Institutional change and strategic agency: an empirical analysis of managers' experimentation with routines in strategic decision-making

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This chapter is dedicated to the memory of Stuart Smith who died in 2007.

Introduction

One of the key issues in Strategy as Practice research is the relationship between institutionalized practice and the activities of strategists as institutional actors (Johnson *et al.* 2007; Whittington in this handbook). There is also increasing interest by institutional theorists in how institutional actors engage with and contribute to processes of institutional change – work which is reviewed in what follows. This chapter therefore brings together a concern raised by the Strategy as Practice perspective with those interested in the micro-foundations of institutional forms. The specific focus is the extent to which institutionalized routines persist and to what extent and how they are changed by strategic actors' experimentation with such routines throughout a period of major institutional change. The chapter does this by first briefly reviewing the literature on the role actors play in institutional change and, in particular, their engagement and experimentation with institutionalized routines. There follows an explanation of the ethnographic nature of the methodology employed in the research. The findings of the research are then presented in terms of an analytic account of how strategic actors influence changes in routines

within a series of episodes and sub-episodes that were part of the institutional changes resulting from the privatization of British Rail (BR) in the 1990s. The chapter concludes with a discussion of the theoretical insights arising from this analysis that helps explain how what strategic actors do affects institutional forms.

Theoretical framing

Institutional change and strategic agency

Lawrence and Suddaby (2006) distinguish between research on institutional theory that has been concerned with processes of institutionalization in general and the more neglected concern with what they refer to as a 'practice perspective on institutional work' (p. 219). Further they acknowledge that, insofar as there is research on how actors influence institutional forms (typically referred to by institutional theorists as institutional entrepreneurship), it is mostly about the characteristics and conditions that produce such institutional entrepreneurs rather than what they actually do. They seek to remedy this by reviewing such research that does exist explaining the work of institutional entrepreneurs. This survey reveals that, insofar as such research exists, it is in the main about how institutional forms are established and maintained rather than how they are changed. The concern here on how the activities of institutional actors

influence institutional change is therefore a largely neglected area of work.

Institutional theorists have, however, offered some relevant explanations of how actors engage with and contribute to institutional change. They may be exposed to multiple institutions or 'open fields' (Dorado 2005) and consequent contradictions and tensions between them (Clemens and Cook 1999; Kostova and Roth 2002) that may galvanize change as differences between institutionalized groups are played out (Greenwood and Hinings 1996). Whilst such change may come about through variations in behaviour (Giddens 1979, 1984; Barley 1986), it is also in conditions of such contradiction or uncertainty that influence and choice by such actors with regard to institutionalized practice is likely to be greatest (Goodrick and Salancik 1996; Beckert 1999). In this context Dorado, drawing on Emirbayer and Mische (1998), argues that agency will take different forms along temporal dimensions. It will be routinized (for reasons we later explain, we prefer 'habitual') when the past is dominant or the organizational field closed, but increasingly proactive as fields open up, become more ambiguous or an inevitability of future change is perceived. This perception of future states will differ. Developing fields could be 'transparent' when there are several institutional referents and the field is substantially institutionalized or 'hazy' when the field is perceived as highly unpredictable, complex or volatile (Dorado 2005).

In circumstances where fields do open up, knowledgeable actors (Sewell 1992; Seo and Creed 2002; Johnson *et al*. 2000) bring to bear social and political skills to influence change by manipulating institutional logics (Seo and Creed 2002), routines (Maguire *et al*. 2004) or rhetoric (Suddaby and Greenwood 2005) to resolve competing 'logics of action' in transforming institutions (Holm 1995; Bacharach *et al*. 1996).

Seo and Creed (2002) suggest that this move from habitual conformity depends on the extent to which actors personally experience such multiple institutional templates in ways that (a) lead to personal 'misaligned interests' and (b) awaken a consciousness that reduces the 'perceived inevitability of institutional arrangements'. Both Seo and Creed (2002) and Johnson *et al*. (2000) also note that in such circumstances actors experience a 'duality of scripts'. This is likely to give rise to more conscious 'sensemaking' (Dorado 2005), script processing (Seo and Creed 2002) or 'theorizing' (Greenwood *et al*. 2002), drawing on scripts from different institutional arenas (Abelson 1981; Greenwood and Suddaby 2006) and gives rise to experimentation (Seo and Creed 2002; Clemens and Cook 1999). In such experimentation, actors pay attention to competing institutional templates to the extent that resources, power or influence are dependent on them and to the extent that they experience reciprocal behaviour to their experimentation (Johnson *et al*. 2000).

Institutional change and experimentation with routines

As Feldman and Pentland (2003) acknowledge, routines[1] are generally regarded as 'repetitive, recognisable patterns of interdependent actions' (p. 95). As we go on to show, this does not necessarily mean they are fixed, but it is likely to mean that they are in some ways and more or less institutionally specified or bounded. In other words there are likely to be institutionalized expectations of routinized behaviour. In this sense routines are a useful and relevant analytic and conceptual bridge between institutional forces and the activities of individual strategic actors. Actors act within and are constrained by such routines. However, some institutionalized routines are more mutable than others (Feldman and Pentland 2003), not least because they may contain internal contradictions (Fligstein 1997; Clemens and Cook 1999; Thornton 2002; Seo and Creed 2002; Greenwood and Suddaby 2006). Strategic actors may also face different institutional expectations, as we show below. So they do not enact institutionalized routines automatically. They must make sense of them, and in so doing they may modify them (Feldman 2000, 2004), not least by attaching new practices to existing routines (Maguire *et al*. 2004; Feldman and Pentland 2003).

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[1] It is because we are centrally concerned with routines in Feldman's sense and wish to avoid confusion, that we refer to Dorado's 'routine agency' as 'habitual' in what follows.
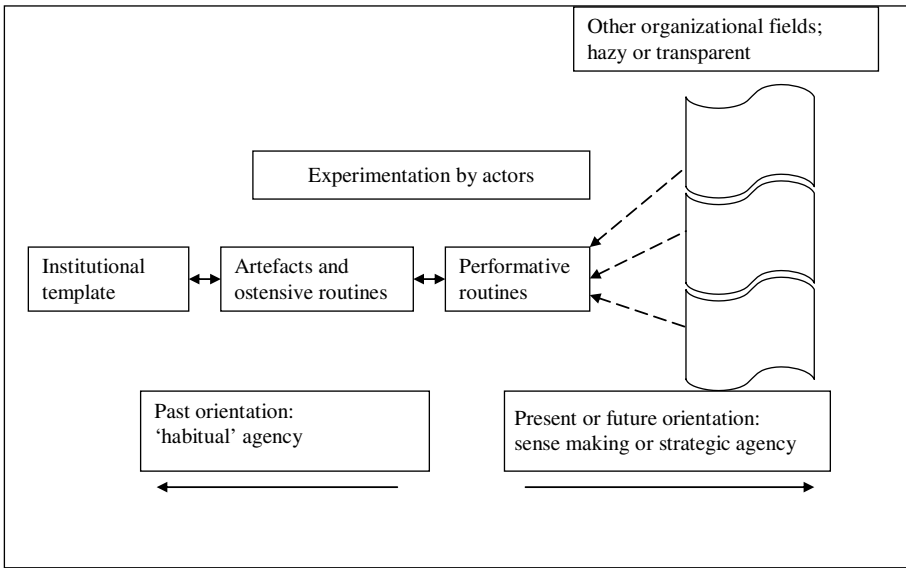
Figure 18.1 A model of actors'engagement with institutional change

Routines embody institutionalized structure both in terms of systematized 'artefacts' (Pentland and Feldman 2005) and in their abstract or ostensive form (Feldman and Pentland 2003). As such they can be conceived as representing the taken-for-granted routinized norms identified with the prevailing institutional arrangements and, as such, the micro-templates for institutional behaviour. However, performative routines as 'the specific actions taken by specific people at specific times when they are engaged in an organizational routine' (Feldman and Pentland 2003, pp. 101–102) are a central concern of the Strategy as Practice agenda.

Figure 18.1 brings together the explanations advanced so far. However, the figure fails to take account of the multitude of decisions and initiatives in an organization that accompany institutional change and which take place over time. In what follows we take the explanation further. We examine events and decisions as they unfold over time to explain them in terms of the framework represented in Figure 18.1. In doing so, however, we seek to better understand the role played by experimentation through improvisations manifest in performative routines and how these relate to past, present or future orientations of managers (Dorado 2005). In this way, our purpose is to better understand the role played by managers in influencing institutional change.

Methodology

Our study was undertaken in a context of institutional change over a period of three years. In this chapter we revisit data from a longitudinal field study that took place from 1994 to 1997 within what was then British Rail as it went through a transitional period of privatization. The managers involved were faced with regulated change to the long-established institutional template of a public sector controlled railway but without a clearly institutionalized alternative (see below).

In their chapter on methodology, Johnson *et al.* (2007) ask: 'How do we research strategy practice empirically?' and argue that 'The simple and most obvious answer to this question is that we must go out and look' (p. 52). Our data gathering took the form of direct observation by the third author, as fieldworker, over a three-year period, together with extensive access to documents relating to

		Fieldwork observations		
Timescale	Year 1	Year 2	Year 3	Year 4
Privatiz-ation timetable	Preparation for vesting	Subsidiary Company within BR		Sale
EPISODES Steel billet terminal	Capital expend-iture proposal	Planning permission / Local contract	Special provision / Leasing proposal	Grant application / Short-term Lease
Staff relation-ships	HR audit	HR report	Local negotiation	
Customer relation-ships			Customer service contract	

Figure 18.2 Episodes observed

decisions and related discussions, supported by clarificatory interviews in a business unit of what was then British Rail. The focus was on the executive management team of the business unit that was undergoing preparations for privatization. All management meetings relating to the privatization process and many other meetings were observed as were more informal discussions. It was therefore possible to witness decisions as they were made and as they played out over time. Data gathered took the form of extensive field notes of observations together with artefacts such as meeting agendas, papers, budgets, etc. Field notes were written up immediately after observations. In all over 475 hours of field observations (in the main) and interviews were carried out.

Since the focus here is on experimentation with routines, the emphasis is therefore on *our* accounts of this. We have avoided the temptation to rely on managers' accounts because our phenomenon of interest was the changes in routines, not managers' accounts of these. Indeed, more generally, we argue that, if the phenomenon of interest for Strategy as Practice researchers is behaviours, then the closest they can get to those behaviours, the better.

A first level of analysis of our data revealed a series of key issues that surfaced and were addressed in the period of privatization. In effect these were key episodes (Hendry and Seidl 2003) in that they had a beginning in which action was initiated and an end by which there was usually a resolution. However, since some of these episodes played out over years, we were also able to identify component 'sub-episodes' for analysis, providing a basis upon which we could examine distinct periods of activity. Figure 18.2 shows the episodes and sub-episodes that we focus on in this chapter.

It is important to understand our approach to the analysis of our data and, in particular, the role played by prior theory, since this study is framed by our concern with micro-aspects of institutional theory. The field notes drawn up by the third author were made without reference to or knowledge of the explanatory models provided earlier in this chapter. Though inductive, our analysis of these data did then bring to bear the background theoretical understanding set out above. Inductive analysis has come to be almost synonymous with grounded analysis (Glaser and Strauss 1968), but even those who advocate the avoidance of formal theoretical propositions or hypotheses, recognize that it is impossible to begin with 'a clean theoretical slate' (Eisenhardt 1989, p. 536). In fact our approach to

analysis resembled Feldman's approach in analysing routines (Feldman 2000) and corresponds, in effect, to 'analytic induction' as advocated by Robinson (1951). The analysis was informed by our broad research question, in this case to gain an understanding of how regulatory change was played out by the strategic actors involved and their impact on the resultant institutional changes. There then followed an extensive and iterative exploration of the data to consider (a) the extent to which and how those data confirmed or deviated from existing theory and (b) if they required additional explanation. In doing this the fieldwork researcher, drawing on his observations, acted as data 'informant' to the other two researchers in a search for theoretical explanations. In this way the research questions and insights were refined and theoretical explanations developed.

In this chapter, then, the reader is reliant on the reporting by the researcher of events that took place. This is not unusual in ethnographic research. It is one reason why such research is often written up as monographs. Whilst inevitably the constraints of a paper – or in this case a chapter – reduce the extent to which it is possible, the obligation on the researcher is to make the accounts of events rich enough to be meaningful and credible. It is not possible to provide an account of all the decisions and changes we observed in the three years of the study. We have chosen to analyse three episodes and the constituent sub-episodes that occurred over the three years from a business unit referred to here as FreightCo: one of three bulk freight operations established as operating units vested as separate companies within BR. Figure 18.2 summarizes the time periods over which these occurred.

What follows is an account of the episodes together with our analysis using the concepts and language from the theoretical framing discussed above. These show how the managers involved engaged with, enacted and modified institutionalized routines in the context of the institutional change prompted by privatization, initially with reference to the dominant BR template, but increasingly with reference to, at first hazy, but increasingly transparent alternative templates. In our subsequent discussion we then revisit these

accounts to advance further theoretical explanations of the way in which performative routines take form in experimentation that contributes to institutional change.

Background to the privatization of British Rail

Since the 1940s, when the whole rail system in the UK was nationalized within British Rail, it was vertically integrated, from heavy manufacturing and engineering through rail operations to computer services and travel agency. Like its industrial customers such as electricity generators, coal mining and steel producers, which were also nationalized, it was inextricably linked to government policy, financial subsidy and political constraints on capital expenditure, with much of its operations highly regulated either by legislation or by centrally determined procedures. BR had become a highly institutionalized public sector organization. During the late 1980s and early 1990s, the major rail freight customers (electricity, coal and steel) were privatized. Between 1994 and 1997 BR was then split up into sixty separate passenger transport, freight and railway service enterprises. During this period all of these were legally constituted, vested as private companies and sold to the private sector. The explicit aim of the then Conservative government was to achieve a more competitive, customer-focused operation: in effect to break the institutional mould.

In the interregnum between full public ownership and private ownership, the businesses remained in public ownership, though knowing they were likely to be privatized. Whilst BR remained responsible for effecting the transition to private status, the businesses were responsible for the management of operations of rail services and the preparation of the companies for sale to private bidders. During this time the BR business units were still subject to the institutional forces of the public sector and, in particular, the institutional template sustained by the BR board. However, the process of privatization inevitably exposed the management teams of the soon to-be-sold companies to alternative institutional

templates, which were markedly different in being market based and took form in the demands of powerful buyers and competition, as well as a reconstituted set of relationships within the railway's organizational field. In effect, this was a situation of institutional duality (Kostova and Roth 2002) by government edict.

Tracking institutional change: strategic agency and evolving routines

In this section we trace and explain the transformation of FreightCo from a nationalized public sector organization to its imminent private sector status. In so doing we focus on the way in which the managers of the business engaged with the routines which formed and defined the relationships with their parent body, with customers, suppliers and other stakeholders. We show how, over time, those routines evolved to represent a quite different organizational field within which FreightCo was located.

These changes took place over a period of four years. A year elapsed between the division of the BR bulk freight business into three companies, substantially on geographical lines, and FreightCo becoming a separate legal entity. A further three years passed before the three companies were reunited within a multinational private sector company. In this time episodes occurred which form the basis of our analysis.

The first year: habitual agency

In the period between BR forming the operating company and FreightCo becoming a separate legal entity, the executive team of FreightCo largely enacted routines embedded in their BR public service heritage whilst the BR board managed the process of privatization on behalf of the government. For example, in preparation for FreightCo becoming a separate legal entity, its executives were required to install a new operational infrastructure, independent of central BR, in order to cope with everyday necessities such as invoicing. They did not have management information systems, a customer database or their own accounting and invoicing (all of which had been previously handled by BR centrally). All the new basic management systems were defined and set up by BR so as to facilitate alignment of their businesses during the period prior to privatization whilst they were subsidiaries of BR. Although these were systems associated with their impending private sector status, they were enacted by FreightCo executives in conformity with the templates laid down in BR. Moreover, during this year, in addressing other significant issues to do with the development of FreightCo, both parties adhered to the formal procedures in BR's 'Red Book'. This laid down the systems for the financial management of BR operating units, the procedures for how they should engage with BR Centre, the frequency and timing of such engagement and the limits on executive authority on expenditure. In effect, the Red Book was an artefact (Pentland and Feldman 2005) representing BR's codified or prescribed routines for such relationships. In terms of Figure 18.1, during this period the behaviour of both the BR board and the executive team of FreightCo (FCET) was that of 'habitual agency' as they continued to conform to a public sector institutional template.

It was in the following two-year period that significant changes in FreightCo and its organizational field took place. These changes can be conceived of as a series of episodes each of which changed the nature of that field. Here we examine three such episodes as shown in Figure 18.2. The first spans the four years of the study and concerns the problems of renovation of one of FreightCo's rail terminals. The second concerns changes in the management of staff over the first three years of the study. The third relates to the renegotiation of a contract with a major customer in year three and is indicative of the shifts in the behaviour of strategic actors that had taken place by then. Overall the picture emerges of a gradual but substantial move away from central control of the rail system to greater local independence of decision-making with regard to relationships with key stakeholders. The analysis of the three episodes shows how this took place in terms of the interaction of strategic actors with the routines that defined those relationships.

Renovating the steel billet terminal: from habitual agency to strategic behaviour.

Part of FreightCo's business consisted of the rail/road transportation of large steel billets. These were unloaded at an old terminal (originally a nineteenth-century canal dock) using a crane installed in the 1950s. As a result of the terminal flooding and complaints from the customer, British Steel (BS), about restricted throughput, FreightCo's engineering director reported on the state of the terminal to the management meeting, explaining that the terminal suffered considerable wear and tear from the heavy nature of the goods involved, that subsidence was endemic, flooding a problem and that substantial maintenance had been required on the crane both to maintain operations and to meet new regulations on safety.

Initial capital expenditure proposal

The FCET decided the terminal needed to be renovated to improve throughput and quality. To this end they decided to put forward a capital proposal to the freight director of BR, requesting funds to replace the crane, repair and resurface the road network, erect a waterproof storage and handling area and demolish the adjacent canal basin. They justified this on the basis of the need on strategic and safety grounds to preserve the long-established business with the customer and the FreightCo finance director prepared a capital expenditure proposal in line with the Red Book. The proposed expenditure fitted within the remit of the BR freight director, so technically he did not have to submit it to the BR board for approval. It had also been signed off by the BR chief accountant and the director of health and safety, so ensuring that it complied with required BR standards. The managers of FreightCo were therefore conforming to a BR expectation that in this period of change all significant decisions would be referred to the BR board. In terms of Figure 18.1, agency was habitual and orientated in the past.

The BR freight director passed the proposal to the BR board, recommending that they approve it. Since he had the authority to approve it himself, this was contrary to expectations, including those at BR head office, who had signed off the proposal.

We do not know the BR freight director's motives in improvising the performance of the 'Red Book' routine in this manner; again it may also have been a desire to show he was conforming to the expectation to centralize responsibility on the BR board. However, the BR board rejected the proposal on the grounds of shortage of capital and suggested that maintenance be continued to ensure safety considerations and policy were upheld, saying that it was not their brief to commit large amounts of capital expenditure prior to privatization. The FCET accepted this decision, surmising that BR board could 'see the bigger picture' or that they were 'under government pressure'. The BR freight director's decision to refer the proposal to the board was also not questioned. On the face of it, the public sector institutional template seemed to prevail in the eyes of FCET and agency continued to be rooted in the past. However, arguably in the light of what happened subsequently (see below), the BR board's actions may have alerted them to the ambiguity and politicization of the interim period prior to privatization, and sensemaking processes (Dorado 2005) were being awakened. As a result of the BR board's decision, the FreightCo commercial director reported to BS, the customer, that they had been unable to get approval for funds to carry out the renovations of the terminal and were therefore unable to resolve the problems by that means; an outcome with which the customer voiced disappointment.

Planning permission

Given the ongoing problem, at a subsequent FreightCo management meeting the engineering director suggested and the FCET agreed that they apply for permission from the local government authority to demolish the canal basin, so solving the long-term problem of flooding and reducing difficulties in maintaining and operating the terminal. This did not, in itself, question the authority of the BR board; though the board had signalled a reluctance to commit resources to resolving the problem. However, in terms of Figure 18.1, the managers' behaviour might be seen as informed by the executives' current experience of growing customer dissatisfaction, and hence their sensemaking of a hazily seen unfolding market dominated

organizational field, rather than the norm of management compliance to BR routines.

The consultative routines that were part of the planning permission application led to objections from historical preservation societies, industrial historians and others. The result was that the application for planning permission was rejected. The subsequent appeal by FreightCo under the planning permission procedure in turn led to questions being raised in the UK House of Commons by local Members of Parliament and the BR board having to help draft replies for government ministers. The appeal was turned down. In Dorado's terms the FreightCo managers' sensemaking behaviours had inadvertently convened other actors' resources in creating leverage on the BR board.

As a result of the failed planning permission, a local Member of Parliament suggested to the FCET that, instead of demolishing the canal basin, they should apply to what was then the EEC for a grant for the preservation of the industrial heritage and extension of the modern canal network. Without consulting with the BR board or head office managers, the engineering director applied for such a grant. This was far from habitual behaviour in line with Red Book procedures and, like the application for planning permission, can be seen as performative improvisation as he sought to make sense of the 'hazy' interim situation prior to privatization. The reciprocal encouragement of the local Member of Parliament no doubt helped legitimate such experimentation.

Special provisions

As a result of what FCET assumed to be the publicity and consequent visits to the site by dignitaries, the BR board said that they would look favourably on a proposal for the specific water and road network problems to be addressed as 'extraordinary items of maintenance' under special provisions laid down in the Red Book. The requisite forms were completed, approval obtained within two months and the improvements effected by the FCET over the winter period. Evidently the BR board were themselves prepared to improvise the performance of Red Book procedures when it suited them.

By this time FCET were interacting more frequently and more independently (of BR Centre) with actors in the more peripheral regions of their organizational field (e.g. Members of Parliament and the EEC) and were experiencing reciprocal behaviour from them. In this way FCET had convened resources that impacted on the core actors in their organizational field (i.e. the BR board). The extent to which this had been done wittingly was unclear but during this period there were increasing suggestions about mobilizing external help (e.g. local government councillors, Members of Parliament, union officials) to 'loosen central purse strings'.

Local contract

Contracts with BS had been negotiated centrally by BR with more detailed operational arrangements handled locally. In the course of these operational discussions the local BS management suggested to the FreightCo commercial director that they would be prepared to place an order over and above normal tonnage specified in 'The Contract', guaranteed for a period of three years at a premium price to reflect the extra handling equipment required. Otherwise the operation would be under similar terms and conditions as the head office contract. In that the BS purchasing director elected to go directly to the FreightCo commercial director, he prompted a major performative improvisation in the ostensive routine governing commercial relations between BS and BR. Faced by the initial uncertainty and ambiguity of the unfolding commercial relationship with BS and the hazily perceived opportunities on offer, FCET managers' sensemaking behaviours predominated, although as the opportunities became more transparent these seem to have graduated into more strategic responses. The FreightCo managers welcomed the BS proposal, although they expressed concerns that achieving extra throughput at the depot would be difficult even if the new arrangements to combat water and the resurfaced the roads were in place. The FCET directed the engineering and finance directors to find a route to employ improved handling equipment as soon as possible in order that the additional throughput could be handled. Their proposed solution was a leasing agreement.

Leasing proposal

To meet the extension to the BS contract, the FreightCo managers made a further special case to the BR board, as provided for in the Red Book procedures for entering into lease agreements. They proposed back-to-back arrangements for three years with the cost of leasing a crane and other handling equipment set against the extra tonnage guaranteed from BS. The proposal showed a return on funds employed at four times that specified as the minimum in the Red Book and over three times that forecast on recently approved expenditure proposals from other parts of the BR Group. The BR board rejected the scheme as being too expensive, pointing out that 'contract negotiations' with BS were the prerogative of BR centrally in the person of the BR director of freight. Clearly the BR board was concerned to maintain the structure of the existing organizational field and their actions in performing the Red Book routine (i.e. refusing approval) prevented FreightCo from reciprocating BS's advance to shift the routine governing commercial relationships to a local level. At this stage, whilst the FreightCo managers were beginning to make sense of the emerging market template that would structure their relationship with customers, they were unwilling or unable to extricate themselves from the habitual, residual BR public sector template. They were prepared to reciprocate BS's advances to restructure the routines governing commercial relationships between themselves, but unprepared to abandon the routines governing their relationship with BR head office.

FCET were instructed to advise BS locally of the BR board decision. This they did at the next meeting with BS only to be asked to receive a delegation of inspection from BS head office the following week. Over dinner with the FCET, the senior member of this BS delegation expressed his disappointment that the extra throughput would not be forthcoming:

> Clearly this is a local matter. Without local enterprise it is clear from our inspection and past results that we are already working at the edge of what is practical – maybe we will even have to cut back if the weather is bad or equipment degrades further. There is no possibility of negotiating any central

modification to 'The Contract', I'm afraid, so I shall leave it to your good local relationships to sort this out for the mutual benefit of both parties (Conversation reported by FreightCo Commercial Director)

Here, then, we see a major customer making overtures to FCET to reciprocate and experiment in anticipation of opportunities that are still hazy in the restructuring their organizational field.

Short-term lease

The FreightCo finance director reported to the next management meeting that he and the engineering director had agreed a way forward. Leases under one year were exempt under the Red Book provisions: they had uncovered a means of experimenting and significantly improvising upon BR formalized routines. Hence, it was possible to have the equipment installed immediately by a contractor. The latter would charge a monthly fee based on extra throughput achieved. The details were approved by the commercial director, the extra tonnage agreed with BS by an 'operational modification of Local Conditions of Custom & Practice' in order to avoid any ramifications affecting 'The Contract' and a contractor employed to install the necessary equipment speedily.

By ignoring the BR board's directive that all such negotiations should take place centrally and by finding a lacuna in the Red Book procedures so as to enable them to take a local decision to lease equipment without BR head office approval, they improvised a major slippage in the commercial relationship routine between BS and BR. It was experimental behaviour that also gained from the added legitimization of senior BS managers (i.e. 'meeting customer needs'). The FreightCo managers had shifted from the position of being 'neutral' actors being pulled in conflicting directions by the competing institutional templates (Figure 18.1) to actively embracing the emerging market template and paying lip-service to the residual public sector template. In Dorado's terms the temporal focus of their agency had shifted from the 'past' BR template to the 'present' emerging market, and their improvisations from being bound by the habitual to more strategic behaviour. In addition

BS's attempts to restructure inter-organizational arrangements appeared to convene resources to jump-start FCET's experimentation in changing the BR institutional template.

A postscript

During the internal audit carried out for 'due diligence' prior to the sale of FreightCo on privatization, the BS agreement and the handling arrangement were examined. It transpired that the contractor had an option to continue the lease for three years or for the period when BS were moving extra tonnage through the FreightCo depot, whichever was the shorter. This was ruled by both the internal and external auditors to be a non-observance of the Red Book regulations. Both the finance and engineering directors of FreightCo were sent home on 'gardening leave' whilst the privatization sale was completed. The day after the new owners took control, both were reinstated along with congratulations as to their 'entrepreneurial spirit'.

Negotiating staff relationships in an evolving organizational field

HR audit

Prior to the process of privatization, HR was managed centrally. In preparation for splitting BR into separate operating companies the BR personnel director had commissioned consultants to design an HR audit to enable operating companies to survey staff capabilities and expectations as part of preparations for their sale. The FCET enacted the BR procedure for dealing with 'suggestions' from BR directors by placing it on the FCET meeting agenda. The ensuing debate resulted in them agreeing to do the survey when time permitted, but with some reluctance given all the other pressures of the first year preparing for vesting and sale. The survey took six months and the analysis three months, resulting in a one-year time span before the results were published. The team had complied with the BR Directors 'suggestion' but with an element of improvised delay.

HR report

The FreightCo personnel director produced a report that was sent to the BR personnel director at the same time as to the FreightCo board meeting (further evidence of the enduring public sector template). The report's conclusions revealed a transparent opportunity for a restructuring of FreightCo human resources through considerable simplification and reorganization, better use of resources and for removing lines of demarcation, reducing overstaffing, increasing flexibility and reducing bureaucracy whilst also enhancing the career expectations of staff. During the year it took for the audit results to become available, the FreightCo managers' temporal orientation seemed to have shifted to the present and future, not least because of their increasing pressure from and involvement with customers, who themselves were exercising choices in staffing. Their own perceived opportunities in this regard were becoming more transparent.

The BR personnel director did not respond to the report. However, the FreightCo managers wanted to realize the benefits envisaged in the report by implementing a programme of retraining and redundancy. Since no resources were available and such a programme required negotiation with the unions, currently the prerogative of BR Central personnel department, they approached the BR personnel director for his support. The procedure for influencing BR HR policy was through the personnel advisory group, chaired by the BR personnel director who invited the FreightCo personnel director to present a paper arguing the FCET case to the group. According to the FreightCo personnel director the response to the presentation was 'the systematic demolition of the paper by members of the advisory group'. The BR personnel director then wrote to the FreightCo MD: 'Local negotiations on such matters would have grave consequences across the BR Group which must be avoided at all costs in the run up to privatisation'. The FreightCo MD saw this communication as unusual: the BR personnel director would not normally notify in writing because it would not normally have occurred to him that the FreightCo MD would have done anything different. The fact that the FreightCo MD interpreted it as the BR personnel director treating him differently; i.e. accepting that he *might* do something different, had symbolic significance, in effect flagging the divergence in

interests and emerging schism between the old and imminent institutional templates. At the FreightCo board meeting the FreightCo managers discussed whether they should reply to the letter and decided not to, agreeing they would not do anything to overtly challenge the BR board.

Local negotiations

A few months later national union officials requested of BR head office personnel department that they visit locally with the BR freight businesses. This was agreed on the basis that it was the continuation of meetings previously held centrally to sort out short-term operational matters outside the centrally agreed contractual wages and conditions agreements. Nonetheless, this does appear to be a performative slippage in the established routines governing relations between the unions and BR hitherto. At this meeting with FCET the union officials expressed their willingness to grapple with the local issues of productivity, redeployment and retraining, whilst accepting that some redundancy was a necessity for effective handling of staff career expectations. On the FreightCo MD's advice the national officials agreed to take this up with the BR personnel department. By now it was year three. The MD had learned to recognize the differential power of strategic actors in shaping the emerging organizational field and consequently the union's enhanced ability to influence the restructuring of routines in line with the market template. He was encouraging improvisation, in this case by the unions but also in the interest of FreightCo, on the basis of the reciprocal behaviour of the unions. A month later the FreightCo personnel director was able to report that, not only had the previous edict been rescinded, but that an allocation of the central budget for retraining and redundancy was immediately to be made available to FreightCo to enable the implementation of their programme. The intervention of the unions had influenced the BR personnel director to improvise on the established routine for the centralized control of budgets and allocate part to FreightCo. However, BR insisted that conditions of pay and employment continued to be the responsibility of head office until privatization was accomplished.

In Dorado's terms, the resources for jumpstarting these organizational changes had been leveraged by the convening of inter-organizational actors (i.e. the unions) as sensemaking and then strategic behaviours were made possible by more transparent opportunities emerging in the restructured organizational field.

Reframing customer relationships: strategic agency at work

A large recently privatized electricity utility had a contract with BR to haul coal from the mines or docks to its power stations. At the end of year two, they informed BR that they could do this themselves, for a proportion of their sites, and proceeded to buy locomotives and employ their own drivers. For this customer the opportunities from their own earlier privatization had evidently become more transparent and they were engaged in strategic behaviour to leverage their resources. BR centrally held the contract, however, and threatened the company with legal proceedings, worsening what were already tense relationships.

Customer service contract

FreightCo's commercial director reasoned that health and safety considerations would require extensive training and retraining of the electricity utility's drivers and other personnel such as wheeltappers and guards. He also anticipated that ebbs and flows of supply would result in peaks where extra quantity would be required at short notice at premium prices to the supplier that had a good relationship and could respond quickly. He therefore negotiated an 'emergency peak shaving' contract to haul freight when required at short notice in return for a regular stand-by fee plus an incremental cost based on tonnage actually moved. The latter figure was three times larger than the usual price 'per tonne' in the central contract owing to the 'disturbance' involved. He also offered to train the customer's drivers for a commercial training fee, using FreightCo's training and simulation facilities. By these means on behalf of the FCET he restructured a significant part of the contract negotiation routine between BR and one of its customers. Although this had been a response to the emerging organizational arrangements, FCET had proactively enacted

slippage in established routines, ignored the BR board and initiated changes in routines in line with an increasingly transparent market template. The customer's actions had invited the commercial director's reciprocal experimentation in restructuring their inter-organizational arrangements.

The BR personnel director tried to stop the training, but the FreightCo MD persuaded him that it was necessary because of the health and safety risks of having poorly trained train drivers on the track. In so doing he 'pulled the BR health and safety card', a core aspect of the BR template. By now FreightCo managers, as strategic actors, were behaving in terms of their perception of increasingly transparent future relationships with powerful customers and using BR norms and routines to enact wholly different market arrangements.

Discussion

Our purpose in this chapter has been to explore how, and to what extent, managers adhere to or amend institutionalized routines in a period of institutional change and, in so doing, affect the outcome of such change. We have argued that routines are a useful focus for our analysis for two reasons. First, because routines provide a useful basis for understanding micro-aspects of institutional change. Second, because, whilst they are the fabric of institutional form, managers engage with them on a more quotidian basis and, as such, they also relate to managerial practice. This link between institutional form and routines further highlights that, just as the nature of routines have both the potential for change and for stasis (Feldman 2000, 2004; Feldman and Pentland 2003), so too does the inherent structure of institutions (Sewell 1992) if the rules and norms as manifest in such routines are considered as the fabric of institutionalization. Here we consider how the evidence from the accounts of the episodes extends the theoretical explanation at the beginning of the chapter to help advance the understanding of institutional change in terms of managers' experimentation with routines. In this endeavour, the model developed at the beginning of the chapter and encapsulated in Figure 18.1, whilst helping the understanding of

micro-processes of institutional change, can be extended by a finer-grained attention to managerial action.

In what follows we first acknowledge that our explanation has to take into account the undoubted influence of regulative changes and therefore the relationship between a top-down and bottom-up explanation of institutional change. We then examine more carefully the nature of what we term *cumulative experimentation* and propose how it takes form in terms of the manipulation of routines. We conclude by relating our findings to the Strategy as Practice research agenda.

Top-down and bottom-up Change

We recognize that the institutional change and re-creation of the organizational field we examined was substantially because of top-down regulative changes through government action. The overall architecture of this reconfiguration ended up largely as it was intended. However, it was not just powerful actors such as government that played a part. Managers were agents of change in shaping the detail of the eventual institutional forms and the nature of the transition.

The interplay between regulative and normative forces was also evident in the privatization of BR. The government rationale and action to restructure the rail system were explicit. They argued that structural change was necessary for the purpose of achieving behavioural, indeed cognitive change. They effected changes in the rules governing the constitution and architecture of the field and thus legitimized the entry of players with different institutional histories and interpretive schemas. The normative influence of the established British Rail culture embedded within the organizational field was also undeniable and took form, not least in the way in which long-standing rail practices persisted and were preserved despite the diminishing role of the BR board, which saw its role as ensuring a conformity to the privatization process by BR companies. We argue, however, that the normative influences and institutional routines of the past came to take on a different role as time progressed; indeed that, as they shifted from the taken-for-granted to the explicit, they came to be

a basis of the *cumulative experimentation* initiated by institutional actors.

Cumulative experimentation

Dorado's (2005) explanatory model is useful in terms of both temporality and the role of institutional actors. At first FreightCo's managers' temporal orientation was to the past and their behaviour habitual (Dorado's 'routine'). Insofar as change occurred, it was through 'accumulation'. It was as their temporal orientation shifted to the present and then the future that we see them becoming more proactive. As time moved on, opportunities, initially opaque, moved from hazy to more transparent. This went hand in hand with the roles played by institutional actors' improvisation or experimentation. Change was stimulated through 'convening', as strategic actors from different institutional backgrounds began to collaborate in a developing network and 'leverage' comes later as the strategic actors, including FreightCo managers, deliberately manipulated institutionalized routines.

However, helpful as this patterning is, of itself it tells us little about the nature of the managerial activities within their institutionalized contexts. Moreover, many of the categories of political action described, for example, by Fligstein (1997) were evident in the episodes of change we have described. It is therefore necessary to consider experimental behaviour as political action. What is missing is the explanation of the links between institutional change and political behaviour in terms of institutional routines.

Regulative and normative forces may prevail because powerful forces act to ensure they do; but they do not necessarily prevail because of unquestioning conformity to them. They provide the framework within which meaning is constructed and action is taken. Managers as institutional actors may continue – may have to continue for purposes of legitimacy – to act in terms of institutional routines as they have existed. However, those routines may also prevail because managers choose that they should; or may choose to employ such routines for their own purposes of experimentation.

The distinction between the institutional artefacts – such as the Red Book – and ostensive and performative routines (Pentland and Feldman 2005) is useful here. In our case, examples of performative routines were progressively more improvised as deinstitutionalization proceeded. In terms of institutional artefacts and the ostensive routines associated with them, we see different ways in which individual actors, or groups, engage with them. A pattern emerges in which, initially, strategic actors 'play within' established routines, but escalate plays with or outside those routines in response to 'market' context (Greenwood and Hinings 1996) until change occurs. An important factor explaining this appears to be whether or not they accept them as given. We argue that there are two dimensions here. The first is whether they take as given the legitimacy of the institution itself: in the case of FreightCo, the extent to which managers took as given the legitimacy of the public sector institutional template within which, in regulative terms, they were supposed to be acting. The second is the extent to which the (ostensive) routines of that institution are raised to consciousness and seen as potentially questionable. These dimensions, whilst related, are not the same. In the first year of our study there was little evidence of the legitimacy of the public sector institution being questioned, and its routines were accepted and responded to. For some time after that, although the FreightCo managers were beginning to question that legitimacy, they adhered to institutional routines. And even when they went further in their experimentation, it was well into the later period of our study before they appeared to question fundamentally the legitimacy of the institution, even when they were quite consciously 'playing with' its routines in performative terms. We identify four modes of acting (or playing) on this basis that help explain the cumulative experimentation witnessed in FreightCo (see Figure 18.3) associated with varying levels of agency in Dorado's terms.

The *conforming* mode accepts the legitimacy of the institution and its routines, as set down or as inherited, and seeks to engage appropriately within this framework. This was exemplified by the behaviour of the FreightCo managers in the first year of privatization. Here compliance is based on
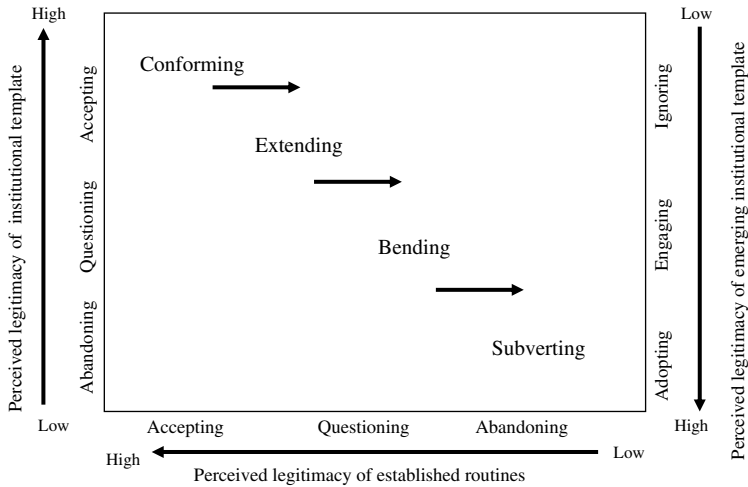
Figure 18.3 Performative modes of improvising old institutional routines

the legitimacy of the regulative or normative insti-tutional frameworks. There may – or may not – be personal acceptance of the 'rightness' of such rou-tines, but they are accepted and enacted as part of what is normal or required.

The *extending* mode stretches the boundaries, norms and routines of the institutional framework by introducing extensions or amendments to insti-tutionalized routines, but still within the legitim-acy of the established institutional structure. Such extensions, however, depend on taken-for-granted norms and routines becoming explicit, such that they might be seen as open to change. This is likely to be a function of those norms being at least spe-cified and perhaps questioned by strategic actors from other organizational fields. Initially this may take the form of what Dorado (2005, p. 386) refers to as a*ccumulation*, where 'the uncoordin-ated actions of countless actors probabilistically converge'. However, as the reciprocal behaviour of these actors becomes apparent, experimenta-tion becomes more deliberate. We see this, for example, in the applications for planning permis-sion and the EEC grant, and the FreightCo man-agers' apparent encouragement of the unions to intervene with the BR board. In Dorado's (2005) terms, here *leverage* is occurring, by which she means that politically skilled actors mobilize sup-port and acceptance.

However, the more such questioning grows, as 'convening' in Dorado's (2005) terms develops across organizational fields, the more the nature of the institutional template and its routines are appre-hended, the more it is likely that the legitimacy of both will be questioned. We propose two forms of performative action here:

We see strategic actors '*bending'* rules. Here institu-tionalized routines may still be employed, either because they are seen as legitimate in them-selves or because they are seen to have utility for the purposes or ends of the actors themselves as they question the legitimacy of the institution. We see this clearly in the way FreightCo dealt with the customer service contract, for example, and in their handling of the initial leasing pro-posal with BR board.

Finally, '*subverting*' is where the strategic actors more or less consciously seek to undermine prevailing institutionalized routines (Goffman 1961; Holm 1995) for the purpose of challen-ging the legitimacy of the institution itself. The independent establishing of the short-term lease to deal with the freight terminal is an example.

In the episodes we reported earlier there appears to be a progression here. Figure 18.3 attempts to capture this but is too neat. The progression from initial *conforming*, to *extending* to *bending* and

eventual *subversion* was not linear, but rather tentative and iterative. However, as this occurs we do appear to see an escalation of the awareness of strategic actors of their capacity to exercise influence by so doing, as noted by Fligstein (1997). It is this escalation that we term *cumulative experimentation*.

The above captures the institutionalized nature of strategic actors' experience, allowing for routines to be taken for granted, or conformed to but also allowing that they may become or be seen as explicit, in this sense objectified, and over which managers as agents may exercise choice. Indeed, central to our argument is that for managers to influence the processes of institutional change, the taken-for-granted nature of institutionalization needs to be rendered explicit and challenged such that the cumulative experimentation we observe may facilitate and promote this. In this sense, for deinstitutionalization to occur, the reverse cognitive processes must exist to those that led to institutionalization in the first place. The process whereby social constructions become objectified into social facts is reversed. Social facts are rendered visible to strategic actors so that they can be challenged, changed or overthrown, and thereby the process of change is open to influence and agency and the context to social reconstruction. The taxonomy in our model helps articulate how this occurs. To use the metaphor of a game, it is only through the institutional template being seen as 'a game' rather than 'the game' that alternatives become accessible. Ability to succeed in challenging or resisting existing institutional forces, as Oliver (1991) argues, will be affected by their associated resource dependencies; however, willingness to influence them is dependent on them being experienced as open to question. Our model shows how this might happen.

Conclusion

This chapter has taken up a dual challenge. First, that posed by Johnson *et al*. (2007) to explore links between what managers do in practice and institutional effects and their outcomes. Second, that posed by a number of institutional theorists,

to explore the micro-processes of deinstitutionalization. To do so it has utilized previous theoretical contributions to the debate on institutional change to build a theoretical model and examine the explanatory power of that model in relation to a process of deinstitutionalization within the rail system of the UK. That study has not only shown the explanatory power of that model, but has allowed a finer-grained explanation of the part played by the bottom-up enactment of institutional change.

In particular, it has shown how slippage from a dominant institutional template takes form in increasingly agentic 'cumulative experimentation' by managers. Further, it shows that this experimentation with routines is not random but may be dependent on a number of key factors. These include the shifting of temporal orientation from past to future, thereby raising to consciousness a duality of institutional templates, the exposure of strategic actors to alternative templates through interacting with other organizational fields, and their experiencing of reciprocal behaviour to their experimentation. Further, it has shown that such experimentation is likely to take form in the extending, bending and subverting of institutional routines again dependent on those factors.

Indeed, such routines become centrally important in explaining institutional change. We have shown how the mutability of routines embedded in institutions can, as Feldman argues, be both the basis of conformity and the source of change. In the context of institutional theory, this is of some interest. Institutional routines are typically considered as forces for conformity, legitimacy and isomorphism. In line with Feldman's (2000, 2004) arguments, here we also see them as offering the potential for change. They are the basis upon which experimentation may occur and provide a basis upon which processes of institutional change can be considered, conceptualized and observed. We further argue that this manipulation of routines is not random. Rather it is influenced by the strategic actors' contact and involvement with other organizational fields and the extent to which they are opaque, hazy or transparent (Dorado 2005). However, we are able to go further to show just how this occurs. We show that, initially, such contacts are tentative and may give rise to no more

than the questioning of the efficacy of routines or the legitimacy of the institutional template. We also show, however, that as time progresses, contact with other fields increases and the inevitability of the exogenous shock becomes more immediate, there is a hardening acceptance of an alternative template and a consequent increasing questioning and eventual subversion of existing ostensive routines.

Implications for Strategy as Practice

A central concern of Strategy as Practice research is to explain the links between what people do as they strategize and the outcomes of their strategizing activities (Johnson *et al*. 2003, 2007). Typically, this may be at an organization level examining the links between strategizing and organizational processes or organizational strategies. However, here our concern has been the effects on institutional forms and the wider organizational field. In so doing the research flags up a number of implications for those interested in Strategy as Practice.

First, for the researcher, if the aim is to look at the effects of strategizing, then there is a need to go beyond the consideration of how to collect and examine data on the activities of strategizing. There is also the need to trace through the implications of those activities. This highlights the importance of selecting a research context in which it is possible to identify such effects at organizational or institutional levels. It also highlights the likelihood that such observation needs to be longitudinal in nature. It may well take time for such effects to take form. Whilst we are aware of the limitations of our research, we hope that it illustrates these lessons for researchers. Whilst it is a case study of relatively limited scope, nonetheless the context of the research had significant benefits in seeking to provide insights into a practice perspective on institutional change. It was clearly a context of major institutional change. We were also able to observe the activities of managers as strategic actors and trace their effect on organizational and institutional routines in the context of top-down institutional change over time. Nonetheless, in relation to the

Strategy as Practice agenda, we also acknowledge that still finer-grained understanding of the processes we observe would be valuable. Here, we are conscious that our focus has been on the managers' experimentation with routines. In this sense such experimentation is reported as 'outcome'. It would be valuable to go further and explore more specifically just how such experimentation might be triggered and enacted in the drama of organizational life that plays out in organizations.

There are also implications here for the practitioner, which in turn may further inform Strategy as Practice research agendas. Certainly our findings support those who argue for the significance of an upward influence on strategic outcomes (Balogun and Johnson 2005; Floyd and Wooldridge 1996). It also points to what amounts to a political agenda for the practice of strategy. It suggests ways in which substantial influence may be accomplished by: (a) recognizing and critically appraising the origins of what generally may be taken-for-granted routines; (b) pushing the boundaries of those routines – here we described this as *extending, bending and subverting*; and (c) building alliances of influential stakeholders in so doing. In the face of highly institutionalized pressures for conformity, the chances of managers as strategic actors making a difference may, then, critically depend on their ability to raise to consciousness that which is normally taken for granted, and their preparedness to exert the political influence that they have at their disposal in the form of organizational routines.

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