

Imprinting and organizational path dependence.

Studying similarities, differences, and connections between two concepts along the case of a large Swedish bank.

Abstract

Imprinting and organizational path dependence are two concepts describing specific inertial phenomena in organizations. Little work has so far been done to explore how these two concepts and the phenomena they denote relate to one another. The present paper aims at elaborating on this topic, studying the case of the Swedish bank Handelsbanken. The bank went through a turnaround in the early 1970s when a new managing director imprinted an innovative management philosophy on the organization. Many key features of this philosophy have survived until today. The paper shows that while reproducing imprints, processes similar to those creating organizational paths can be observed. Imprints are subsequently strengthened through self-reinforcing mechanisms that may eventually lead to a lock-in of the imprints.

This paper aims at exploring differences, similarities and connections between imprinting and path dependence in organizations. Both concepts relate to organizational processes that, at least after some time, create constraints for choice. While organizational path dependence and imprinting seem to be very similar at first sight (Sydow, Schreyögg and Koch, 2009) and some authors almost equate them (e.g. Beckman and Burton, 2008), Sydow, Schreyögg and Koch (2009) emphasize that the processes are governed by different logics. Still, the same authors affirm that imprinting may play an important role during certain phases of path dependent developments.

The concept of imprinting in an organizational context dates back to the work of Arthur Stinchcombe (1965) who claimed that the founding characteristics of organizations may remain largely the same during the development of the organization as a result of inertial forces preventing change. Johnson (2007) summarizes the imprinting idea as consisting of two different processes, namely (1) the shaping of organizational features by different elements of the founding context, and (2) the reproduction of these organizational features far beyond the actual foundation phase. The concept of path dependence has its origins in economics, where it has been used to explain processes relating to the diffusion of technology (Arthur, 1989; David, 1985). Path dependent processes are characterized by lock-ins that are, once they have occurred, impossible or at least very hard to reverse. While the concept of path dependence can be applied to a wide variety of contexts, organizational path dependence is a special case where organizations become path dependent. Recently, Sydow, Schreyögg and Koch (2009) conceptualized organizational path dependence in a three stage model.

So far, we know relatively little about how imprinting and organizational path dependence can be related to each other. One major difference that Sydow, Schreyögg and Koch (2009) address is the fact that the replicated pattern in the imprinting process is shaped right in the beginning, while path-dependent developments can be relatively open for a long time and the actual path, which is not predictable from the outset, only emerges subsequently along the way. On the other hand, they affirm that imprinting may play an important role during parts of path dependent processes. In the present paper, I am going to explore this question, drawing upon a case study of the Swedish bank *Handelsbanken*. *Handelsbanken* is a particularly interesting case, as the imprinted features of the organization have survived despite

environmental challenges. Imprints can of course be trivial as long as they are not challenged, such as the fact that Volkswagen produces cars. In Handelsbanken's case, imprints like the bank's decentralization have persisted despite institutional pressures generated by industry peers, industry analysts and business media. My study on Handelsbanken will focus on the years 1970 to 2005. At first sight this may seem paradoxical, as Handelsbanken was just about to turn 100 years old at the beginning of the period. The reason for choosing 1970 as a starting point is however that the bank started a major turnaround that year, which included a change of management, a total makeover of the organizational structure and a new business philosophy. The change was initiated by the new managing director, Jan Wallander, who reorganized the bank and introduced a business philosophy based on far-reaching decentralization. Today, managers and employees at Handelsbanken conceive 1970 as a sort of reinvention of Handelsbanken. Handelsbanken managers I have spoken to describe the bank before and after 1970 as two different organizations. Even if such a statement is somewhat exaggerated, the reinvention of the Handelsbanken 40 years ago has characteristics similar to the foundation of a company, including a person that in hindsight almost appears as the founder of today's Handelsbanken. I therefore agree with van Driel and Dolfsma (2009) that it is meaningful to talk about imprints at later stages of the organizational life cycle, for instance when a turnaround, the introduction of a new way of organizing, an IPO, a merger or another major event forces the organization to re-invent itself.

In the following sections of this paper I will first review relevant literature relating to imprinting as well as to organizational path-dependence. Then I will move to the case of Handelsbanken. After a methodological note, I am going to present the development of Handelsbanken from the 1970 changes onwards, with an emphasis on how the key features of the bank's new setup have been reproduced, challenged and modified over the years. In the following analysis section the Handelsbanken case will be related to literature on imprinting as well as organizational path dependence, before turning to the conclusions that will address implications for the relationship of imprinting and organizational path dependence.

Frame of reference

The frame of reference outlines the concepts of imprinting and organizational path dependence. It aims at providing an interpretive framework for the Handelsbanken case.

Imprinting

The concept of imprinting in organization studies was coined by Arthur Stinchcombe in 1965. Stinchcombe's general aim was to show how social structures in the environment of organizations have an effect on how organizations are formed, structured, and how they develop. In this context, Stinchcombe presented a number of topics characterizing the interplay between organizations and their environment, one of those being the impact of social structures, prevailing at the time of an organization's foundation, and the way the organization is organized. He hypothesized that social structures are imprinted on the organization when it is founded. Hence, organizations founded during the same historical period tend to be structured in a similar way. These imprints tend to be preserved over extended period of time. As a consequence, even after several decades, organizations with the same age are typically organized similarly. Stinchcombe's argument implies that organizations are relatively inert once they have been founded. There are two basic mechanisms central to imprinting (Johnson, 2007), namely the forces from the

founding context imprinting features on the organization, and forces mainly internal to the organization maintaining the imprints over time. The imprinting forces that are at work during foundation typically make sense against the background of societal development at the time in question. For instance, Stinchcombe mentioned that industries emerging prior to the emergence of factories were characterized by a relatively high involvement of (often unpaid) family members. In contrast industries emerging during and after the time of industrialization were less characterized by (unpaid) family labour as work and family had become more separated by then. While the different founding structures make intuitively sense against the background of societal development, Stinchcombe's observation that these structures are maintained in an industry even when social structures in the environment have changed, calls for a different explanation. Why are types of organizing maintained when they not necessarily fulfill a functional purpose in a changed environment? Stinchcombe saw potential reasons for this both external and internal to the organization. While an external reason would be lack of competition and thus to little pressure to renew the organization, internal reasons would be different traditionalizing forces, including vested interests and ideologies that have emerged in the organization over time, or as Johnson (2007) puts it when summarizing Stinchcombe: the imprints are traditionalized through institutionalization. If we look at Stinchcombe's imprinting idea as a process, it is thus dominated by external forces during the initial imprinting phase and by internal forces during the subsequent reproduction of the imprints.

Stinchcombe was not alone emphasizing the tendency that organizations preserve their founding structures over time. Selznick (1957) talked about institutional forces stabilizing the organization. While Selznick saw the main reason for the emergence of organization in the need to fulfill functional purposes, he affirmed that relatively early in the organizational life cycle, group values are formed that result in a distinctive organizational identity. The more this identity developed, the more the organization would be valued not only for its functional purpose, but for itself and the institutional value it represented for its members. Selznick thus described forces similar to the traditionalizing forces Stinchcombe (1965) saw as an explanation for the maintenance of imprints.

Although, the notions of founding, imprinting and the preservation of imprints are relatively scarcely discussed in management literature (REF), there are a number of important pieces of research that have discussed these topics, either explicitly or implicitly relating to Stinchcombe's imprinting hypothesis. Boeker (1989) has looked at a wider set of imprinting forces than Stinchcombe (1965) originally did, and included a number of forces at the organizational level. Boeker's main aim is to investigate how founding strategies are imprinted on an organization. He gets support for the hypothesis that if an organization has a clearly dominant strategy from the very beginning, this strategy will be less likely to be altered than in cases where the firm's strategy is not clear-cut initially. Further, he finds that strategic change is less likely when owners are involved in the management of the firm. He explains this by Salancik's (1977) finding, that individuals tend to act consistently with their past behavior. The positive relationship of imprinting with the involvement of owner-managers is also in line with results from family business research. Family firms are a type of companies where ownership and management often overlap and the owner's involvement in day-to-day business tends to be high (Gersick, Davis, McCollom Hampton and Lansberg, 1997). Consequently, family businesses are often characterized by traditionalism and an unwillingness to abandon past strategies or to leave their traditional businesses even in cases where the market situation suggest that strategic change is necessary (Habbershon and Pistrui, 2002). Brunninge and Melander (2010) for example give account for the case of the Swedish family firm MoDo where the owner-manager was hesitant to divest the unprofitable chemical operations as he wanted to respect the heritage of previous generations' high involvement in that business. The involvement of owner-managers can hence be both an imprinting force at the time of founding as Boeker (1989) confirmed, and a traditionalizing force that maintains the imprints in later phases of the organizational life cycle. As further traditionalizing forces, Boeker (1989) mentions firm performance as well as the founding entrepreneur's tenure. The

perpetuating effect of success on strategy is intuitive. Why should a company change a success recipe that works? However, as we know from research on organizational culture and strategic inertia, past success recipes may even be kept alive when they do not work any longer (Gagliardi, 1986). Hence, the traditionalizing effect of success may last longer than success itself. The entrepreneur's tenure is eventually related to the founder's unwillingness to abandon the strategy he or she has chosen when creating the firm. If we compare Stinchcombe (1965) to Boeker (1989) the focus for identifying imprinting forces has moved from the environment of the organization, defined in a broad societal sense, to aspects within or very close to the organization, such as governance arrangements, organizational setups or even one single person, namely the founder. Likewise, the focus of analysis is not on the imprinting forces affecting entire populations of firms or emerging industries in a similar way, but on imprinting forces in or close to a specific firm, creating imprints on that firm in an idiosyncratic manner. This becomes particularly obvious in a focus on the role of founders that can be found in a variety of pieces that aim at explaining stability in strategy (Boeker, 1989; Kimberly and Bouchikhi, 1995), organizational structure (Baron, Hannan and Burton, 1999), governance arrangements (Nelson, 2003), vision (Garvi, 2007), organizational identity (Brunninge, 2005; Whetten, 2006) and not least organizational culture and values (Schein, 1983, 1985; Kimberly and Bouchikhi, 1995). While there is always an inherent danger of being overly uncritical towards stories about supposedly heroic founders, one should not underestimate the importance of founding entrepreneurs for imprinting their visions, values and ideas during the creation of their organization.

Schein (1983, 1985) produced some classical work, ascribing founders a major role in shaping organizational culture. While the existence of organizations is sometimes taken as given, Schein's (1983) argument for the importance of founders is that firm formation is an agency-driven process, where often a single person (the entrepreneur) takes the initiative. Sooner or later, typically a founding group is created. Sometimes, for instance in many high-tech ventures an entrepreneurial team may exist already from the beginning of the founding process. Still, even in entrepreneurial teams, there is often a champion who takes the initiative and assumes a leadership role in the founding process (Clarysse and Moray, 2004). According to Schein (1983), the founder will have a decisive role in how the emerging organization goes about to solve its problems of external adaptation and internal integration. During this process, the founder will act upon his or her previous experience and the beliefs and values she or he has developed. It is hence important to consider the pre-history of organizational start-ups (Kimberly and Bouchikhi, 1995), not least for the background of the founder(s). Boers and Brunninge (2010) demonstrate this analyzing the case of the German media group Rheinische Post. The company started as a newspaper in the British occupational zone shortly after World War II. However, its identity largely related to the war and pre-war experiences of the founders who wanted to overcome the lack of unity among German democrats with the foundation of a newspaper that spanned across political and religious boundaries.

Founders have the opportunity, alone or with a small team, to shape the original resource configuration and organizational structure of the firm. They can also make the first identity claims of the organization, stating what are supposed to be the central, distinctive, and enduring features characterizing the organization (cf. Albert and Whetten, 1985). Inherent in the concept of identity is the determination that identity should be relatively stable over time (Albert and Whetten, 1985). If a founder thus claims that the new organization will be in a certain industry, act according to a certain strategy, and serve a certain group of customers, such an identity statement can be interpreted as an attempt to imprint these features on the organization for a long time to come. Whetten (2006) remarks, drawing upon an example discussed by Brunninge (2005), that firms strive to communicate a stable identity by making identity claims and asset commitments that are difficult to reverse. As Baron, Hannan and Burton (1999) remark, the founder's organizational blueprint tends to lock-in once it has been formulated and articulated. Particularly, the organization of work that is difficult to change once it has been established (Hannan and Freeman, 1977)

is then likely to survive beyond the time-span the founder is active in the firm. Kimberly (1979) sees the early chapters of an organization's biography emerging from interaction between situational constraints and the characteristics of the founder.

Now, even if founders shape structures and resource configurations that are difficult to alter, even if later managers would like to do so, it is far from obvious that all imprints will survive. If we assume a critical standpoint, the fact as such that founders make imprints on an organization is trivial. What is much more interesting to investigate is whether and how some imprints survive and others disappear. As Garvi (2007) clearly demonstrates in her study of Swedish venture capital companies, many companies start out with a vision that can be interpreted as an imprint of the founder's values as well as additional forces in and around the emerging organization. Still, the existence of founders' imprints is no guarantee for the vision's survival. Ownership changes, management changes or the need of adapting to external pressures may be stronger than the traditionalizing forces that work for the maintenance of imprints.

Path Dependence

The literature on path dependence dates back to the work of economists, looking at lock-ins during development trajectories (Arthur, 1987; David, 1985). An initial focus was on lock-ins relating to the diffusion of technology, such as the QWERTY keyboard (David, 1985). From the beginning, the meaning of path dependence was relatively clearly delimited. Arthur (1994) characterized the process of locking in on a path as nonpredictable, nonergodic, inflexible and inefficient. This means, among other things, that path dependent developments are not at all determined from the outset. The options are narrowed down during the process that only becomes deterministic after the lock-in. As the path dependence notion became increasingly popular, it was also used more and more sloppily for various kinds of inertia and the importance of the past (Schreyögg and Sydow, 2009). Sydow, Schreyögg and Koch (2009) therefore proposed a conceptual three-phase model of path dependent developments. The model starts with a preformation phase where still a large number of options are available. This does not mean totally unrestricted choice. In any situation choices are contingent upon history, but so far the development is not narrowed down to one particular direction. The first phase ends with a critical juncture, initiating a path and marking the beginning of the so-called formation phase. During this phase, increasing returns narrow down the scope of action and contribute to the emergence of a decision or action pattern. Eventually, the action pattern is replicated more and more and lock-in on a specific state. This marks the transition from the formation to the lock-in phase. From now on the development is path dependent and impossible, or at least very difficult, to reverse.

While path dependence was mainly discussed in the context of technology development initially, the concept has meanwhile also been applied to other units of analysis, including organizations. Of course, organizations differ from technological processes as they are characterized by the activities of human agents, acting purposefully in the organization. Processes in an organizational context are socially complex and often ambiguous, making it less likely for any totally fixed lock-ins to occur (Schreyögg and Sydow, 2009). Brunninge and Melin (2009) outline that strategic path dependence in organizations can be grounded in different logics. Resource configurations and competencies that are difficult to alter sometimes refer to material conditions that come close to those described in the early technology-oriented path dependence literature. For example the dynamic capabilities literature, albeit not referring to the path dependence literature in a detailed manner, talks of paths that constrain such capabilities (Teece, Pisano and Shuen, 1997). Where organizational path dependence is grounded in cognitive constraints on the other hand, there should always be an option to rethink the path and break the lock-in. Yet, even cognitive lock-ins are of course difficult to break up. Garud and Karnøe (2001) demonstrate how entrepreneurs

deviate from established paths and at the same time create new paths that are based on the innovation they have brought about. Paths can also be challenged in situations where contradictory paths relating to different units of analysis collide, like for instance in cases where organizational level paths and industry level paths suggest different directions for action. In such cases, at least one of the paths or perhaps even both are likely to be unlocked (Brunninge and Melander, 2010).

An important question emanating from the discussions of path dependence and imprinting is how the two relate to each other. Sydow, Schreyögg and Koch (2009) criticize that the two are sometimes used more or less synonymously or seeing imprinting as a special case of path dependence (e.g. by Beckman and Burton, 2008), neglecting some fundamental differences between the concepts. In particular, Sydow, Schreyögg and Koch (2009) emphasize that path dependent developments are very open from the beginning while imprinting, at least as they see it, is not ready-made from the outset. On the other hand they are not against drawing parallels between the two concepts as they see imprinting as helpful in understanding aspects of the path dependence process, e.g. the historically driven restrictions in the first phase of the process.

Both path dependence and imprinting are of course relatively diverse concepts where parallels depend on the way each concept is defined. Sydow, Schreyögg and Koch's (2009) three phase model of organizational path dependence offers a relatively clear-cut framework. A similar one is not available in the imprinting literature. One common denominator between both concepts is the combination of stability and potential inefficiency. The stabilizing forces in both cases are so strong that paths/imprints are likely to survive even in situations where they have become dysfunctional. Of course this can also be said about other kinds of organizational inertia (Reger, Gustafson, Demaire and Mullane, 1994) that are not necessarily path dependent or imprinted. The relative closeness of the two concepts makes it interesting to use them in parallel for interpreting an empirical case. This endeavor will hopefully contribute to a better understanding of both concepts.

The case of Handelsbanken

The data for the Handelsbanken case was collected for my doctoral dissertation (Brunninge, 2005). 43 in-depth interviews with Handelsbanken managers, representing different hierarchical levels, national markets and functional areas were conducted. In addition, I reviewed secondary literature on Handelsbanken as well as archival data, including company magazines, annual reports, and internal documents. The study was complemented with participant observation at various events such as annual general meetings, staff training programs and top managers' visits to branches. A single case study can of course not provide an exhaustive account of what may occur during and after imprinting in a company, nor can it comprehensively cover any kind of path dependent processes. The thorough knowledge of a single case can however help to reflect and elaborate on theoretical phenomena thus leading to analytical generalization (Yin, 1989).

Turnaround and a new management philosophy

Handelsbanken is today one of Scandinavia's largest banks and one of the four large universal banks in the Swedish market. The bank was founded in 1871 as Stockholms Handelsbank. The bank subsequently acquired competitors all across the country and changed its name to Svenska Handelsbanken, or just

Handelsbanken in 1921. Already at that time, Handelsbanken had established itself as one of the leading players in the Swedish market. Foreign activities were limited to serving the foreign business of Swedish customers or foreign companies doing business in Sweden. Due to regulated banking and currency market this remained basically unchanged until the 1980s. After several decades of successful development and the acquisition of further domestic competitors, Handelsbanken ran into trouble in the late 1960s. Handelsbanken got involved in financing security deals abroad as well as in real estate projects in France and Switzerland. These deals were not accounted for in a correct way and the bank came under pressure by the Riksbank (Swedish Central Bank) and the Bank Supervisory Authority. Handelsbanken was accused of violating the Swedish foreign currency regulations that were very strict at that time and of engaging in businesses that banks were prohibited from entering into.

The managing director was fired and the bank's board of directors hired Jan Wallander, the managing director of Sundsvallsbanken a regional bank in Northern Sweden. Wallander was a trained economist who had pursued a research career until the age of 40 when he was recruited to Sundsvallsbanken. As an associate professor at the Research Institute for Industrial Economics in Stockholm, Wallander had been involved in the making of long-term forecasts for economic development. His own experiences had made him highly skeptical of the reliability of long-term plans on national, industry and organizational levels. At Sundsvallsbanken, Wallander tried to put into practice the lessons he had learned as a researcher. He therefore abolished budgeting and decentralized operations.

When Wallander took over Handelsbanken, the bank was characterized by long-term planning and centralization. The marketing department was responsible for nation-wide marketing campaigns that aimed at pushing out Handelsbanken's products to the customers through a retailing system consisting of 26 regional districts. Staff at the local branches implemented the centrally planned sales campaigns and were controlled through an incentive system offering rewards for selling those products that were prioritized by the central marketing department at that particular point in time. Wallander aimed at radically reorganizing Handelsbanken and turning it into a decentralized organization, drawing upon his experiences from Sundsvallsbanken. The crisis Handelsbanken was in, and in particular the negative publicity in the media created momentum for Wallander's change ideas. He managed to convince Browaldh and the board of directors of the need to decentralize the bank in order to make it successful again. There was resistance from management however. Several managers at the central head office approached the board and accused Wallander of driving the bank into disaster. Yet, the board supported the change and most of the rebels left the bank. There was an opportunity for Wallander to hire relatively many new managers to the head office. Wallander recruited more than half of the members of his new management team externally. Several of them had no previous experience from banking. The first two major changes Wallander introduced, using his experiences from Sundsvallsbanken as a template were to abolish the central marketing department and to build a decentralized organization structure. The idea was to make the organization more customer-oriented. As the local branches were the organizational units that were closest to the customers and knew them best, the structure's focus was to shift from the head office to the branches.

The 26 districts were replaced by eight regions, the heads of the regions automatically becoming members of Handelsbanken's top management team, which was reduced from 22 members to 14. All central staff units only had a *raison d'être* to the extent they could serve the branches and their tasks could not be taken over by the branches or the regional banks. Consequently, the central staff units were reduced drastically, losing more than two thirds of their members. At least formally, the central head office could no longer give direct instructions to the regional head offices which in their turn were not allowed to give directives to the local branches. Local credit limits were increased. Decentralization followed the so-called "church tower principle", meaning that the local branch manager should have, at least metaphorically speaking, full responsibility for the customers within the line of sight from the local church tower in the

town where the branch was located. Of course at least in the rural parts of Sweden these areas were larger than the area one might have seen from the top of a church tower. Even in doing business with large multinational companies, the local branch was in charge while head office backed up with experts when needed. Although the branch manager needed approval from the regional or central head office for certain major decisions, no decisions were supposed to be made against his or her will. In other words, it was not possible for a customer to turn to the regional or central head office if the branch manager had denied a loan or any other type of business.

In addition to contributing to decentralization, the reduction of central functions at the head office also served the purpose of cutting costs. The bank still suffered from low profitability that had been one feature of the crisis Wallander had been recruited to end. As new managing director he wanted to costs to be evaluated against the benefit for the customer that was created. One very symbolic means of cost reduction was the cancellation of Handelsbanken's 100th anniversary that was supposed to be celebrated in 1871, the year after Wallander was recruited. The celebration that had already been planned for was cancelled and the bank even stopped the production of an anniversary book. The book was originally supposed to cover the first 100 years of the bank's history and a distinguished historian, Carl-Gustaf Hildebrand had been commissioned to write it. When Wallander stopped the project, Hildebrand had completed the years from 1871-1955. As the bank had to pay him for this part of the job anyway, the book was published, covering the period until 1955. However, Hildebrand was not allowed to finalize the volume with the remaining 16 years. In addition to symbolizing cost consciousness, one might also interpret the handling of the anniversary book as a signal that a new Handelsbanken was to be created and that first 100 years of the bank's history had relatively little significance for the renewed company.

An additional important step that Jan Wallander undertook soon after taking over Handelsbanken, was the introduction of the "Octagon" pension foundation. Named after the octagon logotype of Handelsbanken, the fund was supposed to manage money for the employees' pensions that was set aside in the foundation every year the bank was financially successful. Financial success was measured in terms of return on equity and compared to that of the competitors. Each year, Handelsbanken was more profitable than the average of competing banks, Handelsbanken paid a certain share of the profit to the Octagon foundation. At the foundation each employee had an account that was paid out when he or she reached retirement age. The money set aside was equal for all employees, regardless of their position in the bank and their salary. Octagon invested most of the money in Handelsbanken shares, subsequently making the foundation one of the bank's largest shareholders and creating a protection against hostile takeovers. The foundation served as a sort of bonus system, creating an additional incentive for cost consciousness. In contrast to other bonus systems, the Octagon did not pay out any money until the employee had reached retirement age. This was supposed to encourage long-term thinking and acting, although one might of course question the impact on individual behavior of a reward that employees had to wait for for several decades.

Jan Wallander was managing director of Handelsbanken 1970-1978. After that period he was elected chairman of the board, which he remained until 1991 when he became honorary chairman. Although this position is only symbolic, Wallander has maintained close ties with the bank.

Wallander's imprints and their survival

Summarizing Jan Wallander's initial efforts to bring about change at Handelsbanken, one can say that he imprinted a variety of structures and values that he had already developed during his time at Sundsvallsbanken and that were at least partly grounded in his experiences as a researcher. Thanks to the sense of urgency prevailing at the bank and the support by the chairman of the board, Wallander was able

to significantly change the composition of the top management team, to radically restructure the bank and to introduce new values, relating to decentralization, customer orientation, and cost consciousness. In addition to making decisions in his capacity as managing director, he supported the change through symbolic action, like cancelling the bank's centennial celebration and introducing a reward system that was based on a long-term logic and that gave each employee an equal share of the reward. The change as a whole was so significant that Handelsbanken employees at least in hindsight regard it as the start of a new era or even the creation of a new bank replacing the old one. Although Wallander took over a bank that was almost 100 years old he thus stands out in the bank's history as the founder of modern Handelsbanken. While the change per se and the imprinting of Jan Wallander's ideas are interesting to study as such, an even more intriguing question is their reproduction and survival. 40 years after a change agent coming to a company and radically renewing it, it is not evident that imprints survive, at least not if they are challenged by institutional pressures along the way.

The example of one such challenge may illustrate that Wallander's ideas have actually been under strong pressure both during his tenure at the bank and the time after. The idea of decentralization and the emphasis on the local branches as focal units of Handelsbanken's structure had implied that the bank upheld a relatively large network of branches in Sweden. During the 1980s and 1990s most other banks cut down their branch networks, using emerging mail and phone services as a substitute. Although also Handelsbanken closed down some branches, their network remained relatively stable. Critics outside the bank questioned whether a large branch network was still rationally defensible in a modern banking market. While the competitors claimed that closing branches was a good means to save costs, Handelsbanken still maintained a superior cost efficiency thanks to cost consciousness at the branches. It was not until the emergence of internet banking in the late 1990s that Handelsbanken's branch based philosophy was seriously threatened. With an emerging technology that would drastically reduce the need for personal contacts and geographical distance, it was questionable if there was still any use for a traditional branch network. Handelsbanken's competitors saw internet banking as an opportunity to cut even more costs at the expense of their branches. Handelsbanken's old rival SEB took the lead in closing down branches and dreamed of using the internet for international expansion. With web based banking it might be possible to enter new markets abroad, having just one physical branch in each market and serving the rest over the web. Meanwhile, Handelsbanken was in a state of shock. Would the idea of branch based banking finally die with the new technology? Whereas the competitors quickly launched their internet banks, a new distribution channel bypassing the branches was unthinkable from the ideological standpoint of Handelsbanken. The internet solution of Handelsbanken was more and more delayed as it seemed impossible to find an acceptable solution. Then eventually, the bank came up with an innovative approach. It launched an internet platform where each branch had an individualized website. Whereas transaction processing and the basic layout were standardized, it was up to each branch to decide how to present the branch and what products to promote over the web. With this solution, it was also clear that the internet was not a new distribution channel bypassing the branches, but rather a new entrance to the branch in addition to the physical office and the telephone services. Transactions made over the internet were of course accounted for at the branch and not in a separate organizational unit as other Swedish banks had chosen to do. The internet banking example¹ illustrates how strong some of the imprints made at the beginning of Jan Wallander's tenure still were several decades later and under strong institutional pressures. We will now look at some of the mechanisms, or to use Stinchcombe's (1965) term, the traditionalizing forces that kept the imprints in place.

Our way

¹ For more information on Handelsbanken's internet approach see Brunninge (2005, 2007)

When Jan Wallander came to Handelsbanken he decided at an early stage to write down and explain his ideas about banking and decentralization. As they were rather unconventional, he believed that a written version was a good means of communicating them and making Handelsbanken's employees understand and apply them. The result was a booklet called "Så här gör vi i Handelsbanken" (This is the way we are doing it at Handelsbanken). Later editions of the booklet were named "Mål och medel" (Ends and means) and as Handelsbanken internationalized an English translation with the title "Our way" was published. Wallander himself saw the idea of writing down his ideas not as very revolutionary. At the time, writing so-called company policies, i.e. outlines of basic business and organizing principles was not uncommon. It was rather the content that was specific to Handelsbanken and Jan Wallander:

I had a general idea of what I wanted to do. There were ideas I had applied before. [...] The first edition of Mål och medel was quite thick with appendices and investigations into where our deposits came from and that sort of things. You try to explain phenomena such as the fact that 10% of our customers stand for 80% of the business. It was like a text book. Nothing that came from outside, but from myself.

Jan Wallander, interview 2003

Each employee at Handelsbanken received one personal copy. It was strictly forbidden to spread the contents of the booklet as the way of managing Handelsbanken was considered a business secret and there was fear that the competitors would copy it if they got hold of a booklet. After the first edition it came to be a tradition that each managing director published at least one new edition of Our way. Looking at different editions one can find changes, primarily relating to business changes like internationalization, acquisitions, new products and new technologies. The emphasis on decentralization, customer orientation, and cost consciousness is however still the same. In the 2004 edition, written by Lars O Grönstedt, there is no explicit reference to Jan Wallander and his work. Still, there is a clear emphasis on continuity:

Long-term thinking, stability and reliability are an important part of Handelsbanken's image. [...] All radical changes of values are therefore bad.

Our way, 2004

Today, there is no secrecy around Our way. Handelsbanken has realized that competitors with cultures that differ from that of Handelsbanken are neither willing nor able to adopt Handelsbanken's business approach. Our way is still an important means of maintaining Jan Wallander's imprints and spreading them to new markets as Handelsbanken expands internationally:

It's such a simple document. Everybody believes in it. We are all reinforcing it because nobody is pulling in the other direction so you don't need a big infrastructure to support this [the Handelsbanken culture].

Derek Burgess, Area manager, interview 2003

Our way thus reflects continuity in change at Handelsbanken. While the bank has changed a lot since Jan Wallander in terms of new markets and new business areas, the basic ideology is remarkably unchanged.

Jan Wallander's own books

Wallander did not limit his activities as an author to booklets for internal use in the bank. During and after his time at the bank he has published a variety of brochures and books for the general market. Some of them were already published during his time as a researcher and were based on his forecasting activities, outlining trends in industry, consumption etc. After some years at Handelsbanken, Wallander's book production started touching upon the changes he had implemented at the bank. Two booklets were published in Handelsbanken's own booklet series in 1978 and 1981. They were entitled "Att åstadkomma förändring" (Bringing about change) (Wallander, 1978) and "Om styrning av företag" (On the management of companies) (Wallander, 1981). In both booklets, Wallander outlined his changes at Handelsbanken and tried to promote his ideas of decentralization. The book production became more intense, once Wallander had left his management and board posts: The same year as he resigned as chairman of the board, he published the autobiographic volume "Från Vängåvan till Kungsträdgården" (From Vängåvan to Kungsträdgården) with the subtitle "Decentralisering – ideal och verklighet" (Decentralization – ideal and reality) (Wallander, 1991), denoting the locations of Sundsvallsbanken in Sundsvall and Handelsbanken in Stockholm. This time the book was published by Sweden's major publisher Bonniers and aimed at a broader popular audience. The book starts with the declaration: "This is no autobiography. This is not a handbook in organizing. But it's a little of both". In the book, Wallander outlines his career in the two banks, and as a parallel process to his own career, the development of his management philosophy. Sundsvallsbanken appears as an experimental workshop where Wallander first tried out his ideas before implementing and improving them at Handelsbanken. After this popular autobiography, Wallander published a small book that was primarily aiming at managers as an audience. It was entitled "Budgeten – ett onödigt ont" (The budget – an unnecessary evil) (Wallander, 1994). The book starts with a review of Wallander's own forecasting activities he was involved in as a young researcher during the 1950s and 1960s. In hindsight the long-term forecasts of industry production and car usage appear ridiculous as they all turned out to be wrong. This is exactly the rhetorical point, Wallander wants to make as it provides him with arguments that forecasts, including budgets, are not a good management tool. In the remainder of the book, Wallander then outlines alternative approaches, like the benchmarking between branches and with competitors that he introduces at Handelsbanken.

In his next project, Wallander returned to the theme of "Från Vängåvan till Kungsträdgården". The relatively short book was soon followed up by two autobiographical volumes: "Livet som det blev. En bankdirektör blir till" (Life as it turned out to be. A bank director is created.) (Wallander, 1997) and "Forskaren som bankdirektör" (The researcher as a bank director) (Wallander, 1998). The first volume covers Wallander's life from childhood until his career as a researcher, while the second one is concentrating on the same period as "Från Vängåvan till Kungsträdgården", albeit in a more detailed way. It's especially in the second volume, Wallander's decentralization philosophy is once again outlined. Taking the two volumes together, Wallander outlines his personal development from research experiences at the Research Institute for Industrial Economics, their first practical application at Sundsvallsbanken, and their further improvement at Handelsbanken. The turnaround of Handelsbanken is treated comprehensively. In addition, Wallander outlines how his ideas were further developed by his successors at the bank and he also tells stories about his industry experience, his encounters with famous Swedish industry representatives as well as his activities on committees and boards. In 2002, Wallander returned to the book market with the volume "Med den mänskliga naturen – inte mot! Att organisera och leda företag" (With human nature – not against it! Organizing and leading companies) (Wallander, 2002). The book was soon translated into English. The English title was however not as bold as the Swedish one. It ran "Decentralisation why and how make it work: The Handelsbanken way" (Wallander, 2003). In the book, Wallander develops the thesis that decentralized management is actually the management approach that best corresponds to human nature and therefore will lead to the best results. He then comprehensively describes how decentralization is practically applied at Handelsbanken, including not only his own ideas

from the 1970s, but also how they have been further developed by his successors. When writing the book, Wallander still had a personal office at Handelsbanken's head office in Stockholm. Although he did not hold any positions except for being honorary chairman he still describes the bank as if it was his own place of work. The English translation of the book was well-timed as it coincided with Handelsbanken's expansion in Great Britain gaining momentum. When I interview English branch managers in 2003, the book had just come out of the press and newly recruited branch managers told me stories they had read in the book and that they now used to explain the Handelsbanken way of doing things to employees and customers.

Storytelling about the turnaround

At Handelsbanken, as in other organizations (Johnson, 1987), values are partly communicated through storytelling. At the bank, stories often relate to decentralization and cost-consciousness. Some are told by eye-witnesses while the origin of others is more difficult to trace. When I was doing fieldwork at Handelsbanken in 2002 and 2003, some people who had personal experience from the turnaround in the early 70s were still working at the bank. However, also younger employees often had second-hand knowledge of stories relating to the time before Jan Wallander and his first years at the bank. Stories relating to the time before Wallander, if such stories were told at all, were typically meant to show how bad things were working in a centralized organization. Some for instance related to sales campaigns imposed on the branches by the central marketing department:

Before Jan Wallander came there was a campaign that was called 'Sell and choose'. That meant that if you were good at selling things you could choose prizes from a catalogue.[...] Let's say you sold a 'Dream holiday' [a savings account customers were supposed to use in order to save money for their holidays] in August, then you got 60 points. If you sold the same account in November you only got 30. That was hard to understand. Before Jan Wallander came there was a campaign that was called 'Sell and choose'. That meant that if you were good at selling things you could choose prizes from a catalogue.[...] Let's say you sold a 'Dream holiday' [a savings account customers were supposed to use in order to save money for their holidays] in August, then you got 60 points. If you sold the same account in November you only got 30. That was hard to understand.

Hans-Olof Harrison, Head of a regional bank, interview 2002

Of course, also new stories are told. They still relate to the basic values that Wallander introduced during the early 1970s. One story that was old at the English regional bank when I did my fieldwork in 2003 related to the newly recruited branch manager at the branch in Leeds. When he was recruited to Handelsbanken he had been told about the decentralized management approach, the centrality of the local branches and the importance of cost consciousness. He put these ideas into practice when preparing the opening of his branch. He did most of the preparation work himself, including the purchasing of paintings to put up on the walls of the new office premises. As he found that it was expensive to buy paintings at the city's art galleries, his wife proposed making paintings herself. Rather than keeping this as a secret, the branch manager told colleagues as well as customers that his wife had made the paintings in order to save money. At the regional bank this story was seen as a good example of a new Handelsbanken employee understanding what Handelsbanken's way of doing things was about.

Continuity in top management

Handelsbanken's top management has been characterized by a high degree of continuity most of the time since Jan Wallander was recruited as its managing director. From 1978 until 2008, the managing directors went on to become chairmen of the board once they resigned from their executive position. A new managing director – all managing directors after Wallander being internally recruited – always served together with his predecessor as chairman of the board. The time a person was involved in a top position at Handelsbanken was thus typically long. Jan Wallander was either managing director or chairman of Handelsbanken's board for 21 years (1970-1991). His successor, Tom Hedelius, even held these positions for a total of 23 years. The overlapping leadership positions have ensured a high degree of continuity in the bank and have made it unlikely that anyone would have tried to undertake major changes in the bank's organization or business approach. It was not until 2008 that the continuity of former managing directors becoming chairmen was broken. A schism around strategic issues emerged between managing director Pär Bohman and chairman Lars O Grönstedt that resulted in Grönstedt's resignation and the election of an external chairman. Despite this change was remarkable for Handelsbanken, the change did not affect Handelsbanken's idea of decentralization or any other major reforms introduced by Jan Wallander in the 1970s.

Even after he left the position as chairman of the board after 21 years at Handelsbanken, Jan Wallander remained closely affiliated with the bank. This has not been limited to the symbolic position of being honorary chairman. He kept an office at Handelsbanken's head office for many years, where he was working on his book projects. Through his book production he has been involved in communicating his management ideas both to new generations of Handelsbanken employees and outside the bank. Jan Wallander has also been involved in internal training programmes, such as a training programme for the bank's high potentials in 2004/2005 when the participants attended a discussion event between him and Tore Browaldh where the two veterans discussed the turnaround of the bank almost 35 years ago.

Almost all senior Swedish managers at Handelsbanken are internally recruited and not so few of them have spent their entire career at Handelsbanken. This means that managers are early socialized into Handelsbanken's way of doing banking. Looking back at the past decades, it is striking that there are always some individuals that took a special responsibility for being promoters and guardians of Handelsbanken's culture. This task has not followed a specific organizational function, but it has rather been assumed by persons that have been particularly in cultural issues. For a long time, Leif Lundberg, head of corporate communications informally held this role. He was nicknamed Suslov, alluding to the former Soviet chief ideologist in the Kremlin. Branches could even turn to Lundberg and ask if they wondered whether a specific way of doing business was in line with Handelsbanken's ideology. After Lundberg, Anna Ramberg, head of human resources and CFO Lennart Francke were known in the bank for engaging in cultural issues.

Analysis

Examining the case of Handelsbanken, the bank's history since 1970 can easily be labeled a case of imprinting. Although the company was almost 100 years old when Jan Wallander took over Handelsbanken's management, his impact was similar enough to that of a founder as described in those parts of the imprinting literature that are more founder-centered (Kimberly; 1979; Boeker, 1989). At the same time, the shaping of the new Handelsbanken is the result of an interaction between environmental constraints and the change agent's ideas (cf. Kimberly (1979)). Some ideas that Wallander applied were not uncommon in the institutional environment, such as the publishing of business principles in a booklet.

Yet, many of the actual changes he implemented can be traced to his personal experience rather than any templates in the environment. The pre-history (Kimberly and Bouchikhi, 1995), of the new Handelsbanken can thus very much be found in the personal biography of Jan Wallander. What is interesting then, and what will be in the focus of this analysis, is the question of how many of Wallander's imprints survived far beyond the end of his formal tenure at Handelsbanken and even against the background of institutional pressures questioning the viability of the bank's approach. In performing this analysis, comparisons with the path dependence literature will point at both parallels and differences between imprinting and path dependence.

Stinchome (1965) talks of efficiency, institutionalization and lack of competition as traditionalizing forces that contribute to the reproduction of imprinted elements. Lack of competition is questionable in the case of Handelsbanken. Of course, the degree of competition in the Swedish banking market can be discussed. During the 1970s the market was still highly regulated and it was rather difficult for the banks to significantly alter their market shares. Yet, an inefficient way of organizing operations would probably not have survived. From the 1990s onwards, the market was deregulated and the possibility for foreign banks to establish themselves in Sweden as well as Swedish banks' internationalization increased competition. In addition new technologies such as phone and online banking facilitated the market entry of new actor such as insurance companies and retailing chains. While lack of competition is no good explanation for the reproduction of Wallander's imprints, efficiency seems like a much better candidate. Since Jan Wallander entered in 1970, Handelsbanken has been among the most successful banks in Sweden and Scandinavia. According to Handelsbanken's benchmarking system, rewarding employees each year that return on equity is higher than the competitors' average, the Octagon foundation has received a part of the bank's profit every year since 1973, except for 1991 and 2008. While there is no absolute proof that this success is due to Wallander's reforms, a causal connection is of course likely. In any case, Handelsbanken's employees believe that their success builds on Handelsbanken's specific approach to banking and this is of course sufficient to legitimize conservatism when it comes to building on Jan Wallander's ideas.

Institutionalization, or as Stinchome puts it, "vested interests and the working out of ideologies" (1965: 169) are another important traditionalizing force. In Selznick's (1957) view institutionalization refers to the infusion of the organization with value, making it an end in itself beyond the functional purpose it was originally created for. Concretely, institutionalization can happen in different ways. At Handelsbanken, storytelling plays an important role for reproducing imprints. Boje (1991: 106) describes stories as "The preferred sense making currency of human relationships among internal and external stakeholders" in organizations. Stories are a means of interpreting and infusing organizational life with meaning (Gabriel, 2000). They play an important role in identity construction, as organizational identity can even be defined as the totality of identity-related narratives (Brown, 2006). As in the Handelsbanken case, storytelling convey important messages as to what is to be perceived as good or bad, as success or failure (Rhodes and Brown, 2005). At Handelsbanken, like in many other organizations, storytelling often occurs spontaneously and in an informal manner. One should however not underestimate the books written by Jan Wallander that, besides being stories themselves, have provided raw material for storytelling in the bank. By producing his books, Jan Wallander has made himself his own historian and communicated his own interpretations of his management at Handelsbanken. By writing the books and keeping an office after leaving his formal positions he has also retained both physical and spiritual presence in the organization in a way that one would perhaps expect from a family-firm with a retired owner-manager, but hardly from a large, listed company. In addition to informal storytelling, formal control mechanisms, like the bank's format for top executive succession and the written down ideology in *Our way* have even further stabilized the reproduction of imprints. The mode with each new managing director writing at least one new edition of *Our way* creates a balance of stability and change. While each new edition

contains a certain degree of renewal and environmental adaptation, the stability regarding the main organizational principles introduced by Jan Wallander creates continuity across generations of managers.

Comparing imprinting to organizational path dependence, one typical difference that is sometimes pointed at (e.g. Sydow, Schreyögg and Koch, 2009) is the question to what extent an imprint or a path are ready-made from the outset. While path-dependent developments are ambiguous and unpredictable from the beginning, imprints are supposed to be obvious from the outset and reproduced along the further development of the organization. Meanwhile, one may of course ask how pre-determined the development of imprints actually is. In the literature (e.g. Stinchcombe, 1965; Johnson, 2007) everything looks clear-cut in hindsight: organizational features have survived since foundation, hence imprinting must have occurred. However, taking the reverse perspective one may ask how clear the development of imprinting actually was at Handelsbanken from the outset. Was it for instance clear that Wallander's attempts to decentralize the bank would be successful and survive over time? Was it clear that the decentralization efforts would not soon be countered by centralist tendencies, making them a one-time event or freezing them at a relatively early stage? Could one foresee that decentralization would be further extended by Wallander's successors and trigger innovative technological and organizational solutions, rather than just disappearing after Wallander's retirement? After all, as the events around the emergence of internet banking showed, a decentralized bank was not in line with the institutional recipe for organizing such companies.

I argue that, similar to path dependent processes, imprints need self-reinforcing mechanisms to survive in the long run. In the Handelsbanken case, the superior that came to be ascribed to the changed organization principles, provided legitimacy to Wallander's reforms. It became attractive to further enhance the autonomy of branches and to extend local credit limits. The empowered branches of course became enthusiastic supporters of the change and pushed for further decentralization. In parallel, the new way of organizing Handelsbanken became more and more institutionalized, i.e. cherished for its own sake. The development became path-dependent in a cognitive sense (cf. Brunninge and Melin, 2009), meaning that it became increasingly difficult for Handelsbanken managers to think of the bank as not being decentralized. By a combination of different traditionalizing forces, including storytelling, conscious as well as unconscious management of meaning, and continuous top management succession, Jan Wallander's imprints were more and more reinforced, subsequently narrowing down the scope for change when it came to Handelsbanken's basic operating principles.

Similar, to path-dependence, I would also argue that it is meaningful to talk of lock-ins in connection with imprints. Compared to technological lock-ins, organizational lock-ins are more difficult to pinpoint and potentially less determined due to the ambiguous social nature of organizational processes. It is difficult to say exactly at what point in time the imprints made by Jan Wallander became irreversible and thus locked-in. However, there is good reason to claim that imprints like decentralization and focus on cost reductions are locked-in today while they were not from the outset when Wallander introduced them. The lock-ins occurred along the way as the imprints were more and more reinforced and became increasingly difficult to alter.

Conclusions and implications

Examining the Handelsbanken case, differences between imprinting and organizational path dependence remain and this is probably good as it allows pinpointing different organizational phenomena. At least in

the stricter sense of Sydow, Schreyögg and Koch's framework (2009), the introduction and reproduction of Jan Wallander's management ideas at Handelsbanken was probably too much controlled and determined from the beginning to qualify as a path dependent process. Yet, the parallels with such a process are striking and the differences between imprinting and organizational path dependence perhaps appear a little smaller after investigating the case than they did before. The concept of path dependence is helpful in better understanding imprinting and not least the reproduction of imprints. The processes going on when reproducing imprints show striking similarities with those that can be observed when studying the emergence of organizational paths. A closer look at the retention of imprints makes us question the determinacy of imprinting processes. While imprints may appear almost trivially obvious in an ex post analysis, a processual study of imprinting reveals that the reproduction of imprints is less predetermined than it may appear. In order for imprints to survive, they need to be reinforced similar to patterns of action that will result in an organizational path. During this reinforcement process, imprints are specified, applied to concrete situations and – if they survive – they may sooner or later become locked-in and in this sense represent an organizational path that is impossible, or at least extremely difficult, to reverse.

Studying imprinting and organizational path dependence in parallel offers interesting opportunities for cross-fertilization. In the present study the path dependence notion has contributed to better understand the concept of imprinting. Additional studies of path dependent processes in a narrower sense, may shed additional light on the role of imprinting for path dependence. This will hopefully result in a better understanding of the unique features of each concept, as well as to a better understanding of their mutual relationship.

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