

Building traits for organizational resilience through balancing organizational structures

Abstract

This paper describes and explains how balancing organizational structures can build traits for organizational resilience. Organizational resilience is a holistic and complex concept. In this paper, we move beyond focusing on sudden and disruptive events in favour of anticipating the unexpected in daily organizing. Organizational resilience is understood here as building traits of risk awareness, preference for co-operation, agility and improvisation and is analysed by means of a longitudinal qualitative case study. The paper contributes to the field by showing how balancing organizational structures can foster organizational resilience traits. We show that power distribution and normative control can create preparedness for unexpected events and foster action orientation at the same time as supporting organizational alignment.

Key words: organizational resilience, organizational structure, balancing, decentralization, risk awareness

Article classification: Research paper

Introduction

Organizational resilience is a new and growing concept in management research that focuses on maintaining organizational viability in times of disruptive change and transformation (e.g., Sutcliffe and Vogus, 2003; Sheffi, 2005; Weick and Sutcliffe 2007; Välikangas, 2010; Hollnagel et al., 2011; Zolli and Healy, 2012; Kayes, 2015; Linnenluecke, 2017; Tengblad and Oudhuis, 2018). Organizational resilience research acknowledges the complexity and unpredictability of business activities and therefore the need for an adaptive and holistic approach to management. However, although the approach is theoretically sound and makes sense to experienced business leaders, organizational resilience is a difficult concept to describe empirically due to this holistic and complex character (Lengnick-Hall et al., 2011). This could also explain why organizational resilience is conceptualized quite differently in different studies (Linnenluecke, 2017).

Many factors influence organizational resilience simultaneously, and in different and often competing ways. The great majority of organizational resilience research reduces this empirical complexity by narrowing the focus to an organization's capacity to deal with a certain disruption (Linnenluecke, 2017). Because disasters and other unexpected events are analysed retrospectively (e.g., Coutu, 2002; Weick and Sutcliffe, 2011; Oudhuis and Tengblad, 2018), there is limited knowledge on how organizational resilience is maintained in daily processes (without disasters) or how organizational resilience is maintained over time. Moreover, the focus has mainly been on actions undertaken *after* an unexpected event has occurred; that is, "how the crisis is dealt with". This focus is understandable for practical reasons (it is easier to study processes that have happened than those that have not yet happened

and might not happen at all), but it is not understandable in terms of importance. For example, Weick and Sutcliffe (2011) pointed out that organizational resilience is at least as much about *anticipating* as containing a crisis, despite the fact that containing is the main focus of most of the organizational resilience research (Linnenluecke, 2017). Anticipation includes avoiding the unexpected to happen by sensing early events, and also efforts to stop the development of undesirable events (Weick and Sutcliffe, 2011). Similarly, Välikangas (2010) normatively established that resilience should be about everyday habit rather than about how to deal with crises – but without providing empirical details. Therefore, more research needs to be directed at understanding how organizations avoid the unexpected and unwanted from happening and how such organizational resilience endures over longer periods of time.

If organizational resilience research was directed towards anticipation, it would be more about organizations' on-going repertoires of strategic capabilities such as flexibility and agility (Lengnick-Hall et al., 2011) and how organizing is performed in daily processes for sustained viability (Tengblad and Oudhuis, 2018). The challenge with such an approach is that whereas characteristics such as flexibility, adaptation, improvisation and agility may all contribute to organizational resilience, none of them is sufficient on its own to achieve it (Lengnick-Hall et al., 2011). Organizational resilience is dependent on contextual factors and the empirical case must be understood in a holistic way (Linnenluecke, 2017). Therefore, the research approach in the present study has been open and has focused on organizing for organizational resilience. The aim of this empirical paper is to describe and explain how organiza-

tional structures can contribute to organizational resilience by focusing on anticipating. We do this by analysing how organizational resilience is upheld in an organization that has achieved long-term success. The empirical data is from Handelsbanken, one of the largest and most successful financial institutions in Scandinavia. The company has shown strong resilience and profitability over the last 25 years, a detrimental period for the European banking sector as a whole.

Perspectives on organizational resilience

As a concept of scientific inquiry, organizational resilience has developed from several angles: organization theory (Sutcliffe and Vogus 2003; Weick and Sutcliffe 2007; Tengblad and Oudhuis, 2018), information technology (Riolli, and Savicki, 2003), industrial relations (Home and Orr 1997; Mallack, 1998), HRM (Lengnick-Hall et al., 2011), engineering (Hollnagel et al. 2011), business strategy (Hamel and Välikangas 2003), culture (Välikangas 2010), organizational learning (Kayes, 2015), supply chain management (Christopher and Peck, 2004; Sheffi, 2005) and from a broader social science perspective (Zolli and Healy, 2012).

The many different origins and areas of application of organizational resilience may explain the concept's lack of clarity. Linnenluecke (2017) identified five different research streams regarding resilience in the business and management literature: (1) organizational responses to external threats (e.g., Meyer, 1982), (2) organizational reliability (e.g., Weick et al., 1999), (3) employee strengths (e.g., Coutu, 2002), (4) the adaptability of business models (e.g., Vogus and Sutcliffe, 2003), and (5) resilient supply chains (e.g., Christopher and Peck, 2004). All five streams have developed

different definitions, theories and understandings of resilience. Meyer (1982) was the first to use the term resilience in the management literature. His research represents the conceptual origin in this field: organizational responses to external threats (Linnenluecke, 2017). The second stream of research was generated by large-scale disasters in the 1980s and 1990s such as Chernobyl, Exxon Valdes, and the space shuttle Challenger, and directed attention to resilience as reliability (Linnenluecke, 2017). A continuation of this research stream is research on high reliability organizations (HRO) (Weick et al., 1999; Weick & Sutcliffe, 2011) that has moved into mainstream organizational theory (Linnenluecke, 2017). The third stream links organizational resilience more strongly to individuals with a basis in psychology research. The fourth stream can be represented by Vogus and Sutcliffe (2007), who described organizational resilience as positive adjustment under challenging conditions. According to this stream, organizational resilience is not so much a state but a process of constant adaptation to environmental demands, which include the development of new capabilities and resources. The fifth stream widens the scope of resilience to include whole supply chains rather than single organizations, thereby emphasizing the interconnectedness between organizations (e.g., Christopher and Peck, 2004).

A common feature of all Linnenluecke's (2017) identified five research streams is that organizational resilience challenges the prevailing idea that managers/leaders based on their superior knowledge and power can predict and control the future through strategies and plans. Instead, the focus is on competencies (Weick and Sutcliffe, 2011), processes (Hollnagel et al., 2011), learning (Valikangas, 2007; Kayes, 2015) and culture (Valikangas, 2010); in other words, informal and more processual

characteristics of organizations. Tengblad and Oudhuis (2018) even argued that organizational resilience goes beyond capacities and can instead be seen as a philosophy for how organizations can manage and face surprises, complexities, and uncertainties in responsible and proactive ways, often even before crises occur.

Tengblad and Oudhuis (2018) claimed that the proactivity aspect is important for organizational resilience, and Linnenluecke (2017) considered it an understudied aspect in business and management research. We address this area by studying what Weick and Sutcliffe (2011) referred to as anticipation, namely activities that aim to prevent the unexpected from happening or directing activities to stop undesirable events. The focus on anticipation means that organizational resilience is created in the daily organizing. Thus, we turn to how previous research has described daily organizing as related to organizational resilience.

Organizational processes building organizational traits for resilience in previous research

Organizing is a surprisingly salient aspect in organizational resilience research when it comes to anticipation. The focus on crisis and dealing with unexpected events has implied a focus on organizational processes that are related to crisis management rather than nurturing resilience in everyday organizing. This is despite the fact that the rhetoric is often that organizational resilience is created in everyday processes rather than in crisis management (Valingkangas, 2010).

However, there are important insights that have an impact on organizing for resilience. Zolli and Healy (2012) highlighted the paradox that resilient systems are simultaneously fragile and robust as well as vulnerable and adaptive. This implies that organizational resilience is achieved by maintaining a balance between opposing forces; for example, to maintain high-quality operations without spending too many resources, or balancing short-term efficiency with long-term development, such as both delivering efficient services and developing new services for the future. This paradox is well known in organization studies and has been labelled the structural dilemmas of organizing (Bolman and Deal, 2017). Linnenluecke et al. (2012) claimed that a major threat to organizational resilience is rigidity. This is another well-known dilemma in organization studies: being structured without becoming rigid (e.g., Galbraith, 2002). Therefore, dealing with structural dilemmas seems important in organizing for organizational resilience.

Weick and Sutcliffe (2011) emphasized that even if top management is committed to organizational resilience, resilience in practice is more dependent on the system as a whole than on a few individuals. Andersson (2018) illustrated this point by explaining how important followership is for organizational resilience, but also what well-developed followership requires. The main requirement is power distribution so that employees feel empowered to take responsibility and initiatives, but also that they feel trusted. However, one challenge that appears with a high degree of power distribution is maintaining a commitment to the organization as a whole rather than its parts. According to Lengnick-Hall et al. (2011), HR processes can be used to align and commit organizational members to the long-term survival of the

organization if HR principles together with desired employee contributions for organizational resilience are paired to form HR policies. If performed this way, HR policies become normative control to align people (e.g., Kunda, 1992) to organizational resilience.

Leadership is an organizational process that is seldom mentioned at all in resilience research. When it is used, it is more often connected to particular leaders (e.g., Tengblad, 2018) than to organizational processes. One important exception is Zolli and Healy (2012), who introduced the translational leadership concept as a key factor for organizational resilience. Translational leadership relates to the ability to knit different social networks together by creating complementary connections. It is based on a spirit of respect and inclusion, which in turn can be the basis for action when disruption strikes. Translational leadership indicates that leadership is largely collective, whereby the power distribution is central (cf. Currie and Lockett, 2011). Similarly, Tengblad and Oudhuis (2018) argued that organizational resilience requires collective deed power; that is, a group of employees and managers who prioritize the good of the organization over selfish interests. Collective deed power is best created when managers delegate responsibility downward at the same time as they demand upwards engagement and commitment. A developed and active followership (Andersson, 2018) is an example of such collective deed power. Accordingly, Zolli and Healy (2012) described the process of leadership to organizational resilience as a part of a social network rather than being the directing of vertical hierarchical structures. Leadership has the ability to link operational expertise and

responsibility with organizational values and strategic intentions, creating prerequisites for action and initiatives in daily interactions, despite formal hierarchical responsibilities (Crevani et al., 2010).

In sum, previous research on organizational processes in resilience research has indicated that organizing must deal with structural dilemmas so that different forces are balanced to support organizational resilience. Furthermore, power distribution and normative control appear to be important. A largely collective leadership supports the collective deed power for organizational resilience.

An analytical model of organizational resilience

All five of the research streams within resilience research that Linnenluecke (2017) identified focus too much on crisis management to fit our purpose of understanding organizational resilience through daily organizing. However, when the third research stream – resilience as reliability – transferred from its origin in HRO to more generic organization studies (Linnenluecke, 2017), it changed character to some extent. In particular, Zolli and Healy (2012) directed attention more to how undesired events can be stopped early, which directs focus towards daily organizing rather than crisis management. From their work, we identify four main principles that contribute to organizational resilience: risk awareness, preference for cooperation, agility and improvisation. Such principles constitute the most concrete level of organizational resilience, which can be labelled as traits for resilience (Tengblad and Oudhuis, 2018).

1. Risk awareness: the realization of one's own vulnerability and not allowing failures caused by human pride or lack of common sense.
2. Preference for cooperation: the mobilization of different actors to avoid undesired events.
3. Agility: the ability and power to act courageously and fast in cases of disruption.
4. Improvisation: the ability to use different competences and to lead by encouraging improvisation and learning.

These four traits can be viewed in different phases, where risk awareness is the most fundamental step to avoid the unexpected and undesirable happening. Preference for cooperation involves multiple actors and therefore requires resource mobilization to avoid or stop the undesired event. Agility is required to find solutions fast in case of disruptions, and improvisation may be needed since the unexpected event creates new situations that have never been experienced before. According to Tengblad and Oudhuis (2018), traits must be built on organizational process, such as those Hollnagel (2014) described in his Safety-I and Safety-II thinking. Hollnagel (2014) argued that it is better to strive for the best outcome (Safety-II) than to merely minimize variances from fixed plans (Safety-I).

In our analytical model, we complement the basic traits of Zolli and Healy (2012) with the five principles for organizational resilience identified by Weick and Sutcliffe (2011) in HRO research. Three principles involve anticipation, which means directing activities before the unexpected event can occur (sensing events early and stop

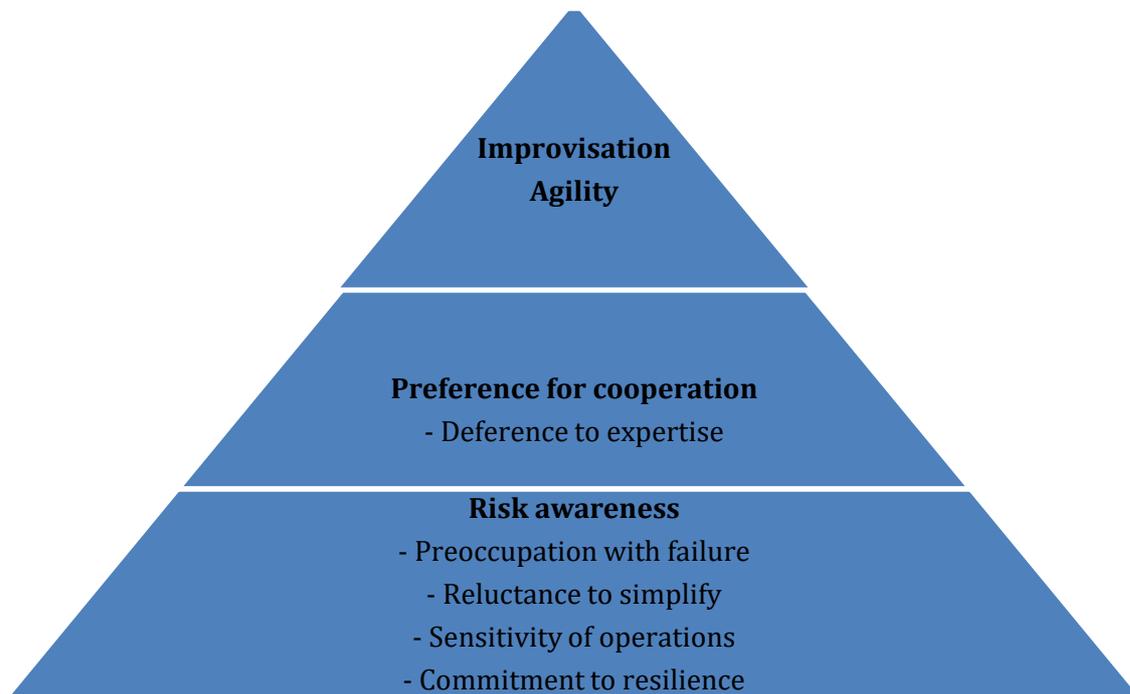
the development of undesirable events). Two principles involve containment, which means directing activities toward unexpected events after they have occurred.

The reason for also integrating principles from HRO research in our analytical model is that our empirical case is a bank. Banking has a mixed character as an industry and a societal institution (Glynn, 2008), which means that high reliability is of key importance. Weick and Sutcliffe (2011) focused on high reliability, both in the short-term (to avoid disasters and break-down) and the long-term (in terms of viability and change capacity). However, they focused on organizations that have zero tolerance for risks (such as nuclear plants). Anticipation will have a different character in a service business like a bank, where such total risk avoidance might, paradoxically, be risky for long-term survival. Yet, there are aspects of HRO for a bank, since problems in a bank may spread quickly in the financial system and beyond and create severe societal effects. Taken together, Zolli and Healy (2012) and Weick and Sutcliffe (2011) provide a more complete understanding of anticipation, including preventing unexpected events from happening and stopping them early when they do happen.

In our integrated model of organizational resilience (see Figure 1), the basis is risk awareness (Zolli and Healy, 2012). All three of the Weick and Sutcliffe (2011) anticipation principles – preoccupation of failure, reluctance to simplify and sensitivity of operations – support risk awareness. Preoccupation with failure means that there are systems and processes for reporting risks and disruptions (for example, possible failures) and that management and employees are committed to avoiding failures.

Reluctance to simplify means accepting that reality is complex, changeable, and unpredictable. People can avoid making decisions based on simplifications. Power distribution of authority is also needed so that the people with the best understanding of a problematic situation have the mandate to make decisions. Sensitivity to operations means that “frontline staff” are provided with sufficient resources and education to perform their jobs in a way that does not expose the organization to unnecessary risks. One of the containment principles – commitment to organizational resilience (Weick and Sutcliffe, 2011) – also entails risk awareness, since it means focusing on long-term survival rather than short-term profits. Level two contains preference for cooperation (Zolli and Healy, 2012), which also means involving expertise (Weick and Sutcliffe, 2011) and thereby mobilizing resources to avoid or stop undesirable events. Agility and improvisation are more about containment, but they create the capacity to act, which may be needed to stop anticipated undesirable events as well (see Figure 1).

Figure 1: Framework for organizational resilience: anticipation principles



These principles constitute the most concrete level of organizational resilience: traits for organizational resilience (Tengblad and Oudhuis, 2018), with a focus on anticipation. The framework will guide us in identifying organizing that supports and upholds these traits; that is, organizational processes that build traits for organizational resilience, with a focus on anticipation.

Method and case selection

This study is based on a qualitative case study of Handelsbanken, which we have selected as a good example of a resilient organization. There are several reasons behind this choice. Handelsbanken has had a higher return on equity than comparable European banks since the 1970s. More importantly, from a resilient perspective, it has managed the two financial crises during this period better than its competitors.

The bank's total return for 2008–2013 exceeded 100 per cent, which is even more impressive when compared to the Euro STOXX Bank Index, which showed a return of minus 60 per cent for the same period (Handelsbanken Annual Report 2013). The organization proved its ability to adapt to harsh conditions over a substantial period. Handelsbanken has an exceptionally low credit loss ratio, as well as high productivity and strong customer orientation. Besides the outside pointers, namely being successful over time and the ability to handle challenges, we also find the bank's official ambition to be a stable organization interesting. The company's former leader, Jan Wallander, has had a profound impact on the bank and his business philosophy could be described as fostering organizational resilience (Tengblad, 2018). Handelsbanken claims in annual reports and other official communications that it prioritizes survival, long-term thinking and possessing a general prudent attribute. The qualitative approach was chosen since it makes it possible to get close to the studied organization, facilitating an understanding of complex and intertwined processes (Ahrens and Chapman, 2006), such as organizational resilience and the interplay with daily organizing.

Data collection and analysis

The data material comes from an extensive scientific inquiry into Handelsbanken during the period 2008–2013. The main data was interviews that described actual processes, events and experiences. These interviews were held in two sets. The first set was based on a relatively open inquiry of how Handelsbanken endured the harsh business climate and the entailing disruptions during the financial crises of 2008/09. Our analysis of the first set of data (10 interviews) identified the actual

organizing as key a feature of how Handelsbanken dealt with the crisis. The second data set (12 interviews) was particularly directed at how organizing supported organizational resilience. Our 22 interviewees were chosen based on their long experience of the bank, which enabled descriptions of both present and historical events. Our selection also represented different parts of the organization; the interviewees worked in the local, regional or central offices and have (currently or previously) had the role of local branch managers. Three were local branch managers and six were (or had been) regional heads. We also conducted an interview with the former president/CEO. The other interviewees were interviewed in their positions as risk manager, credit manager, HR manager, credit manager, finance manager and vice president. All of the interviews were semi-structured, involved one to three interviewers, and were tape-recorded, transcribed and analysed. Throughout the interviews we paid attention to and asked for examples and descriptions of actions and processes with the aim of directing the interview towards experience and away from policies.

Secondary data complemented the interviews in both data-sets in two ways: (1) to understand the basic tenants of Handelsbanken's corporate philosophy and organizing over time and (2) their relation to organizational resilience. We studied annual reports from multiple years, press material, published articles, and books, primarily written by Handelsbanken's long-term CEO Jan Wallander (e.g., Wallander, 1979; 2003). Overall, the material corroborated respondents' claims of long-term consistency in the bank's overall management approach.

Our research approach can be characterized as an abductive process (Alvesson and Sköldbberg, 2009), meaning that data analysis consists of both inductive and deductive processes. Our study began with an open inductive inquiry into how Handelsbanken had endured the 2008/2009 financial crisis. Our main conclusion after the initial analysis of the material of the first data set was that Handelsbanken seemed to avoid disruptions or try to stop them early. Consequently, we decided to direct our attention to anticipation (Weick and Sutcliffe, 2011) in organizational resilience. In the second step of the analysis, we focused on *how* they seemed to avoid disruptions and stop them early. Our analytical framework, based on Zolli and Healy (2012) was used to direct our attention to certain traits (risk awareness, preference for cooperation, agility and improvisation). We identified organizing as important in supporting these traits. Based on these two analytical steps, the second data collection set was performed with specific attention on organizing and how it supported the afore-mentioned traits for organizational resilience. The third step of the analysis was performed on both data sets. We went back and forth between the literature and the empirical material until we had identified four main aspects of organizing that were most important in our case: corporate philosophy, decentralized structure, information system and HRM process. There is now one section in the review of previous research that focuses especially on these four aspects of organizational structure in relation to organizational resilience. Our definitions of these structural aspects are as follows. Corporate philosophy includes the objectives, shared values and strategies that guide daily action. Decentralized structure means that the formal choices of grouping, capacity and responsibility enable power distribution. HRM processes include intentions to influence how employees think and are

incentivized. Information systems contain choices of who should know what, including formal planning and follow-up and feedback processes. The fourth step of the analysis focused on how these organizing aspects support the afore-mentioned traits for organizational resilience. In this step, we saw that the decentralized structure, the information system and the HRM processes act, in many ways, as aligning actors to the corporate philosophy. This is the reason why we present corporate philosophy as a setting in the results section below.

Results

The results section will begin with a description of our understanding of Handelsbanken's corporate philosophy. This is important as a setting because it illustrates the main underlying ideas of the processes of organizing in the bank. The section is then structured based on the different traits for organizational resilience as presented in Figure 1: risk awareness, preference for cooperation, and agility and improvisation. In each part we focus on how organizing supports the different traits for organizational resilience.

Setting: Handelsbanken's corporate philosophy

The basic tenants of how Handelsbanken has chosen to organize and manage its operations have been relatively stable for nearly 40 years. However, stable does not mean rigid. Minor adjustments, called fine-tuning, are made constantly; for example, by exchanging a performance measure or adjusting a cost-allocation. However, the main idea is that few situations demand immediate action and that better decisions

are made if a thorough deliberation process takes place. The bank is also outspokenly sceptical about management fashions (Wallander, 2003). The overall purpose of the bank is the survival of the bank itself. It is considered more important to be a business partner that can be trusted than to achieve (short-term) profit maximization to please shareholders. Since the 1970s, the goal of the bank has been to be more profitable than its competitors. This goal is manifested in the idea of keeping the organization as simple, clear and easily understandable for every employee as possible.

Handelsbanken's organizational structure is characterized by decentralization that is also at the core of the corporate philosophy influencing the organizational values of the bank. The decentralization initiatives implemented in the 1970s were extensive. The organisation consists of only three hierarchical levels (1) corporate level, (2) regional level and (3) branch level. This means that a typical employee only has two managers between himself/herself and the CEO. However, it implies that the span of control is extremely wide, as each region in Sweden has 60–90 branches. The wide span of control is compensated through the area managers (which will be described in the next section), and through the choice of placing experts in all key functions in regional offices. Regional levels are equipped with resources that enable them to provide specifically adapted support to each individual branch, whereby all branches are followed and supported based on an understanding of their specific situation.

Moreover, the following principles can be currently found in Handelsbanken's corporate philosophy, apart from the idea of decentralization and long-term survival:

- Profitability: To emphasise profitability over growth. Profitability is considered the key in achieving long-term survival. At the same time, it is compatible with the running principle of decentralized responsibility and authority of the local branch offices and is also easily understood and measured.
- Customer orientation: A holistic understanding of the customer, influencing both the credit application and follow-up process, based on both qualitative and financial information. A long-term relationship should be built with customers, enabling Handelsbanken to actively support business.
- Prudence: The prudence principle is found in the many choices regarding how to manage:
 - The prioritization of the most secure, low-risk customers within each segment of the market.
 - Growth, which should be primarily incremental. New markets are carefully evaluated and tested on a minor scale.
 - Cost cautiousness: Low cost means flexibility and enables profitability without strong and rapid growth.

The corporate philosophy is not only created by the intended values. It is the close integration of corporate philosophy, decentralized structure, information system and HR processes that makes these values a part of daily processes. We will now operationalize organizational resilience via how traits of risk awareness, preference for cooperation, agility and improvisation are built through the organizational structure and organizational processes.

Organizing towards risk awareness

Risk awareness is important in the espoused values. HR processes support, maintain and strengthen these values. Handelsbanken prefers and confers a vital role to internal education and workplace training by experienced managers and internal experts, which means that there is a socialization aspect of all training. Career development in Handelsbanken is closely intertwined with the expectation that employees are able to put these values into practice. This means an active interpretation of risk awareness in the dialogue with other people in the organization, as illustrated by the following quote:

Our philosophy is important; if you are a manager you must know the principles. For example, see to it that you reflect on them when discussing something that is challenging right now. As a branch manager, I did this every week, and we continue to do it here at the regional office. (Area manager, West)

Area managers have a very specific role that is central to aligning the corporate philosophy to daily processes. An area manager works in one of the six regions in Sweden, reporting directly to the head of the region, and is responsible for supporting 15 to 20 branch managers. They do not have any responsibility for financial performance, as this resides at the branch and the regional level. Instead, they are experienced discussion partners with their branch managers regarding “how to think” about different issues. Especially with regard to less experienced branch managers, area managers initiate dialogues and support to enable the branch manager to learn “the Handelsbanken way” of managing a branch; that is, how to interpret the relevance of a long-term perspective, prudence, customer orientation and profitability in certain situations.

The decentralized organizational structure, with the branch as the core, creates sensitivity to operations and customers. Product development, handling of credit proposals and development of new routines and information systems are based on input from branch employees, who have direct and updated experience with the customers. Along with the formal right of branch managers to run their own bank, these communication processes are key constituents of decentralization in Handelsbanken and they reduce the risk of failing to act on changing business conditions or emergent credit risks. The decentralization entails close and responsible contacts with customers, thereby fostering risk awareness in the organization.

The decentralized structure is supported by an information system that enables the observance of key performance factors at every level. Costs, income and customer-related measures are prioritized. Furthermore, product-related measures are forbidden:

We do not allow any incentives to push certain products. It could interfere with customer orientation and how we deal with credit risks. If you start “selling” loans aggressively, it can easily backfire, which has been obvious in most other banks. (Credit manager)

As seen above, information system are designed to avoid risks.

The only financial incentive system in use in Handelsbanken is a profit-sharing system called Oktogonen. It is based on customer satisfaction and profitability performance compared to comparable banks in Sweden.¹ When successful, the bank pays a part of the average profit into a collective pension fund, which it has done in all but two years since its inception in 1973. Every employee, regardless of position and salary level, has an equal share of the fund based on years in service, and employees with a long tenure in the bank have, over the last decades, received a substantial amount. Since Oktogonen is a major investor in the bank, the employees own approximately 10 per cent of the bank. Oktogonen constitutes both a part of the information system and (an important) part of HR processes in Handelsbanken, since it provides a common ground for shared organizational values and long-term interest in the bank:

When considering a decision that might drive the costs of our branch office up, I have heard employees use the argument “this might not be good for Oktogonen”. (Branch manager)

Oktogonen involves aligning individual and organizational interests, thereby nurturing cost and risk awareness among managers and employees.

Preference for cooperation

Handelsbanken’s decentralized structure originates from the 1970s, but it has sometimes been a challenge to get superiors to respect decentralization in daily work processes. To avoid threats to decentralization, superiors are not allowed to criticise a local branch office manager about decisions that have already been made.

¹ Exception: Employees trading financial products have an individual incentive system. This is quite customary in this highly specialized labour market.

Instead, they should offer active, close and knowledgeable support and dialogue. This policy is still in force, with the aim that superior managers should respect decentralization while enforcing constant consideration of organizational concerns into local decision-making processes. Superiors should influence managers through cooperation rather than management, which builds a preference for cooperation into the system.

In general, the risk of performance measurement in decentralized organizations is the creation of internal competition, which negatively influences cooperation. However, the above-mentioned information system in Handelsbanken actually fosters a preference for cooperation. It enables internal and external comparisons, which are important in striving to improve. If a local branch office (or a regional office) displays rising costs, it is immediately visible to all other employees in the bank since the performance outcomes of various units are fully transparent throughout the organisation, and the manager of that unit is held personally responsible for the performance. This triggers communication between managers and subordinates; subordinate managers seek support to improve their situation. The absence of formal targets, in combination with the idea of decentralized responsibility and the instruction to superior managers to “keep their hands off”, helps avoid the “blame game”. The internal pressure is on the subordinate manager or employee to seek support, and the capacity to give support is available. One branch manager commented on her routine when the monthly accounting report arrives:

First, I make my own assessment of the figures. Then I sit down together with my area manager and we discuss: Should we put some more effort

into something, if we are lagging behind comparable offices or have declining profits – or are there other explanations? Since I am fairly new here, I often also contact my predecessor, who helps me understand the history. (Branch manager)

The branch manager quotes above also implicitly describes the network and cooperation that is fostered by the HR processes in Handelsbanken of mainly basing promotion on internal recruitment. In 2012, 98 per cent of newly appointed managers were recruited internally. When appointing managers to new posts, lateral job rotation is more common than vertical promotions. Broad knowledge from different functions and branches is a requirement when aspiring to more centralized positions. The personnel manager of a region reflected on her own career:

I've worked with credits at one branch, I've been controller at a big branch, I've worked as manager for the private market and before I became personnel manager, I was regional head of finance. So we move around, try to broaden our skills and our network of contacts. That is how we make a career and that is how the bank gets managers with broad competence. (Personnel manager)

This promotion strategy avoids negative internal competition on a narrowing career ladder; lateral promotion fosters broad networks and cooperation. Furthermore, it provides managers with broad experience and an understanding of the work done in various branches and it supports their ability to provide advice to each other. The ability to act according to the corporate philosophy is key to a career in Handelsbanken.

Even in the recruitment process, the bank emphasizes that it expects its employees to stay at the bank for a long time. Assimilating a philosophy takes a long time, which is why long-term relationships are promoted. A corporate philosophy that is integrated in daily processes further strengthens the preferences for cooperation, since it contributes to common approaches and interpretation patterns in daily processes.

Internal career possibilities act as important individual incentives to stay:

We like to maintain long relations with our employees. We have 30 different professional roles within the organization and many managerial positions. That is enough for a life-time, if you accept our culture. (Personnel manager)

The preference for long-term relationships concerns customers as well as employees:

We have long-term relationships with our customers, and we want to be their business partner. By following them closely in different phases of decline and growth we become close. (Branch manager)

Being close to the local market and the customers not only reduces risk; it also enables long-term relationships where the bank and the customer grow together. The preference for cooperation is a way to avoid unforeseen customer-related events.

The preference for cooperation supported by the corporate philosophy, decentralized structure, information system and HR processes enables deference to different forms of expertise, balancing branches' local expert knowledge with central expertise.

Organizing for agility and improvisation

Since the 1970s, Handelsbanken has had a very flat organizational structure, with small centralized functions. The basic idea is that those who are responsible for implementing the decisions should also be the decision-makers. The relatively low need to ask for permission increases the speed of the administrative processes and the bank's ability to be agile in all its operations, from handling risks to meeting customers' demands. Also at the branch level, the branch manager is expected to empower the employees and to give them clear responsibilities:

There are 12 people at my branch, all with delegated responsibilities for certain areas. Today one of them informed us about problems with one of our products in the morning meeting. The delegated responsibilities enable us to react quickly. (Branch manager)

Business decisions are typically not made at a distance, but as close to the real events as possible. Central expertise is always available, which further strengthens the agility:

Even if we live in a decentralized world where all credit decisions are made at branch level, we have full support if there are any problems. We had a customer who had a decline, thereby creating credit problems. The credit manager gave immediate assistance, and together we provided follow-up and support to the customer. I think it was to both our and the customer's rescue. It is good to know that you're not alone if something happens. (Branch manager)

Several branch managers describe how opportunities, problems and risks have to be recognized and handled by local actors who have expert knowledge of local conditions. However, actions are balanced by a strong enforcement of the corporate philosophy, which resides in the conviction that the overriding objective of the organization is long-term survival and that risks should be minimized. According to the philosophy, decisions should be made locally based on local information, and with the long-term interests and ideas of the organization in mind. This enables agility at branch level and, if needed, the ability to improvise within overall guiding principles.

Even if branch employees constitute the most important actors regarding dealing with credit risks, there are support structures. The branch manager, area manager or other experts may initiate dialogues and offer support. The decentralized structure enables the situation of the individual customer to guide the decision made by the branch level credit officer.

Branch managers have great freedom, with personal responsibility to manage their branches, but we are very good at reading the details in their profit, loss and balance and we see if something seems to be wrong. We don't leave them alone if we spot something worrying. Instead we talk with them as soon as possible. (Head of region)

The decentralized organizational structure is most important for agility, but central functions support agile action as well.

Analysis: Building traits for organizational resilience through balancing organizational structures

The analysis section will be divided into three parts. The first part concerns building traits for organizational resilience based on organizing, the second part discusses how organizational structure is balanced in this organizing, and the third part concerns how this relates to organizational resilience research.

Building traits for organizational resilience

The integrated organizational resilience framework based on our interpretation of Zolli and Healy (2012) and Weick and Sutcliffe (2011) was used to describe and explain how traits for organizational resilience (Tengblad and Oudhuis, 2018) were supported by organizing. Because risk awareness and preference for cooperation are so institutionalized in Handelbanken’s activities, the later stage/trait (agility and improvisation) is seldom needed. Table 1 describes the influence that the mainly inductively identified aspects of organizational structure (corporate philosophy, decentralized structure, information system and HR processes) have on the traits for organizational resilience from Figure 1 (risk awareness, preference for cooperation and agility/improvisation).

Table 1: Building traits for organizational resilience

| | Corporate philosophy | Decentralized structure | Information system | HR processes |
|-----------------------|---|---|---|--|
| Risk awareness | Focus on long-term survival means avoiding high risk-taking to achieve short-term profit. | Decentralized responsibility for dealing with risks. Simple organizational structure facilitates sensitivity to operations. | Visibility of complex operations enabling self-reflection. Monitoring of possible failures. | Long-term relationships. Expert knowledge in banking. Risk awareness supports careers. |

| | | | | |
|-----------------------------------|---|--|---|--|
| Preference for cooperation | Shared values and dialogue, rather than orders facilitates cooperation | Expert functions mainly support branches | Transparency gives internal benchmarking and support | Incentives and career avoid destructive internal competition |
| Agility and improvisation | Managers and employees are empowered and expected to be able to take swift action | Small staff units that offer advice rather than act as a control instance. | Provides unit-specific information. Enables and requires agile action | Agile and result-oriented branch managers as role models for careers |

Table 1 describes how risk awareness and preference for cooperation (Zolli and Healy, 2012) through different organizing processes are related to Weick and Sutcliffe's (2011) principles of organization resilience. There is a difference between risk awareness (Zolli and Healy, 2012) in a bank and risk avoidance in a HRO (Weick and Sutcliffe, 2011). A bank needs to take calculated risks, but risk awareness and preference for cooperation, implying deference for expertise (both central and local in relation to customers), can prevent unexpected and undesired events from having a major impact, whereas agility and improvisation are important in stopping a course of events early. However, it is notable that improvisation is the least salient of the traits in our analytical model. This could be one reason why Handelsbanken has, to some extent, found it hard to meet the competition from small niche banks in certain areas.

Handelsbanken is characterized by its decentralized organizational structure with high autonomy for individual branches. Decentralization has been emphasized as a key factor for organizational resilience (e.g., Andersson, 2018; Tengblad and Oudhuis, 2018). Decentralization means power distribution, as it enables managers

and subordinates to take responsibility and initiatives for the long-term performance and survival of the organization. Thus, it is directly related to agility and improvisation (Zolli and Healy, 2012). However, the power to act alone is not sufficient. Information systems in Handelbanken provide information that enable competent action. The combination of the decentralized structure with an information system that supports local action is central for this power distribution. However, the choice of a decentralized organizational structure only equips organizational members with the opportunity to act in line with resilience; it does not, in itself, inspire resilience. The main challenge of a decentralized structure is retaining a sufficient level of commitment as a connected whole, for example in relation to a trait for organizational resilience such as risk awareness. This creates a need to combine centralized and decentralized efforts (Cäker and Siverbo, 2014). Previous organizational resilience research has described such combined efforts as nurturing a collective deed power (Tengblad and Oudhuis, 2018) that is central for organizational resilience.

Corporate philosophy and HR processes become these centralized efforts in Handelsbanken through normative control by influencing how people think and feel in order to make them take actions in line with corporate philosophy with HR processes as key vehicles (cf. Kunda, 1992; Alvesson and Kärreman, 2007). To some extent, all such accepted and dominating structural and cultural features of the organization become incentives and constituents of external pressures on managers' and employees' identity processes (Watson, 2008; Andersson, 2010). Thus, the corporate philosophy and HR processes guide what managers and employees "should" strive to become, for example by "avoiding unnecessary risks"; "to really shine as a branch manager is to help another branch to improve their performance". These

constitute ongoing processes of identity regulation that are “hidden” in their identity process (Andersson, 2012), which foster risk awareness and preference for cooperation as traits for organizational resilience (Zolli and Healy, 2012; Tengblad and Oudhuis, 2018) without suppressing capacities for action through agility and improvisation. These identity processes entail a mixture of choices and constraints (Andersson, 2010), which empowers people to take responsibility and initiatives, enabling the organization to meet disruptions and challenges, but also restrains the organization from becoming a “galleria” of autonomous branches.

Balancing organizational structure to build traits for organizational resilience

The decentralized structure and information system are mainly related to power distribution, and corporate philosophy and HR processes are mainly related to normative control in Handelsbanken, but there is a balance in each of these processes that support traits for organizational resilience (Weick and Sutcliffe, 2011; Zolli and Healy, 2012). Risk awareness (Zolli and Healy, 2012) is supported by the manifested intentions in corporate philosophy. However, it is realized through the alignment of this idea while simultaneously enabling local actions to prevent risks. In the Handelsbanken case, power is distributed by means of the decentralized organizational structure, which empowers branch managers to take responsibility for identifying possible risks to their branch. Parallel to this, centralization is manifested in, for example, regional offices and by area managers generating support (rather than direct control) regarding how to act in line with the commitment to organizational resilience manifested in the corporate philosophy.

Decentralization is not only a structural character of Handelsbanken; it is also a cultural character supporting informal relationships (see Muurlink et al., 2012), thus creating a preference for cooperation at the branch level (cf. Zolli and Healy, 2012). The freedom enabled by the decentralized structure is balanced by ongoing discussions regarding the corporate philosophy. This ongoing dialogue is important for learning and for the decentralized structure to work. The dialogue also entails the corporate philosophy of not being static or “religious”, which otherwise can become devastating for organizational resilience (Linnenluecke et al., 2012), but the focus is more on the interpretation of it in practice. Therefore, it requires active interpretation rather than passive following and it does not suppress agility, which is supported by decentralization.

Managerial action is often directed to balancing influence by different organizing processes. Table 2 describes the main balancing acts.

Table 2: Balancing the organizational structures

| | Corporate philosophy | Decentralized structure | Information system | HR processes |
|-----------|--|--|--|--|
| Balancing | Ongoing dialogue enacting the corporate philosophy | Supporting local actions in line with corporate philosophy | Initiating use of information and supporting interpretation of performance | Aligning employee and organizational long-term development |

Leadership in Handelsbanken can be seen as an ongoing process of claiming and granting influence (cf. DeRue and Ashford, 2010). Superiors claim influence by communicating and interpreting the corporate philosophy and different performance measures, as well as by controlling behaviour in line with it. They grant subordinates

influence by inviting them to discuss how to best enact the corporate philosophy and by facilitating actions and decisions based on information from the information system and in line with the corporate philosophy. At the same time, they support local development and initiatives by using internal and external comparisons to foster development and by supporting employee responsibility, etc. Together, organizational structure and culture provide the capability for this communication by ensuring time availability and closeness between branches and expertise. These aspects warrant an organization in which direct communication is normal and on-going, providing a capacity to handle unforeseen events in established lines of communication.

Despite the strong focus on risk awareness, Handelsbanken is not characterized by a passive culture. Risk awareness is not about following orders; it is more about who you want to be in the organization and what is best for the bank in the long run. Managers play important roles in this normative control system by supporting “appropriate” behaviour and values, and by enacting and interpreting the corporate philosophy through dialogue.

The relationships with organizational traits, organizational processes and organizational resilience

The focus on anticipation and not containment (Weick and Sutcliffe, 2011) means that this case has focused more on daily organizing than is normal among current research on organizational resilience. By empirically describing and explaining how organizing can foster traits that make organizations more resilient, our study provides knowledge on the area that Linnenluecke (2017) identified as one of the most

understudied in organizational resilience research: how organizations avoid crises and unwanted events through their daily organizing. The study continues on the research stream in which Linnenluecke (2017) named resilience as reliability. Resilience as reliability has its origin in research on high reliability organizations (HRO) (e.g., Weick and Sutcliffe, 2011), but this research has moved into mainstream organizational research (Linnenluecke, 2017). We base our analytical model primarily on Zolli and Healy (2012), who have translated resilience as reliability beyond HROs. However, this study both supports the value of HRO thinking in other organizations and nuances the transferability of HRO research results to mainstream organizational research. We base our traits in Zolli and Healy (2012) and integrate Weick and Sutcliffe's (2011) principles, which creates a trait model for organizational resilience (see Figure 1) that nuances the traits and makes them more adaptable to any organization.

However, traits for organizational resilience must be built upon organizational processes (Tengblad and Oudhuis, 2018). Such organizational processes have been described by, for example, Hollnagel (2014), but his identified processes are strongly connected to dealing with unexpected events; that is, containment (Weick and Sutcliffe, 2011). When focusing on anticipation, as in the present study, the organizational processes that build trait for organizational resilience are more strongly connected to daily organizing, and the main contribution of this study lies in the description and explanation of these processes.

This study shows that organizing that build traits for organizational resilience balance opposing forces (Zolli and Healy, 2012). Decentralization and the use of information systems means power distribution that enables action and initiatives, whereas the corporate philosophy and HRM processes align such action and initiatives in the organization's interest through normative control. Thus, the balance between power distribution and normative control is central for organizational processes that build traits for organizational resilience. The four organizational processes that are central here in building and upholding traits for organizational resilience – corporate philosophy, decentralization, information system and HRM processes – are probably not generic, but can be different in different contexts. However, the more generic contribution is the balance between power distribution and normative control that these organizational processes enable. Thereby, the organization can balance the many structural dilemmas (e.g., Bolman and Deal, 2017) that all organizations face. This is an organizational explanation that resembles Zolli and Healy's (2012) description of resilient systems.

Tengblad and Oudhuis (2018) argued that collective deed power is central for organizational resilience, and that such power is best created when managers delegate responsibility downward simultaneously as demanding engagement and commitment upwards. The present study contributes with empirical descriptions and explanations of how organizational processes can support such collective deed power. Through decentralization and information systems, responsibility is delegated downward, and through corporate philosophy and HRM processes, engagement and commitment are demanded upwards.

Moreover, Linnenluecke (2017) described how the two research streams on resilience as reliability and resilience as employee strength have been rather separate because of different theoretical points of departure. The present study brings these two together, to some extent, by focusing on how organizing influence people's approaches and identities. Lengnick-Hall et al.'s (2011) conceptual paper argued that if HR principles together with desired employee contributions build HR policies, the organizations build capacity for organizational resilience. This study provides empirical description and explanations of how this can be done. Furthermore, the more collective dimensions of leadership that are brought in through power distribution that enables well-developed followership, which Andersson (2018) describes as central for organizational resilience, illustrates how organizational and individual processes may be linked.

Finally, Linnenluecke's (2017) major literature review showed that organizational resilience research is conceptualized in many different ways, which of course is problematic for the development of the research field. However, she also notices that resilience seems to be differently conceptualized dependent on context. She thus raised the question of whether these conceptualizations are complementary or competing, or simply context-dependent approaches. Our study does not provide any simple answer to this question, but it does provide some further understanding. Understanding organizational resilience as traits (e.g., Weick and Sutcliffe, 2011; Zolli and Healy, 2012) that are built by organizational processes (Tengblad and Oudhuis, 2018) illustrates that organizational resilience is both process and result. Even if research tries to separate concepts into parts, holistic concepts as organizational resilience may lose some of their potential if treated too rigidly. Considering

the importance of balancing opposing forces (Zolli and Healy, 2012), as emphasized in this paper, different conceptualizations may be complementary and competing at the same time. Furthermore, organizational resilience is obviously highly context-dependent. That is an important conclusion per se, which means that conceptualizations may not be that strong. In this study, we have highlighted four organizational processes as building traits for organizational resilience, but we do not know whether they are context-dependent or more generic. However, we assume that power distribution and normative control are more generic processes, but they may be highly context-dependent as well. Future research will hopefully show.

Conclusion

The paper contributes to organizational resilience research in several ways. Firstly, it gives a holistic description of processes that contribute to organizational resilience and therefore demonstrate the holistic nature of organizational resilience. It creates an analytical model of traits for organizational resilience that integrates Zolli and Healy (2012) and Weick and Sutcliffe (2011), and moreover relates to Tengblad and Oudhuis (2018). The model focuses on anticipation of unexpected and undesired events, which means directing activities to avoid or such events through daily organizing. In our case, Handelsbanken, a Swedish bank, went through major financial crises with considerably fewer problems than other banks. We describe and explain how corporate philosophy, decentralized structure, information system and HRM processes can foster risk awareness and preference for cooperation, important traits for organizational resilience, without losing the capacity to act with agility or improvisation to stop undesired events. Moreover, balancing power distribution

that creates preparedness for local action, and normative control to support organizational alignment and stability, was important for achieving organizational resilience.

Resilient organizations need to balance a number of aspects. The paradox is that stability becomes a prerequisite for being well prepared for disruption and change. However, this stability is not created by rigid plans or routines, but by viewing organizing and leadership as ongoing balancing processes of normative control and power distribution. Leadership within such a context happens *in* a holistic system, not *to* a system.

One limitation of our study is that the results are based on only one, long-term, successful organization. It is not clear whether the identified organizing processes are context-dependent or more generic. Therefore, a suggestion for further research is to investigate the genericity of the results.

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