Competition, change and conformity[1]

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Introduction

[1] This paper was first presented as ”Competition as a tool of change and conformity” at the conference “Different perspectives on Competition and Cooperation”, Umeå, May 5-7, 2002.

Ideas of deregulation, competition and market reforms are certainly among the most powerful ideas concerning the economy at the beginning of this new millennium, hailed and advocated by many important actors like the EU, OECD and the IMF. Still, these ideas have many critics, doubting and denying their blessings. This critique has manifested itself many times in recent years, notably at several international meetings on ”globalization”, e g in Seattle in 1999 or most recently in Porto Alegre in 2002. And although most economists adhere to these ideas[2], even among their ranks critics can be found.[3]

The market reforms that have been introduced, including the deregulation of national economies and the ways in which the public sector is being organized, have brought about major changes almost everywhere, in developed countries as well as underdeveloped, in the West as well as in the East. One aspect of the on-going marketization, and one that is not paid much attention to, is how modern market economy still continuously penetrates and modernizes older – often locally based and small-scale – markets and the remnants of those parts of the economy that used to be organized according to non-profit, co-operative and mutual-help principles. This process is not restricted to developing countries. Also highly industrialized countries are involved in this modernization of market economy, and in Sweden we can find numerous examples of this last type of on-going marketization in, for instance, insurance and bank sectors during the last two decades.

The ideas of market reforms and marketization always imply competition. It is through the creation of competitive markets that economic growth is supposed to increase, and the economy on the whole to become more effective and more responsive to customers needs, and also more efficient, using resources more economically.

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[2] See eg Hugemark 1994 for a survey of the Swedish debate.
[3] See for instance Krugman 1999.

Often proponents of competition present glossy picture like these of the state of competition, a state that is said to be characterized by many good things, lower prices, better quality, better service, and a greater variety among products and producers.

In this paper the purpose is to show that ideas of competition successfully can be used to promote major organizational changes. Furthermore, the purpose is to show that the accomplished changes may lead to an increasing degree of conformity with other organizations, although that never was the articulated intention of the proponents of change.

The discussion on conformity touches upon one of the basic themes of neo-institutional organization theory, namely ”isomorphism” (which is the term normally used). For instance, John Meyer and Brian Rowan in their early and much cited paper[4], and Paul DiMaggio and Walter Powell in their influential paper[5] deal with organizational isomorphism. This discussion has been going since then. Here, I will argue that conformity is facilitated by the existence of models/others.

The arguments developed in this paper are based upon studies of change in one limited realm of organizational life: the savings banks of Sweden. Organizational changes among the savings banks are examples of the on-going marketization - modernization - of older non-profit parts of the economy. Observations from this particular micro-cosmos will be used to draw some conclusions on the uses and effects of competition in general.

The marketization of the savings banks – a brief summary [6]

[4] Meyer and Rowan 1977.
[5] DiMaggio and Powell 1983.
[6] The general account of changes among the Swedish savings banks presented in this paper is based on Forssell 1992. The text in this particular part is an extract from my chapter in Brunsson and Olsen, 1993, pp 48-59.

From the beginning and principally until after the second world war all Swedish savings banks essentially were locally based promoters of savings, enabling local people to get a decent rate of interest on savings and to lend money at low interest-rates. ”Giving the highest rates and taking the lowest”, was the motto. Legally the savings bank was a foundation and had no owner(s). The profits, often modest, were to be kept within the bank to strengthen its solvency or to be given out to local charitable purposes like the church or the municipal chemists´ shop. Savings banks did not compete with each other but co-operated on regional and national levels on matters of common interest.

A savings banks law strictly regulated the savings banks operations. Other laws regulated the other bank institutes: commercial banks and farmers´ local cooperative banks. These laws defined a sharp division of operations between the different types of banks, which prevented or, at least, hampered them from competing with each other.

The situation started to change in the 1950s due to social and economic changes going on at that time, e g an ongoing modernization of society including an intensified urbanization and industrialization, an economic growth that increased the affluence on all societal levels, and technological changes in many spheres of society. All of these changes contributed to the gradual dissolution of the sharp borders between different types of banks. Slowly they started to define the others as competitors. This process was at the same time manifested and accelerated by the abolishment of the old bank laws. A new bank legislation came into force in 1969. It made all types of banks subject to the same rules with regards to operations.

During this period savings banks started to widen their repertoire of operations, not merely offering savings and mortgage loans for local individuals. The new operations included payments of wages and salaries, and the offering of other loans than mortgage loans. The savings banks also started to acquire businesses as customers. Other changes included the introduction of state-of-the-art computer technology and a rapid reduction of the number of savings banks by mergers. I shall concentrate on these mergers for a while.

In 1950 there were 450 independent savings banks in Sweden. This number dropped slightly over the next decade. Then, during the 1960s a rapid process of mergers was initiated. Many of the small rural savings banks merged with their nearest urban savings bank, and by 1973 the number of savings banks had plummeted to 233. This process continued throughout the 1970s, when some of the urban savings banks also began to merge, resulting in larger savings banks covering whole counties or larger areas. By the end of the 1970s the number of savings banks had fallen to 175.

The first merger between two large savings banks took place in 1982 when the Gothenburg and Stockholm banks combined to form what became Sweden's largest savings bank. Further large mergers followed in the 1980s. By this time, instead of a large number of banks of a relatively even size, spread across Sweden, the savings banks of the late 1980s were dominated by a small number of regional banks. In 1987 there were still 115 savings banks left, but the twenty largest of these held roughly 80% of the total deposits.

In the early 1990s the eleven largest savings banks merged to form a joint corporate group, the Savings Bank Group, where participating banks still kept some autonomy. But this group proved not to be a stable organizational solution and lasted only a couple of years until Sweden was hit by a bank crisis. In response to this crisis the Savings Bank Group was further consolidated to a more centralized Sparbanken Sverige (the Savings Bank of Sweden). With these mergers not only the magnitude was conspicuous, perhaps even more important was the conversion of the legal form from foundation to corporation. The merger meant that the participating savings banks initially sold their operations to this new Savings Bank of Sweden

Incorporated, receiving shares in the new bank as payment. Soon afterwards shares also were emitted to the public. Thus, this merger meant that the old (close to) non-profit banks were being transformed to a ”normal” for-profit commercial bank, with shareholders demanding dividends and a rising price of shares. This transformation of legal form was, perhaps, the most dramatic change happening to the savings banks since the foundation of the first savings bank in the early 1800s. But the story of mergers was still not over. In 1997 Sparbanken Sverige merged with the smallest of the remaining national banks, Föreningsbanken (the national Farmers Cooperative Bank), and formed the new Föreningssparbanken (FSB).

By this time there were only four large national banks left in Sweden, FSB being one of them. Also the other large banks have gone through a number of mergers, and not only on a national basis. Some of them have merged with banks outside of Sweden, and right now, in the early 2000s, the Nordic countries seem to be considered the new ”home” market for these Swedish/Nordic banks[7]. But we must also add that there are about 80 small local savings banks left in Sweden, who still use the old legal form of foundation, and who still are doing well, also in economic terms.

Arguments over mergers

The kind of organizational change described here could not have taken place if certain people within and outside savings banks had not argued and acted for change. But there always were actors who resisted the proposed changes, or who wanted to change in other ways. Let us examine how this conflict was articulated.

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[7] Lybeck 2000, Volym A:155

The main support for mergers came generally from the management of the larger savings banks. They were not only the major supporters, furthermore they were generally the most eager proponents of mergers. Their main argument was that it was necessary to be equipped to confront tougher competition in the future. Other banks and financial institutions would be trying to attract clients away from the savings banks. The savings banks could not remain passive observers to a development that would threaten their existence. They had to keep up by developing their product ranges and improving their cost efficiency. But such developments required resources that would be available only to the large savings banks produced by the mergers. So this need for a greater resources, was the argument, made the mergers necessary.

The picture being painted was a threatening one, but little was said about profitability, as it was difficult to find compelling financial arguments for mergers. Often the profitability of the small savings banks was at least as good as that of the large ones, and they were better consolidated. There were reasons for this: small savings banks were usually inexpensive to administrate, had access to cheap deposit capital, and only took small risks with their lending, while larger banks invested in new technology, in facilities and staff, which resulted in heavy operating expenses and lower profits. Moreover, large banks often took greater risks in their lending, which put a strain on equity. This became all too clear at the time of the bank crisis in the 1990s, when at least one of the larger savings bank had gone bankrupt unless the merger to a joint Sparbanken Sverige had saved it.

Although the threatening picture of an ever harder competition in the future did not convince everyone of the necessity to merge, it still seemed difficult to find powerful arguments against mergers that could be used in public. It was hard to argue that things were fine as they were. Such arguments were legitimate within small savings banks, but were far more difficult to assert in open negotiations with the larger banks. No one wanted to appear reactionary. When the advocators of mergers talked about future threats, they thereby also decided what issues were to be on the agenda, and determined the content of the debate. The future could not be contradicted with descriptions of the past or even the present. For this reason, the discussions were consistently ‘won’ by the reformers.

There was also a hidden debate, the main subjects of which were issues of power and influence. Many representatives of small savings banks feared that a merger would mean that the larger one would swallow up their own bank, and that they would completely lose control over their own bank. When such arguments were used publicly, they were met with assurances from the larger bank of continued strong influence for the local representatives of the smaller bank. But in the internal discussions of the local savings banks the representatives could use these counter-arguments and some banks did decide to resist proposed mergers.

The proponents of mergers, too, were interested in power, but in the opposite way. Their public arguments were for greater competitive power and more influence for the merged banks. Implicitly, this greater influence also meant greater influence for the banks´ managements. In addition, a larger bank with greater resources would be able to offer better opportunities in terms of career advancement, better salaries and other benefits for many bank employees. The foremost proponents of mergers – usually the managers of the larger savings banks – also had the most to gain by them. So among proponents, competition, rather than being a threat, promised a better future and a more exciting one.

These arguments, overt and covert, were used in relation to the type of mergers common in the 1960s and 1970s when all savings banks, even those referred to here as large, were still quite small. The same arguments were used to convince participating banks to merge into a joint Savings Bank

Group in 1989, and to transform this group into a consolidated Sparbanken Sverige a few years later. The same argument also proved useful in the merger with Föreningsbanken in 1997 and in a proposed but never realized merger with SE-banken in 2001. For forty years the anticipation of tougher competition has been the prime argument for mergers; only the scale has changed with time. In the 1960s, the talk was of regional or national competition, while in the 1990s it was of competition on a European and international scale. For forty years the argument of harder competition has proven itself to be a marvellous tool of change, showing no signs of being worn out. Could proponents of organizational change ever have found a better and more effective tool in their endeavour than the argument of competition?

The structuration of an organization field

In their article from 1983, DiMaggio and Powell used the term organization field to denote

> "those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products. The virtue of this unit of analysis is that it directs our attention not simply to competing firms, as does the population approach (…) or to networks of organizations that actually interact (…) but to the totality of relevant actors."[8]

Furthermore, they added that the structuration of an organizational field consists of four processes:

> "The structure of an organizational field cannot be determined a priori but must be defined on the basis of empirical investigation. Fields only exist to the extent that they are institutionally defined. The process of institutional definition, or

[8] DiMaggio and Powell 1983, p 65

> "structuration", consists of four parts: an increase in the extent of interaction among organizations in the field; the emergence of sharply defined interorganizational structures of domination and patterns of coalition; an increase in the information load with which organizations in a field must contend; and the development of mutual awareness among participants in a set of organizations that they are involved in a common enterprise."[9]

The reasons why these four and not other processes are important are not presented in the article. In our own work we have emphasized the last process, i.e. , that the participants gradually consider themselves to be involved in a common enterprise, as being of particular importance. The most important ingredient of this common enterprise is, according to our studies, a common idea of what type of activity participating organizations are involved in.[10] We defined "type of activity" as:

> "…those abstract and well known, i.e. institutionalized, labels like teaching, entertaining, manufacturing, serving or farming, but also to their more specific subcategories like high school training, piano playing, production of cars, serving lunches, cultivating grain. However, we do not refer to those specific manual operations performed by the actors involved, i.e. the teacher, the piano player, the assembly line worker, the waiter or the farmer, since these operations are hardly known to outsiders, either as linguistic or practical/manual knowledge."[11]

In addition to the four processes mentioned, I suggest that a fifth process is of great importance in the structuration of a organizational field. This process is the emergence of a common set of rules and norms regulating organizations and their activities in a particular organization field.

The concept of organization(al) field has proved itself useful in the analysis of the changes of the Swedish savings banks. Forty years ago different types

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[9] DiMaggio and Powell 1983, p 65
[10] Forssell 1992, Forssell and Jansson 1996
[11] Forssell and Jansson 1996, p 98-99

of Swedish banks used to be regulated by different laws: one law regulated savings banks, another regulated agricultural societies and a third commercial banks. Bearing in mind particularly the fourth and fifth processes just mentioned, I propose that these different types of banks constituted different organization fields. In the first two fields, involved organizations perceived each other mainly as co-operators, all savings banks and all farmers´ local cooperative banks respectively belonging to “the same family”. That is, one main, and taken-for-granted, norm in these fields was the norm of co-operation. In the field of commercial banks things were different: here the idea that this field constituted a market dominated, and in a market operating organizations are considered to be competitors. So, here the norm of competition was predominant.

But the situation changed. The clear borders between different bank fields gradually became blurred, particularly during the 1960s, and this process of three organization fields merging together to one was manifested by the new bank law in 1969 that put all banks under the same law. Since then the process of structuration has continued. More organizations, e g new niche banks, have been included into the field, while on the other hand some of the old banks, e g all local farmers banks and many savings banks as well as some commercial banks have ceased to exist (as was described above).

The organization field that started to evolve in the 1960s from the beginning was considered a market where competition prevails. But it was a highly regulated market. When many of the regulations were lifted in the mid-1980s the market started to expand considerably, e g in terms of loans given, and in the rhetoric of bank managers this market was signified by hard competition.

Is that so? Was this market then and is it now characterized by tough competition? For an outside observer, the four big banks look very much like an oligopoly, where market shares are quite stable.[12] For the last ten years new niche banks, mainly internet banks, clearly seem to have challenged the big ones, but so far they have only gained marginal parts of the total market. In order to reduce costs the big banks are likely to continue to merge with other banks, but since the EU is unlikely to accept more mergers between the big four banks in Sweden, they can be expected to merge with other non-Swedish banks in the future. Among all remaining savings banks, including the large FSB, there still exists cooperation in matters of common interest, e g computer systems, and they seldom do compete on the same local markets. So, altogether the bank field in Sweden right now is characterized by a few big banks, who try to offer a full range of bank products for all sorts of customers, a number of local banks, most of them savings banks, who offer a wide range of products as to individual customers and households and more restricted services to businesses, and many small niche operators, trying to gain market shares in different niches, e g mortgage loans.

Competitors and models

Once one single organization field for all types of banks had evolved, the main idea of what sort of relation between operators that existed in this field, was that of competition. That is, other banks were perceived as competitors. For the savings banks during these last forty years, from the large savings banks in the 1960s to the big FSB in the late 1990s, the national commercial banks always were considered to be the major competitors.

But the evolution of a single organization field not only established what types of organizational actors – competitors – and what type of relations –

[12] Market share for ”the big four” was about 80% in 1997. In Europe only Denmark and the Netherlands had comparable figures. This situation can be compared with the USA where market share for the 5 largest banks was 13%. (Lybeck, 2000).

competition – that existed. For participating organizations the organization field serves as a frame of reference in several aspects. For instance, the national banks were not only considered as the major competitors of the savings banks, they were also considered to be their only relevant comparisons.

There may be many reasons for comparison, but in this case it is obvious that the comparison was a kind of benchmarking where the national commercial banks served as models. This situation, where one organization serves as a model for another, is not unique, and the savings banks managers are not the only ones that have used other organizations as models. Instead, this is a common human behavior often called imitation.

Imitation can be categorized as one form of learning. One example often mentioned, is Japan in the Meiji period (1868-1912). During this period Japan intentionally used imitation as a way of modernizing the country, by sending people to the West to learn by imitation how to organize, for instance, the postal system, the police, and the primary school system.[13] Generally, this imitation is considered to have been very successful.

In the literature, imitation often is seen as the end result of a process that starts with the diffusion of ideas.[14] In the case described here, imitation was what the managers of the large savings banks did, when they tried to install changes that were intended to make the savings banks more similar to their models, the national commercial banks. In this case, there was no need for ideas to diffuse/be transported from the latter to the former. As they were operating close to the commercial banks the managers of the savings banks could easily observe them and from these observations conclude what changes to make.

[13] Westney 1987

[14] See Sevón 1996 for a review of this literature. In her chapter, Sevón makes a point of contrasting a diffusion-model with a translation-model.

The literature often presumes that organizations imitate others in situations that are characterized by uncertainty – for instance when organizations do not know what to do or what they want.[15] There is little evidence that this was the case here. Instead, the managers of the large savings banks seemed to be very certain about what they wanted and what to do. They wanted the savings banks to become more similar to the national commercial banks and the way to achieve this was to imitate. There was probably much more experienced uncertainty among those banks that did not join the mergers, i.e. that did not imitate. They seemed less secure about the future than the reformers[16]. So, this process of imitation was driven by the aspirations of the savings bank managers rather than by their uncertainty.

Competition and conformity

Now, let us return to our case. It is obvious that with every merger the savings banks became more similar to the national commercial banks. This is very clear if we consider three important aspects: organizational size, range of operations, and legal form. For every merger the savings banks became larger, and with the mergers in the 1990s the resulting savings bank – Sparbanken Sverige and, later, FSB – consolidated its position as one of the big four banks in Sweden. With increasing size the savings banks also extended their range of operations to become comparable to that of the national commercial banks. Thirdly, when Sparbanken Sverige was converted into a corporation, it was sold to shareholders, demanding dividends and rising prices of shares. Of these three changes, the third is the most radical one. Increasing size and an extended range of operations are important

[15] Abrahamson 1991, DiMaggio and Powell 1983

[16] Which is of little surprise to anyone who know about organizational reforms. See Brunsson and Olsen 1993.

changes, but do not really transform the character of the savings banks. But the conversion into a corporate form does.

For the merged savings banks the result of imitating the national commercial banks for such a long period of time, using them as models, was an increasing conformity with these models. I have not studied the large commercial banks in detail, but it seems clear that they also changed during this time, for instance merging with other banks, and changing their range of operations. Although there existed no obvious model to conform to for the commercial banks, still all the national banks seemed to change in the same direction. In another word, they converged towards a similar form.

Here, a point of clarification is needed. My suggestion is that the two concepts – conformity and convergence – roughly can be defined as follows: Conformity occurs when of one or several actors conform to a specific model. Convergence occurs when several actors converge to a similar form although there is no specific model in sight. In both cases the result is that a group of actors are going to end having the same form.

What happened in the organization field of banks was a process of convergence, where all the large banks were shaped according to one general form.[17] But it is also clear that not all banks converged to this form – only the largest banks were able to. Smaller niche banks still could and still do co-exist with the big ones.

Conclusions

In this paper I have tried to show two things: first that those who wanted to change the savings banks found a useful rhetorical tool in the argument about

[17] Of course, differences still exist if we go into detail. But the main point is that big four banks constitute one specific type of bank, distinctly different from other organizations in this field.

hard competition. Secondly, that the same agents of change – mostly managers of large savings banks – used the national commercial banks as models in their quest for change. The result was conformity between the merging savings banks and their models. In this concluding part the intention is to elaborate somewhat on those two observations.

Competition and change

The idea of competition is part of a set of connected and institutionalized ideas. Both in the textbooks and in everyday thinking the notion of competition is closely connected to other ideas, particularly to the idea of the market. According to one common idea of the market, it is an environment that consists of companies, their suppliers and customers. In the market companies compete for customers; competition therefore denotes the kind of relationship that exists between competing companies. When competitors are few or non-existent a state of monopoly or oligopoly prevails and competition is non-existent or weak. According to prevailing ideas markets work best when they are little regulated. Thus, deregulation has been part of the political agenda for the last decades. These ideas are firmly institutionalized – that is, well known and accepted as social facts – and since they are interrelated they constitute a package of ideas.

The idea of competition is not only firmly institutionalized, it is also highly legitimate. It therefore can be used to justify many organizational solutions – like mergers in the savings banks or market reforms in the public sector. On the other hand, it cannot be used to justify all kinds of solutions; it would probably not, for instance, be very useful for anyone who wants to propose a re-nationalization of the telecom industry.

Since the ideas of the market package are interrelated, once any of these ideas is brought to the fore and is generally accepted – e g when actors are defined as customers or suppliers, or when lack of efficiency is accepted as the most urgent problem – then the whole package of ideas is "triggered". When this happens, anyone who suggests alternative definitions of problems or definitions of actors will find it very difficult to gain a hearing in the public debate.[18]

Organization fields can be defined differently, and competition is not always generally accepted as a relevant definition of what kind of relationship prevails. In some organization fields other types of relations prevail, for instance cooperation or strict hierarchy, and in these fields market ideas, including the idea of competition, become more controversial. An example of the latter is an on-going debate about the health care sector in Sweden, where the idea of competition among hospitals, and the idea of patients as customers is highly controversial.

The argument of competition can be used in at least two ways. In the savings banks case it was used mainly as a *threat*. In the public sector, as part of the so-called New Public Management-program of reforms[19], the idea of competition is more often used as a *promise* of a better future.

In order to illustrate how the idea of competition can be used as a promise I will give an example. It is taken from a proposal to change the legal form of a Swedish public agency that cultivated forest plants – seemingly of national interest since the paper and timber industries are important – into a corporation. In this proposal, competition and conversion of this plant-cultivating agency into a corporation would have many positive effects. Once cultivating agencies were converted into corporations:

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[18] We have discussed these processes more in detail – based on studies of debates on market reforms.– in Forssell and Jansson 2000.

[19] See e g Pollitt and Bouckaert 2000, Christensen and Lægreid 2001.

> "…More competition will increase cost effectiveness in the individual plant companies and contribute in that respect to a more efficient supply of plants from a national point of view. The quality of the plant material improves primarily by the use of a competitive market. A corporatization that give all competitors similar conditions of operations will sharpen the competition, which will increase quality. The price level and the price setting will be more efficient from a national perspective. When all concerned producers use markets for setting prices, this probably will have a restraining effect on the price level."[20]

In this proposal there are plenty of promises for the future: corporatization and competition will not only make the cultivation of forest plants more efficient and effective, they will also bring about a better quality and low prices. Why should anyone argue against this change, when it promises to deliver so many good effects? In the proposal it is not the threat of competition that is emphasized, but its promises for the future. But once again the whole package of market ideas is alerted: for instance, there are no doubts about defining this organization field a market or the producers competitors, or to assert that the effects can be described in terms of efficiency, effectiveness, lower prices and even better quality.

I suggest that the interconnectedness between market ideas illustrated above can be generalized into the following proposition: Once an organization field is defined as a market, the whole package of market ideas will be accepted as adequate in defining important issues, like organizational problems, solutions and types of actors. Once this system of thought is established, competition will be a useful and uncontested argument for further organizational change.

Competition and conformity

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[20] F 1992: 20 (my translation from Swedish).

In their well-known article from 1983 DiMaggio and Powell make a distinction between competitive and institutional isomorphism. Their paper deals with the latter, and it identifies three types of institutional isomorphism's: coercive, normative and mimetic isomorphism.

Competitive isomorphism, on the other hand, is clearly something else, something that is left for other researchers to deal with. Specifically they mention Hannan and Freeman – researchers who have come to stand as the foremost figures of the so-called population ecology theory[21]

For the purpose of this paper, and from a Scandinavian institutionalist[22] point of view, there is little reason for applying a distinction between institutional and competitive isomorphism. According to the Scandinavian institutionalism also markets and competition can be analyzed as institutionalized phenomena, and therefore also competitive isomorphism, or conformity as I prefer to call it, can be analyzed as such.

In the account of the savings banks case two variables were of importance in analyzing organizational conformity. The first one was the existence of an organization field – this constitutes the relevant frame of reference for all actors involved in a certain type of activity, e g banking. The second one was the existence of organizational models, prominent organizations in a field that can be used as models for other organizations.

In a study of the privatization of organizations Svedberg Nilsson[23] used the concept of *specific other*[24] to denote those organizations that served as models in the privatization processes. In the savings banks case, the modern merged banks also were constructed in relation to some *specific other*. In this case the

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[21] Hannan and Freeman 1977.

[22] This concept was first used by Czarniawska and Sevón 1996, Introduction. For a review of the Scandinavian and mainly Swedish institutionalism see Johansson 2002.

[23] All references to Svedberg Nilsson 1999 refer to chapter 13, pp 158-167.

[24] Not surprisingly she borrowed this term from Mead 1976 (1934).

specific other were several, namely the national commercial banks. According to Svedberg Nilsson a specific other can also be used as an opposite, and then you change in contrast to it. In this case the specific other is defined as what you do *not* want to be.

Svedberg Nilsson also suggested that organizations might change without using specific models, instead change processes can be inspired and influenced by more general ideas. In this case change processes are related to a *generalized other*, a more abstract and general set of ideas about how to construct an organization. Examples of the use of the generalized other are numerous in the market reforms in the public sector[25] although the term seldom is used[26]. In this case conformity is a less certain outcome, since the generalized other may be translated several times before it can materialize into concrete change.[27] For every step of translation there is a chance for modifications and variations to occur.[28]

Since there seem to be no specific model present in this case, instead of talking in terms of conformity we should perhaps talk in terms of convergence. It is likely that the convergence of all big national banks towards a similar form, described earlier, was influenced by a generalized other – a set of rather abstract and unspecific ideas about how to construct a large national bank. During this process all big banks now and then probably also served as specific others, at different times and in different respects, for one another.

In her studies of privatization Svedberg Nilsson also discerned a third form of organizational change: some organizations based the changes made in their

[25] Svedberg Nilsson 1999 describes several examples.
[26] Forssell 2001 presents roughly the same idea, but uses the term “master idea” .
[27] Czarniawska and Joerges 1996.
[28] This is one of the main points of the translation theory of Latour and others. See e g Latour 1986.

own experience.[29] To summarize, Svedberg Nilsson suggests that three forms of change were important in cases of privatization: learning from experience, imitating a specific other and imitating from a generalized other.[30] These three forms of change of course are theoretical categories. In real life I would suggest that it is likely that all of these forms of change might occur, some times even simultaneously.

As recalled earlier, DiMaggio and Powell distinguished imitation ("mimesis") as one specific mechanism of isomorphism, working under conditions of uncertainty. According to my observations of the savings banks change process there was very little uncertainty present. Rather, the opposite would be a more adequate description of the situation.

Why then did the savings banks imitate when the situation was one of certainty? My argument is that it was precisely the occurrence of models that made the imitators certain. That is, the models gave them answers to the questions March claims are fundamental when organizations imitate, namely: What to do, where to go and what to be?[31] According to Sevón these questions also are fundamental for any organization that wants to change its identity.[32] And I propose that this is what the large merging savings banks were aspiring for: They wanted to change their identity as savings banks and become a large national bank. And their way of achieving this was to conform to the model that the national commercial banks provided.

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[29] Svedberg Nilsson 1999, p 161

[30] In the last case, imitation is not a perfect term for the processes going on since there is no specific model to copy, but rather some quite abstract ideas that have to be translated into practice.

[31] March 1981. See also March and Olsen 1989.

[32] Sevón, 1996, p. 57

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ABSTRACT

Within neo-institutional organization analysis one of the main themes has been the idea of an increasing "isomorphism". DiMaggio and Powell in their well known paper from 1983 made a distinction between competitive and institutional isomorphism, and most of the debate since then has concerned the latter. In this report the purpose is to elaborate on the theme of competitive isomorphism, or conformity, which is the concept used here.

Using organizational changes in the Swedish savings banks as an illustration, it is claimed that in organization fields considered to be competitive markets, competition becomes a standard argument for change. A common process leading to change when using the logic of appropriateness is *imitation*. But imitation cannot take place unless there is a model, an Other, that can be imitated. Two types of Others are discussed here. One is *the specific other* who e g might be a leading competitor, another is *the generalized other*, a more abstract and general set of ideas about how to build an organization. It is argued that the occurrence of Others give answers to the questions that March (1981) claimed are fundamental when using the logic of appropriateness: The Others tell imitators what to do, where to go and what to be.