Different marches of the machines: Institutional change and identity work of professionals

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Abstract: This study examines how the introduction of new technology had a differential effect of the work of a matched set of two workgroups of professionals. One group of internal auditors, at a major multinational corporation based in an emerging market, embraced the new methods of working, prompting new identity creation that reinforced their adherence to one of the conflicting institutional logics, and increase their professionalism. The other group, also internal auditors but working at a major domestic company in the same industry and country, resisted the change, allowing management to exploit the opportunity to undermine the professionalism of the workgroup, while engaging in symbolic management to reap the external benefits of what looked like good corporate governance. The study demonstrates, theoretically, the role that identity formation plays (or may not play) in embedding institutional change, and how a professional logic can be reconciled with organization identification. It also shows, practically, how in certain conditions resistance to technology can disrupt professional integrity.

Keywords: Institutional logics, professionalism, organizational identity, corporate governance, internal audit

Introduction

The literature of organizational change is replete with examples of resistance to technology and how to overcome it. The literature of institutional theory is likewise full of examples when practices persist long after their utility has eroded. This study examines the intersection of those perspectives through a pair of matched case studies in which efforts to create greater efficiency and effectiveness have opposite effects on the behaviour of two workgroups of professionals. One group, the internal audit function of a subsidiary of a multinational corporate in an emerging market, showed greater adherence to a professional logic. Doing so simultaneously enhanced its identification with the organization and its aims.

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The other group, internal auditors at a large domestic company in the same industry, felt stronger identification with the organization, only to see their function undermined by senior management and eventually all but abandoned, with a loss – to the individuals and the organization – of their professional integrity.

The study involves two food-industry companies in Egypt. Both were implementing new information systems for enterprise resource planning (ERP), a technology shift that promised simultaneously to facilitate better executive decision-making while also securing enhanced capabilities for monitoring management and controlling its actions. Achieving both with one mechanism means improving both sides of the dilemma in corporate governance: how to advance business objectives without losing control. That is, the technology supports both the *service* and the *control* function that the corporate governance literature ascribes as the complex goal of directors (Hillman & Dalziel, 2003), and that the literature of audit ascribed as the conflict of interest in both external audit (Marnet, 2007) and its much-less-understood cousin, the internal audit profession (Elbardan, Ali, & Ghoneim, 2015).

To examine the cases, we review data from interviews, documents and observations (Yin, 2003), using the matched pair of cases to increase validity (Eisenhardt, 1989). The data were analyzed thematically and then theoretically, using institutional theory to consider both themes of both professionalism and organizational change.

The surprise in this analysis came with the realization that rather than seeing heightened conflicts between organizational and professional identities, each case showed a different but unitary response, one that strengthened both and the other that undermined professionalism and then contributed to undermining organizational allegiance as well. Here is it not a simple case of the march of the machines, in which technology diminishes human agency, but different marches, where different humans exert different agency, differently.

Institutions and identity

Two broad theoretical traditions seek to explain social interactions: institutions and identity. Institutions are the sets of rules that inform social decisions, enabling certain choices while constraining others. As a result, they reinforce certain patterns of behavior, which contributes to their own persistence, even beyond the point that the institution has outlived its usefulness (Meyer & Rowan, 1977). DiMaggio and Powell (1983) showed how institutions diffuse and become embedded in society in three ways: through mimetic, normative and coercive isomorphism, as social actors – and especially organizations – copy each other's actions, adhere to perceived standards, or react to threats of sanction. Acceptance of and adherence to the patterns of behavior creates a sense of legitimacy both for the actor and with others in the social system.

Identity theory can be viewed as a carrier of institutions from the field, through the organization, to the individual. Identity involves individuals finding meaning in symbols, rituals, artifacts and patterns of behavior that give them a sense of belonging to a group (social identity: cf. Tajfel, 1974). The values they hold imply rules of action that justify meaning and a sense of self (self-identity: cf. Stryker, 1968). Self-identity theory suggests that individuals are multi-faceted, performing a variety of roles that may have conflicting motivations. Employees often identify with an employer and face threats to that identity in the face of workplace change. They then engage in coping strategies and other forms of identity work (Brown, 2017), including conforming, resisting, and (merely) acting a part (Collinson, 2003). Similar reactions have been observed among elite professionals, despite the protection they enjoy from their special skills and knowledge that defines their profession (Brown & Coupland, 2015).

Institutional logics and work

According to the institutional logics perspective, institutions arise from within certain broad categories of social practices. Friedland and Alford (1991) suggest that *orders*, such as the *state*, the *family*, *religion*, or *capitalism* give a common base of meaning – root metaphors, the basis for norms, the sources of identity, etc. – to the rules, rituals, and artifacts. Thornton, Ocasio, and Lounsbury (2012) extend the range of orders: *community*, the *corporation* and *markets*. Notably, Thornton and colleagues also view *professions* as an order.

As a set of rules creates legitimacy and becomes institutionalized, the justification for it is taken for granted, and its logic ceases to be articulated. Green, Li, and Nohria (2009) suggest an analogy to a syllogism in logic: "If A and B, then C." Institutionalization means we accept the validity of C without even considering A or B, let alone whether "if" leads to "then". The base understandings of the "orders" provide the first step in that legitimation.

Thornton et al. (2012) argue that professional logics are based on networks who share a source of legitimacy in their personal command of knowledge, with authority from the collective adherence to norms established by the profession. On that basis, society grants professions – archetypally, medicine, law, educators, and accountancy – privileges. For many centuries, the state allowed these professions to self-regulate, and thus collectively to monopolize economic value (Krause, 1996). Such power-based views of professions underpin competition, for example, between law and accountancy over control of advisory services for mergers and acquisitions (Abbott, 1988). It is also reflected in how Thornton et al. (2012) describe the professional order as involving strategies rooted in increasing personal reputation and individual-oriented capitalism.

As background conditions change, however, the tendency of institutions to persist can leave them out of sync with developments. How institutions change in response has been theorized as "institutional entrepreneurship" (DiMaggio, 1988), in which actors undertake agentic behavior to expose the flaws of the logics and undermine the legitimacy of the rules. Lawrence and Suddaby (2006) broaden this concept to "institutional work", which comes in forms that disrupt, maintain or create new institutions.

The professions can be viewed as engaging mainly in institutional "maintenance" work. When, for example, a corporate or financial crisis threatens the legitimacy of audit, the profession seeks to fix the problem and *maintain* its standing with a change to audit standards. By doing so, it avoids to a *disruptive* force seeking new legislation, or an actor from a different order, say, a fintech firm with a corporate logic of venture capital maximization that might *create* a new business model that could replace the old ways of working. A logic can be threatened when a "precipitating jolt" (Greenwood, Suddaby, & Hinings, 2002) such as a new technology from another field encroaches and undermines the logic's taken-for-grantedness.

Identity as a mechanism of institutionalization

Institutional theorists suggest that institutionalization takes place though identification of social actors with the rules, practices, and artifacts of an institution. It may occur through organizational isomorphism (Glynn & Abzug, 2002). Kodeih and Greenwood (2014) suggest that institutional complexity arises as social actors (organizations, groups, and individuals) display a commitment to conflicting logics that these rules, rituals, and artifacts embody. We can visualize the relationship of identity and the underpinning logic as shown in Figure 1.

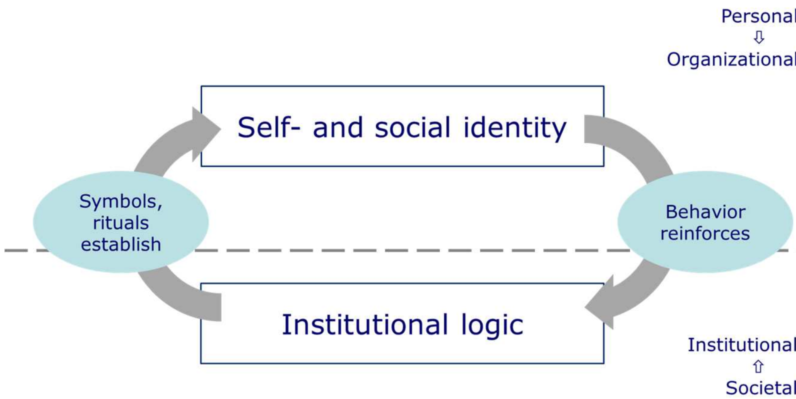

Figure 1 - Identity as vehicle for institutionalization

In the professional order, identity develops as individuals adopt a logic that includes "craft" nature of the work and the personal reputation of the professional (Thornton et al., 2012), conferring status to the professionals and distinguishing them from others. Their logics will be particularly threatened if the jolt comes in a form that raises doubt about the value of craftsmanship and thus the reputation and identity of the professional.

Professions, professionals, and professionalism

Theorists including see professions as a special form of occupational control. In the traditional, "collegiate" view, professionals are protectors of knowledge; to act professionally is to accept and play by the rules, suborning self-interest to the collective, as defined by the profession itself. But scholars following the lead of Johnson (1972) have taken a more critical stance. Johnson argues that the traditional view masks the way professionals carve out monopolies, using expertise to gain power and social standing. He calls that "professionalism," but it is only one of the ways professions relate to the struggle for occupational control.[1] Another is "patronage", acting in service to powerful paymasters and providing rationalizations based in the discourse of the profession. Moreover, both can operate at the same time, where integrity and self-interest become uneasy bedfellows.

Professionals thus represent a special and complex case of the interplay identity and institutions, in which contradictory professional-order logics confront contending corporate-order ones. Viewed through an institutional lens, individual professionals may face conflicting logics, such as those that faced large accountancy firms as the development of new accounting technologies, including enterprise resource planning system, presented a business model (Hinings, Brown, & Greenwood, 1991). The opportunity for partner-profits relied much less on the knowledge of accountancy and audit than on scale economies and add-on consulting revenues. It led audit firms to act more like corporations, adhering more to a logic of capital efficiency than professional integrity.

We can see that in the stories of the biggest crisis in the profession – and the string of corporate failures that surrounded the collapse of Enron and the implosion of its auditor, Arthur Andersen (Carnegie & Napier, 2010). In this view, audit professionals, confronted with a logic of shareholder value imported from the *corporate* order, chose to subjugate the integrity of a *professional* logic to the *corporate*-like logic of profit (cf. Greenwood & Suddaby, 2006; Lander, Koene, & Linssen, 2013). Figure 2 shows the corporate/professional logics in a system of interacting logics and identities, with examples other orders and logics shaded out (cf. Thornton et al., 2012).

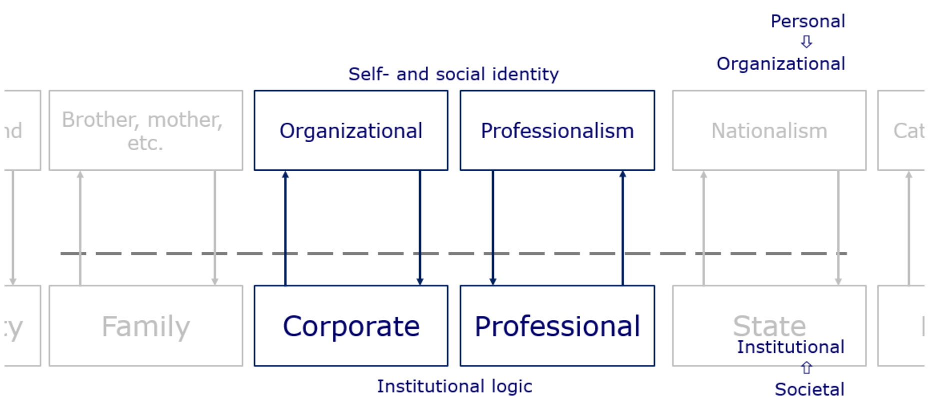

Figure 2 - Corporate and professional logics and identities

Corporate governance, agency and stewardship

This dilemma has echoes of conflicting logics in corporate governance, as described in agency and stewardship theory. Agency theory sees managers and those who serve them as working from economic self-interest. To prevent loss of value they need to governance through monitoring and control (Fama, 1980). An alternative view starts with the assumption that people in organizations are motivated by non-material benefits, such as the desire to do a good job (Davis, Schoorman, & Donaldson, 1997). This steward-like approach is other- rather than self-centered, and has affective as well as cognitive dimensions (Hernandez, 2012).

Moreover, the implications of agency and stewardship are opposite. Agency theory sees control as the mechanism of governance, while stewardship points to encouraging managerial discretion (Donaldson, 2008) and conducting governance through support for managers' resource needs (Pfeffer & Salancik, 1978; Pugliese, Minichilli, & Zattoni, 2014). In the case of professionals, this discussion aligns traditional, collegiate professionalism with stewardship theory, and professionals working under patronage conditions with agency theory (cf. Johnson, 1972).

But the relationship may not be quite that simple. The critical stance in Johnson (1972) sees even the collegiate professional as self-interested, with autonomy and integrity of the profession serving that version of self. In the service of a powerful patron, and here we point back to the case of Enron, autonomy and integrity are suppressed, and self-interest becomes more evident. But self-interest is strong even in the traditional form of professionalism. Under Johnson's argument, we can see that even traditional professionalism is a self-interested logic, and the professional is an agent first and steward second, and yet the roles co-exist and co-exhibit.

If the powerful patron is a corporation or an individual who operates under a corporate logic, the professional may come to identify with the organization as well as the profession, adding to the institutional complexity (Figure 3). The question then becomes: under which circumstances, and under what conditions one of those becomes dominant, and how both might peacefully co-exist?

Figure 3 - Professional as agent/steward

Methodology

Our study examines institutional complexity and the interplay of logics from the corporate and professional orders through two cases involving professionals (internal auditors) operating in a shared corporate setting (food and consumers goods). One firm is an Egyptian subsidiary of a multinational corporation (MC). The other is a domestic company (DC), also in Egypt. Using a single country allows us to relate institutional pressures to organizational/professional dilemma without having to dwell quite so much on national or cultural imperatives.

The precipitating jolt was their near-simultaneous introduction of enterprise resource planning (ERP) software, purchased from the same supplier and implemented by largely the same consultants, using the same processes. Management of both firms thought the software would two key benefits: enhancing the quality of financial control (accuracy, efficiency) while also signaling accountability, especially to owners and regulators (legitimacy). Internal auditors were among the users of the software.

This study adopted a multiple case study approach (Eisenhardt, 1989; Yin, 2003). In each case, the same researcher (fluent in Arabic and English) used a semi-structured approach to interview a variety of personnel in both firms and the software vendor, conducted focus groups of internal auditors, reviewed internal documents of both firms, attended planning and implementation meetings, and observed interactions of the internal auditors with the new system.

The research was conducted over a six-month period, with opportunities for follow-up interviews, in person and by telephone. Most of the interviews were recorded, while in few written notes were taken. To enhance credibility, after each interview the main points mentioned by the participant were summarized and sent to the interviewee for final confirmation. Moreover, the initial draft of each case study report was emailed to key participants in order to verify for accuracy and getting further feedback and clarification where necessary.

The evidence was then analyzed thematically for the views about a wide range of topics about the process. This study focuses its findings on themes associated with the effect of the operational changes on the attitudes of personnel toward their identification with the firm and the profession, and the benefits and drawbacks of the changes to them as professionals and employees. Because of the length of time for research, we were also able to gain insights into the outcomes of the implementation and the attitudes of the internal auditors, post-implementation.

Balance of the paper

The findings, organized by theoretical considerations and analyzing extended quotations from the interview data, illustrate institutional challenges and identity responses of internal auditors at the two firms. Our discussion shows that the introduction of ERP at the multinational corporation's subsidiary strengthened both the internal audit team's identity as professionals and their identification with the corporate logic. They become, if effect, hybrid professionals (Blomgren & Waks, 2015), enacting corporate and professional logics, reconciling them through the overlapping elements of self-interest that allows professionalism to operate in both a traditional, collegiate fashion and in patronage mode. At the domestic company, by contrast, ERP led to a disruption of both professional identity and organizational loyalty. The internal audit function at DC shrank to merely symbolic presence (one individual), and that person's work came to be controlled through the application of (of all things!) a sales target. We conclude by arguing that hybridity operates through alignment of significant elements of two otherwise competing logics, reconciling identity conflicts, but that the effects are contingent on other institutional forces, in these cases ones where corporate logics seems also to echo broader societal trends.

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[1] We have chosen not to discuss the third type of professional in Johnson (1972) – the mediating role – as it is not directly relevant to the cases we examine. In a sense, however, the ERP software engineers are mediating professionals, but our concern is with the work of the internal auditors.

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