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# **De-cermonialisation for Success**

- Institutions, Reforms and Individuals

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### Abstract

Differences in the ways in which organizational units progress might be explained by existing institutions and their organization: the institutional arrangement. Research has indicated the importance of institutional change while being unable, however, to predict the conditions that trigger change. In order to understand and increase our knowledge of how to increase efficiency, it is important to understand the transition from the instrumental to the ceremonial and how and why ceremonial values are questioned and dismantled. This paper contains the condensed results of studies of different types of municipalities. It describes the characteristics and discusses the ways in which changes were implemented. The paper shows that different types of municipalities appear to contain strong ceremonial values, which prevent them from adapting to changed circumstances and to maintain efficiency over time. The existing institutional arrangement needs to be challenged, for example by implementing organizational changes.

**Key words:** Ceremonial values, institutional change, cermonialisation, efficiency municipalities, organisational reforms



## An Institutional Approach

In the beginning of the 1900s, John R. Commons developed important arguments and principles for societal development and organizational efficiency. His discussion is based on the idea that collective action governs individual action. The collective controls the individual because individuals act according to institutionalized ideas and beliefs. Informal institutions govern an organization's everyday activities. At the same time, Commons points out that change may be achieved by challenging existing beliefs. He believes that institutions and individuals are involved in a continuously ongoing process and a mutual interaction causes institutions to change, strengthen or weaken. Commons uses the concept rationality which refers to long-term progress and claims that rational management may eliminate existing institutions. Rationality will subsequently triumph, thereby eliminating unbeneficial and inefficient institutions (Commons 1934/1990, Rutherford 1990 and Hodgson 2003).

Institutions thus influence individuals and while they may provide opportunities for as well as facilitate actions, they also include limitations. Commons' perspective is optimistic with regard to the possibilities for renewal. Existing beliefs must be challenged and representatives of the organizations naturally have an important role in identifying weaknesses and removing obstacles. Commons attributes a highly significant part in an organization's positive development to the organizational leadership. Institutions and individuals interact and the way in which the interaction takes place, is crucial.

Marc Tool, one of the leading scholars in the area of critical institutionalism, believes that institutions account for many serious disruptions to operations. Tool views institutions as a strain for financial units. Ideas and beliefs that are taken for granted prevent appropriate progress. Traits, which originally were beneficial to operations, may, over time, become routines that "have to" be performed and may include arduous rules or rituals, which are no longer beneficial to anybody or anything. Over time, these traits become protected and individuals in the organization might no longer be able to distinguish them. They are undesirable, unintentional, and moreover, they are subconscious. They are taken for granted subconsciously. Values that used to be instrumental - they once contributed to higher efficiency - have become ceremonial and their significance is mostly symbolic (see Tool 1994, Bush 1987, Brorström 2002 and Parto 2005). Ceremonial values influence decisions and actions in ways that have a negative impact on overall operations.

While ideas and beliefs might benefit certain parts of the organization they may not be beneficial to overall operations and they might be protected by benefited groups and actors. Existing conditions might make sense from the perspective of a single unit or individual, but they may be problematic for overall operations. The organization

suboptimise which is negative for the activities and the efforts to become more efficient.

Path dependency is an important concept in this context. It means that events follow a specific path from which it is difficult or impossible to deviate. The term also implies that certain actions and routines are locked into the path. This process might be conscious because investments in a certain technology, practices or knowledge produce strong interests in defending the existing organization. It might, however, also be subconscious. Issues are addressed in a certain way without prior consideration (see Siverbo 2004 who addresses the significance of path dependency, as well as Stack and Gartland 2003 who develop a discussion about "path dependency" and "path creation"). Ceremonial values might also possibly weaken and be replaced by values that are more beneficial to the unit's progress and position. An organization might contain ceremonial values either from the beginning or as a consequence of a formal change such as an administrative reform. Making the changes and implementing the reform, required forceful symbolic decisions and actions, which were subsequently established in the new organization and became increasingly problematic over time. A more beneficial organizational development requires a weakening of these values as well as institutional reform. This kind of institutional transformation may be labeled de-ceremonialization.

Differences in the ways in which financial units progress might be explained by existing institutions and their organization: the institutional arrangement. Research has indicated the importance of institutional change while being unable, however, to predict the conditions that trigger change. In order to understand and increase our knowledge of how to increase efficiency, it is important to understand the transition from the instrumental to the ceremonial and how and why ceremonial values are questioned and dismantled (for important discussions see Screpanti 1995 and Rutherford 1996). Nooteboom (2002) claims that without institutions that contain ceremonial values, organizations may be able to explore opportunities in the surrounding world as well as use existing resources efficiently (see also Redmond 2003). Weak ceremonial values or an ongoing de-ceremonialization may thus be assumed to produce a higher degree of efficiency. The word efficiency includes an ability to adapt operations to changing conditions while ensuring that available resources are used efficiently. In addition, the term efficiency implies good financial management and an ability to maintain a satisfactory financial situation over time. An organization's beneficial financial development may thus be due to a de-ceremonialization or a lack of ceremonial values (see, for example, Adkisson 2004). The leadership's actions and its awareness of the situation are crucial for implementing the necessary changes.

## Characteristics of Municipal Types

The municipal studies show the municipalities' characteristics and what factors might explain their developments and their current situations. There are differences and similarities between the different kinds of municipalities. The successful ones have characteristics that promote continuity. They emphasize the importance of cooperation both interdepartmentally and between elected officials and administrators. They also emphasize consensus-based decision making. Their cautious approach affects their view of change. These municipalities also focus on ongoing operations and on maintaining cost efficiency. Another trait is the importance of a fair distribution of resources, from a geographical perspective: a geographical allocation of funds. The mergers of municipalities that took place in the beginning of the 1970s are incomplete in the sense that the old ways of viewing the municipality remain. Municipalities appear to be successful because they stay true to their roots and protect what is already there.

The poor municipalities strongly emphasize the importance of a fair geographical allocation of funds. In addition, representatives frequently make excuses for their situation by mentioning difficult external conditions that have been detrimental to the municipality such as an unbeneficial and costly geographical structure, population changes and changes in regulations. Representatives of one of the municipalities in the study particularly emphasized the detrimental external circumstances, such as the financial leveling system between municipalities, and they appeared to believe that the unfairness of the system was a sufficient reason for not doing anything about their situation; the representatives believed it instead to be the responsibility of the state. One characteristic, thus, is a tendency to seek explanations and comfort from factors that are outside of the influence of the municipality. Some of the poorer municipalities, however, also mentioned significant leadership and management problems. Many new politicians in leadership positions and many new managers, as well as a high turnover caused instabilities as well as an inability to manage the situation. The crisis in the poorer municipalities had indeed been caused by their inability adapt to operations to current conditions.

Each of the municipalities, which had faced a crisis, but had managed to turn their situation around, had mobilized to effect change. A new group, a duo, trio or a quartet, of politicians and/or administrators had been given the assignment of turning the situation around. They had mobilized their decision making capacity and managed to transform by referring to outside pressure, and taking action to reinforce the sense of crisis. Examples of actions are tearing down habitable housing. They also reinforced the feeling of crisis by disclosing that banks were no longer willing to lend money to the municipality. They were thus clear about current conditions; they focused on the task at hand and they centralized to make difficult decisions. The change, however, was not permanent. In many of the turnaround municipalities the problems and the crisis presently returned.

In summary, the successful municipalities may be described as cautious and content. The poor municipalities blame external circumstances and lack incentives that are strong enough to achieve change. The turnarounds do mobilize, but their attempts to centralize and create an awareness of the crisis have not had any long-term impact. All three studies illustrate the difficulties involved in achieving change and break with old routines. Based on these results there is reason to problematize the municipalities' ability to face new circumstances. The municipalities that are currently successful appear to have ceremonialized characteristics that promote continuity. The poor municipalities are embedded in ceremonies that prevent progress and while the turnarounds managed to transform, their problems returned a few years later because they had been unable to dismantle or weaken the ceremonial values.

### De-ceremonialisation – Two Completely Different Examples

The description of these three types of municipalities contains a problem. The municipalities appear to be successful because they are not changing, which probably means that the rate of success may be diminishing. The poor municipalities, including those who have been unsuccessful or have not even tried to change, as well as those who have tried and failed to achieve long-term change, appear to be stuck in an institutional arrangement from which they are unable to escape. The situation may be explained by ceremonial values which cause things to be done in ways, which are no longer beneficial to the organization. The studies highlight the importance of change as well as the difficulties that are involved in de-ceremonializing and effecting institutional change.

A number of other previously published reports have discussed the circumstances under which de-ceremonialization takes place. In these studies we found a few occasions when conditions that had previously been taken for granted were questioned and reforms were subsequently implemented. Two examples are the University Hospital and the Coastal Municipality. They represent completely different examples of how a de-ceremonialization might occur. One case is dramatic and explicit and the other unremarkable and implicit.

The University Hospital was formed in 1997 through the merger of three big city hospitals. The new hospital consists of ten divisions encompassing several hospitals. The new organization changed everything. Dismantling the separate hospital units and introducing new medical connections with new vertical and horizontal relationships created strong opposition from the employees. The divisional organization challenged the employees and their established everyday lives.

The new organization was thus questioned very strongly and hospital directors came and went. The hospital management eventually had to retreat and adapted the organization according to the professionals' demands. The divisional organization was dismantled and replaced with a geographical organization in which the previously independent hospitals constituted districts and they thereby retained some of their identity. In addition, certain medical connections changed. Evaluations of this reform have shown that it produced a more positive view of the organization and the leadership, which were not due to reform itself, but rather to the logic of changing the divisional organization and establish districts. The fact that the three previously independent hospitals became districts was interpreted by some as a complete return to the previous organization. This has not happened, at least not yet.

While the hospital management was forced to retreat and adjust the divisional organization, the important aspect in this context, is that the process of establishing the divisional organization produced an acceptance for the new mode of operations and an understanding for the need for a different form of management. The hospital's finances have improved and evaluations indicate that representatives of the professionals believe that issues concerning, management, leadership and organization are important. Although the organizational reform that transformed the hospitals into divisions was, to some extent, a failure, it challenged the professions and thereby contributed to a new outlook while employees adapted to the new circumstances. A de-ceremonialization took place and today the University hospital's finances are under control, there is stability and employees are content with the current situation.

The Coastal Community is another example of de-ceremonialization. The municipality previously displayed the classic characteristics of a small rural municipality, which was formed in 1974 after a certain resistance from the municipalities that are currently parts of the new organization. These classic characteristics include a geographical allocation of funds and centralized management based on a vast knowledge about local conditions. Local politicians might also mistrust municipal administrators. Things do not happen quickly in the Coastal Municipality; there are no dramatic changes, but there is still a movement in the direction of a different mode of operations. One indication of this transformation is that the forms of fund allocation and centralized management have been problematized. The Coastal Municipality appears to be de-ceremonializing, which includes weakening the geographical fund allocation and strengthening the operational fund allocation. It currently focuses on operations rather than on the geographical unit. In addition, the mutual distrust between politicians and administrators has been replaced by a distant, but professional relationship. The changing attitudes provide opportunities for viewing operations as a whole, which is shown in increased decentralization and openness. This situation does not benefit the individual parts of the organization and it is combined with a stable financial development and healthy finances. There is an apparent relationship between an improved financial situation and de-ceremonialization.

### De-ceremonialisation – New Organization and Twice the Pressure

Existing structures and routines have to be challenged to effect change and adapt to new conditions (Screpanti 1995, Dequech 2002 and Webb 2002). Institutionalized and established ideas and routines must be questioned to avoid stagnating operations that are unable to meet existing demands. This claim is supported in Mary Douglas's classic study (Douglas 1987) about how institutions think. For individuals to remain intellectually independent it is important that they are able to resist being shaped by institutions. A first step toward avoiding this influence is to find out how institutions affect our ideas, beliefs and points of view. One aspect consists of identifying the point at which institutions cease to be instrumental and benefiting actions and instead become ceremonial with the main function of guarding existing conditions. Ceremonial values are not necessarily problematic, but they may be devastating and may prevent members of the organization from discovering inefficiencies and/or introduce reform. From a theoretical perspective, it is crucial to study this transition for developing knowledge about how and why institutions change (Bush 1987 and Hodgson 1998).

One way to challenge current beliefs and effect change is thus to introduce administrative reforms and new organizational and management principles, like at the University Hospital. These changes will certainly be questioned and members of the organization may try to resist or adapt them so that they do not affect operations. Reforms on paper only may sustain the organization's legitimacy for a time, but actual reforms probably have to be launched at a certain time (see Røvik 2000). There are many examples of insignificant administrative reforms because it is in the interest of many of the organization's members to render them pointless, which does not mean that attempts should be avoided or that the leadership only tries to create symbolic values. Change is founded on a problematization of current conditions and on individuals who are pushed to implement reforms and improvements. Introducing a new organizational structure may constitute the means for effecting change. The reforms are formal institutions that challenge the informal ones and both successful and failed implementations affect the institutional arrangement.

In the Coastal Municipality the new routines were not created by organizational change or other explicit reforms. The introduction of the zero-base budget in the end of the 1990s may have contributed to a new way of thinking. Reforms may also be implemented by simply encouraging innovations and allow them in everyday operations. In the Coastal Municipality reforms are implemented spontaneously without formal challengers or individuals who are particularly innovative or provocative. The environment appears to provide individuals with opportunities for being innovative and to change and adapt to new circumstances together as a group. One explanation for why ceremonial values are weakened and replaced is that they have been the subject of external and internal pressures. The external pressure consists of new financial

conditions and demands for services from permanent and seasonal residents. The internal pressure is based on professionalized management and demands for different routines. This double pressure weakens the power of the ceremonial routines and increases the institutional space, which produces a de-ceremonialization.

Municipal organizations contain strong ceremonial values which makes them difficult to change. Municipal studies have shown that adapting is difficult if the organization also contains values that promote continuity. Examples of change exist and using organizational reforms is one way to challenge the existing system and implement reforms. Another way is to create an innovative environment thereby providing opportunities for change. More studies should be carried out to explore this process.

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