

Organizational
Adaptation to
Institutional Change: A
Comparative Study of
First-order Change in
Prospector and
Defender Banks

**Susan J.
Fox-Wolfgramm**
*San Francisco State
University*

Kimberly B. Boal
Texas Tech University

James G. (Jerry) Hunt
Texas Tech University

Using grounded theory, we examined a "defender" and a "prospector" bank's strategic adaptation to the Community Redevelopment Act across seven years during which they were under increasing regulatory pressure to comply. The interplay of institutional, organizational, and strategic issue context patterns led the defender to an aborted adaptation and the prospector to a reorientation. Each demonstrated a different form of resistance to demands for compliance to the act: identity resistance (change inconsistent with organizational identity) and virtuous resistance (change not needed since already part of the bank's identity). We observed both incremental and punctuated equilibrium change modes, though only incremental change was sustained. Institutional isomorphism and organizational performance exerted counterintuitive pressures for initiating and sustaining change. Drawing on our results, we develop propositions on organizations' adaptations to change.

Do organizations exhibit different processes of change in response to a pressing institutional issue, and if so, how and why does this occur? In spite of the ubiquity of research on change, the when, how, and why aspects are not at all clear. Van de Ven (1992) and Huff, Huff, and Thomas (1992) argued that we know very little about the order and sequence of events or activities that describe how things change over time, how organizations adapt to environmental changes, and whether these events or activities will lead to second-order change, in which the system itself changes, or to more modest first-order change, which occurs within the system itself.

Change is the movement away from a present state toward a future state (George and Jones, 1995). The popularity of studies on changes labeled second order, framebreaking, or radical might lead the casual reader to believe that these are the norm. Several authors have chronicled such changes as responses to environmental upheavals (e.g., Hrebiniak and Joyce, 1985; Meyer, Brooks, and Goes, 1990; Meyer, Goes, and Brooks, 1994; Miller and Friesen, 1980a, 1980b). Still other studies have described such changes in terms of cusp-catastrophe models (e.g., Gresov, Haveman, and Oliva, 1993) or by observing such changes in the organization's strategic orientation (Zajac and Shortell, 1989), structure (Meyer and Rowan, 1977), organizational identity (Dutton and Dukerich, 1991; Dutton, Dukerich, and Harquail, 1994), or even in the cognitive maps of top-level managers (Barr, Stimert, and Huff, 1992).

More substantial research suggests, however, that second-order change, a shift from one strategic orientation to another (cf. Greenwood and Hinings, 1988), is atypical even in times of environmental upheaval (Tushman and Romanelli, 1985). Authors have noted, for example, that organizations typically converge around a prevailing archetype: strategic orientation and inertia tend to bound the organizational change to that which is consistent with the archetype, representing first-order change. Empirically, Meyer and his colleagues (Meyer, Brooks, and Goes, 1990; Meyer, Goes, and Brooks, 1994) found that second-order change occurred only

© 1998 by Cornell University.
0001-8392/98/4301-0087/\$1.00.

We thank George Dodge, Jane Dutton, Anne Huff, various colleagues, and Christine Oliver and three anonymous reviewers for their helpful comments on various versions of this manuscript that improved both its content and readability. An earlier version was presented at the 52nd Annual Meeting of the Academy of Management. This article is based, in part, on a dissertation by the first author in partial fulfillment of her Ph.D. (Texas Tech University), Kimberly B. Boal and James G. Hunt, co-chairs. The authors contributed equally to the manuscript, and communications may be sent to any of them.

about 30 percent of the time, in spite of substantial upheaval in their organizations of study. In spite of its ubiquity, there appears to be a pejorative connotation to the study of first-order change. Perhaps because terms such as incrementalism, inertia, status quo, or even drift are often associated with it, its study appears to be out of fashion. For us, the literature's prevailing emphasis on second-order change, accompanied by a relative lack of emphasis on first-order change in response to environmental upheaval, substantially contributes to the dearth of information indicated above.

Our research is an attempt to present a more balanced perspective. Rather than emphasizing second-order change in response to pressing institutional forces, we focus on understanding how the interplay between the forces that resist or inhibit change and the forces that push the organization to change play out in differing processes of adaptation involving first-order change. Our emphasis is on first-order adaptive changes in two organizations, each with a different strategic orientation, as they respond to a major institutional issue over a seven-year period. We contrast the first-order, within-strategic-orientation adaptation patterns of two banks with different but relatively stable strategic orientation as they responded to major changes mandated in the banking industry by the Community Reinvestment Act (CRA) of 1977 (revised 1989 and 1990), an act passed to address the problem of banks discriminating against certain areas in their communities.

THEORETICAL BACKGROUND

Tracks as Modes of Adaptation

According to Greenwood and Hinings (1993), organizational structures and management systems are best understood as design archetypes or holistic patterns. These "patterns are a function of the ideas, beliefs, and values—the components of an 'interpretative scheme' (Ranson, Hinings, and Greenwood, 1980)—that underpin and are embodied in organizational structures and systems. A design archetype is thus a set of structures and systems that reflects a single interpretative scheme" (Greenwood and Hinings, 1993: 1052). To understand the interplay of sequences or events through which organizations adapt to changes in their environment, Greenwood and Hinings (1988, 1993) introduced the concept of change tracks. For them, the most important fact about organizations is change. Thus, Hinings and Greenwood (1988: 192) argued: "Because organizations are conceptualized as archetypes, tracks are configurations of interpretive decoupling and recoupling arising from the loss or retention of structural coherence and the displacement or stability of underpinning interpretive schemes." They maintain that all organizations generate tracks as they move through time, and these tracks reveal whether and how the organizations change. Tracks reveal the degree to which organizations either move from the constraining assumptions of a given archetype, for example, their strategic orientation, and assume the characteristics of an alternative one or remain within the assumptions and parameters of a given archetype over time. Tracks may be seen as combinations of cognitions and behaviors.

First-order Change

Hinings and Greenwood (1988) suggested four potential tracks through which organizations decouple and recouple their interpretive scheme from the structures and processes of organizational design. First is an "aborted excursion," which involves a temporary and limited departure from structural coherence. The movement away from the underlying archetype, however, is eventually followed by a return to the initial archetype. Second is a "reorientation" track, by which an organization leaves one type of archetype and ultimately moves to another. Second-order change is a type of reorientation track. While some reorientations may be linear in progression, oscillating or delayed patterns also may be observed, and reorientations need not follow a pattern described in cusp-catastrophe terms as punctuated equilibrium, in which sudden, discontinuous shifts occur, followed by convergence around a framework (Tushman and Romanelli, 1985; Gresov, Haveman, and Oliva, 1993). Rather, reorientations can be achieved through incremental steps. The third track is an "unresolved excursion." Following Ranson, Hinings, and Greenwood (1980), Hinings and Greenwood (1988) noted that organizations often get locked into competing battles between different interpretive schemes. Unresolved excursions involve movement from a coherent archetype without attaining a reorientation. The fourth track, "inertia," involves the retention of the existing design archetype. As Starbuck, Greve, and Hedberg (1978) argued, the most likely response to environmental changes, even ones that create a crisis for the organization, is to retain its current values and structural modes. Thus, change inconsistent with the prevailing interpretative scheme will be nonexistent or suppressed.

Why Similarities or Differences in Modes of First-order Change Emerge

There are several reasons for expecting either similar or different modes of adaptation to emerge in different organizations. An organization may follow similar modes of adaptation because of coercive, mimetic, or normative pressures to remain legitimate (DiMaggio and Powell, 1983). Coercive isomorphism occurs if an organization's responses resemble those of other organizations due to mandates by institutional regulation. Mimetic isomorphism exists if an organization copies characteristics of other organizations' processes that are perceived to be successful in an uncertain institutional context. Finally, normative isomorphism happens if an organization's adaptation reflects the professionalization and normative structure that exists within the institutional context (Levitt and Nass, 1989). Thus, the institutional context can serve to constrain the interests and activities of organizations, resulting in similar patterns of organizational adaptation among them.

Greenwood and Hinings (1993) noted that organizations have biographies that affect how they respond to change. One way in which these biographies are reflected is in their identities. For Albert and Whetten (1985), identity describes what is central, distinctive, and enduring about an organization. Dutton, Dukerich, and Harquail (1994) suggested that it is important to distinguish between how members perceive themselves (identity) and how members think others per-

ceive them (construed external identity or image). Also, for us, and consistent with Markus and Nurius (1986) and Gioia and Thomas (1996), identity and image have a temporal orientation of past (who we used to be), present (who we are now), and envisioned (who we want to become). Furthermore, we assume that while organizational members can envision a negative identity and image, they aspire to a positive identity and image. Prior research (Dutton and Dukerich, 1991; Elsbach and Kramer, 1996; Gioia and Thomas, 1996) has shown that both identity and image influence organizational adaptation.

A second way organizations' biographies are reflected is in their strategic orientation. Miles and Snow's (1978) typology of strategic orientations is consistent with Greenwood and Hinings' (1988) design archetype notion in that it includes the ideas, beliefs, and values or ideologies concerning what an organization should be doing, how it should be doing it, how it should be evaluated, and how these what and how aspects should be reflected in structures and processes. We found Miles and Snow's (1978) typology to be particularly appropriate for our study and were especially interested in their prospector and defender strategic orientations as ways to differentiate the two banks ultimately selected for study. Prospectors are dynamic organizations with broad product lines that focus on product innovation and market opportunities. They tend to emphasize creativity over efficiency. Prospectors adapt to their environment by using high levels of scanning to identify opportunities for developing new products or markets that are critical to their success. Structurally, prospectors are organic, with low levels of formalization and specialization, but high levels of decentralization. Compared with prospectors, defenders are less dynamic and focus on efficiency in their existing operation. Structurally, they are more mechanistic, formalized, centralized, and specialized than prospectors (Miles and Snow, 1978; Daft and Weick, 1984; Doty, Glick, and Huber, 1993).

Defenders and prospectors also tend to differ in the way they act on information (Hambrick, 1982), their adaptation to environmental jolts (Meyer, 1982), and in responses to strategic issues involving new technologies (Ginsberg and Venkatraman, 1992). These differences suggest that prospectors generally are more responsive to changes in their environment and open to change; change should thus come easier and require less coercion from their institutional environment. Finally, these strategic orientations should serve as an interpretive scheme through which environmental change is processed and acted upon, resulting in different patterns of adaptation (cf. Gioia and Thomas, 1996).

Prerequisites for Studying First-order Change

In addition to the recommendations made by Pettigrew (1992) for studying process issues in organizations, we believe there are three prerequisites for studying processes of first-order change. First, the organization must be facing an environmental change that requires an organizational response that is nontrivial. Such an environmental change is often referred to as a strategic issue. Strategic issues represent potentially important developments that, in the minds

First-order Change

of organizational decision makers, are likely to influence an organization's ability to achieve its objectives (Ansoff, 1980; Dutton, 1983). They represent potential problems, opportunities, and threats that activate and focus organizational attention toward the future (Ansoff, 1975; Grant and King, 1982; Dutton and Duncan, 1987). They often arise out of a gap between an organization's performance and the public expectations of that performance (Post, 1978) and frequently are laden with ambiguity and informational insufficiency (Ansoff, 1975; Dutton, 1983). Second, any study of change should adopt a multilevel perspective that simultaneously examines the institutional and organizational contexts within which change occurs. Despite calls for such an orientation (e.g., Miller and Friesen, 1984; Gersick, 1991; Pettigrew, 1992), relatively few empirical studies have used a multilevel perspective (for notable exceptions, see Ginsberg and Venkatraman, 1992; Gioia and Thomas, 1996; Meyer, Brooks, and Goes, 1990; Meyer, Goes, and Brooks, 1994; Thomas, Shankster, and Mathieu, 1994). Greenwood and Hinings (1993) suggested that ignoring a multilevel perspective results in a lack of understanding of how change is embedded in and affected by its institutional and temporal context. Without examining the patterns of changes in the institutional environment concurrently with changes within the organization, understanding the potential cause of different modes of organizational adaptation is limited. Finally, there must be evidence that the organization did not adapt to the environmental change by undergoing a second-order change. Such second-order changes, while not the norm, are not uncommon, as suggested by Zajac and Shortell (1989) and Zajac and Kraatz (1993).

Context of the Study

In this study, we investigated patterns of change over a seven-year period in two banks in response to the Community Reinvestment Act (CRA). According to local banking experts, the CRA is an extremely important regulatory issue affecting U.S. banks (Hogwood, 1990). The CRA sought to address the problem of banks discriminating against certain areas in their communities. That discrimination involved not making loans to individuals living in areas considered as high risk in terms of loan repayment, regardless of the individual's credit-worthiness. The legislation mandated that banks conduct business consistent with the needs of the broad markets they set out to serve. Banks were required to determine the credit needs of their community and not discriminate against any so-called red-lined areas considered high risk in terms of loan repayment. Implementation mechanisms consisted of regulators using 12 specific assessment factors to monitor the banks' documentation of their compliance efforts. These factors covered three broad categories: documentation effort, marketing effort, and effort involving the community. Among other penalties for noncompliance, regulators were empowered to prohibit growth in a bank's branch banking activities. Since July 1, 1990, public disclosure of banks' CRA ratings has been required. Over time, the importance of this issue has increased for all banks because of demands for comprehensive documentation of compliance efforts, public disclosure of CRA ratings, and in-

created community interest (Hogwood, 1990). Because of its importance, this act served as this study's strategic issue focus.

We studied response to the issue at three levels of analysis: the organizations' institutional setting, where the issue originated; the organizational level, where structures and roles were changed; and the strategic issue level, where the issue was interpreted and processed. As previously mentioned, one bank demonstrated a defender archetype or strategic orientation, while the other demonstrated a prospector orientation. We examined each bank's pattern of change in terms of the first-order change track it evidenced. A comparison of tracks revealed the way in which each organization adapted to its environment, within a given strategic orientation, and is consistent with the holistic arguments of Greenwood and Hinings (1988, 1993). We then used these findings to provide theoretical insights and develop a number of propositions.

METHODOLOGY

Phase I: Getting Started

Institutional context. The institutional context of strategic issue processing describes the larger environment in which support and interest in strategic issues are facilitated, sustained, or constrained (Dutton, 1989). The banking industry was chosen for study because the passage of the CRA provided a unique opportunity to study how organizations adapted over time to a major change in their institutional environment. In addition, deregulation, new regulation, mergers and acquisitions, and new products have led to continuous and discontinuous change (Haraf and Kushmeider, 1987; Wooldridge and Floyd, 1990). Therefore, the banking industry as a whole is facing extreme challenges to its profitability (Sheshunoff, 1987). Furthermore, Meyer, Goes, and Brooks (1994) argued that single industry studies allow a comparison of a uniform set of exogenous changes. Consistent with Dutton (1993), we operationalized the institutional context in terms of domain, form, and criteria. Domain relates to the prescribed institutional sphere of strategic issue activity engaged in, here, the banking industry and its regulators. Form describes what the standard institutional response to the issue is like. The American Banking Association offered workshops to bankers for dealing with the CRA, though individual responses were unique. The criteria component describes how success is defined in the institutional context for dealing with the strategic issue. Here, it was passing the bank regulators' CRA review.

Organizational context. Like Dutton (1983) and Dutton and Ottensmeyer (1987), we operationalized the organizational context in terms of ideology/structures, enacted environment, and strategy—where strategic details are considered, consistent with the organization's overall strategic orientation and the strategic issue content in question. Our concern was with how decision making takes place in the organization, especially with regard to strategic issues.

In terms of the selection of organizations for the study, we initially contacted banks that at one time or another had

First-order Change

been involved with a major southwestern university's school of banking. After interviewing several chief executive officers (CEOs), we decided to focus on those banks that had comprehensive archival documentation and top managers who were familiar with their bank's operations since the CRA had been passed. Discussions with bankers suggested that the period for this study should be narrowed to 1984–1990 to ensure reliable and complete documentation. Many felt that archival data would be incomplete for their bank prior to 1984. Furthermore, ease of entry and access, as well as geographical proximity (to minimize socioeconomic differences between banks' communities), were important considerations. Seven banks met these criteria.

The decision was made to reduce the number of sites to enhance comparability, depth, and quality of data collected, as recommended by Berg and Smith (1988) and Eisenhardt (1989). As detailed below, two banks were ultimately chosen, each with a different but stable strategic orientation. The first bank, hereafter identified as the defender bank, was state chartered and followed a defender strategy. The second bank, the prospector bank, was federally chartered and followed a prospector strategy (Miles and Snow, 1978). Both banks were multibranch banks located in West Texas. During the period under study, 1984–1990, in terms of deposits, the prospector bank was number one in local market share, and the defender bank was initially number three. When the second-largest bank failed in 1988, however, the defender bank became number two in size. While the specific agencies responsible for CRA administration and the accompanying institutional pressures differ somewhat between state- and federally chartered banks, it was the pressure per se and not the source that was crucial for this study. Furthermore, a former member of the Federal Reserve Bank of Dallas indicated that there is typically as much intra-agency difference as interagency difference in administering the CRA.

Strategic issue context. The issue context includes the immediate conditions that surround the fashioning of a strategic issue, and Dutton (1993) suggested that three dimensions are important in describing it: first, how issues are identified, e.g., as a low or high priority issue; second, how issues are interpreted, e.g., requires minimum technical compliance or explicit compliance procedures; and finally, how issues are responded to, e.g., as a problem or an opportunity. The issue context we studied was compliance with the CRA.

Grounded theory processual approach. This study delineates processual patterns of change at the institutional, organizational, and strategic issue level of each bank across time as each attempted to deal with the same strategic issue imposed by the U.S. Federal Reserve System. Consistent with a multilevel theoretical approach, and Dutton and Ottensmeyer's (1987) discussion of strategic issue diagnosis, actions of regulators were mapped onto perceptions held by each bank's top managers. These perceptions, in turn, were mapped onto each bank's responses. The interplay of these responses was then used to form tracks of organizational adaptation (cf. Hinings and Greenwood, 1988).

Since it is currently unclear how strategic issue processing occurs across organizations and across time, a processual grounded theory approach is an appropriate methodology for studying first-order change and for developing theoretical insights (see Eisenhardt, 1989; Ropo, 1989; Patton, 1990). Following Glaser and Strauss (1967), Eisenhardt (1989), Yin (1989), Hunt and Ropo (1995, 1997), and Ropo and Hunt (1994), this investigation was oriented toward grounded theory concepts focusing on the temporal dimension of organizational settings, while investigating a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clear.

Instead of using Glaser's (1992) approach to grounded theory, in which the researcher engages the subject without pre-existing ideas or frameworks, we adopted Strauss and Corbin's (1990) approach, which allows for use of existing theory to guide the research (Locke, 1996). We drew on existing ideas from the literatures on strategic management and organization theory. For example, initially we were heavily influenced by the work of Dutton and her associates (e.g., Dutton and Dukerich, 1991; Dutton and Ottensmeyer, 1987), as well as that of Greenwood and Hinings (1988), and Isabella (1990). In examining the interplay mentioned above, not unexpectedly, findings and theoretical implications emerged from this grounded theory that were not anticipated or were more important than anticipated. Such was particularly the case for organizational identity and image.

Sample selection. Given the previous arguments, it was necessary to select banks that best fit Miles and Snow's defender and prospector strategic orientation categories and whose strategic orientation did not change during the time period of the study, to provide evidence that the banks had not adapted to the environmental change by undergoing a second-order change. In selecting these banks, we administered a questionnaire based on Miles and Snow's (1978) work, refined and validated by Doty (1990), Doty and Glick (1994), and Doty, Glick, and Huber (1993). This questionnaire, adapted from Doty (1990), was used to measure the extent to which each bank conformed to Miles and Snow's categories, since, following Doty and associates, we recognized that any given organization would not be a "pure" type. Doty and Glick (1994: 236) argued that when measuring typologies, "the quantitative model must capture the similarity of real organizations to one or more of the ideal types."

The questionnaire was administered to four managers at or above the vice-president level from each of seven competing banks, as well as three finance professors associated with the Southwest School of Banking who were familiar with each of the banks. Each respondent was asked to rate the degree to which a particular bank corresponded to a description of a bank following a prospector, defender, analyzer, or reactor strategy. Respondents used a 7-point scale, on which 1 = "Not at all," 4 = "To some extent," and 7 = "To a great extent." We asked the respondents to describe each of the seven banks for 1984 and 1990, the two years which prior discussions with bankers had suggested should bracket

First-order Change

this study. Descriptions of the defender and prospector strategies we used are as follows:

[Defender:] This bank attempts to locate and maintain a secure niche in a relatively stable product or service area. The organization tends to offer a more limited range of products or services than its competitors and it tries to protect its domain by offering higher quality, superior service, lower prices, and so forth. This bank is at the forefront of developments in the industry—it tends to ignore changes that have no direct influence on current areas of operation and concentrates instead on doing the best job possible in a limited product or service area.

[Prospector:] This bank typically operates within a broad product-market domain that undergoes periodic redefinition. The bank values being “first in” in new product and market areas even if not all of these efforts prove to be highly profitable. The bank responds rapidly to early signs concerning areas of opportunity, and these responses often lead to a new round of competitive action. However, this bank does not attempt to maintain market strength in all of the areas that it enters.

The first author collected the data in June 1990. Following Doty (1990) and Doty and Glick (1994), we used the questionnaire data to classify each of the seven banks in terms of their relative standings in 1984 and 1990 on Miles and Snow’s (1978) typology. Also, following Snow and Hambrick (1980), for any given bank, we used only the responses from top managers at competing banks and from the finance professors for classifying that bank ($N = 27$). To do otherwise would confound intended with realized strategies. It was easier for respondents to determine each bank’s realized strategies exhibited over time, as revealed through the bank’s actions (see Snow and Hambrick, 1980).

We selected one relatively pure defender bank and one relatively pure prospector bank based on Doty’s Purenness Scale, which allows for the extent to which an organization fits a given type. The Purenness Scale indicates the ratio of the extent to which one ideal type (e.g., defender) characterizes an organization compared with the extent to which each of the other three ideal-type descriptions characterize that organization (e.g., prospector, analyzer, reactor). The higher the purenness score, the greater the extent to which a bank was perceived to be an example of a realized strategy type. For a sample of 109 organizations, Doty found a mean purenness score of 46 percent for defenders and 36 percent for prospectors. The highest rated banks in our sample that also were most similar in terms of asset size and other characteristics had scores of 40 and 46 percent for defender in 1984 and 1990 and 45 and 44.5 percent for prospector in 1984 and 1990.

Phase II: Conducting the Case Study

Interviews. The first author conducted interviews, typically lasting one to two hours. These were tape recorded, and printed verbatim transcripts were given to the interviewees for corrections and adjustments. Multiple informants were interviewed concerning each event. Those interviewed were as follows: four executives from each bank responsible for compliance efforts; one external board member from each bank concerning top management aspects; a representative from each of the three regulatory agencies—Texas State De-

partment of Banking (TSDB), Office of the Controller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC)—and representatives of community interest groups from predominantly lower-middle class neighborhoods, e.g., Black Chamber of Commerce. A list of informants and sample interview questions is shown in table 1. A complete interview guide is available from the first author.

Other sources of evidence. Documents, archival records, and the first author's personal observations were collected to corroborate and augment evidence from interviews and other sources (Yin, 1989). Printed documents and records from banks, regulatory agencies, and community groups were used for verification, inquiry, and drawing inferences about strategy, structure, and process. Table 2 lists the

Table 1

Interviewees and Sample Interview Guide for Bankers, Regulators, and Community Leaders

Respondents	Interview guide	Illustrative questions
Banks		
Defender CEO/president Executive vice president Loan officer; senior vice president Compliance officer	Issue identification	How great do you perceive the time pressure in working on CRA compliance? Has this changed since 1984? How?
Marketing officer; vice president External board member Former compliance officer	Issue interpretation	What types of information do you need in the course of resolving CRA? Where do you get this information?
	Issue response	What alternatives, if any, are being considered for resolving the CRA issue?
Prospector CEO/president Executive vice president Loan officer; senior vice president Compliance officer	Issue identification	How great do you perceive the time pressure in working on CRA compliance? Has this changed since 1984? How?
Marketing officer; senior vice president External board member	Issue interpretation	What types of information do you need in the course of resolving CRA? Where do you get this information?
	Issue response	What alternatives, if any, are being considered for resolving the CRA issue?
Regulatory agencies		
Defender Texas State Department of Banking: regional director Office of the Comptroller of the Currency: national bank examiner Federal Deposit Insurance Corporation: state bank examiner	General perceptions	Why do you think the banks in this area comply with CRA?
Community agencies		
City: community development director	General perceptions	How do you think banks in this area could improve their responsiveness to CRA and their obligation to serving the community's needs? (Do they need any improvement?)
Hispanic Chamber of Commerce: President; chair, Economic Development Committee Black Chamber of Commerce: President/founder		

First-order Change

sources. This material was collected to the point of theoretical saturation, when no new insights were gained (Glaser and Strauss, 1967). Between the two banks, a total of more than 200 documents were analyzed, and this analysis was supplemented with the interviewer's observations from site visits.

Data analysis. Because procedures for analyzing data from case studies of this type are not yet firmly established in the literature, procedures were designed especially for this study, based on an integration of case research and related methodologies (e.g., Miles and Huberman, 1984; Hinings and Greenwood, 1988; Van de Ven, 1988; Eisenhardt, 1989; Ropo, 1989). Figure 1 shows the flow chart for data analysis. A detailed description of each procedure is available from the first author.

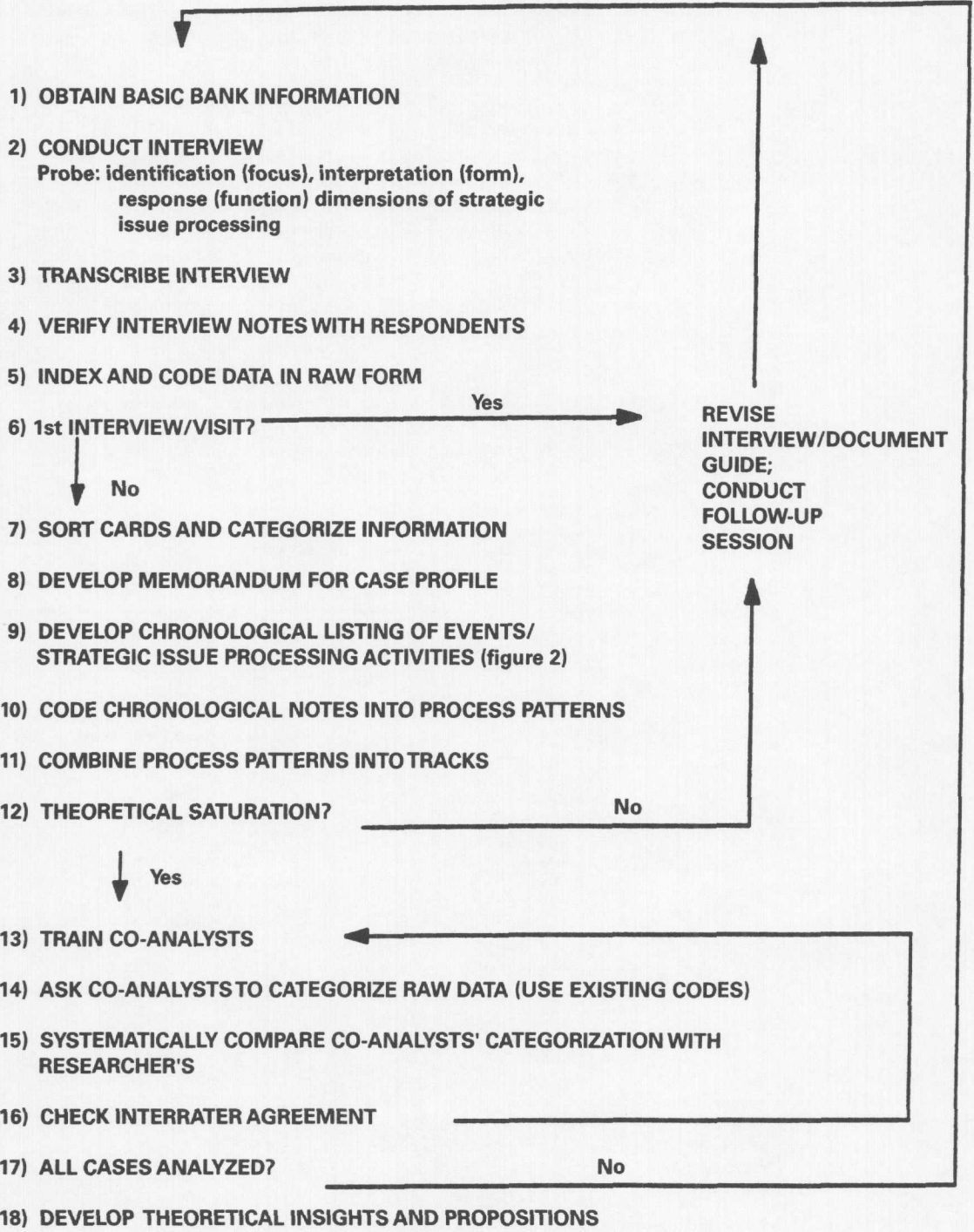
Data obtained from documentation, interviews, and observations were put into various displays, as advocated by Miles and Huberman (1984), and then were coded during the data collection phase according to organization schemes (e.g.,

Table 2

Additional Sources of Evidence, 1984-1990

Source	Evidence
Bank documents and records	
Annual reports (1984-1990)	Financial standing Scope of activities Strategic plans Environmental perceptions Officers/board members
Employee handbooks	Mission statements Philosophies
Records of advertising	Image/identity
Personnel records	Number of employees
Product and service fee schedules	Products/services offered
Organizational charts	Structure of organization
Board minutes	CRA-related policy discussions
Deposit and loan statements	Deposits and loans
HMDA Mortgage Loan Disclosure Statements	Amount/types of loans made
Community involvement questionnaires	Community involvement
Other	CRA-related documentation
Industry and regulatory agency documents and records	
Banking textbooks	General information on banking/finance/regulatory compliance
Banking journals	Real-time information on CRA
Community Reinvestment Act (1977)	Regulatory policies of the FDIC and OCC
Community Reinvestment Act tape	Regulators' interpretations
Uniform interagency guidelines	CRA performance ratings
American Bankers' Association training video tape	Consultants' interpretations of compliance
Financial Institutions Reform, Recovery, and Enforcement Act of 1989	Public CRA rating criteria
CRA evaluation formats/procedures	Performance evaluations
Community group documents	
Membership information	Mission/philosophies
Membership directories	Types of business loans needed
Personal observation	
Interviews and visits	Workplace and officer interactions

Figure 1. Flow chart for data analysis.



chronology, key events/people, initial research questions, emergent insights) and existing and emergent pattern codes, as shown in the Appendix. Detailed coding schemes are available from the first author. The first author simultaneously prepared memoranda, based on her interpretations of documentation, interviews, and observations, which turned into themes used to develop the pattern codes

First-order Change

(shown in the Appendix) that expressed ideas about codes and data relationships during coding. Next, a chronological listing of events and strategic issue processing activities was developed, and this listing was used to analyze each bank at the institutional, organizational, and strategic issue levels of analysis. Each of the above contexts played out temporally in a different process pattern across varying time periods, and the first author content-analyzed them separately.

Two co-analysts separately coded the raw data and developed the processual patterns, each with differing time periods. Agreement among the raters and the first author was checked by dividing the number of coding agreements by the total number of coding agreements and disagreements among the co-analysts and the first author (Miles and Huberman, 1984). General coding agreement on the major headings listed in the Appendix was 90 percent for the defender bank and 95 percent for the prospector bank across the first author and two co-analysts. Corresponding percentages for the more specific kinds of categories shown in the Appendix were 64 percent and 67 percent, respectively. With these percentages as a baseline, the three parties carefully re-evaluated and discussed in detail their earlier pattern categorizations. This process led to rethinking and improving the theoretical ideas generated and tended to lead to consensual categorizations. In those few instances in which agreement could not be reached, the first author's categorization prevailed. The content of each process pattern outlines the cognitive and behavioral tendencies underlying each bank's strategic issue processing, and the interplay of these process patterns forms the change tracks, discussed later. Table 3 provides examples of the evidence collected to develop the process patterns at each level of analysis.

Creation of process patterns. The institutional context pattern includes time-ordered events oriented around regulator activities that shape the domain, form, and evaluation criteria previously mentioned. This time-ordered information came mainly from analysis of documents and archival material and secondarily from interviews. Consistent with Ropo (1989) and Isabella (1990), we assigned pattern labels for both banks for each change period that occurred at the institutional, organizational, and strategic issue level of analysis. The organizational process pattern describes cognitive and behavioral change periods in each bank's ideology/structure, enacted environment, and specific strategies across time (Dutton and Ottensmeyer, 1987). This information came from a triangulation of initial questionnaire data, interviews, documents, archival material, and the first author's personal observation. The strategic issue process pattern includes time-ordered descriptions of cognitive interpretations and behavioral activities, oriented toward the CRA issue, in terms of their identification, interpretation, and response. Information came primarily from interview data and secondarily from archival data. The pattern labels matched cognitive interpretations of bank officers with key changes in strategic issue process activities for each of the time periods (cf. Isabella, 1990).

We also developed a measure of the intensity of strategic issue process activities, as shown in figure 2. We defined

Table 3

Example of Evidence Collected for Development of the Three Process Patterns

Interviews	Archival/documents	Questionnaire	Observations
Institutional process patterns			
Discussions with regulatory authorities, bank officers, and community leaders.	Banking industry guides on CRA compliance, regulatory agencies' documents, handbooks, and records (e.g., American Banking Association literature on CRA compliance aids, written legislation, banking experts' interpretation of the written legislation).	N/A	Observations made of the regulatory agency representatives' appearance, the characteristics of agency offices (e.g., large or small, busy or not, numerous manuals or not, relaxed or business-like atmosphere).
Organizational process pattern			
Discussions with bank officers, regulatory authorities, and community leaders on general characteristics of each bank since its founding.	Analysis of each bank's documentation and archival data about its various characteristics (e.g., annual reports, personnel records, historical records, employee handbooks).	Perceptions of the enacted environment, ideologies, and strategies utilized by each bank in competing within the local community and southwestern region of the United States.	Observations made of the size, appearance, and location of each bank; personal interactions between banking officers; informal structure and communication within each bank; interactions between banking officers and the community; location of the compliance area in each bank compared with other departments.
Strategic issue pattern			
Discussions with bank officers and community leaders on each bank's documentation, marketing, and community outreach efforts related to CRA compliance guidelines.	Counting of pertinent activities related to each bank's documentation, marketing, and community efforts as related to CRA compliance guidelines established by the regulatory agencies (e.g., low-income products/services, educational efforts, geographical distribution of loans made).	N/A	Observations made about each bank's efforts to reach its community (e.g., types of media relied upon; amount spent for various outreach programs, creativity shown in designing CRA compliance activities).

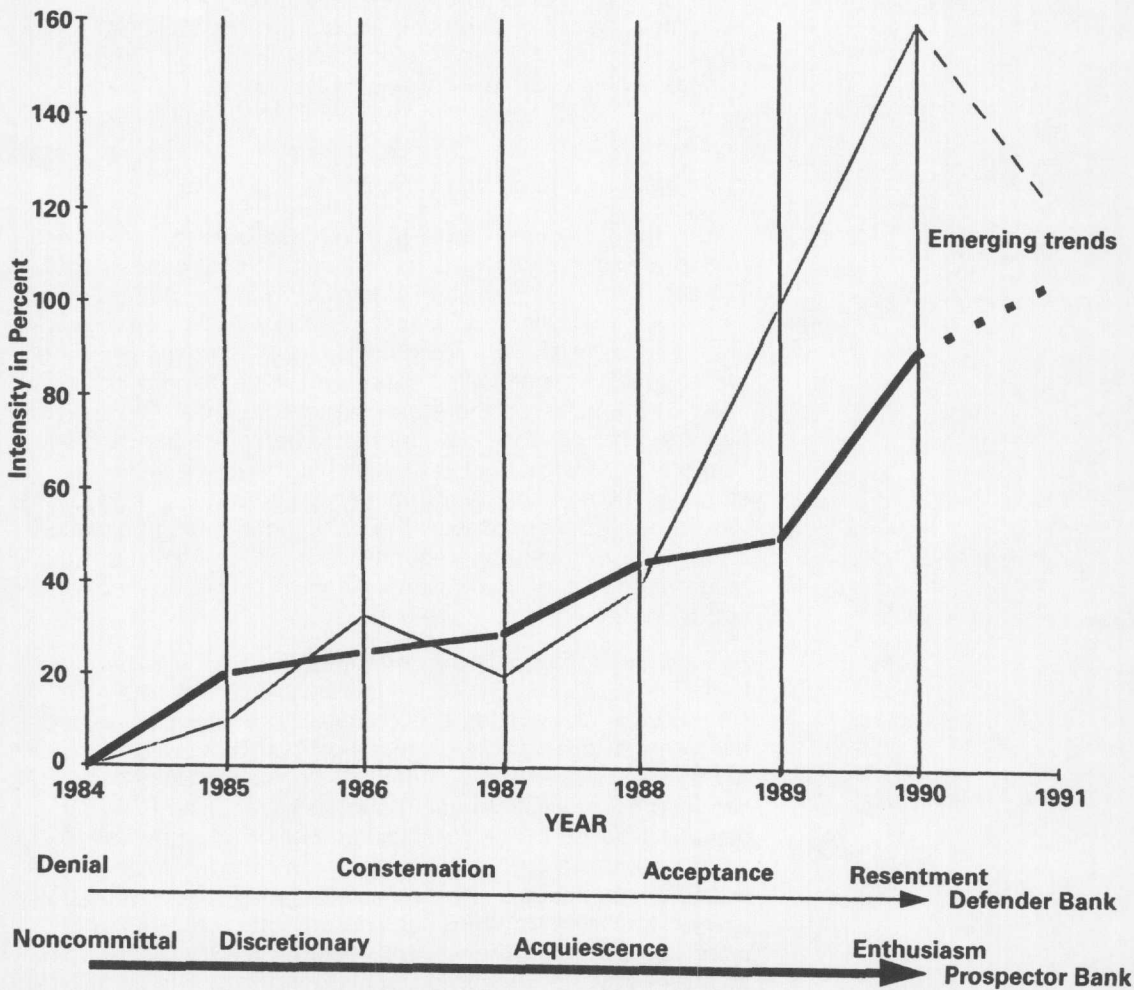
intensity in terms of how key decision makers viewed and responded to the issue as a function of that issue's importance to the decision makers across time. We based intensity of the strategic issue process activities on the 12 specific assessment factors used by the bank regulators for the CRA examination. Examples of each activity within the documentation, marketing, and community efforts categories include: the nature/type of internal CRA monitoring procedures (documentation); the type of market credit/services or special programs developed by the bank (marketing); and fair geographic distribution of credit extension (community). Intensity measures were based on (1) qualitative descriptions of the content of these strategic issue activities across time and (2) a count of pertinent activities related to the identification, interpretation, and response activities of the strategic issue process. Each activity engaged in that corresponded to

First-order Change

an actual assessment category was given a weight of one. Activities were summed for each year, with the previous year's activities subtracted from this number, and the resulting total was divided by the previous year's number of activities. This process provided relative percentage changes over time in strategic process activities/intensity.

Creation of tracks from process patterns. The process patterns, summarized in tables 4 and 5, below, served as the core of the change track for each bank. The patterns of change, evidenced across the institutional, organizational, and strategic issue levels of analysis, were interpreted in terms of the theoretical tracks discussed by Hinings and Greenwood (1988). To derive these tracks, we analyzed the time-ordered descriptions that make up the process pattern for the institutional, organizational, and strategic issue contexts for each bank, supplementing the strategic issue context data with the intensity data summarized in figure 2. For example, table 4, below, shows a period label for various time periods (relaxed, resistance, denial, etc.) for each of the contexts. The content summarized within these periods was evaluated, as a whole, both horizontally across time and ver-

Figure 2. Intensity of strategic issue process activities.



tically across contexts or levels, in terms of the bank's initial archetype or strategic orientation. This procedure was then supplemented with consideration of the bank's intensity of strategic issue process activities. These procedures were to determine the extent to which there were within-archetype changes across time. We then interpreted the nature of these changes for each bank in terms of Hinings and Greenwood's (1988) tracks: aborted excursion, reorientation, unresolved excursion, or inertia. The second author made the initial evaluations, and the three authors discussed these until consensus was reached.

PROCESS PATTERNS AND CHANGE TRACKS

In general, our findings suggest that in dealing with the CRA strategic issue, the two banks exhibited different process patterns and change tracks in response to institutional pressures for change. We interpret these differences to mean that the organizations' strategic orientation, defender or prospector, acted as an interpretive scheme resulting in (1) different reasons, deriving from the organization's identity and image, for complying with or resisting institutional pressures for change and (2) different patterns of change in organizational structures and systems. The key findings, based on the institutional, organizational, and strategic issue processual patterns, are summarized in the tables below. While we examined the same overall time period for each bank, 1984–1990, we found the patterns of change and their temporal periods within each level of analysis to be unique to each bank. Table 4 presents a summary of the defender bank's process patterns.

The Defender Bank: 1984–1990

Institutional process pattern. Table 4 shows the three important periods in the data for the institutional context for the defender bank, which are marked by break points, such as a shift in regulator behavior from the relaxed to the guidance period, or sharp turning points, e.g., intensity of strategic issue process activities. First was the relaxed period, 1984–1986, in which the state-chartered bank's CRA activities were mainly controlled by the Federal Deposit Insurance Corporation (FDIC). During this period, the bank had a "no surprise" relationship with regulatory authorities. The FDIC was simply concerned with the bank's continuing obligation, consistent with safe and sound operation, to help meet the credit needs of the bank's entire community, including low and moderate-income neighborhoods.

Second, was the guidance period, 1986–1989, in which there were changes in federal law accompanied by increased coercive pressure from regulatory agencies; however, the emphasis was on technical compliance. During 1986, compliance also included maintaining Home Mortgage Disclosure Act (HMDA) data on loans made. The FDIC periodically assessed CRA compliance as part of an overall examination, basing its assessment mainly on what bank officials orally described to examiners. A satisfactory rating and a one-page write-up were considered criteria for regulatory approval, but the approval was scrutinized if the FDIC was aware of any written complaints about the bank's compli-

First-order Change

Table 4

Summary of Defender Bank's Process Patterns

Institutional context			
<i>Relaxed (1984–1986)</i> Routine examination of CRA efforts Adequate attention to community required CRA is second to safety and soundness	<i>Guidance (1986–1989)</i> CRA emphasis Compliance suggestions Increased assessment and evaluation	<i>Demonstration (1990)</i> CRA enforcement measures Interest in documentation efforts and proof Public ratings	
Tendency to be content with average conforming banks	Tendency to zero-in on all bank's compliance efforts	Tendency to pressure banks	
Organizational context			
<i>Resistance (1984–1985)</i> Conservatism in internal operations "Weather the storms in the banking industry" "Standard products and quality service offered"	<i>Exploration (1985–1987)</i> Growing conflict in organization between security and growth decisions See more environmental uncertainty Develop new service	<i>Push (1987–1990)</i> New emphasis on compliance and banking schools Increased CRA thinking and monitoring Implementation of procedures to verify compliance	<i>Recidivism (1990)</i> Change "how" it is done not "what" is done Stick to traditional in a certain environment Take unusual actions only to stay competitive
Tendency to operate as usual	Tendency to focus on what can block or enhance competition and status	Tendency to settle into old routine when possible	
Strategic context			
<i>Denial (1984–1986)</i> "Backwater issue" Minimal technical compliance Minimal information processing Abide by letter of the law	<i>Consternation (1987–1988)</i> "Big city issue" Minor technical adjustments "Good banking"	<i>Acceptance (1988–1989)</i> "Beef-up compliance" CRA exam preparation Prove responsiveness	<i>Resentment (1990)</i> Define CRA for community Administrative duties change CRA rating is a measure of success
Tendency to do the minimum for approval from regulators	Tendency to be curious about what is happening to other banks	Tendency to present best compliance efforts to regulators	Tendency to become complacent

ance with the CRA, or if the examiner noted major violations of the Equal Credit Opportunity Act, Fair Housing Act, or Home Mortgage Disclosure Act. Federal agencies provided guidance by outlining compliance policies that would fulfill a financial institution's responsibilities under the CRA; nevertheless, no specific activities were prescribed to fulfill these responsibilities. Decisions on types of new activities to engage in, which activities were more important to focus on, how to determine the credit/financial needs of the entire community, and the like were left solely to the bank to determine on its own.

Finally, in 1989, the demonstration period began, in which both state- and federally chartered banks had to conform to specific criteria, and their standing was publicized. The Financial Institution Reform, Recovery and Enforcement Act, FIRREA, placed a tremendous burden on the FDIC as insurer and regulator of savings and loans. This act reduced the presence of FDIC examiners in many state-chartered banks. One FDIC examiner believed that his agency's mission "was

to promote confidence in the banking industry." At the same time, FIRREA and a Joint Policy Statement, issued by the Financial Institutions Examination Council—composed of members of the Federal Reserve and other financial institution regulators—amended the CRA information statement of 1980. CRA compliance now required: (1) disclosure to the public of an institution's CRA rating beginning in July 1990 and (2) a revised interagency CRA rating system. CRA compliance was now broken down into 12 specific assessment factors that had to be followed, and criteria were provided for outstanding, satisfactory, needs to improve, and substantial noncompliance ratings. According to the FDIC bank examiner, even though the CRA "didn't require a whole lot," the FDIC expected banks "to devote significant time toward CRA." The agency expected a considerable amount of written documentation and system development, for example, in tracking loans. According to one FDIC examiner, "most correspondence with banks was through examinations" during this period. The defender bank took and passed a CRA examination in June 1990, just prior to ratings being made public.

Organizational process pattern. The defender bank's resistance period, 1984–1985, involved primarily weathering the storms occurring in the banking world by holding on to its conservative practices as the third largest bank in the community. In 1984, no bank response was specifically geared toward the CRA. The bank's MIS director, who served as the first compliance officer, recounted that minimal technical compliance with the CRA was viewed as all that was necessary to comply; in fact, the bank's lawyer wrote up the CRA statement so that "the bank complied with the letter of the law." Hence, minimal time and effort was spent on it. The defender bank relied on bureaucratic devices of structure for coping, and about half of all decisions were made at the vice-presidential level or above.

During the exploration period, 1985–1987, the bank was torn between operating as it always had and branching out. It finally purchased two small defaulted banks but did that "just to maintain its position, since other banks were growing too" (CRA compliance officer). These banks' operations were immediately converted to the defender bank's established policies and procedures for conformity and consistency. The bank also started to offer new services specifically targeted to health care professionals, since this market was growing dramatically in the community. It also received national recognition as a strong, "safe" bank.

During the push period, 1987–1990, the bank assigned one of its loan officers to the part-time responsibility of compliance officer. He attended the American Bankers' Association Compliance School, as well as a university regional banking school. Around 1989, the part-time compliance officer implemented more CRA procedures, just to "verify" what the bank had always done and "to play by the rules." Board meetings, which included CRA updates, began to occur more frequently as time went on. The bank tried to become "community wise," attending more functions, increasing its advertising in minority mediums, and trying to improve recognition and its accessibility to low-to-moderate income level

First-order Change

groups. Furthermore, by mid-1989, a new executive vice president, in charge of business development and marketing, was designated as CRA officer in charge of overall CRA programs for the bank. The part-time compliance officer, however, saw all compliance issues as requiring enough attention in the future for the bank to hire a full-time compliance officer. He discussed this with the president, who had no hands-on experience with the CRA, and various committees that had resource allocation power in the bank. Thus, by 1990, a vice president from one of the sister banks in the defender bank's holding company was brought in as a full-time compliance officer. His duties were very "detail-oriented" and included "spending more time in the bank thinking about CRA and monitoring ongoing procedures."

In 1990, a CRA committee was established that consisted of representatives from Lending, Marketing, Compliance (the full-time officer), and Operations and the CRA officer who was a member of senior management. For the first time, officers below senior-management level assisted in CRA efforts. These committee members were charged with the responsibility of making sure the board of directors knew about CRA legislation, as well as trying to involve the bank more in CRA efforts. For example, the marketing officer who was in charge of training customer contact people made her training sessions on the CRA "entertaining" by showing an American Bankers' Association videotape on the CRA to them. Furthermore, she held "buzz" groups concerning what else the bank could do for the community. Some of the first activities that the CRA Committee engaged in revolved around becoming more involved with community leaders than before. For example, a "Needs Ascertainment Breakfast" was given at the main branch, as well as at each branch, at which a questionnaire was distributed to ascertain the needs of the community. Other activities the CRA Committee stressed included the active solicitation of home improvement loans through advertising and contact with contractors, the beginnings of a loan-tracking system, and the written recording of every activity that related to community investment and improvement.

The recidivism period, 1990, showed the defender bank's hesitancy, over time, to let go of its identity and its historical ways of operating. For example, once the examination was passed, the full-time compliance officer was told to be a part-time compliance officer and a part-time loan officer. According to the vice presidential compliance officer, the bank was aware of the public becoming more educated on the CRA, therefore, "in order for the bank to be competitive" as well as "accepted by its public," it complied with the CRA. By late 1990, however, the CRA officer noted that "CRA laws did not change, but administrative duties have." During this period, the bank began to decrease its emphasis on specific CRA-targeted behaviors, but it continued to document its efforts so that it would not be prevented from branch banking, which bank officials saw as necessary "just to keep up with the competition."

Strategic issue process pattern. As table 4 shows, the period of 1984–1986 for the defender bank involved bank officers treating the CRA as a "backwater issue" or "just another

law." We labeled this the denial period. Not much attention was paid to the CRA, according to officers' perceptions, and it was not closely examined in the bank. The frequently mentioned identity of the bank was that it had a "small, hometown bank's charm and friendliness." Consistent with this identity, "person-to-person" banking was advertised as the bank's "strongest asset." Consistency in philosophy and policies was also seen as a plus. "Conservatism in money management" described the beliefs of the officers in the defender bank and was consistent with its image as a nationally recognized "safe" bank. Because the bank believed that "there are no diverse interest groups with extreme differences" within the community served, it directed its products and services to "all" customers. The bank's overall goal was "to give better than average service." The defender bank's senior management saw the CRA as a "part-time responsibility" that was "passed around" by senior management. The constructed reality of this period was composed of both rumors and scattered information, but there was no bankwide awareness of the CRA, and the philosophy that prevailed was "no news is good news."

The bank measured its success in terms of "never receiving a complaint regarding its CRA efforts." The CRA was interpreted as being "ambiguous" because efforts to comply were not quantifiable. Because the CRA was "a big city" issue, it was really perceived as a "non-issue." The bank believed that it was involved in enough government-based loan plans and local bond programs to serve its community well. This was "good banking." Anyway, "deposit customers were the bank's main priority over loan customers." The bank saw the issue as controllable because it viewed minimal technical compliance as all that was necessary to comply.

Beginning with the consternation period, 1987–1988, the CRA became the most discussed regulation, although not necessarily the highest strategic agenda priority. There was still the feeling that it was a "big city" issue and the feeling by some that "the bank had to do more record keeping for a law that didn't apply to it." There was an attitude of "already having CRA spirit, due to the [hometown] identity of the bank." Yet, the defender bank was a bit shaken by the "horror" stories that its part-time compliance officer had heard during his CRA training about the CRA emphasis the government was putting on other financial institutions in larger cities.

The acceptance period, 1988–1989, reflected the defender bank's response to increased federal regulation, particularly FIRREA, and the threat of CRA evaluation ratings being made public for the first time. This added pressure to comply more carefully with newly specified CRA policies seemed to alter the bank's norms and behaviors. Officers actually began searching for ways to "beef up" CRA compliance, which became easier for the bank to do as it relied on "quantifiable" guidelines. The bank mimicked ideas expressed by the American Bankers' Association (ABA) and in various banking publications. From mid-1989 until 1990, "CRA practically controlled the bank for six months" because of anxieties associated with an upcoming compliance

First-order Change

examination, need for more documentation, and public ratings. The CRA was now ranked "on the low side of high" for the bank, and the officers saw it as being less controllable than before. A CRA examination was scheduled to be given to the bank in 1990. The bank relied on information from the ABA "to get it through the examination." As the new CRA officer said, he relied on the American Bankers' Association Compliance Manual as "his bible." At this time, the issue became identified as "a critical factor to be considered in everything done," as well as an opportunity, i.e., "What can we do?" The examination itself was felt to be "the only major information the bank had to prepare for CRA," according to one banking official.

During the resentment period, which followed in late 1990, the defender bank learned that it had passed its examination with a satisfactory rating. This rating reinforced officers' perceptions that the bank had always been on target in terms of meeting CRA standards: "it just needed to put everything in writing." After evaluating the CRA's impact on the bank, the only weakness the officers collectively believed the bank had was "in its image of accessibility as a 'bank' in general." Also, officers began expressing their resentment toward community members who told them "they could help them comply with CRA." According to the CEO, "We were not going to let the CRA manage the bank." "The only thing that will change in the future is how we do it, not what we do," according to a senior officer at the bank. In fact, the bank tried to communicate its own interpretation of CRA to community groups. "CRA was not supposed to make banks grant every request," according to one of the defender bank's officers.

The Prospector Bank: 1984–1990

Institutional process pattern. As table 5 summarizes, initially during its relaxed period, 1984–1985, the prospector bank experienced a "no surprise" relationship with its regulatory authority, according to an official in the Office of the Comptroller of the Currency (OCC). Oversight was minimal, according to OCC standards, which had always included annual visits and on-site examinations of CRA compliance as part of its overall consumer compliance examinations. "Banks were only scrutinized if operations were under protest or if there were major violations of the Equal Credit Opportunity Act, Fair Housing Act, or Home Mortgage Disclosure Act" noted by the examiner. Furthermore, banks were not required to make high-risk loans that jeopardized their safety. One OCC examiner saw even consumer compliance regulations as "protecting the bank's interest and the public—the depositor's interest." Coercive isomorphism was at a minimum.

During the censory period, 1985–1988, the OCC initiated ongoing rather than annual visits. This new concept in supervising banks more closely was initiated in response to the high percentage of national bank failures, especially in the Southwest. The OCC wanted to "detect trends in performance" so that "earlier intervention" would be possible and hired a very large number of examiners, so that banks could be supervised more frequently. Also, in 1985 the prospector bank

Table 5

Summary of Prospector Bank's Process Patterns

Institutional context			
<i>Relaxed (1984–1985)</i> Adequate attention to community required Expect standard technical compliance Annual examination of CRA efforts CRA is second to safety	<i>Censory (1985–1988)</i> Enforce standards More supervision	<i>Guidance (1989)</i> CRA emphasis Emphasis on real estate loans Suggest guidelines Increase assessment and evaluation	<i>Demonstration (1990)</i> CRA enforcement measures Interest in documentation efforts and proof Public ratings
Tendency to be content with average conforming banks	Tendency to prevent holding company growth	Tendency to zero-in on all bank's compliance efforts	Tendency to pressure banks
Organizational context			
<i>Status Quo (1984–1985)</i> "First to lead the way" See non-financial institutions and holding companies as competition Diversify products and services Unintentional CRA activities	<i>Responsive (1985–1988)</i> Profitability as goal Sensitive to ambiguous economic environment Not "business as usual" Renovation for service enhancement	<i>Momentum (1988–1989)</i> Examine bank's activities Develop increased documentation procedures Increase customer services	<i>Internalization (1990)</i> "Prepare for nineties" Vision importance Strive and thrive through chaos and change Creative products and services for growth
Tendency to operate as usual	Tendency to adjust direction, outlook, and operations	Tendency to refine direction, outlook, and operations	Tendency to listen to community's actual needs
Strategic context			
<i>Noncommittal (1984)</i> "Problem vs. opportunity" CRA second to profitability Minimal technical compliance Minimal information processing "Leader in everything"	<i>Discretionary (1985–1987)</i> More CRA interest Board discussion Demonstrate awareness	<i>Acquiescence (1987–1990)</i> Want top CRA rating Enhanced technical compliance Realized responsibility Shift CRA responsibility to higher level	<i>Enthusiasm (1990)</i> Action orientation Move up on agenda Develop policies and procedures More information processing Monitor community's needs Plan for future
Tendency to do the minimum for approval from regulators	Tendency to be alert to compliance opportunities		Tendency to surpass regulators' expectations

was required to maintain Home Mortgage Disclosure Act data on loans made.

In mid-1987, the bank was given an official CRA compliance examination, due to its holding company starting the process of acquiring another bank in the Southwest. This examination proved to be the first full-blown compliance examination under the OCC's new approach, which emphasized systematic consideration of 12 assessment factors and involved statistical sampling. A full crew was sent to the bank, and several weeks were spent assessing compliance. The bank was found "below average" in CRA compliance and was prohibited from further branching until compliance was shown.

During the guidance period of 1989, new federal regulations meant closer monitoring and clearer guidelines issued by the

First-order Change

regulators. Real estate lending and the increased percentage of national bank failures became the focus of OCC examiners. At the same time, FIRREA and the Joint Policy Statement issued by the Federal Financial Institutions Examination Council amended the 1980 CRA information statement to require: (1) disclosure to the public of an institution's CRA rating, beginning July 1, 1990; and (2) a revised interagency CRA rating system. The regulatory agencies provided guidance by describing the form of activities that would fulfill a financial institution's responsibilities under the CRA. For example, (1) compliance had to begin with determining the credit and financial service needs of the entire community; (2) banks then had to focus on the products available to help meet those needs; and (3) banks had to convey information on their credit and financial service products to their entire communities, using appropriate communication devices. During this period, the prospector bank was able to obtain approval to branch again.

The demonstration period, beginning in 1990, was characterized by increasing CRA enforcement pressures. Examiners began to judge banks' CRA compliance seriously by relying extensively on written documentation and systems. OCC examiners were undertaking intensive CRA examination training of their own, and their evaluation procedures were "in-depth," with reports at least twelve pages in length. As with the defender bank, criteria were now provided for outstanding, satisfactory, needs to improve, and substantial noncompliance on the 12 assessment factors. With increased sensitivity to banks' CRA compliance efforts, according to one OCC examiner, it would take banks doing something "very unbelievable" to obtain an outstanding public rating. Now, the prospector bank had "to prove that it was complying," according to the OCC examiner. In the past, it was up to the OCC to determine whether it was complying.

Organizational process pattern. At the beginning of the status-quo period, 1984–1985, the prospector bank was the largest bank in the county. "Size has historically been relied upon, when comparing this bank's performance to other banks," according to an external board member. Of course, size can be a detriment, in terms of looking "cold and unfriendly" to the community. Thus, employees were willing to go out and interact with the environment, since senior management believed that "you just can't go out and wait for customers." Consistent with the bank's identity, these managers responded to a changing environment by continuing to believe in "being the first to lead the way" and by engaging in a number of additional activities. A substantial number of these activities in 1984 "unintentionally fell under CRA compliance." Such activities included "looking for loan business in lower-income strata," softening the bank's requirements on government-insured student loans, offering a wide variety of loan programs, and offering banking classes to high school students. Furthermore, these activities were well documented, and a CRA file was maintained. In 1984, the primary responsibility of the CRA belonged to a lower-level officer in the Loan Review Department. This part-time compliance officer was in charge of maintaining the CRA file, as well as following technical requirements of the act.

During the responsive period, 1985–1988, the bank emphasized flexibility in meeting increasing environmental challenges. From 1985 to 1986, the bank continued to increase its CRA-related activities and documented them well. Also, a new person who was a compliance analyst in the Credit Administration Department was placed in charge of the CRA. During this period, the board of directors “began to review CRA consciously.” In early 1987, the bank placed “increased emphasis” on the CRA. The bank’s executive management gave responsibility for CRA compliance to a senior vice president in the Auditing Department of the holding company, who consequently became the part-time compliance officer for the prospector bank’s holding company. During 1987, this part-time compliance officer attended the American Bankers’ Association Compliance School, after which he voluntarily put together a compliance audit program for the bank based on the OCC’s standardized assessment factors. Based on his analysis, he believed the bank would be rated “average,” but the bank failed its examination. This increased the momentum to comply with the CRA so that the holding company could resume its acquisitions. Among other changes, the part-time compliance officer implemented a loan-tracking system during late 1987 and began monitoring marketing programs to see if they were reaching low-to-moderate income areas. He tried to get everyone in the bank interested and involved in the CRA.

During the momentum period, 1988–1989, the bank steadily increased its contacts with low-to-moderate income level groups and to home-building projects. Bank real estate personnel began contacting governmental officials and realtors who served low-to-moderate income areas and logged in even more loans. Student loans also became a priority, as the bank became an “Open Door Lender” for Texas Guaranteed Student Loans. During this period, the bank was released from its poor CRA rating after the regulators approved a report on changes being made by the bank. As the part-time compliance officer prepared a new CRA action plan, he carefully examined what the bank did and found, historically and consistent with its community leadership identity, that “it had been doing what the CRA encouraged,” e.g., offering low-to-moderate income loans and access to depository services. He also developed an extensive filing system for documentation that separated private, in-house memos, reading materials, and program information concerning the CRA from public CRA files, which contained letters about CRA complaints and the CRA exam rating. Furthermore, during this period, the prospector bank was given national recognition as one of the safest banks in the state. Thus, the bank was able to maintain and even expand its customer services. For instance, the bank worked on cross-selling products and services to increase customer loyalty.

During the internalization period, 1990, the president established a CRA committee to formalize the bank’s commitment. This committee included the president, executive vice president, managers from Real Estate and Installment and Commercial Loans. In addition, the heads of Marketing and Lending were members, as was the part-time compliance officer who served as chair. This committee began reporting

First-order Change

on CRA compliance to the board "at least four times a year," versus the "once a year reports" done earlier. The committee was taking an interest in starting a community development corporation with other banks in the area, and this was being pursued with the City Community Development Office. Furthermore, the compliance officer developed a CRA Mission Statement, CRA Equal Credit Opportunity Policy, and CRA Community Involvement form. Television and radio ads in Spanish were being developed to reach low-income groups. The bank hosted a CRA meeting with guest speakers, including some from the Federal Reserve Bank of Dallas, which members of both low-to-moderate income community groups and competitor banks attended. At the close of 1990, the bank's holding company hired a full-time compliance officer to manage its banks' CRA-related activities. Ideas for developing more innovative and creative products were already on the drawing board, and a board of directors' CRA committee was appointed. Also, new loan-tracking systems were being planned, and the emphasis evolved to "needing to hear back from the community" about "what the bank can do to meet its needs."

Strategic issue process pattern. Members of management believed the bank was as strong as it was because the bank's portfolio of loans was so diversified. Hence, the bank emphasized "wanting to do many things and to do them well for customers." The bank was a conservative yet aggressive lender. It extended loans to problematic energy and real estate sectors, and it remained "confident in opportunities ahead." During 1984, in the noncommittal period, as table 5 shows, the prospector bank was more concerned with safety and soundness than with the CRA. "CRA ranked about 85 percent in strategic issue importance," according to a senior bank officer. "It was viewed as a luxury to even have the time to look at CRA." Labels given to the CRA varied across the bank. To some officers it was seen as a "problem." To others, it represented "an opportunity." Still others viewed it as an "infringement," a "nuisance," or "more overhead." Despite different hunches and scattered pieces of information leaving room for disagreement across the bank, the CRA was still seen as controllable. As a bank whose identity was "to be a leader in everything," the prospector bank felt that its activities, such as looking for more loan business in lower-income strata, "unintentionally fell under CRA compliance," though according to the internal auditor of the bank, "it would be unheard of that a bank would be proactive in finding out about community needs."

Gradually the CRA assumed more importance. During the discretionary period, 1985–1987, the bank's board of directors began to give it serious attention, "looking at it and talking about it." In 1985, a parent holding company had been formed, making the prospector bank its flagship bank. Senior managers believed that this action increased the bank's competitive ability "to consider an expanded variety of financial services permitted solely to holding companies." At the same time, management recognized that economic forecasts were confusing and contradictory. Hence, 1986 brought with it "a tough, demanding, disappointing, yet pivotal year and challenging year." It was "not business as

usual." "Sheer size was no longer a measure of success in the industry." At the same time, senior management believed that the holding company structure allowed the bank to be even more "flexible and sensitive to changing consumers' needs" and that its strengths at this time were "its capital, people, and commitment to the area." "Each day is an opportunity all its own, inviting a commitment to succeed" summarized the prospector bank's philosophy in 1986. Senior management now described 1987 as "a year of demanding challenge." According to these managers, "operating profitably in an environment with less than ideal conditions remained a primary challenge."

During the acquiescence period, 1987-1990, the bank shifted CRA responsibility from a lower-level person to a senior vice president. The senior vice president conducted his own compliance audit, and although he believed that the bank would rate "average," it turned in a "below-average" score in the official CRA compliance examination. The bank believed that the OCC was "demanding" and "critical." Because the bank's rating was preventing its holding company from making more acquisitions, however, the examination "forced the bank to do things it would have been slower doing." CRA compliance became known as a "responsibility" area in terms of "making sure the bank was a good citizen to minority communities" (senior vice president-internal auditor). The part-time compliance officer, consequently, was credited by the other bank officers with "making the bank become proactive with CRA knowledge and tools." The bank continued to struggle, successfully, with the volatile environment, in which banking was compared to an "art." That, in combination with FIRREA, moved the CRA to major issue status in terms of "how" to comply and "wanting a top rating on its next CRA examination."

Finally, during the enthusiasm period, starting in 1990, the prospector bank's top managers took action to give CRA "one-hundred percent responsibility and commitment." Although the issue of "profitability" still competed heavily with the CRA in bank officers' minds, they believed that the bank "is trying to make an effort to be responsive to sections of the community and asked them what it can do to help." The prospector bank was committed to "turning CRA around and making it positive." Emphasis was now on "needing to hear back from the community in terms of what the bank can do to meet its needs." This increased emphasis was attributed to "regulators rating CRA harder and harder," as well as heightened community group interest in the CRA ratings.

In 1990, the bank grew to be the largest independent bank in West Texas. The bank's senior officers attributed this fact to learning that "successful banks must survive and thrive through chaos and change." Strategic planning became formalized and publicized, centering around the identity and image the bank promoted, "Yesterday's pioneer. Today's innovator. Tomorrow's pacesetter." By the end of 1990, executive management and marketing officials saw the CRA as an "opportunity" to do more than was required and a "responsibility" as a leader of the community. These officers believed that "as the leader in the community, the bank wants to do more than is required." It wants to be ahead of

First-order Change

community groups in terms of being more knowledgeable about CRA and its obligations." "The bank wants to turn CRA around and make it positive." Furthermore, it was believed that "CRA, after capital, is probably the thing that can most restrict growth." Hence, the bank was interested in trying to make deals work for people "creatively," rather than lower its credit standards for CRA. As one senior-level manager said, "CRA hasn't changed much, just expectations are much higher."

Comparison of Process Patterns between Banks

Three different process patterns for each bank suggest that there are major differences between the banks, but we can shed more light on these differences by directly comparing the patterns in the two banks. For the institutional process patterns, regulators' attempts to enforce compliance on each bank resulted in different levels and patterns of stress being placed on each bank. The defender bank seemed to have had less regulatory supervision than the prospector bank, as revealed by the different types of behaviors and demands exhibited by their respective regulatory authorities. Over time, the prospector bank's regulatory agency, OCC, seemed more demanding than the defender's regulatory agency, the FDIC. For example, both banks were regulated relatively similarly prior to 1984 and after 1989, but in the period between, detectable differences in criteria were emphasized for each bank, e.g., during the prospector bank's censory period.

For the organizational process patterns, the defender bank's activities during the 1988–1990 period seem consistent with what might be expected during a punctuated-equilibrium period of change, but unlike in models by Tushman and Romanelli (1985) or Gresov, Haveman, and Oliva (1993), this period of upheaval was not followed by a period of convergence but of recidivism. For example, the defender bank, after a stubborn delay with threatening rumors and bits and pieces of information, decided it was desirable to adopt ideas that were being pushed by regulators. It seemed actively to experiment with these ideas while operating under its own set of values. Yet after it passed its CRA examination, the bank became disenchanted with regulators' recommended activities and seemed slowly to drop the "disguise" over time so that it could resume being its familiar self. Thus, during the defender bank's recidivism period, there was a sharp downturn in CRA intensity, with movement back toward the bank's original level. In contrast, during the 1984–1987 period, especially in the latter two years, the prospector bank had a hard time getting off the ground with its CRA activities due to priorities that were centered on safety and soundness issues, as well as varying opinions about what the CRA meant. Because of its size, resources, strategy, and identity, it "unintentionally" engaged in "CRA-related" activities. The above suggests that prospectors have their own form of organizational inertia but that their process pattern allows for some incremental change. Thus, prior research has led many researchers to conclude that prospectors are more open than defenders to their environment and change.

We believe prospectors are “open” to change that is consistent with the direction of their inertial movement but not to change in a different direction. Once an effort was made to come to some kind of consensus after failing its first CRA examination, the prospector bank’s officers began to realize that it actually was beneficial to engage in more CRA activities. Hence, action momentum seemed to pick up over time, and yet the bank’s overall pattern resembles one of incremental change. Finally, figure 2, above, shows that the intensity of the defender bank’s CRA activities tended to increase more sharply across later periods than did that of the prospector bank. Overall, these findings suggest that despite increasingly strong regulatory pressures to comply, each bank’s strategic orientation played a major role in the way it managed the strategic issue across a number of years.

Tracks: The Interplay of Processual Patterns

Thus far we have treated the institutional, organizational, and strategic issue process patterns separately within each bank and made between-bank comparisons of these. We now examine the interplay of each of these contexts, conceptualizing this interplay in terms of a modified, within-archetype version of Greenwood and Hinings’ (1988, 1993) strategic tracks, which we derived from the separate process patterns.

Defender bank track. The defender bank engaged in a process of activity that Hinings and Greenwood (1988) called an “aborted excursion.” There was a weakening of the bank’s initial assumptions and cognitive interpretations at first, accompanied by changes in behavior consistent with these interpretations, followed by reversion to the original interpretations and behavioral mode. From the initial organizational and strategic issue coherence, in which the structures and processes of the organization’s design consistently reflected and reinforced one interpretive scheme, there was a limited and temporary fraying or loosening of that coherence within the initial archetype. This loosening of coherence led to an “embryonic” (see Hinings and Greenwood, 1988) variation within the initial archetype, such that the defender bank’s track pursued a temporary movement within the initial, relatively consonant archetype toward a less consonant variation, but with an ultimate movement back to the consonance of the initial archetype. These modes can be better understood by examining three distinct time periods.

Initial archetype: 1984–1985. Original orientation. The bank operated within its “business as usual, small-town banking” identity. Decisions or changes made tended to fall under these guidelines; otherwise, they were suppressed or rejected. Since the institutional setting offered no reason to change existing operations, the CRA had no major impact on routine operations. Essentially, management put a selective emphasis on the environment, considering the letter of the law. There was a high consensus about compliance activities, with the bank only interested in minimal compliance and maintaining its small-town identity.

Movement within the initial archetype toward an embryonic variation: 1985–1990. Temporary weakening of original orientation takes place. During this period, the bank management

First-order Change

perceived the external environment as becoming more uncertain. There was a growing conflict in the dominant management coalition between maintaining the status quo and making out-of-the-ordinary changes to remain competitive. Managers decided to succumb to the uncertainty of the environment by experimenting with activities that might enable the bank to maintain its competitiveness. Hence, some of these activities were discordant with the prevailing ideology, structure, and strategy. During this period, the bank seemed to be struggling between retaining a clear identity and changing its identity. Albert and Whetten (1985) suggested that organizations might be characterized as having either a "mono" identity or a "dual" identity. They suggested that shifts from a mono to a dual identity usually occur gradually, though important life cycle events can make the organization's identity more salient. The CRA appears to have triggered such a self-examination.

Movement back to initial archetype: 1990. Getting back to normal. After the bank had engaged in experimentation with out-of-the-ordinary activities, it appeared to be working its way back to its original style of operations. It engaged in unusual activities infrequently. They were used only as a last resort for maintaining status and position within the defender bank's market area. CRA concerns had been delegated back to lower-level managers.

Overall, in cusp-catastrophe terms (Gresov, Haveman, and Oliva, 1993), the defender bank seemed to go through a period of catastrophe, with sudden discontinuous activity shifts in the response system, moving from one plane to another during the 1988–1990 period. Although Gresov, Haveman, and Oliva (1993) suggested that once a sharp change is made, a drop in pressure for change will not result in a drop in intensity, the defender bank demonstrates the opposite, beginning about 1990, as shown in figure 2, above.

Prospector bank track. The prospector bank engaged in a mode of activity most resembling what Hinings and Greenwood (1988) called a "reorientation," but recognizing that this reorientation was within its current strategic orientation. The reorientation involved a within-archetype change in assumptions and cognitive interpretations, followed by a permanent change in behaviors. The prospector bank moved away from its initial archetype, reflecting assumptions, interpretations, and behaviors, toward a less concordant embryonic variation, with further movement from that embryonic variation to a still different embryonic variation. This movement led ultimately to the fully developed variation, with a substantially changed set of interpretations and behaviors within the original archetype or strategic orientation. These modes can be seen by examining four distinct time periods.

Initial archetype: 1984–1985. Original orientation. Bank officials saw competition as fierce. The bank maintained its leadership identity in terms of profitability, not the CRA. Even so, its environmental sensitivity and existing organizational structure encouraged a diversity of opinions. This diversity led to conflicting priorities, specifically profitability issues, but essentially no change.

Movement within initial archetype toward embryonic variation A: 1985–1987. Temporary weakening of original orientation takes place. Sensitivity to the confusing and contradictory economic environment created the need for this bank to take a second look at its current direction, outlook, and operations. Short-term emphasis was put on modifying structure for enhanced service delivery. The bank also was made aware of new compliance opportunities and responsibilities, but managers were still conflicted about how to avoid sacrificing profitability for the sake of CRA compliance.

Movement toward embryonic variation B: 1987–1989. Diversion from earlier embryonic variation A. Structures and processes became more discordant as the prospector bank continued to learn how to manage its changing external environment. It pursued new growth opportunities and achieved consensus on CRA compliance. The bank experimented with new systems and processes as the impact of CRA grew. An organizational structure that permitted diversity in viewpoints created the need for even more information processing, which helped the bank to surpass even the regulator's expectations for the bank's CRA-related activities. Also, reliance on a growth-oriented strategy supported longer-term organizational transformation.

Movement to solidifying the changes involved in variation B: 1989–. A reorientation in progress. With pressures for change perceived to be on the rise, the prospector bank engaged in an action orientation to reinforce the changes within its initial archetype. The bank began to plan for the 1990s by establishing new policies and procedures that were designed to help it manage its internal and external environment. The bank now placed considerable emphasis on being aggressively responsive to the immediate community's needs. It was strengthening its ties to the community in terms of full-time dedication to CRA compliance action. Even though the bank's strategic orientation had not changed, its understanding of the environment, and behaviors and interpretations consistent with that new understanding, did change. These new understandings and behaviors seemed to be incorporated into the organization's identity. In a sense, its identity did not change, but it did expand. This suggests that some strategic orientations or archetypes are inherently more flexible, or have a greater niche width (Hannan and Freeman, 1977), thus allowing for a greater range of norms and behaviors while still being consistent with the archetype. Hence, we think it is useful to distinguish between what we call a replacement orientation and a developmental orientation. In a replacement orientation, one interpretative scheme replaces another. This is similar to the type of reorientation Greenwood and Hinings discussed. In a developmental orientation, as encountered here, the original interpretative scheme is expanded to include new elements, but the fundamental character of the archetype is not changed.

Mathematically, cusp models also allow for incremental change to result in a movement from one plane to the next (see Gresov, Haveman, and Oliva, 1993). What is interesting, from a catastrophe perspective, is that the changes in the prospector bank were not as discontinuous as the defender

First-order Change

bank's, although the prospector bank's regulator appeared to exhibit much more coercive pressure than did that of the defender bank.

EXTENSION AND THEORETICAL INSIGHTS

This study has contrasted the within-strategic-orientation adaptation patterns of a defender and a prospector bank for a key regulatory issue across a seven-year period. In so doing, we have examined change at the institutional, organizational, and strategic issue levels, both separately and as the interplay of process patterns as tracks in this period. In some ways, the results seem predictable, if one only considers the difference between the state of affairs for both the defender and prospector banks in 1984 and 1990. The literature suggests that defenders, compared with prospectors, are generally both less open to change and have a lower capacity for change. Because this assumption would result in defenders being more resistant to change, it might be assumed that greater pressure would be necessary to overcome this resistance. Prospectors, in contrast, are assumed to be more entrepreneurial, actively searching their environments for new market opportunities, and thus more open to change. The result we would predict *ceteris paribus* would be that prospectors would change more and that the institutional environment would need to place less stress on them to induce them to change.

The data in figure 2 (above) suggest that this is the most likely ultimate outcome if the defender's downturn continues. The dotted and dashed lines in figure 2 represent discussions with executives at both banks after 1990, when the data collection period ended. They confirmed that the trends reported in this article continue. In the case of the defender bank, the CRA is still handled on a part-time basis by a lower-level manager, and in the prospector bank, the CRA is handled on a full-time basis by a senior-level executive. Also, the prospector bank has recently placed ads in the major regional newspaper aimed at customers in what would be considered locally as "red-lined" neighborhoods. But the data also suggest that the simple reasoning given above could seriously mislead both practitioners and researchers about the dynamics that create and support change. They would overlook the processual patterns and change tracks taking place during the entire 1984–1990 period and misinterpret the overall findings.

Furthermore, some of the results are counterintuitive. For example, contrary to expectations, prospectors, like defenders, resisted pressures for change, but for apparently different reasons. The defender bank appeared to resist change because it did not fit its hometown bank identity (cf. Dutton and Dukerich, 1991), while the prospector bank seemed to resist change because top management believed that the bank was already fulfilling institutional expectations consistent with its "first to lead the way" identity and thus did not think change was needed. Furthermore, evidence of performance failure, failing the CRA examination, was necessary to counter this belief in fulfilling institutional expectations and bring about a more proactive attitude about change, as well as an increased level and intensity of activity in the

prospector bank. This activity change was both lower in intensity and more incremental, however, than the change exhibited by the defender bank, despite stronger institutional pressure to change.

Such evidence of performance failure was not necessary for the defender bank to overcome resistance to change and engage in the intense and rapid change traditionally characterized as punctuated equilibrium (Tushman and Romanelli, 1985). Here, rather than the coercive isomorphism necessary to overcome resistance in the prospector bank, mimetic and normative isomorphism appeared to operate with the bank following ABA suggestions for compliance. Also counterintuitive is the role that positive performance feedback, passing the CRA examination, played. Rather than reinforcing the changes made to cope with the CRA requirements, and thus leading to a period of convergence (Gresov, Haveman, and Oliva, 1993), passing the CRA examination appeared to signal and justify a return to previous behavior. Such an assumption of convergence appears to be inherent in discussions of second-order change in which this change is typically treated as if it were virtually irreversible (Gresov, Haveman, and Oliva, 1993). For the defender bank, this does not appear to be the case.

Greenwood and Hinings (1988) suggested that some aborted excursions might be politically motivated. They argued, in keeping with institutional theory (Meyer and Rowan, 1977), that for political reasons, organizations may adopt certain structural trappings even though they are operating with an alternative set of ideas. Subsequently, when this symbolic disguise becomes unnecessary, these structural trappings are cast off, as appears to be the case for the defender bank. Passing the CRA examination made the changes unnecessary. Even so, such a disguise does explain why success was not self-reinforcing and, thus, why the bank reverted. Success is typically seen as a reinforcing mechanism for existing practices (Starbuck, Greve, and Hedberg, 1978; Miller, 1990). Thus, because the changes were successful, they should have been retained. They were not.

We offer a tentative explanation in terms of what we call "identity resistance," resistance that results from nonconvergence between both current identity and image and envisioned identity and image. Previous research has suggested (e.g., Dutton and Dukerich, 1991) that identity resistance is resistance because pressure for change is in opposition to current identity or image, and the results reported by Elsbach and Kramer (1996) support the view that threats to identity result in members' attempts to retain their identity and image. But envisioned identity and image are also important. Convergence between identity and image and pressure for change exist both for current and envisioned identity and image. Gioia and Thomas (1996) argued that both current and envisioned identity and image constitute the major lenses through which issues are interpreted. According to them, it is in the articulation for change that past, present, and envisioned future come together. Research by Barr, Stimert, and Huff (1992) and Gioia and Thomas (1996) suggested that successful strategic change is preceded by a change in identity.

First-order Change

That organizational members prefer a state of cognitive consonance between identity and image, rather than states of cognitive dissonance, cannot be disputed. But what if current identity and image are incongruent with envisioned identity and image? Then, resistance would not necessarily be encountered. The literature on charismatic or transformational leadership (see Bryman, 1992; House and Shamir, 1993) often stresses the need for a leader to create a vision of the future. In this regard, this literature reinforces the envisioned temporal aspect of identity and image and its potential effect on change. If we look at the general tenor of the defender bank's responses to the CRA, we see feelings that the CRA was a "backwater issue" or a "big city issue" or "[in our community] there are no diverse groups with extreme differences." In other words, CRA really did not seem to be an important part of the bank's hometown identity and image. Here, although the organization experienced stress due not only to coercive pressures from the regulators but to the "horror stories" members heard from other banks, these pressures were insufficient to cause the defender bank to change its identity, present or envisioned. Thus, even though the bank engaged in mimetic isomorphism, following ABA recommendations to adapt to CRA regulatory pressures, it never converged around these changes.

Passing the CRA examination seemed to have had two effects. First, it removed pressure to make any further changes. Since the defender bank had already undertaken successful changes, however, the reduction in coercive pressure does not explain the failure of the bank to institutionalize, or converge around, the changes it had already made. Thus, our second point is that the coercive pressures were not sufficient to cause the bank to change its identity. The results suggest, consistent with institutional theory (Meyer and Rowan, 1977), that organizations attempt to adapt to environmental changes by changing systems and structures, but not core features. For us, the failure of the defender bank to change its identity accounts for the aborted excursion track and why the changes were not sustainable.

If we conceptualize the changes throughout this period in terms of cusp catastrophe theory (Lord and Maher, 1993), the bank probably was near the cusp during the earlier period when it was intensively embracing the change. Nevertheless, because the bank's identity and image did not reinforce the institutional forces and it was successful anyway (passed its test), it appears to have fallen back over the cusp into recidivism. To the bank's top management, success justified its present as well as its envisioned identity and image. This recidivism suggests to us that between periods of upheaval and convergence, there is a period of indeterminacy in which the organization can go either way—move toward a new archetype or return to the previous archetype. Congruence between the organization's current identity and image and its envisioned identity and image will influence whether the change is permanent or not.

The previous discussion leads to the following propositions and corollaries:

Proposition 1: Organizations whose identity and image are inconsistent with institutional pressures for change will resist change attempts.

Proposition 2: Evidence of organizational success will be used to reinforce and justify an organization's identity.

Proposition 3: Change, even if successful, will not be sustainable and will lead to an aborted excursion adaptation track if it is inconsistent with an organization's current identity or envisioned identity and envisioned image.

Corollary 3a: To sustain an organizational change, it is necessary to change an organization's envisioned identity and envisioned image.

Corollary 3b: An organization's identity and image are stronger forces in sustaining change than is success.

Corollary 3c: Second-order change, characterized as punctuated equilibrium, is not necessarily permanent.

The prospector bank's strategic issue process pattern, depicted in figure 2, above, shows change that is more incremental than the defender bank's as the prospector bank moves through the noncommittal, discretionary, and acquiescence periods, ultimately leading to enthusiasm for the change. The change, while incremental, appears long lasting and permanent compared with the more intensive, punctuated change of the defender bank. After the prospector bank's initial resistance, it appears as if institutional and organizational forces essentially were in alignment, and bank officials never looked back.

The prospector bank's initial resistance to institutional coercive and mimetic forces, which we term "virtuous resistance," is encountered when an organization's top management feels it is already doing what is being called for by institutional forces: its current identity and image are congruent with its current and envisioned identity and image. For the prospector bank, this virtuous resistance was because the bank already believed it was meeting societal demands for CRA compliance because of its community leadership—" [our activities] unintentionally fell under CRA compliance." To us, organizations engaging in virtuous resistance are like the Pharisees in the temple, crying out that they obey the law: they initially interpret calls for change as not applying to them. Only unambiguous evidence of identity and image incongruence, such as performance failure, is likely to motivate such an organization to change. The prospector bank's virtuous resistance appeared to continue until the bank did poorly on its CRA examination in 1987. When this occurred, management interpreted the examination performance as an indication of identity and image incongruence. The bank responded by internalizing the changes needed to pass the test and incorporating these into its ideology, strategy, and other organizational and issue aspects of its "community leadership" so as to be isomorphic with institutional forces. These changes, though permanent, are incremental and evolutionary, as opposed to punctuated, because changes are interpreted as falling within an existing identity and previously existing systems designed to handle change.

The bank's ability to incorporate these changes within its existing identity raises an interesting question concerning the criticality of the "enduring" component included in Albert

First-order Change

and Whetten's (1985) description of identity. Findings such as Gioia and Thomas's (1996) suggest that identities may be less than enduring. Even so, our results suggest that organizations can change without necessarily changing their identities. This, in turn, suggests a further aspect of identity and image, which we label "plasticity." Some identities and images, like some balloons, can be expanded more than others without breaking; in Kimberly and Bouchikhi's (1995) terms, some are expansive and some are restrictive. The plasticity of an organization's identity and image may be what allows it to adjust its niche width (Freeman and Hannan, 1983).

That organizations differ in their ability to adjust their niche width as a function of the plasticity of their organizational identity and image follows by analogy from personality theory, which suggests that people differ in their capacity to adapt their behavior to their surroundings. Individuals with this adaptive capacity are labeled "high self-monitors"; those without this capacity are "low self-monitors" (Snyder and Gangestad, 1986). The behavior of low self-monitors is consistent across situations, since they are not vigilant in monitoring and responding to changes in their environment. High self-monitors, in contrast, pay attention to what is appropriate in particular situations and behave accordingly, as do organizations with high plasticity. Also, to the extent that organizations are imprinted at their birth by the personality of their founders (Schein, 1983), an organization's plasticity may be a function of the founder's adaptive capacity.

The plasticity of an organization's identity and image may have two survival functions. First, to the extent that organizations can change their niche width, they could more easily refocus their businesses and operate as specialists when the environment is stable but expand their business lines, following a generalist strategy, when the environment becomes more turbulent. Such an ability to move from generalist to specialist, and vice versa, depending on environmental conditions, may indicate that there is a middle ground between population ecologists (Hannan and Freeman, 1977, 1989) and strategic choice (Child, 1972) or adaptation theorists (Meyer, Brooks, and Goes, 1990; Meyer, Goes, and Brooks, 1994). Organizations may not be able to determine the survival of their niche, but they differ in their ability to expand or change niches. Examining the plasticity of an organization and its ability to integrate acquired companies and divest unrelated businesses successfully would be one way of testing this speculation.

A second survival function of the plasticity of an organization's identity comes from institutional theory (Meyer and Rowan, 1977) and Quinn's (1988) behavioral complexity theory of leadership. According to institutional theory, organizations increase their ability to grow and survive by satisfying stakeholders. But stakeholders often have multiple and conflicting criteria for assessing organizations that put the legitimacy and survival of the organization at risk. Denison, Hooijberg, and Quinn (1995: 526) argued that while managers face competing or paradoxical requirements, "the test of a first-rate leader [or, we would argue, an organization] may be the ability to exhibit contradictory or opposing behaviors [as appropriate or necessary] while still maintaining some

measure of integrity, credibility, and direction." Organizations with high degrees of plasticity may be better able to do this and thus satisfy the multiple competing demands of their stakeholders.

Thus, within limits, organizational identities appear flexible enough to allow for adaptation without changing the organization's identity and image fundamentally. The plasticity of the prospector bank's identity seems to have allowed it to incorporate new elements into its interpretative scheme. This incorporation, in turn, accounts for why the prospector bank adapted incrementally, but permanently, to changes in its environment. Defenders' strategic orientations, however, appear to have less plasticity than do prospectors' orientations. Hence, the prospector bank was able to undertake an incremental reorientation within its existing but expanded identity. Following Tolbert and Zucker (1996), we suggest that the prospector bank's plasticity allowed it to reach what these authors termed the sedimentation stage of institutionalization, in which its changes took on a taken-for-granted, experienced reality that survived whatever individuals were involved. In contrast, the defender bank's restrictive identity and image did not allow it to move to this stage and incorporate these changes into its interpretive scheme.

The previous discussion suggests the following propositions and corollaries:

Proposition 4: Organizations that believe they are already meeting society's demands will resist calls for change.

Proposition 5: When there is virtuous resistance to change, an organization will be unresponsive to calls for change, unless there is clear and unambiguous evidence of identity and image incongruence.

Proposition 6: Organizational identities and images have the property of plasticity.

Corollary 6a: Once there is clear and unambiguous evidence of identity and image incongruence, organizations that previously have evidenced virtuous resistance will embrace the call for change and proceed on a steady and permanent course of change.

Corollary 6b: The more plasticity the organization's identity and image have, the more its mode of organizational change will be incremental rather than punctuated.

Corollary 6c: The more plasticity the organization's identity and image have, the greater its capacity to adjust or change its niche width, satisfy stakeholders, and survive.

The propositions above can be used to study whether other organizations similarly exhibit different modes of change in response to an increasingly pressing institutional issue across time and, if so, why and how such differences occur.

In future studies, as in this one, studying change at multiple levels is important. Without such multilevel consideration, an understanding of the interplay between institutional and organizational forces will be missed. Simply examining institutional forces in our study would not have made intelligible why the defender bank went through a period of punctuated equilibrium and succeeded, only to revert to old ways. Nor would such a level of analysis explain why the prospector bank, seemingly open to change, required coercive pressure to change and then did so only incrementally. Examining

First-order Change

only the organizational level of analysis would not explain the recidivism in the defender bank's behavior in the face of success, nor why the defender bank evidenced punctuated change but the prospector bank evidenced incremental change. At the same time, examining only the strategic issue process level of analysis would not reveal the important role that performance feedback, both negative and positive, and institutional pressures play in initiating and sustaining change. The processual track emphasis here, with the interplay of external and internal forces and different levels of analysis across time, allows for a richer understanding than a focus on only one level because of the interplay of forces described above.

Finally, this study shows the value of studying first-order change as a response to intense and increasing institutional pressure. The first-order changes in the banks we studied led to sharp insights into how and why these organizations adapted to an increasingly dramatic change in their environments and chronicled their different levels of success. Perhaps it's time for scholars to pay more attention to such changes, which move outward from the heart of the organization, its identity and image, and to focus less on the infrequent second-order, more radical changes that have gotten so much press in turbulent industries.

REFERENCES

- Albert, Stuart, and David A. Whetten**
1985 "Organizational identity." In L. L. Cummings and B. M. Staw (eds.), *Research in Organizational Behavior*, 7: 263–295. Greenwich, CT: JAI Press.
- Ansoff, H. Igor**
1975 "Managing strategic surprise by response to weak signals." *California Management Review*, 18 (2): 21–33.
1980 "Strategic issue management." *Strategic Management Journal*, 1: 131–148.
- Barr, Pamela S., J. L. Stimert, and Anne S. Huff**
1992 "Cognitive change, strategic action, and organizational renewal." *Strategic Management Journal*, 13: 13–36.
- Berg, David N., and Kenwyn K. Smith**
1988 *The Self in Social Inquiry: Researching Methods*. Newbury Park, CA: Sage.
- Bryman, Alan**
1992 *Charisma and Leadership in Organizations*. London: Sage.
- Child, John**
1972 "Organization structure, environment and performance: The role of strategic choice." *Sociology*, 6: 1–22.
- CRA Report**
1990 *Community Reinvestment Act of 1977 as Revised in 1989 and 1990*. Washington, DC: Government Printing Office.
- Daft, Richard L., and Karl E. Weick**
1984 "Toward a model of organizations as interpretation systems." *Academy of Management Review*, 9: 284–295.
- Denison, Daniel R., Robert Hooijberg, and Robert E. Quinn**
1995 "Paradox and performance: Toward a theory of behavioral complexity in managerial leadership." *Organization Science*, 6: 524–540.
- DiMaggio, Paul J., and Walter W. Powell**
1983 "The iron cage revisited: Institutional isomorphism and collective rationality in organization fields." *American Sociological Review*, 48: 147–160.
- Doty, D. Harold**
1990 "Context, structure, and strategy: A configurational approach to organizational effectiveness." Unpublished dissertation, University of Texas at Austin.
- Doty, D. Harold, and William H. Glick**
1994 "Typologies as a unique form of theory building: Toward improved understanding and modeling." *Academy of Management Review*, 19: 230–251.
- Doty, D. Harold, William H. Glick, and George P. Huber**
1993 "Fit, equifinality, and organizational effectiveness: A test of two configurational theories." *Academy of Management Journal*, 36: 1196–1250.
- Dutton, Jane E.**
1983 "The process of strategic issue resolution." Unpublished Ph.D. dissertation, Northwestern University.
1989 "Interpretations on automatic: A different view of strategic issue diagnosis." Working paper, University of Michigan Business School.
1993 "Interpretations on automatic: A different view of strategic issue diagnosis." *Journal of Management Studies*, 30: 339–357.
- Dutton, Jane E., and Janet M. Dukerich**
1991 "Keeping an eye on the mirror: Image and identity in organizational adaptation." *Academy of Management Journal*, 34: 517–554.

- Dutton, Jane E., Janet M. Dukerich, and Celia V. Harquail**
1994 "Organizational images and member identification." *Administrative Science Quarterly*, 39: 239-263.
- Dutton, Jane E., and Robert B. Duncan**
1987 "The creation of momentum for change through the process of strategic issue diagnosis." *Strategic Management Journal*, 8: 279-295.
- Dutton, Jane E., and Edward Ottensmeyer**
1987 "Strategic issue management systems: Forms, functions, and contexts." *Academy of Management Review*, 12: 355-365.
- Eisenhardt, Kathleen M.**
1989 "Building theories from case study research." *Academy of Management Review*, 14: 532-550.
- Elsbach, Kimberly D., and Roderick M. Kramer**
1996 "Members' responses to organizational identity threats: Encountering and countering the *Business Week* rankings." *Administrative Science Quarterly*, 41: 442-476.
- Freeman, John H., and Michael T. Hannan**
1983 "Niche width and the dynamics of organizational populations." *American Journal of Sociology*, 88: 1116-1145.
- George, Jennifer M., and Gareth R. Jones**
1995 *Understanding and Managing Organizational Behavior*. Reading, MA: Addison-Wesley.
- Gersick, Connie J. G.**
1991 "Revolutionary change theories; A multilevel exploration of the punctuated equilibrium paradigm." *Academy of Management Review*, 16: 10-36.
- Ginsberg, Ari, and N. Venkatraman**
1992 "Investing in new information technology: The role of competitive posture and issue diagnosis." *Strategic Management Journal*, 13: 37-53.
- Gioia, Dennis A., and James B. Thomas**
1996 "Identity, image, and issue interpretation: Sensemaking during strategic change in academia." *Administrative Science Quarterly*, 41: 370-403.
- Glaser, Barney G.**
1992 *Basics of Grounded Theory Analysis*. Mill Valley, CA: Sociology Press.
- Glaser, Barney G., and Anselm L. Strauss**
1967 *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Chicago: Aldine.
- Grant, John H., and William R. King**
1982 *The Logic of Strategic Planning*. Boston: Little, Brown.
- Greenwood, Royston, and C. R. Hinings**
1988 "Organizational design types, tracks, and the dynamics of strategic change." *Organization Studies*, 8: 293-316.
1993 "Understanding strategic change: The contribution of archetypes." *Academy of Management Journal*, 36: 1052-1081.
- Gresov, Christopher, Heather A. Haveman, and Tony A. Oliva**
1993 "Organizational design, inertia and the dynamics of competitive response." *Organization Science*, 4: 181-208.
- Hambrick, Donald C.**
1982 "Environmental scanning and organizational strategy." *Strategic Management Journal*, 3: 159-174.
- Hannan, Michael T., and John H. Freeman**
1977 "The population ecology of organizations." *American Journal of Sociology*, 82: 929-964.
1989 *Organizational Ecology*. Cambridge, MA: Harvard University Press.
- Haraf, William, and Rose Marie Kushmeider**
1987 *Restructuring Banking and Financial Services in America*. Washington, DC: American Enterprise Institute for Public Policy Research.
- Hinings, C. R., and Royston Greenwood**
1988 *The Dynamics of Strategic Change*. New York: Blackwell.
- Hogwood, A. W.**
1990 Assistant vice president and community affairs officer, Federal Reserve Bank of Dallas. Telephone interview conducted on May 29, 1990.
- House, Robert J., and Boas Shamir**
1993 "Toward the integration of transformational, charismatic, and visionary theories." In M. M. Chemers and R. Ayman (eds.), *Leadership Theory and Research Perspectives and Directions*: 81-107. San Diego: Academic Press.
- Hrebiniak, Lawrence G., and William F. Joyce**
1985 "Organizational adaptation: Strategic choice and environmental determinism." *Administrative Science Quarterly*, 30: 336-349.
- Huff, James O., Anne S. Huff, and Howard Thomas**
1992 "Strategic renewal and the interaction of cumulative stress and inertia." *Strategic Management Journal*, 13: 55-76.
- Hunt, James G., and Arja Ropo**
1995 "Multi-level leadership: Grounded theory and mainstream applications to the case of General Motors." *Leadership Quarterly*, 6: 375-412.
1997 "Leadership and faculty motivation." In J. L. Bess (ed.), *Teaching Well and Liking It: The Motivation of Faculty in Higher Education*: 219-247. Baltimore: Johns Hopkins University Press.
- Isabella, Lynn**
1990 "Evolving interpretations as a change unfolds: How managers construe key organizational events." *Academy of Management Journal*, 33: 17-41.
- Kimberly, John R., and Hamid Bouchikhi**
1995 "The dynamics of organizational development and change." *Organization Science*, 6: 9-18.
- Levitt, Barbara, and Clifford Nass**
1989 "The lid on the garbage can: Institutional constraints on decision making in the technical core of college text publishers." *Administrative Science Quarterly*, 34: 190-207.
- Locke, Karen**
1996 "Rewriting the discovery of grounded theory after 25 years?" *Journal of Management Inquiry*, 5: 239-245.
- Lord, Robert G., and Karen J. Maher**
1993 *Leadership and Information Processing: Linking Perceptions and Performance*. Boston: Rutledge.
- Markus, Hazel, and P. Nurius**
1986 "Possible selves." *American Psychologist*, 41: 954-969.
- Meyer, Alan D.**
1982 "Adapting to environmental joits." *Administrative Science Quarterly*, 27: 515-537.

First-order Change

- Meyer, Alan D., Geoffrey R. Brooks, and James B. Goes**
1990 "Environmental jolts and industry revolutions: Organizational responses to discontinuous change." *Strategic Management Journal*, 11: 93-110.
- Meyer, Alan D., James B. Goes, and Geoffrey R. Brooks**
1994 "Organizations reacting to hyperturbulence." In G. P. Huber and W. H. Glick (eds.), *Organizational Change and Redesign: Ideas and Insights for Improving Performance*: 66-111. New York: Oxford University Press.
- Meyer, John W., and Brian Rowan**
1977 "Institutionalized organizations: Formal structure as myth and ceremony." *American Journal of Sociology*, 83: 340-363.
- Miles, Mathew B., and A. Michael Huberman**
1984 *Qualitative Data Analysis: A Sourcebook of New Methods*. Newbury Park, CA: Sage.
- Miles, Raymond E., and Charles C. Snow**
1978 *Organizational Strategy, Structure, and Process*. New York: McGraw-Hill.
- Miller, Danny**
1990 *The Icarus Paradox*. New York: Harper Business.
- Miller, Danny, and Peter Friesen**
1980a "Archetypes of organizational transitions." *Administrative Science Quarterly*, 25: 268-299.
1980b "Momentum and revolution in organizational adaptation." *Academy of Management Journal*, 22: 591-614.
1984 *Organizations: A Quantum View*. Englewood Cliffs, NJ: Prentice-Hall.
- Patton, Michael Q.**
1990 *Qualitative Evaluation and Research Methods*. Newbury Park, CA: Sage.
- Pettigrew, Andrew M.**
1992 "The character and significance of strategy process research." *Strategic Management Journal*, 13 (Special Issue, Winter): 5-16.
- Post, James E.**
1978 *Corporate Behavior and Social Change*. Reston, VA: Reston Publishing.
- Quinn, Robert E.**
1988 *Mastering the Paradoxes and Competing Demands of High Performance*. San Francisco: Jossey-Bass.
- Ranson, S., C. R. Hinings, and Royston Greenwood**
1980 "The structuring of organization structures." *Administrative Science Quarterly*, 25: 1-17.
- Ropo, Arja**
1989 *Leadership and Organizational Change*. Acta Universitatis Tamperensis ser A/vol. 280. Tampere, Finland: University of Tampere.
- Ropo, Arja, and James G. Hunt**
1994 "Leadership and organizational change: Development of a processual grounded theory." Working paper, Institute for Management and Leadership Research, College of Business Administration, Texas Tech University.
- Schein, Edgar G.**
1983 "The role of the founder in creating organizational culture." *Organizational Dynamics*, 12(2): 13-28.
- Sheshunoff, Alex**
1987 "Which way to the bottom line?" *ABA Banking Journal*, August: 33-36.
- Snow, Charles C., and Donald C. Hambrick**
1980 "Measuring organizational strategies: Some theoretical and methodological problems." *Academy of Management Review*, 5: 527-538.
- Snyder, Mark, and S. Gangestad**
1986 "On the nature of self-monitoring: Matters of assessment, matters of validity." *Journal of Personality and Social Psychology*, 51: 123-139.
- Starbuck, William H., Arent Greve, and B. L. T. Hedberg**
1978 "Responding to crises." *Journal of Business Administration*, 9: 111-137.
- Strauss, Anselm L., and Juliet Corbin**
1990 *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. Newbury Park, CA: Sage.
- Thomas, James B., Laura J. Shankster, and John E. Mathieu**
1994 "Antecedents to organizational issue interpretation: The roles of single-level, cross-level, and content cues." *Academy of Management Journal*, 37: 1252-1284.
- Tolbert, Pamela S., and Lynne G. Zucker**
1996 "The institutionalization of institutional theory." In R. Clegg, C. Hardy, and W. R. Nord (eds.), *Handbook of Organizational Studies*: 175-190. London: Sage.
- Tushman, Michael L., and Elaine Romanelli**
1985 "Organizational evolution: A metamorphosis model of convergence and reorientation." In L. L. Cummings and B. M. Staw (eds.), *Research in Organizational Behavior*, 7: 171-222. Greenwich, CT: JAI Press.
- Van de Ven, Andrew H.**
1988 "Review essay: Four requirements for processual analysis." In A. Pettigrew (ed.), *The Management of Strategic Change*. Oxford, U.K.: Blackwell.
1992 "Suggestions for studying strategy process: A research note." *Strategic Management Journal*, 13(Special Issue): 169-188.
- Wooldridge, Bill, and Steven W. Floyd**
1990 "The strategy process, middle management involvement, and organizational performance." *Strategic Management Journal*, 11: 231-241.
- Yin, Robert K.**
1989 *Case Study Research: Design and Methods*. Newbury Park, CA: Sage.
- Zajac, Edward J., and Matthew Kraatz**
1993 "A diametric forces model of strategic change: Assessing the antecedents and consequences of restructuring in the higher education industry." *Strategic Management Journal*, 14: 83-102.
- Zajac, Edward J., and Steven M. Shortell**
1989 "Changing strategies: Likelihood, direction, and performance implications." *Strategic Management Journal*, 10: 413-430.

APPENDIX: Existing and Emergent Pattern Codes

Institutional-Organizational Context Code

- 1.0 Regulation (CRA) policies, procedures, regulations
- 1.1 Office of SIP
- 1.1 Office of the Comptroller of the Currency
- 1.2 Federal Deposit Insurance Corporation
- 1.3 Texas State Department of Banking

- 2.0 Banking industry (BI)
- 2.1 American Bankers' Association
- 2.2 Texas Bankers' Association
- 2.3 Banking journals
- 2.4 Consultant services

- 3.0 Enacted environment (EE)
- 3.1 Competitor(s) (substitutes)
- 3.2 Community (served customers)
- 3.3 Depositors (suppliers)
- 3.4 Borrowers (buyers)

Organizational-Issue Context Code

- 4.0 Bank profile (BP)
- 4.1 Ideology (BP-I)
- 4.1.1 Hierarchy
- 4.1.2 Dominant management coalition
- 4.1.3 Mission/philosophy (image, identity)
- 4.1.4 Risk preference
- 4.1.5 Nature of management
- 4.1.6 Perceived environmental uncertainty

- 4.2 Structure (decision making) (BP-ST)
- 4.2.1 Organic (decentralized, participative, liaison devices)
- 4.2.2 Mechanistic (centralized, standardized, formalized)

- 4.3 Process (distinctive competences) (BP-P)
- 4.3.1 Market research, research and development
- 4.3.2 Applied engineering, production, finance

- 4.4 Strategy (BP-SY)
- 4.4.1 Societal strategy
- 4.4.2 Corporate strategy
- 4.4.3 Business strategy
- 4.4.4 Functional strategy
- 4.4.5 Strategy change

- 5.0 Strategic issue process (SIP)
- 5.1 Strategic issue process identification (SIP-ID)
- 5.1.1 Issue source (internal, external)
- 5.1.2 Issue attention (agenda rank)
- 5.1.3 Issue sponsor(s) (involved individuals'/groups' characteristics)
- 5.1.4 Issue conditions

- 5.2 Strategic issue process interpretation (SIP-IN)
- 5.2.1 Administrative routine
- 5.2.2 Strategic issue management
- 5.3 Strategic issue process response (SIP-RP)
- 5.3.1 System design
- 5.3.2 Evaluation of SIP

- 6.0 Open to empirically driven codes