. 385) state that the hardness is “subject-dependent and socially constructed”. That is, the organization can formally provide accounting systems that are “verifiable, objective, and quantitative”, but are considered irrelevant at the local level, leading local actors to create their own accounting systems that match their values and epistemological expectations, in this way becoming hard and local information, i.e. vernacular accounting systems.

Theoretically the subject-dependent hardness of information may mean that vernacular accounting systems appear even as narratives or mental models, or as inscriptions (see Kilfoyle et al., 2013). However, like Goretzki et al. (2018), in this chapter we consider vernacular

accounting systems at the practical level as Excel-sheets and other inscriptions that are created and used either personally or in small groups at a local level and not formally provided by the group.

Kilfoyle et al. (2013) propose that vernacular accounting systems emerge in three *ideal types*: *as an inventory of knowledge, as a defensive resource, and as organizational practice*. If the formal accounting systems and reports cannot provide the information the local managers need in their decision-making, they are more likely to search for that information and knowledge elsewhere by, for instance, creating their own Excel-sheets. On the other hand, vernacular accounting systems can be used as defensive resources, if the local level managers feel that the formal accounting systems are in conflict with their own values, logics, and beliefs. Moreover, vernacular accounting systems can emerge from organizational practices and thus support the formal systems by helping managers to understand the decision-making context better (Kilfoyle et al., 2013; see also Burchell et al., 1980).

Vernacular accounting systems are often used in situations where organizational values and institutional logics behind the formal systems are in some conflict with the moral values of the individual. For that reason, vernacular accounting systems tend to be used as a defensive resource, and managers aim at finding the combination, or hybrid, of the systems and measures that match their own values and logics (Kilfoyle et al., 2013).

Goretzki et al. (2018) argue that if the developers of a formal system are aware of local actors keeping VAS as a defensive resource, the local actors can strengthen their own negotiation position by pressuring developers to include elements of VAS into the formal system or else they might keep using their own systems. These negotiations and compromises between local and global actors may in fact enable the new system to be better received. However, Goretzki

et al.'s (2018) study takes place in the development process, whereas most of our empirical data is from a few years after the centralization of management accounting systems.

Yet the view that there are distinct local or centralized elements in an accounting system can also be challenged. There may be several layers of organizations as well as varying distance (level of coupling) between rules and routines (Rautiainen, 2008). Further, the logics of local and centralized ways of operating may not only be fully aligned or may even be conflicting (see Besharov & Smith, 2014). Next, the outline of institutional logics discussion is presented.

Institutional logics and logic multiplicity

There are some institutional forces that cause divergence between organizations, including misunderstandings, competing models, and strategic responses to surrounding institutional pressures (Scott, 2008). These divergences seem to be rather similar to practice variation, where certain practices are carried out and reproduced, gradually becoming varied among different organizations (Lounsbury, 2001).

The amount of variation may differ between fields and industries (Lounsbury, 2001). Further, individuals understand norms and regulations partly based on culture (Thornton et al., 2012). Understanding institutional logics might therefore offer more insight into why performance measurement practices vary among the member banks.

Van der Steen (2011) studied a member bank of a Dutch cooperative bank group and its management accounting routines before, and during the planning and during the implementation of change in the control system. He found that the management accounting practices became loosely coupled as groups and individuals varyingly reproduced new routines based on their interpretations of the manuals. Such loose coupling gradually facilitates practice variation (Rautiainen & Järvenpää, 2012).

Rautiainen and Järvenpää (2012) studied how there can be several institutional logics (e.g. business-like and professional logic) and pressures (internal and external) that allow practice variation in organizations. They noted various ways in which organizational actors respond to institutional logics and pressures (see also Lounsbury, 2008). However, contrary to the suggestion by Marquis and Lounsbury (2007), the geographical differences were not highly relevant in Rautiainen and Järvenpää's (2012) findings but instead, the individual and educational backgrounds of actors were more important.

Further, as noted by ter Bogt and Scapens (2019), situated rationalities (the ways social actors act in particular situations) are affected by internal and external institutional logics and may explain situation-specific differences in the ways humans respond to accounting changes in organizations.

This multiplicity of institutional logics has been noted in several studies, but there have not been many frameworks for explaining how different logics within an organization either produce or prevent conflicts in change processes (see Besharov & Smith, 2014). Besharov and Smith (2014) therefore provide four types of logic combinations within organizations based on the compatibility and centrality of logics.

Compatibility is defined as “the extent to which the instantiations of logics imply consistent and reinforcing organizational actions” (Besharov & Smith, 2014, p. 367), and since the goals of an organization are considered to reflect the organization's core beliefs and values, their consistency indicates compatibility more than actions or the means by which these goals are achieved (Besharov & Smith, 2014). Moreover, the compatibility of logics has been recognized to cause shifts in organizational logics (e.g. Haveman & Rao, 1997). Organizations can affect the compatibility of their logics, by their hiring decisions, for example. At the individual level,

the members of the organization can be seen as agents who affect the compatibility by interpreting and enacting the logics in the organization.

The centrality of logics is defined as “the degree to which multiple logics are each treated as equally valid and relevant to organizational functioning” (Besharov & Smith, 2014, p. 369). If the logics illustrate the features that are important for the organization’s performance and operations, the centrality is higher. At the organizational level, decisions on the organization’s mission and strategy can affect the centrality of logics, as well as the organization’s resource dependence, i.e. whether or not the external actor providing needed resources is affecting the organization’s own logics (Besharov & Smith, 2014). At the individual level, organizational power relations affect centrality (cf. Hardy, 1996; Kinnunen, 2019).

The chances of conflicts being caused by the logics in organizations, and their magnitude, depend on how low or high the centrality and compatibility of logics are. In contested organizations, centrality is high but compatibility low, a situation which causes extensive conflict. If centrality and compatibility are both low, the organization is estranged and has moderate conflict. On the other hand, in aligned organizations where both centrality and compatibility are high, there is only moderate conflict. If centrality is low, but compatibility high, the organization has no conflict and is called type dominant (Besharov & Smith, 2014).

Van der Steen (2011) noted that cooperative banks are value-oriented organizations and their organizational culture and structure provide an interesting setting for analyzing centralization and institutional logics. Moreover, according to Kinnunen (2019; see also Teittinen et al., 2018) OP’s centralized values are combined with performance management. However there are not many studies analyzing institutional logics and centralized PMS in a cooperative bank organization.

Data and methods

We conducted an embedded single case study on a Finnish cooperative bank organization, the OP group, including its four local member banks, that are called *subcase banks* (Yin, 2012). According to Scapens (1990), case studies offer possibilities for studying the use of management accounting with a context-specific understanding (Cooper & Morgan, 2008).

Our case organization has 141 member banks (in December 2020, OP, 2020), and the four local member banks were selected as subcases from the Group 1 banks (G1-banks, the 23 biggest member banks). We used 27 semi-structured interviews including four interviews from the member bank *Alpha*, seven interviews from the member bank *Beta*, six interviews from the member bank *Gamma*, six interviews from the member bank *Delta*, and four interviews from OP Cooperative (hereafter headquarters). The total time for the interviews is 20 hours and 40 minutes. The timeline of the interviews covers the management accounting centralization in 2014 and the development phase up to 2020. Most of the interviews were conducted in 2018–2020. Further, nine of our interviews were conducted during the global Covid-19 pandemic, so that allowed us to study whether the increased environmental uncertainty had any effects on the PMS of our case organization. The themes in our interviews included PM, strategy, and the relationship between member banks and group.

After transcribing the audiotape-recordings, the interviews were coded with Atlas.ti software. For the analysis, we used qualitative content analysis with a directed approach (e.g. Hsieh & Shannon, 2005).

Institutional logics found in our data were *unity logic*, i.e. the way independent member banks consider their position within the group, and *local logic*, i.e. the way local member banks see their independence and position in the local surroundings.

In three of the subcase banks we found common themes, such as stronger local logic, compared to the bigger bank *Beta*. So we present banks *Alpha*, *Gamma*, and *Delta* in their own section focusing on their uniformities and local differences, and *Beta* on its own. The interviews from the headquarters were used to clarify the processes and timeline of the standardization of management accounting and performance measurement systems.

Case organization

During the 2000s, the OP group began their centralization process by starting with financial accounting and shifting the responsibilities from individual banks to the group's headquarter. The main system for bookkeeping is SAP, which was also used for HR up to 2017. Increased regulation, such as the Basel III solidity requirement was a reason for centralization, in addition to cost savings.

“Related to these requirements of the supervisory authority, many work duties would require such top-class experts that are hard to find [in this region], so it should be centralized... and there are different kinds of experts [in the headquarters].” CEO, bank *Delta*

“This centralization was extremely important. Individual banks would never have the expertise to do the entries the way current regulation says. Effectiveness, competence, and expertise were the reasons for this [centralization].” Manager of management support, headquarters

Moreover, the internal need for better-organized management accounting caused the organization to continue their centralization process in 2014 by centralizing management accounting and rearranging the workstations and responsibilities for management accountants in member banks and the organization's headquarters (see also Kinnunen, 2019). The

centralization was said to enable the case organization to offer more comprehensive services for member banks and their chiefs to manage banks and thus reduce the need for local and vernacular accounting systems.

Since 2014 the group has created and developed the *Reporting portal* and *Sales target portal* to help banks' management at every level to get all the reports and measures they need. These portals include personal targets and their attainment, HR services, and a measure template for creating balanced scorecards for employees. The member banks use these group-wide systems, but they can select suitable performance measures from the template of measures available. Some Excel-sheets are temporarily used for backup or if some regulatory demand is easier to handle with a separate calculation. However, the group offers these sheets, thus minimizing the need for VAS in banks.

Additionally, our case organization has introduced common strategy and values to the group as well as new digital tools for customers, e.g. mobile banking, and robotic process automation (RPA). The member banks are expected to adopt the common strategy, but as some of our interviewees state, each of the banks is said to look like their CEO, and thus they may have their own *strategic alignments*, i.e. their own particular elaborations of the group strategy to fit their local surroundings, which direct the choices of local PMS. On a yearly basis, the executive group of each bank chooses some mandatory and some optional strategic targets that are approved by the local board of directors. The individual or team targets are based on these strategic targets, and they are typically set for six months. Because of bank regulation, the individual targets are given as target baskets, i.e. employees cannot have just one product or service as their target measure, but there is a combination of three or more products. Management level targets are a sum of team targets, and targets for executive group members and back-office employees are based on the overall performance of the bank. Although this

chapter focuses mainly on local PMS, strategic targets are involved in the organization's processes and operations.

From the PMS perspective, Covid-19 had only little if any effect on target setting and PMS. In fact a rather quick digital leap caused by national restrictions and lockdowns helped account managers achieve their targets on e.g. mobile banking or card sales. During the Covid-19 pandemic, however, some of the expected future cash flows of loans and the related interest incomes are more uncertain, but not many expected losses or write-downs have been disclosed, as arrangements have been made for postponing loan payments and extending the maturity periods. However, there may be an increased need for write-downs (e.g., under IAS 36 Impairment of assets) if the pandemic gets worse, possibly jeopardizing the Basel solidity requirements, especially in the case of small banks.

Findings

Local banks

When analyzing member banks separately, we found banks *Alpha*, *Gamma*, and *Delta* to have their own strong local logics (*localness*, *digitality*, and *competitive* respectively) that were affecting their way of implementing the group level, bank-level, and individual-level performance targets. All three banks chose the measures and target baskets according to their local perspective. During the 2010s, the impact of the group on management accounting and PMS has been growing, but our subcase banks primarily see themselves as independent member banks.

“We banks cannot be forced to do anything. Because we are independent banks. But when we commit ourselves to these targets, it’s possible to lead the group.” CEO, bank *Alpha*.

“[Researcher asks]: When considering OP’s value of ‘Prospering together’, does it go further from your own bank and customers on to group level?[Answer]: No, it is still strongly our own bank, but of course we are proud of being part of the group.” HR manager, bank *Delta*.

Nonetheless, the local banks were largely committed to group strategy and values, and the local logics were compatible with the organization-level unity logic thereby increasing the centrality of the logics (Besharov & Smith, 2014). Moreover, discussing hiring decisions in a few interviews, the interviewees mentioned that most of the applicants are already aware of the group’s common values, and that was considered important when hiring new employees, as it can be seen as increasing the compatibility of unity and local logics (Besharov & Smith, 2014).

All of these three banks were by and large satisfied with the developments of group PMS since the change phase of the process in 2014. Usually the template enables the banks to choose the targets and target baskets that support their local strategic alignments and emphases. Moreover, chances to influence measures in the template were appreciated, and the group asked for opinions and suggestions in specific fields, with VAS for instance being used in negotiations during and after the centralization process (cf. Goretzki et al., 2018).

”[W]e have good interaction here. If you think of what I do, I work in the [specific] sector, so the group asks my opinion on topics relating to my customers. So they actually ask from the field and develop [the systems] that way.” Chief customer officer 1 (CCO1), bank *Alpha*

However with a total of 141 banks it was not possible to implement all suggestions, as banks with different strategic alignments might have conflicting opinions. Despite this, our subcase banks were not eager to use their own VAS but were content with what they received. A few exceptions will be discussed later in this section.

“Not all of the baskets of measures are relevant for our bank. And when discussing with other banks, they want the basket to be different, so we have to compromise. —“ Bank manager 1, bank *Delta*

“We use only group templates, and we don’t deviate from them at all. Of course, we adjust the amounts and so on. But they fit into our existing segments” Bank manager 2, bank *Delta*

In bank *Alpha*, the operations were strongly focused on their own region. The target setting was based on local territory-analysis and was aimed at being down-to-earth. The significance of operative level’s actions on the bank’s result was acknowledged and prioritized. The CEO had created a local story, that included the common group values, which was used in the bank’s internal communication and when implementing group strategy and targets at every level. This story is so strong in fact that the CCO2 considered it to be the bank’s own strategy. It did not appear to conflict with the standardization of group strategy and PMS, as *Alpha* was one of the first banks to take the group strategy as it was, giving bank-level recommendation not to use their own local PMS, i.e. VAS. Among our interviewees, only one admitted he had used his own Excel-sheet for one year to make sure the group PMS was correct (cf. VAS as a defensive resource). However, none of them had used VAS on target setting outside the template, in order to avoid potential inconsistency.

In bank *Delta*, the local strategic alignment was growth in certain segments. The group strategy was taken as it was, but it was considered a high-level matter. So managers aimed to clarify it to lower levels by combining it with their personal targets.

“It is easy to tell the employees, that this suggestion is from the group, and we agree on that. Then we pick the best, we check that we get the most euros for our bank. Of course, it is the euros that matter.” CEO, bank *Delta*

“The group strategies are so large that they are distant from workers’ everyday jobs. –
– We try to introduce it into daily, weekly, or monthly working activities. What should we do together to achieve the strategic targets and how should we carry it through?”

Bank manager 2, bank *Delta*

Delta uses some management level VAS when they want to see bank-level development more specifically, or if they want to compare and compete with other larger member banks on specific baskets. The CEO’s competitive spirit seemed to impact this. Moreover, *Delta* helps surrounding smaller member banks with some segments, but sorting the sales for those from the bank’s own sales requires using the Excel-sheet that is made in *Delta*. This procedure is common in other larger banks with similar situations and the group approves this. Thus, these locally made sheets cannot fully be seen as VAS.

Whereas *Alpha*’s and *Delta*’s strategic alignments and choices of PMs were focusing more on their local surroundings, *Gamma* had taken a different angle of approach. It aims at being a digital pioneer in the group and adapts all the digital changes and developments the group provides with only few exceptions. This logic can be seen in the target setting as well.

“At one time we were considering outsourcing our HR to the group, but we drew back from that and decided to let other banks do it first because they [group] didn’t have any

automation in it. If it can be done in a more automatic way, then we are in.” Business controller, bank *Gamma*

“Our personnel targets include for instance the amount and percentage share of digital customer encounters, and basically if you’re an account manager, you could have 40 % remote negotiation as one of your targets.” Bank manager, bank *Gamma*

For instance in *Delta* the back office employees had targets based on the bank’s performance, but in *Gamma*, there has been more variation and usage of VAS occasionally.

“Sometimes we have created deadlines for doing certain things. — But since we hold a discussion around every two months with my supervisor, and I don’t report my doings regularly, it’s challenging. Although we have reached a consensus on how I feel I have been working, it still feels too indeterminate.” Financial officer, bank *Gamma*

“One year we tried to base our targets on how the bank as a whole succeeds. Since we are supporting the account managers, if they succeed then we have done our part well. It was fair, but there was little that we could actually do. Of course, we could help account managers with acute problems, but how much that affects sales, is a harder question...” Financial officer, bank *Gamma*

Thus, although in most of the local banks VAS were considered to be increasing ambiguity, some back-office employees found the standardized systems ambiguous.

City bank

From our subcase banks, bank *Beta* is geographically closest to the group’s headquarters. They are also the biggest bank, a city bank, compared to the other subcase banks. They had a sort of big bank local logic, but it was not as clearly different from the view of the headquarters

compared to other subcase banks. In fact, the logics in *Beta* seemed a mix of local and group level views.

Beta had faced more significant internal changes, e.g. changes of CEOs, than other subcase banks in the past few years. In 2014, the CEO at the time put a lot of effort into communicating this strategy to each bureau and operative level employee and to implementing it. However the subsequent CEOs had different practices to communicate, and a few years later strategy discussions were conducted only with managers and middle managers.

Moreover, the personal targets for the operational level were communicated in a very practical manner, i.e. “this is the way we work” (Operative level worker) instead of leading them more gradually into a centralized strategy. The lack of connection between the strongly communicated strategy and personal PM targets combined with the reorganization of the management accounting services and changing systems confused employees. Some targets were chosen outside the formal PMS and using their own VAS as a defensive resource was common. A few years later, however, the new modes of action were gradually accepted and learned, the need for local systems reduced, and although some Excel-sheets were still used to meet up with regulative demands and for internal communication, the group provided improved, ready-made Excel-templates.

Beta had their own strategy and PMS focus in 2014 but the local ambitions and group-level decision-making did not fully support each other. While *Beta* focused on growth strategy, the group began reorganization causing staff reduction and changes in management accounting and PMS.

“At that moment it didn’t support what we were doing. The timing was the worst possible in many ways. And – – some of our employees don’t even understand, that we

still have the same strategic growth targets because all that has happened has been completely opposite.” CEO, bank *Beta*.

At that time, the local logic and *Beta*’s own strategy were strong among the employees, but a few years later with a different CEO and changes at the group level had caused a shifting away from local logics in some of the segments.

“Compared to a few years back, for the past two years, we have been cooperating with [group’s subsidiary]. We are no longer that strongly linked with *Beta*, — our targets and strategies don’t come from *Beta* but we watch from our segment and how we’re positioned in Finland.” Operational level worker, bank *Beta*

The unity logic and comparison with cooperative member banks were not much focused on in our interviews. The focus seems to be more concerned with the group and other competitors in the region than comparing *Beta* to other member banks.

Discussion and conclusions

Although the OP group aims at a less hierarchical organization structure with for example team-based management, the surrounding pressures, such as regulation, have been directing banks to adopt more standardized and centralized accounting systems. So it was not only the PMS that was centralized during the past two decades, but the change applied to financial and management accounting systems as well (*reporting* and *sales target portals*). The increasing regulation enabled the group to justify the standardization, and the discourse throughout our subcase banks seemed clear: most member banks would not be able to operate according to the regulation without the support from the group. Further, cost-efficiency goals directed the standardization. In a cooperative context, the member banks own the group and so standardization is not a simple change process, and the development phase after the initial

change is equally important, because if the member banks later do not approve the developments they might start to resist them.

In our subcase banks vernacular accounting systems were used as a *defensive resource* and as a *source of knowledge*, but not as *organizational practice* (Kilfoyle et al., 2013; cf. Goretzki et al., 2018). Although the use of VAS decreased as the development phase proceeded, they were used occasionally to convince individuals that the standardized systems were reliable. Moreover, VAS were used to improve member banks' negotiation positions after the change phase, and the group was asking for it as well (cf. Goretzki et al., 2018). With our longitudinal data from several years during and after the standardization process, we contribute to the discussion by Goretzki et al. (2018) by proposing that by giving the local actors a feeling of autonomy also after the centralization, they are more willing to bend to centralized control, i.e. there is a trade-off between autonomy and the needs for precise local control.

In the three local banks, the local logics (*localness*, *digitality*, and *competitive*) were strong, but they were considered to be equally important as organizational functioning with the unity logic (cf. business-like and professional logics in Rautiainen & Järvenpää, 2012). Additionally, as the banks were committed to unity within the group, these logics were not contradictory. Thus the logics were aligned, and there was only a minimal possibility of conflict. However, as in the city bank, the logics seemed mixed and the weight of either local or unity logic did not appear dominant, but were largely contradictory, suggesting an estranged organization type with moderate conflict (Besharov & Smith, 2014).

The actions and power of local individuals, especially the CEOs, affected the way the local and group level practices and PM target choices were implemented, and how the local logics were socially constructed within the bank. This suggests that the balance of logics shifts if the power relations within the bank change (highlighting the individual level, see Besharov & Smith,

2014; Thornton et al., 2012). This seemed a reason why, in the city bank, the logics were shifting or mixing, and the possibility of conflicts was higher than in the local banks. However, it did not seem to increase the use of VAS. Thus, especially in a cooperative context, the power of the CEO affects the relationship with the group, and the feeling of autonomy each bank has. Moreover, as member banks consider themselves independent above all, we argue that in an extensive conflict the local logic and independence would be superior to unity logic and group measures.

Recently the increased environmental uncertainty related to the Covid-19 pandemic has not changed the PM targets but increased the focus on local operations and local values. As pandemic has changed the way banking services are used (e.g. the use of cash is reduced and the amount of remote negotiations is increased), some of the digital PM targets were easier to reach. Further, as banking work has become increasingly digital, internet-based solutions were readily available and supporting the leap to part-time remote work. We suggest, that if the central actor can provide digital systems that can be adapted to local needs and support most local actors, the need for VAS is reduced.

The new situation may present challenges, however, for PMS, for example in analyzing the efficiency of work-from-home, and the overall profitability of different work arrangements. We therefore call for further research on how the increased uncertainty of this turbulent economic period affects banking. Further, the shifting balance between logics and their effects on using VAS deserves further study.

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