# Institutions and Sensemaking of Change: Institutional frame switching as sensemaking of microfinance in a Pakistani Commercial Bank

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# Institutions and Sensemaking of Change: Institutional frame switching as sensemaking of microfinance in a Pakistani Commercial Bank

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## Abstract

**Purpose**: Scholarly research has increasingly emphasised the need for more research that provides fine grained empirical accounts of how context plays a role in sensemaking. This study provides an in depth look at how broader institutional context shapes sensemaking of organisational change in a novel empirical context of a Pakistani commercial bank.

**Design/methodology/approach**: A qualitative inductive case study of a commercial bank using interviews and archival material.

**Findings**: Actors make sense of an organisational change initiative by accessing broader societal institutional logics when the field level organisational logics are not plausible. The consequences of such frame switching may include the provocation of emotionally charged perceptions of politics and moral valuations of legitimacy.

**Research limitations/implications**: This study is based on a single organisational case study in a particular national context.

**Practical implications**: This study urges organisational change leaders to consider the role of informal interpersonal relationships and culturally shaped, and emotionally charged, perceptions of change among the change recipients, beyond the technical considerations of the industry concerned. Instead of just focusing on official interaction and top down communication, along with creating top level 'guiding coalitions' to manage change, organisational leaders need to be sensitive to informal channels at the lower rungs of the organisation to pick emotional reactions of change recipients.

**Originality/value**: The study contributes to the literature on sensemaking of organisational change by showing how the institutional context, a neglected factor in the literature, impacts sensemaking. The study also contributes to the empirical literature on microfinance by providing an in-depth account of a commercial bank that introduced microfinance as a product line.

## Introduction

Microfinance (MF) has been considered as an effective tool for poverty alleviation and socioeconomic empowerment for the poor in developing countries. Given the dual potential of MF as a poverty alleviation tool and a profitable financial product, policy makers and practitioners in the MF field have encouraged commercial banks to engage in MF (Consultative Group for Assisting the Poor, 1998). Resultantly, there has been a number of global examples of banks entering MF and providing financial services to the poor; a strategy called 'bank downscaling'. However, such bank downscaling met with mixed results because of the problems with mixing social objectives of MF with the commercial imperatives of a bank (Velenzuela, 2002).

The introduction of MF in a commercial bank can be considered as an organisational change involving a change in organisational objectives, as a commercial bank adds developmental objectives to its profit maximisation motive when it starts MF. The introduction of MF also involves a change in organisational structure as a commercial bank implements operational changes necessary to fulfil the requirements of outreach to the poor. The academic literature on MF has not looked at the theoretical and empirical implications of organisational change at commercial banks involving the introduction of MF as a product line (e.g., Kent and Dacin, 2013). Hence, utilising the theoretical lens of sensemaking and organisational change, more specifically, the role of change recipient sensemaking (Weick, 1995; Bartunek et al., 2006), this study tries to fill this gap by chronicling an organisational change in a Pakistani commercial bank involving the introduction of microfinance. Significantly, there is a dearth of literature that considers the role of the external environment on organisational change. The literature on sensemaking of organisational change has also called for more empirical work on the two way connection between institutional context and sensemaking in order to identify processes whereby sensemaking is enabled and constrained by the institutional context (Maitlis and

Christianson, 2014). Using the theoretical framework that considers the institutional context in sensemaking as typified expectations of legitimate behaviour (Weber and Glynn, 2006), this paper tries to fill this gap in the literature and aims to provide insights into how organisational actors take into account their institutional contexts when engaged in sensemaking processes. This paper tries to answer the following questions: How does an institutional prescription, originating either from the organisational field level or from a more macro societal level, become salient in sensemaking processes of organisational change? What are the implications of such activation institutional prescriptions for organisational change initiatives?

This paper proceeds as follows. First, the paper sets up the theoretical context for the study, providing a literature review on the relationship between institutional contexts and sensemaking. It then provides the empirical context for the study. After describing the research methods, the paper presents the key findings of the study in the form of a chronological narrative, followed by an analysis and discussion of the findings.

**Organisational change and sensemaking**

Sensemaking is a process whereby actors respond to unusual organisational events, such as organisational change. Sensemaking involves three iterative and interconnected phases: first, noticing and bracketing an anomalous event marked by a mismatch between expectations and experiences; second, interpretations of the cues in the events by applying cognitive models; third, action or enactment, as the interpretive process takes on a more refined shape till the anomaly is resolved (Weick, 1995). It is often automatic and subconscious in nature as the sensemaker subconsciously picks discrepant cues from their environment and consciously evaluate them retrospectively (Weick et al., 2005). But crucially, sensemaking, unfolding at the individual level, is shaped by the social interactions at the interpersonal or intersubjective level (Steigenberger, 2015). It is at the interpersonal level that organisational leaders, in the role of sensegivers, influence the sensemaking or meaning construction processes of the change recipients(Gioia and Chittipeddi, 1991). Such sensegiving could be highly systematic and guided, fragmented and sporadic, or minimal and contingent (Maitlis, 2005).

*Change recipient's sensemaking of organisational change*

The organisational change literature has theorised a variety of change recipient's sensemaking responses to change. In an organisational change process, change recipients make sense of the change by identifying and interpreting cues in the environment. Three aspects of change come into play when sensemakers notice cues about the change that they perceive: the intention of the change agents and presence of any contradictions and inconsistencies(Bartunek et al., 2006). Most importantly, change recipients are likely to be particularly alert to cues in the organisational change that relate to the personal impacts of the change in terms of the probability of loss of status or resources (Shin et al., 2012; Kiefer, 2005). The extent of participation or involvement has been found to affect sensemaking, and such active participation has been found to reduce negative perceptions on gains and losses (Weber and Manning, 2001; Bartunek et al., 1999). Further, Sensemakers' willingness to accept a change agenda has been shown to be dependent on the need of change, capacity to implement that change and a positive expected effect of change (Rafferty et al., 2013).

Sensemaking is a discursive practice and change recipients engage in verbal and non-verbal communication to interpret change, and devise action that they think is appropriate. Such communication include "…gossip and negotiations, exchang[ing] stories, rumours and past experiences, seek[ing] information…" (Balogun and Johnson, 2005: 5). Hence, 'lateral interactions', mostly informal in nature, between managers and other employees are part of the sensemaking process. Such informal interactions as part of sensemaking processes may result in a counteracting change outcome where change recipients are not convinced of the proposed change and actively resist it. The interactions may also result in a congruent change outcome matching sensemaker expectations and the change proposal.

Leaders also trigger sensemaking by identifying cues, often from prevailing field level discourses identifying the imperative for change (e.g.,Maitlis and Lawrence, 2007). They may also try to identify performance failures (Sonenshein, 2010), or a mismatch between organisational identity and external perceptions of the organisation (Corley and Gioia, 2004). The leaders may also engage in sensebreaking by casting the status quo in a negative light, and sensegiving by highlighting the positives of the proposed change (Maitlis and Christianson, 2014). This is crucial because change recipients envision a particular 'prototype' of their organisation and a change project that is consistent with that prototype so that any violation of such prototype may invoke perceptions that the change agents' actions are inconsistent (Bartunek et al., 1992).

Change recipient’s sensemaking process is affected by the specific nature of the change. Organisational change in terms of change in organisational meanings, including changes involving organisational identity and culture, may involve sensemaking where change recipients may be too invested in the current organisational identity and resist change. Change recipients evaluate change not only on the basis of the match between the organisational identity envisaged in the change project but also based on the lens of their own identity so that any inconsistency between their individual professional identity and the proposed change related identity may invoke negative sensemaking (Conroy and O'Leary-Kelly, 2014). For example, Nag et. al. (2007) provides an account of organisational change in an engineering company where change recipients strongly resisted change by leaning on their strong organisational identify, and related collective work practices.

Organisational change in terms of a change in organisational structure and routines may create contradictions and paradoxes in the minds of organisational members and trigger sensemaking about ways to reconcile the new practices and understandings about the organisation and job roles (Balogun and Johnson, 2005). Such contradiction plays out when change recipients' expectations from the change project are not met. Further, any disruption to routines also throws a negative light on a change agenda (Becker et al., 2005).

**Institutional context in sensemaking of organisational change**

The mainstream models of organisational change management, based on structural contingency theory of change (Drazin and Van de Ven, 1985) or the behavioural theory of the firm (Cyert and March, 1963), portray change and its management as efforts to solve performance problems and as alignment to changing market opportunities or the 'fit' (Jacobs et al., 2013). The main concern of such change agenda is restricted to concerns for organisational performance in terms of efficiency and profitability. The dominant framework of the PESTL analysis also focusses on the material aspects, that is, 'assets, capabilities, competencies, and resources" (Jacobs et al., 2013: 780) Therefore, the literature has highlighted change practices such as Six Sigma, TQM, and Process Re-engineering, intended to improve organisational processes so as to positively affect quality, service and speed (e.g.,Schroeder et al., 2008). Another set of change management methods conceptualise change implementation at a broader strategic level, beyond organisational processes, and assign a greater agentic role to organisational leadership. Such conceptualisations of change management theorise a set of discrete steps, steered by organisatioanal leadership, leading to a desired state or goal (Kanter et al., 1992; Luecke, 2003; Kotter, 1996). The most renowned of them, Kotter's 8 steps of change management include: establish a sense of urgency, create a guiding coalition, develop a vision and strategy, communicate the change vision, empower broad-based action, generate short-term wins, consolidate gains and produce more change, anchor new approaches in the corporate culture. Kotter, when highlighting the need to establish a sense of urgency of change as the first step in his model, prompts organisations to evaluate "…competitive situation, market position, technological trends and financial performance" (Kotter, 1996: 43). But there are actors in the external environment other than consumers and competitors, and concerns beyond profit maximisation. This brings to light the concept of the broader institutional context.

The conceptual framework of institutional theory recognises the role of broader social and cultural forces, the institutional context that concerns the values and morals of action beyond the technical considerations of efficiency or technological development in shaping organisational life (Friedland and Alford, 1991). The constituents of the institutional context that influence businesses include the various powerful sections of the society, such as, the professions, the state and various interest groups that shape legitimate behaviour in a society. Hence, instead of portraying organisations as 'production systems' comprised of employees, consumers, suppliers, and competitors, institutional theory introduces the concept of *fields* as '…a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field' (Scott, 1995: 56). Institutionalised expectations from the field have been theorised as institutional logics – a set of ideas and practices that guide organisational action in a particular organisational field (Thornton and Ocasio, 2008). Institutional theory has provided accounts of organisational change that is less aimed at adapting to the market forces but more to the normative pressures coming from powerful actors present in the organisational field or the society at large (e.g.,Greenwood et al., 2002; Battilana et al., 2009; Greenwood and Hinings, 1996; Kellogg, 2011)

*Institutional context and sensemaking*

The institutional context plays a role in sensemaking processes by providing cultural-cognitive frames that filter cues related to discrepant events (Scott, 2003; Weber and Glynn, 2006). The organisational change literature also recognises those frames as 'interpretive frames' (Jacobs et al., 2013)  Institutions are theorised in the literature to be constraints on sensemaking that make actors search for taken for granted expectations in discrepant events(Barley and Tolbert, 1997). The institutional context facilitates sensemakers zoom in on the most plausible frame related to the discrepant event by the preclusion of alternative frames. Sensemakers make choices about cognitive frames due to habits, tastes or dispositions (Bourdieu, 1990 [1980]), developed as part of their roles either through socialisation processes in their immediate environment or in their previous social interactions (Berger and Luckmann, 1966). In this way, abstract meaning structures or 'coherent symbolic codes' at the macro level are enacted at the organisational level as institutionally defined roles and scripts that connect with the situated social interactions and practices among actors (Weick, 1995).

Weber and Glynn's (2006) model identifies the content of institutions in terms of typified identities, frames and expectations. Such institutional typifications answer the questions (Goffman, 1974): who am I? (identities); what is going on here (frames); and what am I supposed to do here (expectations)? Institutionalised identities specify standard social relationships that play a central role because sensemaking is social and intersubjective in nature (Gioia and Thomas, 1996). Searching for conformity with standardised identities helps in achieving plausibility or sensibility of institutionalised frames in terms of their correspondence with the institutionalised expectations of organisational fields (e.g.,Glynn and Abzug, 2002).

*Institutional context as a cognitive filter for sensemaking of organisational change*

Utilising Weber and Glynn's (2006) model that links sensemaking with institutional contexts, organisational change can be considered as a discrepant event whereby change recipients compare the intent and content of change with expectations typified by the institutional context. They make sense of organisational change by extracting and interpreting cues from discrepant events based on institutionalised identities, frames and expectations accessible and plausible to them (Maitlis and Christianson, 2014). In this way, the institutional context acts as a sensemaking filter helping the sensemakers to evaluate the plausibility and legitimacy of a change initiative. The change initiative's new roles, practices and new organisational objective are assessed against typified identities, frames and expectations. The conceptual model given in Figure 1 illustrates how the institutional context filters sensemaking of organisational change. Discrepant events may involve a mismatch between the institutionalised expectations of sensemakers and the content and processes of organisational change (Balogun and Johnson, 2004; Lüscher and Lewis, 2008; Mantere et al., 2012). Such institutionalised expectations have been theorised as institutional logics – a set of ideas and practices that guide organisational action in a particular organisational field (Thornton and Ocasio, 2008). Institutional prescriptions not only act in a top down manner by providing readymade frames for sensemaking but also act as tools for actors to promote sensegiving. For instance, in order to make an organisational change event plausible, individuals promoting the organisational change event may also advocate their preferred set of institutional logics. The top management may resultantly prime sensemaking by highlighting institutionally discrepant cues, such as, a mismatch between organisational identity and stakeholder expectations (Maitlis and Christianson, 2014). This is akin to the sensegiving process identified in the organisational change literature (e.g.,Maitlis and Lawrence, 2007). In this way, an editing process may be involved, as theorised by Weber and Glynn (2006), whereby intersubjective meanings of organisational change emerge through interactions of different, possibly clashing, institutional logics espoused by different organisational players, including leaders and managers; a process also portrayed in the literature as 'framing contests' (Kaplan, 2008).

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Insert Figure 1 about here
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Organisational change is a discursive practice as highlighted by the organisational change literature (Balogun and Johnson, 2005). Institutional theory identifies specific discursive practices that connect change recipients with the institutional context such as narratives and metaphors (e.g. (Abolafia, 2010; Boje, 1991; Cornelissen, 2012). Narratives, when including institutionalised identities and frames, can be used to define taken for granted individual and collective identities, and cause and effect relationships, which are invoked during sensemaking processes (Brown et al., 2008; Greenwood et al., 2002; Humphreys and Brown, 2002). For instance, organisational leaders may try to engage in sensegiving by invoking narratives that promote a preferred set of organisational elements (Humphreys and Brown, 2002). But other organisational actors, in response to the narratives emanating from organisational leadership, may generate their own  to accept or resist the leadership narratives respectively (Sonenshein, 2010). In this way, as organisational actors ascribe multiple meanings and institutional logics, sensemaking processes may involve efforts to reconcile multiple clashing narratives to create intersubjective meanings(Currie and Brown, 2003) that may be temporary and fragile (Brown et al., 2008). Metaphors are sensemaking and sensegiving tools that allow organisational actors to connect cues with institutionalised frames to justify or explain an organisational change project(Gioia et al., 1994). Significantly, apart from metaphors and narratives, change agents have been shown to prime sensemaking among the audience by displaying emotions and engaging in conversations that are appropriate to the socio-cultural sensitivities of the audience (Rouleau, 2005).

Literatures on sensemaking and organisational change has called for more research that connects sensemaking of organisational change with institutional contexts. Battilana and Casciaro  (2012: 393)state that “the literature on organizational change has not systematically accounted for the institutional environment in which organizations are embedded…”. The literature on sensemaking of organisational change has called for more empirical work on two way connection between institutions and sensemaking in order to identify processes whereby sensemaking is enabled and constrained by the institutional context  (Brown et al., 2015;

Maitlis and Christianson, 2014). Maitlis and Christianson (2014: 104) note 'surprising little empirical research' on top down sensemaking processes to '…examine which types of institutions become salient in sensemaking processes, or the social feedback processes which lead some institutions to become enacted while others are not'. Weber and Glynn (2006: 1655) (2006: 1655), highlighting potential areas of future research in the domain of sensemaking , state that "… a more fine-grained examination of institutions in sensemaking might be the fundamental question about what types of institutions become prominent or salient in sensemaking processes. This paper tries to fill this gap in the literature by attempting to answer the following questions: How does an institutional prescription, originating either from the organisational field level or from a more macro societal level, become salient in sensemaking processes of organisational change? What are the implications of such activation institutional prescriptions for organisational change initiatives?

**Method**

*Empirical Context: MF in commercial banks*

An influential section of the organisational field of MF has promoted a commercial vision for the field where commercial banks are the ideal organisational forms, and MFOs are structured like commercial banks (Helms, 2006). Hence, commercial banks, heralded as 'new actors in the microfinance world' (Bayadas et al., 1997), were noted for their commercially oriented '… competitive advantages in a number of areas, such as recognizable consumer brand names, existing infrastructure and systems, and access to capital' (Consultative Group for Assisting the Poor, 1998). Consequently, influential international donors that held the purse strings of the MF field, including the Asian Development Bank and the World Bank, financially supported commercial banks to enter the MF field (e.g. Harper and Arora, 2005; Campos and Wenner, 1998).

Although commercial banks were seen as an ideal organisational form for MF because they were specialised in financial intermediation and could potentially expand into MF, there were a number of issues identified in the practitioner literature that hindered commercial bank success in MF. The small transactions involved, and the need to interact closely with the poor MF clients, appear to be operationally unprofitable for banks. Most significantly, unlike commercial banks, microfinance organisations tended to espouse altruistic values in their organisational missions and operations that privileged socioeconomic development rather than the pursuit of profit (Counts, 2008; Yunus and Jolis, 1998).This difference between commercial banks and MFOs in terms of objectives and practices could be translated as a clash of two field level institutional logics (Thornton and Ocasio, 2008), the commercial logic of banking and the developmental logic of MF. In this context, a commercial bank introducing MF as a product line would be creating hybrid organisational structure (Battilana and Dorado, 2010) incorporating operating principles, procedures, and value orientations different from what traditionally associated with commercial banking.

*Research Design and Data Sources*

This study adopts a qualitative inductive case study approach (Yin, 1994), and investigates sensemaking of an event, introduction of MF in the mid-1990s in an anonymized Pakistani commercial bank, ComBank (CB). This involved process-based research strategy and multiple levels of analysis including interpersonal interactions, organisational processes, and broader field and societal level events (Langley, 1999). The time period chosen for analysis starts when the microfinance programme at CB was initiated in 1995 and ends in 2008, the year microfinance related lending was officially stopped.

Data collection involved the following protocol. First, archival material was collected and analysed to identify key internal and external events related to microfinance over time. Second, these timelines were used in interviews with former and current bank staff involved in microfinance at CB to prompt interviewees to connect official narratives of chronological events with their recollection of sensemaking processes that were not captured in the archival data.

Archival data, spanning the time period 1995 – 2008, comprised of around 1,000 pages of internal documents: a) memos providing operational guidelines for microfinance operations and product features (162 pages); b) memos to branches and minutes of HQ meetings related to microfinance (64 pages); c) internal newsletters with microfinance related content (14 pages); d) external CB correspondence related to microfinance, including minutes of meetings with external stakeholders such as international donors and government agencies (140 pages); e) loan agreements, project proposals, and project progress review reports for CB's donor-funded microfinance projects (105 pages); and f) CB's annual reports '97-'08 (500 pages). This internal data was comprehensive due to the full archival access that was provided by CB based on the author's personal work experience at CB where he had worked in its commercial credit operations and microfinance department from 1997 to 2003. Finally, literature was also reviewed on the cultural characteristics of Pakistan, especially the North-Western region where the bank was domiciled, as a basis for better understanding the socio-cultural context in which CB operated.

Data also included semi-structured interviews with bank officials involved in the microfinance project of the bank. Interviews can be on a continuum from highly structured as formal questionnaires to unstructured narratives and coversations (Denzin and Lincoln, 2011). Semi-structured interview design represents a 'lightly structured' design (Wengraf, 2001). The semi structure nature of the interviews included open ended questions that acted as a guide to the interviewees in prompting them to specific organisational events identified in the data analysis stage involving review of the archival material. The purpose was not to add rigidity to the data collection process but to keep the interview conversation within the scope of the research questions. Hence, a semi structured interview design was chosen whereby although the interview conversation was directed through open ended questions, the conversations were allowed to deviate from the very broad set of guided questions towards any topic that the interviewees brought up in the interview.

The interview questions were designed to probe the firsthand experiences of the interviewees in relation to CB's microfinance operations, particularly highlighting the impact of the commercial banking context on the microfinance operations, and the tactics deployed by the interviewees and their colleagues to support, enable, or resist microfinance activities in the bank. Broader questions related to the state of the microfinance operations at the various stages of its evolution in the bank, including the specific challenges it faced in each stage, as determined in our archival analysis. In your opinion, how did microfinance operations survive for all those years if the commercial banking personnel were against microfinance? Microfinance field officers were asked: "How was your relationship with the commercial banking branch?"; "How did the branch staff, especially the branch manager, view microfinance operations?" Answers to these questions were triangulated with commercial banking staff who were also asked about their first hand experience of microfinance, including questions such as: "Were there any problems faced by the microfinance programme of CB; what were the challenges faced by microfinance both at the headoffice and field, and how did you deal with these challenges?"

23 semi-structured interviews were conducted between 2009 and 2015 with key CB employees who were involved in, or impacted by, microfinance at CB during the 1996-2008 period. These included 14 officials, interviewed during the period spanning 2009-2010, and who directly worked for the microfinance programme of the bank, represented almost 70% of the staff of the microfinance operations, including key senior officials who were present during the founding of the microfinance programme. A further 9 interviews were conducted with commercial bankers of CB, between the years 2012 and 2015, who had firsthand experience of

CB’s microfinance operations It may be noted that during the period in which microfinance was introduced the average headcount ranged from 250 to 350 employees during 1996 to 2008. But following the ‘purposive sampling method’(Lincoln and Guba, 1985), these interviewees were identified on the basis of their unique characteristics important to the purpose of the study, their central positions at key interfaces between commercial banking operations and microfinance at CB, rather than on the basis of their extent of statistical representativeness of the bank’s total headcount. Hence, 6 worked as branch managers of CB branches with the largest concentration of CB’s microfinance portfolio, or branches that involved major donor-funded microfinance projects, and 5 had experience as credit operations executives in the credit operations department of the bank at the HQ level, which formed an important interface between microfinance and the bank’s commercial banking activities at HQ level.

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Table I lists interviewees and their profiles. The interview duration spanned from 30 to 60 minutes; 3 of the interviews were repeat interviews of approximately 45 minutes each to gain further clarification, and to triangulate information obtained from other interviewees. In some instances, further clarification was also sought through follow up phone calls and email exchanges.

*Data Analysis*

First, an in-depth review was conducted of the archival materials to identify the main stages through which the microfinance programme of CB evolved over time. Detailed narrative memos (Strauss and Corbin, 1998) of key microfinance events in CB were created that could be considered as discrepant events in sensemaking processes in the bank, as announced and justified in internal memos and annual reports. These events were then discussed with interviewees to identify elements of sensemaking processes related to those events.

Interviews were analysed by conducting a line by line review of interview transcripts in order to identify both first order interpretations (closer to interview data and archival materials) and second order abstract interpretations that were closer to our theoretical questions drawn from the theoretical frameworks used in this research (Lincon and Guba, 1985). Foundational literature on the relevant theoretical framework of sensemaking was consulted (Weick, 1995; Weick et al., 2005), particularly the literature that linked institutional contexts with sensemaking (Weber and Glynn, 2006; Weick, 1995; Weick et al., 2005), to code the interviews and archival data along the theoretical dimensions identified in the literature.

**Findings**

The story CB's MF initiative has three broad phases. First, the rise, including the early days and growth period. This was the time when the bank leadership set the stage to change or modify the organisational objectives and partnered with international donors to get access to resources for expansion into MF. The external environment played a crucial role during that time as MF was becoming fashionable among the main stakeholders of the bank, including the government. Second, the start of the troubles for MF marked the beginning of the end when the top pro-MF management left the bank, again, due to external events – political clash of the top management with the government of the day. Finally, the demise of the MF initiative when MF itself became less fashionable among the external stakeholders and those who defended it were no more in the bank. Table 2 summarises key events of CB's story. The processes of sensemaking and the role of external events and the institutional context are further discussed in detail below.

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**Phase 1: The rise of CB's microfinance initiative**

*Critical Events.*

CB's inclination towards development finance can be traced to its founding principles as laid down by the sponsoring regional government that was sensitive to the developmental needs of the region. CB was established as a commercial bank but it was also envisioned to be a financial intermediary with the goal of promoting socio-economic development through intermediating financial resources within its region of domicile. As a reflection of this intent, the government appointed a Managing Director (MD) with a background in development rather than commercial banking, who also had the political connections and clout to ensure that the bank's development activities would be successful. Taking cues from the economic development policy in vogue at that time, the MD and his team interpreted the development mandate of the bank in terms of donor funded projects in the area of small and medium enterprise finance, and established an in-house microfinance department. Thanks to the MD's strong connections in the global development field, in 1997, the bank succeeded in becoming an integral part of two development projects in quick succession.

*Sensemaking at the Top Management Level*

*Forming a powerful coalition and protecting loan officers from the top-down.* The founding MD recruited several people into the top management team who also came from a development finance background, and who had built their careers in the Pakistani development finance sector. This follow's Kotter's change management step of forming a strong team. This powerful pro-microfinance coalition carved out a space for microfinance within the bank, and defended microfinance operations from the commercial bankers, who did not see a legitimate place for microfinance in the bank because they saw CB as first and foremost a commercial bank. A senior manager states:

> *"...when the study [to establish microfinance operations] was conducted, there were six or seven people [from commercial banking] who were invited to see what were the findings... some of them tried to find technical problems [in the proposal]...but the chair*

*[MD] ... made the observation that the [proposers of microfinance operations] have done a very good job, if they [the commercial bankers] needed to question any of the aspects, then they should ask about implementation of the proposal..."* (FM)

Furthermore, during the rise of microfinance this pro-microfinance coalition in the top management team shielded microfinance at the branch level by defending loan officers against the commercial banking staff at the branch level. A memo sent out by the head of microfinance to branch managers in December 1996 stated:

*"...there is a need for closer collaboration and understanding between the branch managers and the [microfinance officers]...one thing should be very clear: though placed under the administrative control of the [branch] managers, [microfinance officers] have been entrusted with a specific responsibility and that is, the development of micro businesses. [Branch] managers should ensure that the work of microfinance officers does not suffer..."*

At the top management level the shielding tactics deployed to establish and protect microfinance triggered sensemaking processes among the commercial bankers at CB. They framed the introduction of MF in the bank in terms of the banking logic with the institutionalised expectations of commercial success and risk management.

But such framing did not appear to be plausible to commercial bankers as MF had not yet established itself as a commercially viable business activity. During the late 1990s and 2000s, for a Pakistani banker, the word microfinance would have likely conjured up images of an NGO or a government run lending organisation. The 1990s did see the entry of commercial banks, albeit government owned, in microfinance but achieved an insignificant share of in the total Pakistani microfinance portfolio (Shah, 2010). Further, access to financial services was also limited even in the case of the mainstream financial sector, with only 14% of Pakistan's population were having access to financial services from the mainstream financial sector, by the end of 2008; microfinance reached less than 2% of the poor at that point in time (Nenova et al., 2009). Most significantly, investments by the financial sector in the microfinance field could not be perceived as profitable, and there were no incentives for the microfinance players to access commercial finance as there was ample cheap funding available from international funders (Duflos et al., 2007). As shown in Figure 2 the average ROE, a measure of the profitability of MFOs, remained negative during the period 2002 and 2009.

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In the absence of a plausible institutionalised frame relevant to the bank's identity as a commercial bank, it appears that the commercial bankers switched frames and attributed political motives following the narrative that the MD and his coalition of top executives were (mis)using microfinance for their own political purposes. For example, the external profile of one of the top executives of the bank who was instrumental in launching microfinance, and who came from a politically well-connect family, triggered suspicions so that the very political tactics that aimed to secure microfinance at CB bank in accordance with its socio-economic development mandate were interpreted by antagonists at the top management level of the bank as acts of personal aggrandisement. In this way, field level logics as a foundation of sensemaking, gave way to societal level logics of politically motivated exercise of power. In Pakistan, a country characterized by endemic corruption and misuse of official power and resources for personal benefit, aggressive use of official power - even for ostensibly legitimate objectives - is often seen with suspicion and/or cynicism, and controversial official actions are often perceived as attempts at self-aggrandisement and illegitimate access to resources (Islam, 2004; Prakash, 1957).

Likewise, at the branch level commercial banking staff also reacted negatively to the top-down shielding tactics of the pro-microfinance coalition in the top management team. For example, a former internal auditor at CB noted that when he marked a microfinance officer as late, the executive head of microfinance called him on the same day to tell him that he was "wasting his and the MD's time [by reporting the microfinance officer as late]". These growing tensions were confirmed in the archival data, which included a memo sent out to branch managers memo in February 1998 asking them to cooperate more with microfinance officers: "…it seems there is lack of coordination among staff members at branches (...) [T]ake additional care and personal interest in the matter and the same will be discussed during forthcoming manager's meeting (…) Get better acquainted with [microfinance] projects through discussion with [microfinance officers] and personal visits [with microfinance clients]…"

*Sensemaking at Branch Level*

***Converting branch managers to the microfinance cause.*** At the branch level there was also a big divide between the loan officers involved in microfinance activities, and the commercial bankers who did not fully understand what microfinance was about, as the following quote makes clear:

> "*We were development agents, they were commercial bankers…there was a huge gap… the impression [among the branch level commercial bankers] was that microfinance officers were dishing out money…*" (FO2)

In response to this negative perception amongst commercial bankers at the branch level microfinance officers tried to convert their branch managers to the microfinance cause by sensegiving giving tactics aimed at priming their attention towards the potential community development aspects of MF in the target market of the branches, and tapping into their social sensibilities. The following quote makes this clear:

> *"... [The branch manager] used to question me "why give loans to the riff raff of society?"... I personally involved him in [microfinance operations], and made him come out of the bank branch. I showed him how those people [microfinance clients] were running their businesses...that basically changed his [branch manager's] approach..."* (FM2)

Such lateral or informal interactions, akin to Kotter's call to communicating the change vision, and aimed at sensegiving (Balogun and Johnson, 2005) both warmed branch managers to microfinance's moral appeal, as well as pointing to more instrumental benefits such as positive reputation effects, which appeared to have a more significant effect in bringing branch managers on board:

> "*We used to motivate branch managers… [making them realise that] this is a welfare oriented job…a pious deed…branch managers also had interactions with the local communities [recipients of microfinance]…[branch managers] then got convinced realising that microfinance is doing marketing for the bank…*" (FM6)

*Building personal relations through 'Pukhto'.* Hints of a second sensegiving tactic were also found where MF field officers tried to bypass the institutionalised identity of a banker and an official colleague, and appealed to the personal dimensions of their relationship. A MF field officer explained his relationship with the commercial bankers as follows:

"... we were not accepted as [bank] employees... but …after spending some time in my branch ...it was a matter of Pukhto ... so lots of things [about microfinance] were overlooked [by the branch staff]..." (SM1)

They tried to overcome branch managers' misgivings about MF by building personal relations with them through appeals to "Pukhto", which refers to the Pashtun tribal code of patriarchal honour and reciprocity (Ahmed, 2011). For the branch managers, microfinance, in its technical form as a financial product, may not have been seen as legitimate, but the person promoting microfinance would most likely be trustworthy, because he or she was an adherent of a tribal code of honour. The microfinance staff therefore switched sensegiving frames and used appeasement tactics that invoked personal friendships with branch managers based on the Pashtun tribal code of Pukhto, and negotiated a favourable treatment from the commercial banking staff. Whilst this helped them succeed at carving out an operational space for microfinance loan officers to do their work without too much interference from branch managers in the short term, the exchange of favours that are central to relationships based on pukhto ultimately gave branch managers greater leeway in asking for return favours when the top-down protection of loan officers weakened in phase II and III. As we will explain below, these return favours ended up undermining the viability of microfinance at CB.

**Phase II: Beginning of the end**

*Critical Events.*

The founding MD and staunch supporter of CB's microfinance activities resigned in 2000, six months before the expiry of his contractual terms, because the regional Chief Minister wanted his own handpicked man in the job. A jolt received from the external environment. During this period, the only original pro-microfinance member of the top management team left the bank. His departure was broadly seen as linked to the rise to power by the Islamists in the regional elections in 2002, because he was part of the politically well-connected local secular elite. A further external jolt to the bank's MF initiative. The new political situation changed the official discourse on development finance so that 'Islamic finance' became a favoured policy objective of the regional government, which was CB's majority shareholder, thus decreasing microfinance's external political support.

*Sensemaking at Top Management Level*

According to the founding MD, commercial banking executives played a key role in his removal, in addition to personality clashes between himself and members of the Board:

> *"... the [commercial banking] management connived with the Board and provided inflated and wrong statistics about [loan defaults] in the MF portfolio..."* (FE)

His removal provided an opportune moment for microfinance opponents in the top management team to move against the microfinance coalition by politically isolating the remaining MF executives. A MF executive commented: "...when [the founding MD] left the bank, I was left alone to fight all the battles." (FE). The commercial bankers also influenced the perception of the incoming MD by presenting a grim picture of microfinance's financial position, and informing him that existing executives used to shield microfinance despite its loss-making status, thus insinuating incompetence and/or sinister motives on the part of microfinance executives, as the following quote indicates:

> *"The commercial banking executives cited high cost of operations and the loss making financial condition of microfinance to create a bad picture of microfinance for the incoming MD… the perception that microfinance operations were not answerable to the commercial banking arm further added fuel to the fire."* (MIS)

This significantly shaped the new MD's views:

> "*[The new MD] thought that [microfinance] was ... 'a bank within a bank' and that that is how we [i.e. the pro-microfinance top management] have carved out our own little domain which had nothing to do with commercial banking..."* (SM2)

Soon after the arrival of the new MD the bank announced a reorganization of CB's microfinance operations from a department of the bank to a separate operational unit "in order to manage the microfinance activities on commercially viable lines." As a result of this new emphasis on financial sustainability microfinance achieved a small profit by mid-2001, which was broadly welcomed and celebrated.This structural decision exposed microfinance to the same financial discipline as the rest of the bank, privileging the need for profitability over social impact.

*Sensemaking at Branch Level*

The changes at the top of the bank percolated to the bottom of the organization very quickly, and the commercial bankers enacted their negative sensemaking of MF by openly hindering its operations. In the words of a senior microfinance manager, "...when the top management says "what is this microfinance... this is rubbish. We don't want to do microfinance"...then everything is lost!" (FM3). Fundamental differences between branch managers and loan officers also remained salient, fuelled by the envy and resentment that had accumulated over previous years, which translated into relational problems. Of course these issues were also present during the hay days of microfinance at CB, but during this period these tensions were resolved through the top-down shielding activities by top management who were no longer in charge.

Field officers responded to the changing power structure by sensegiving tactics aimed at justifying their activities in commercial terms familiar to branch managers, emphasizing risk management and marketing advantages of a large diversified portfolio of small loans:

> *"...if one commercial banking loan defaults, it is a huge loss to the bank, but in our small loans, if a single loan defaults, there is not much effect on the portfolio [of small loans]".* (FO1)

In the words of Kotter, the branch level MF staff were looking for 'small wins'. But justifying microfinance in terms of commercial banking was also difficult because of commercial banker's perceptions that microfinance had access to a disproportionate amount of resources. Microfinance invoked moral outrage among commercial bankers. For example, commercial branch managers resented the fact that microfinance field officers were given cars and motorcycles, which were a necessary part of microfinance operations because of the need for frequent, close interactions with clients in remote locations. But access to precious official resources such as company cars triggered the well-established national narratives of corruption and misuse of economic power (Zaidi, 2000). The provision of official means of transport is a significant source of prestige in a developing country like Pakistan, and therefore a source of envy.

These perceptions were confirmed by commercial bank managers, for example:

> *"…there was a thinking in the bank that microfinance staff are royalty… there was jealousy between the branch staff and microfinance staff...why? What was the reason?...I saw this in many branches... most of the branches… the reasons:….[microfinance field staff] were provided vehicles...jeeps...fuel allowances... They would come in the morning, sit for a while...then they would proceed towards the field, so the general impression was that 'they are having fun... God knows where they go...then they show up in the afternoon..they have cars...claim fuel, get the fuel vouchers signed by the manager and pocket that money…"* (CB 9)

When microfinance operations were converted into a for-profit business unit, and top management became less receptive to the unique operational needs of microfinance, cars therefore became the first target of questioning and were eventually cancelled, badly affecting the ability of microfinance staff to adequately monitor borrowers in the field:

> *"... [the new MD] came and said "what is this [microfinance]?"... "why those cars[given to microfinance officers]?"... no one was ready to hear us...*" (FM6)

The field officers' reliance on the good personal relations under the tribal code of Pukhto also became problematic. The branch managers started expecting personal favours in return for tolerating the unusual operational needs of microfinance field officers. For example, during the portfolio expansion phase during 1997-99 branch managers demanded to "park" loans that would not be eligible under commercial banking rules to their friends and clients in the microfinance portfolio. A senior microfinance field manager commented:

> *"...if a branch manager could not accommodate a loan request of a client, if that loan request was too small for corporate lending, we used to accommodate that loan request...a tit for tat situation."* (FM3)

**Phase III: The demise of microfinance at Combank**

*Critical Events.*

By 2003, partnership with donor funded development projects, which the bank had joined with great fanfare, floundered. The initial terms of contract established in 1997 under which funds were provided to CB for onward lending as microfinance loans were no longer attractive for CB due to a drop in the cost of funds compared to 1997. The only way to make donor projects viable was to renegotiate the funding contracts and increase interest rates. However, the government, the conduit for the donor funding as well as CB's shareholder, refused to allow CB to increase microfinance interest rates charged to the poor, and when reminded of the relatively high cost of microfinance operations retorted:

> *"...since the government desires that the [microfinance] component should benefit the poor communities and make them able to start their own income generating activities they should not be overburdened...[CB] has been implementing the microfinance component for a long time, therefore, it was important that they had by now acquired considerable administrative competency and efficiency to implement the component at a fairly low rate."*

Resultantly, the microfinance management went into firefighting mode, making frantic efforts to improve the health of the microfinance loan portfolio by issuing loan recovery targets to field officers. A memo sent out to field officers in January 2004 links the efforts to recover defaulted amounts with the goal of profitability:

> *" In order to reduce the overdue amounts, quarterly targets have been assigned to each branch as per attached table…It must be kept in mind that the overriding objectives of these measures is to improve the quality of the [microfinance] loan portfolio so as that goal of financial sustainability could be achieved"*

In 2005 CB terminated its contracts under all donor projects. A commercial bank manager whose branch was a conduit of donor-funded microfinance project explained:

> *".......the spread was insufficient...responsibility to recover the loans was with [Combank] not the donor funded project… loan defaults increased...some cases went into litigation… because of these factors the bank withdrew from the [donor funded] projects…"* (CB 2)

With project funding from international donors gone and mounting loan defaults, particularly in donor funded projects, the bank panicked and also stopped all microfinance lending to new clients. In a memo in June 2005 to CB's risk management department, the head of microfinance provided the following analysis of the cause of decline of microfinance in CB:

> *" [In CB]…[microfinance operations] remained a controversy since its inception. Its field force was controlled by [microfinance department in the head office]. Although field officers were stationed in branches, they were on the payroll of the head office and were directly reporting to head office instead of the branch manager. This created…distance [between] the [microfinance] field staff and the concerned branch manager who in many cases did not have ideal working relationship [with the field officer], in spite of the fact that [later]…[field staff]…report[ed] to concerned branch managers. [Branch managers] disowned [the microfinance portfolio] as they were not involved and consulted in [microfinance] affairs previously."*

Powers of branch managers to sanction microfinance loans, delegated in 2006, were withdrawn in June 2007 through a memo which stated that "*it has been observed that sanctioning powers delegated to designated branches have not been used for prudent lending. The result has been that the rate of default …has been on the rise…*". This appears to be an indirect acknowledgment of the misuse of microfinance that had been going on for years, as confirmed in interviews with both the microfinance field officers and commercial banks, e.g.:

> *"...in the meetings they used to talk about the loan defaults in microfinance...they attributed that to misutilisation of loans by borrowers..." (CB 4)*

Finally, in 2008, all microfinance lending operations ceased, and the focus of core microfinance operations shifted to the recovery of bad loans. The only positive long-term legacy of microfinance at CB was the continuation of CB's successful consumer finance product line, which was developed by the microfinance unit to improve its profitability in response to commercial pressures but had nothing to do with microfinance. Commercial bankers rejoiced over the demise of microfinance, as a microfinance officer who came from commercial banking but later moved back states:

> *"...the commercial banking people were really happy that microfinance operations had been stopped... the facilities [cars etc.] that we [microfinance field officers] got were a big source of uneasiness for the commercial bank guys....it was not lack of profitability that they used to claim as the main problem with microfinance..."* (FO1)

**Discussion**

This paper shows that at the micro intra-organisational level there is more to MF in commercial banks than what has been portrayed in the practitioner literature. The writings of pro-commercialisation sections of the global MF field uncritically welcomed the entry of commercial banks in microfinance (Consultative Group for Assisting the Poor, 1998; Otero and Rhyne, 1994; Harper and Arora, 2005). The issues identified in the professional literature boils down to the absence of adequate returns on capital on MF operations for commercial banks, given higher costs and perceived risks involved in MF. CB also demonstrated all those shortcomings where although it achieved profitability for a short duration, the bankers did not see MF to be a profitable venture in the long run. As a solution to these shortcomings, the professional literature suggests compliance with the field level institutional logics of banking by prescribing: ' …to the extent that the bank is able to take a more enlightened approach and allow an internal [MF] unit the flexibility to at least do microfinance close to [best practice]…' (Westley, 2006: 58). Donor agencies that funded MF initiatives all over the developing world also promoted commercial banks as ideal MF players (Velenzuela, 2002; Bayadas et al., 1997). The donors also suggested that the intraorganisational problem of clashing logics of banking and MF within commercial banks could be solved through introduction of appropriate 'financial technologies' that could reduce costs and increase profitability (Bayadas et al., 1997). But this study shows that MF was hindered and sustained in CB due to broader societal logics that affected sensemaking processes of the bankers and MF officers. Table 2 summarises the chronology of events related to the introduction of MF in CB. Top commercial bankers resisted MF because of their negative political perceptions about MF executives bringing MF in the bank. Lower level commercial bankers and MF officers overcame their clashing identities because of their social relationship embedded in broader societal logics.

This study also contributes to the literature on sensemaking of organisational change and organisational studies by broadening the repertoire of institutional sources beyond the technical scope of field level institutional logics that prime sensemaking during organisational change. Battilana and Dorado (2010) show that MFOs can maintain their hybrid organisational structure by instituting 'socialising policies' to prime sensemaking of their employees. Such socialising policies, including training, promotion and performance incentives, stay within the technical scope of the institutional logics of banking and MF, and aim to combine the institutional typifications belonging to the two institutional fields of banking and MF. They also show that mixing experienced MF professionals with background in development oriented MF with commercial bankers would likely result in intractable identity conflicts leading to negative organisational outcomes. This resonates with the organisational change literature that posits that change recipients evaluate change not only on the basis of the match between the organisational identity envisaged in the change project but also based on the lens of their own identity so that any inconsistency between their individual professional identity and the proposed change related identity may invoke negative sensemaking (Conroy and O'Leary-Kelly, 2014). However, CB's scenario identifies a more flexible agency on the part of the organisational actors, and shows how socialisation based on broader societal logics, and the identities that those logics confer, go beyond the scope of the field level logics that prime sensemaking. This is also aligned with the literature that posits that actors strategically invoke institutionalised identities and frames as sensegiving tools (Swidler, 1986), and cope with the impact of such identity conflicts by engaging in the sensegiving tactic of strategic frame switching (Hong et al., 2000). When the MF field staff realised that they could not convince commercial bankers on the efficacy of microfinance, as a coping mechanism in the wake of political behaviour by commercial bankers (Cook et al., 1999), they engaged in 'situated improvising' (Jarzabkowski et al., 2013), and tried to deploy the political influence tactics identified in the literature as ingratiation and reciprocal exchange of favours (e.g. Leslie and Gelfand, 2012); they switched framed and improvised by invoking a set of more enduring and deeply institutionalised identities typified in tribal logics of Pukhto. They also tried to appeal to the interests of the bank managers by highlighting the role of MF as a means to enhance the market reputation of the bank among the local community. But sensegiving using informal influence tactics may have unintended consequences, for instance, in terms of invoking perceptions of fairness among sensemakers (Ambrose and Harland, 1995). MF staff invoked informal tribal relationships with commercial bankers at the bank branches, and the commercial bankers in turn considered it fair to exploit those relationships to further personal interests, for instance, by providing MF loans to friends and relatives.

Organisational change literature has theorised a limited role of broader institutional context in change processes. For instance, Kotter (1996), when identifying the context of change mostly focusses on the market or industry participants but there are actors in the external environment other than consumers and competitors that invoke concerns beyond organisational objectives. This study identifies the role of the broader institutional context and the societal level institutional logics that played a part in priming commercial bank sensemaking that resulted in the commercial bankers' opposition to MF. Most significantly, when the aggressive introduction of MF in the bank did not make sense in terms of the logic of commercial banking, the commercial bankers interpreted the cues obtained from behaviour of pro-MF executives using typified identities and frames originating from the broader societal logic. Aggressive behaviour to promote the introduction MF as an organisational change was framed as a fight over the bank's resources, negative expectations associated with this framing emerged interpreting action of the MF executives as politically motivated personal self-aggrandisement, and the MF executives were typified as usurpers of resources in the Pakistani context. In this way, in terms of Figure 1, sensemaking cues filtered through the institutionalised identities and frames of the local culture, further primed perceptions of organisational politics and related moral valuations of such actions within organisations, rather than evaluations based on only technical considerations (Ferris et al., 2000). Such moral evaluations, represented by the commercial banker's metaphor of 'a bank within a bank', evoked negative emotions of fear and anxiety triggered by perceived procedural injustice, which has been shown to heighten political perceptions in organisations (Ambrose, 2012; Steigenberger, 2015). The commercial bankers at CB were as upset about the process through which microfinance staff enjoyed their protected status, as they were about the distribution of material resources such as cars. Findings of this paper suggest that once the perception of procedural injustice triggers an accumulation of envy and resentment, these emotions can become a destructive force that can fatally undermine the stability of hybrid organizations, irrespective of formal organizational and institutional support for such hybridity. Significantly, by identifying the above mentioned dynamics, this study links organisational change literature with the literature on emotionally charged organisational politics and calls for more fine grained accounts of organisational change that takes into account such political processes.

In many respects this study is unique. Pakistan as a research setting for organizational research is extremely uncommon (but see Khan, Munir, & Willmott (2007)), as is studying the sustainability of microfinance within a commercial bank, instead of exploring the hybrid nature of microfinance itself (cf. Battilana & Dorado, 2010). Rather than considering this uniqueness as an important limitation of our study, it facilitated a more explicit and precise focus on the central phenomenon of interest: sensemaking in an institutionally complex organisational context. This is because the particular salience of political behaviour in Pakistan around the issue of negative perceptions of politics (Islam, 2004; Prakash, 1957), have enabled this study to zoom in on such behaviour, and analyse its consequences for intraorganisational sensemaking.

**Conclusion**

The uniqueness of this case study is a double-edged sword in the sense that it highlights an interesting phenomenon involving the role of institutional context on sensemaking, but it may limit the generalizability of our findings, as is the case for any single case study. Another limitation of the study involves the longer temporal distance between the change event and the interviews. The longer time span for interviews was necessitated due to problems with accessing key informants, particularly the commercial bankers as they were reluctant to engage with the research. To mitigate this problem, interviewees were provided factual information about key organisational events to freshen up their memory.

This study identifies two broad areas that offer potential for future research on the role of institutional context in sensemaking of organisational change may pursue. First, further research needs to investigate other dimensions of the institutional context, for instance, the role of the historically determined configurations of business practices that have been explored very broadly but not at the organisational level (Lewin and Kim, 2004). This study hints at the role of tribal affiliations shaping sensemaking. Religious affiliation or spirituality (e.g.,Long and Helms Mills, 2010) is another contextually determined aspect that could be explored as a filter for sensemaking. Second, emotional aspects of sensemaking are gaining increasing attention in the literature, but there are few empirical studies that look at the sources and dynamics of emotional responses to sensemaking (Maitlis et al., 2013). This study shows the local culture as a likely source of emotional responses. Further research needs to explore other contextual sources of emotional responses as part of sensemaking of organisational change.

Finally, in terms of practical implications, this study highlights the role of informal interpersonal relationships and culturally shaped perceptions of change among the change recipients beyond the technical considerations of the industry concerned. The study has lessons especially for change projects that try to combine for-profit goals with altruistic imperatives, as typically seen in social entrepreneurial ventures or strategic CSR initiatives. In such projects, change initiators need to become aware of the way the change agenda, often breaking the legitimacy or plausibility norms of either the commercial imperative or the altruistic motives, is perceived by the change recipients. Instead of an excessive focus on official pronouncements and top down communication, along with creating top level 'guiding coalitions', change initiators could instead utilise informal channels at the lower rungs of the organisation to pick any emotional reactions of change recipients and shape sensemaking.

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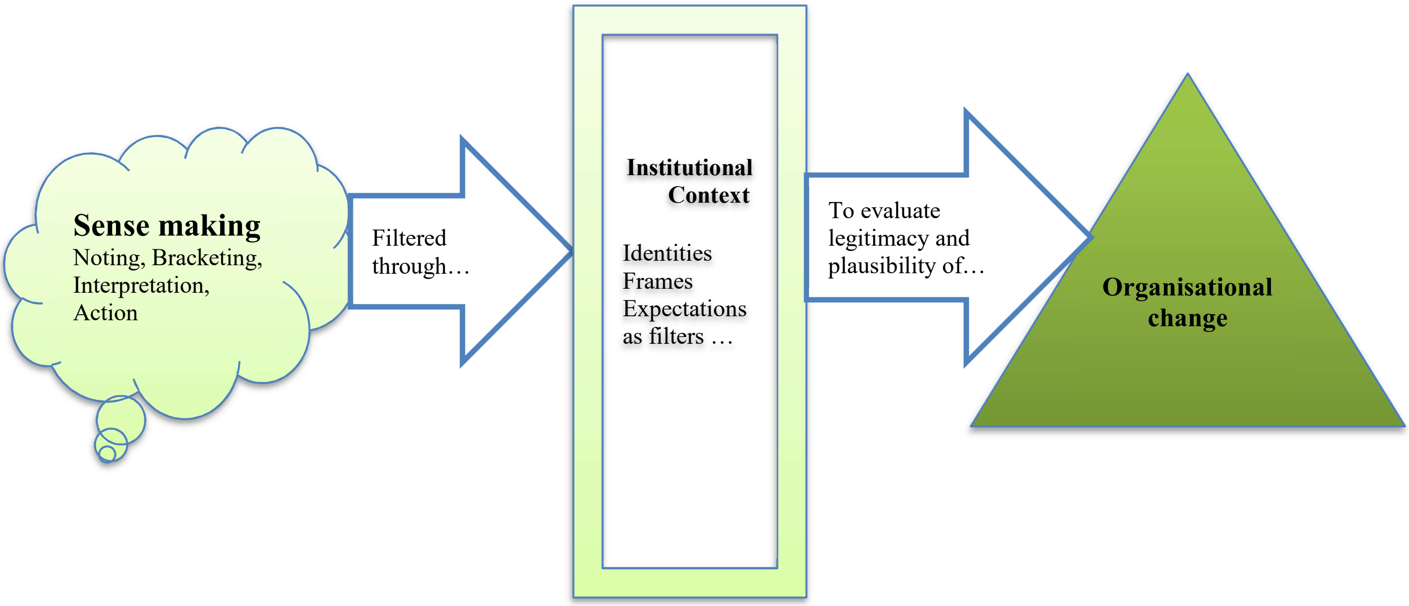
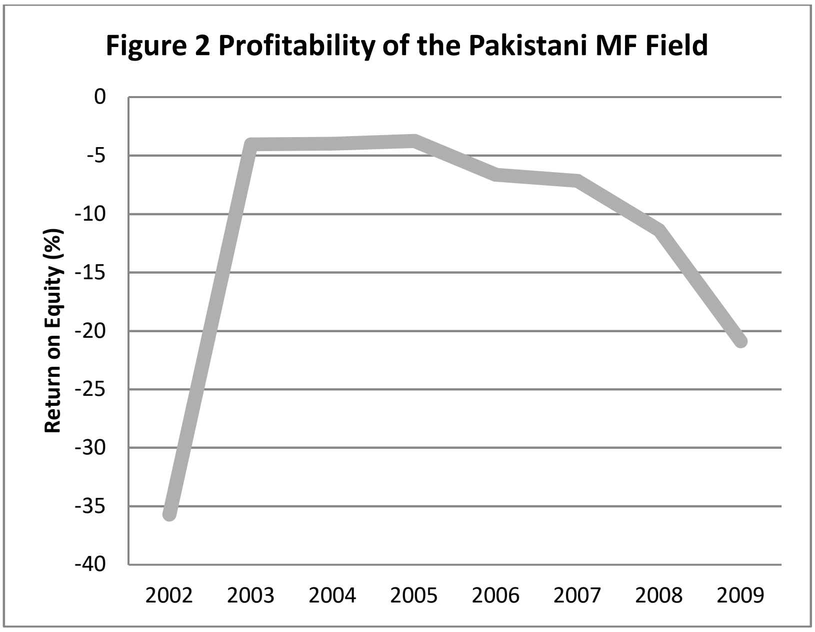
**Figure 1: Institutional context as a filter for sensemaking of organisational change**






Source: Pakistan Microfinance Review (Shah, 2010); Source: Pakistan Microfinance Review (2009); Microfinance Information Exchange Inc. (www.mixmarket.org); Pakistan Microfinance Network's information portal: www.pmronline.info

| Table I Profiles of Interviewees | | |
|---|---|---|
| | **Microfinance staff interviewed** | |
| 1 | Founding senior executive (FE) | A close confidante of the pro-microfinance Managing Director. Executive in-charge of microfinance operations, he played an instrumental role in establishing the microfinance programme. A development banker with experience in rural finance. |
| 2 | Founding manager (FM) | As a consultant representing the company hired to assess viability of microfinance in the bank, he was hired as the first operational head of microfinance. A management consultant with background in reviewing development project funded by donors such as the World Bank. |
| 3 | Senior manager 1 (SM1) | One of the first field managers hired by the microfinance programme. A mechanical engineer with extensive small enterprise development experience with projects funded by international donors in Pakistan. |
| 4 | Senior manager 2 (SM2) | A commercial bank manager transferred to microfinance as operational head. Remained operational head during the days when microfinance was in decline. |
| 5 | Senior manager 3 (SM3) | A commercial bank manager transferred to microfinance as operational head. |
| 6 | Field manager 1 (FM1) | A mechanical engineer with extensive small enterprise development experience with projects funded by international donors in Pakistan. |
| 7 | Field manager 2 (FM2) | He was responsible for a major donor funded microfinance project, entrusted to the bank, in a backward region. An experienced development practitioner with stints at various development projects funded by donors. |
| 8 | Field manager 3 (FM3) | One of the senior field managers hired during the early days of microfinance at the bank. An experienced development practitioner with stints at various development projects funded by donors. |
| 9 | Field manager 4 (FM4) | One of the senior field managers hired during the early days of microfinance at the bank. An experienced development practitioner with stints at various development projects funded by donors. |
| 10 | Field manager 5 (FM5) | One of the senior field managers hired during the early days of microfinance at the bank. An experienced development practitioner with stints at various development projects funded by donors. |
| 11 | Field manager 6 (FM6) | A field manager who was transferred to commercial banking as a branch manager. A rarity in microfinance. An experienced development practitioner with stints at various development projects funded by donors. |
| 12 | Field officer 1 (FO1) | A commercial banker transferred to microfinance at the time of rapid growth. He later opted out of microfinance and returned to his commercial banking position. |
| 13 | Field officer 2 (FO2) | A relatively young and inexperienced field officer. |
| 14 | Manager MIS | A head office based microfinance officer. An experienced development practitioner with stints at various development projects funded by donors. |
| | **Commercial banking staff interviewed** | |
| 15 | Commercial banker 1 (CB 1) | Credit operations head in a commercial branch, later credit operations executive in HQ |
| 16 | Commercial banker 2 (CB 2) | Commercial branch manager whose branch also included microfinance operations of a major donor funded project |
| 17 | Commercial banker 3 (CB 3) | Credit operations head in a commercial branch and commercial branch manager |
| 18 | Commercial banker 4 (CB 4) | Credit operations executive in HQ |
| 19 | Commercial banker 5 (CB 5) | Commercial branch manager, later commercial banking operations executive in HQ |
| 20 | Commercial banker 6 (CB 6) | Credit operations head in a commercial branch, later credit operations and audit department executive in HQ |
| 21 | Commercial banker 7 (CB 7) | Audit department executive, later credit operations executive in HQ |
| 22 | Commercial banker (CB 8) | Credit operations officer in a commercial branch |
| 23 | Commercial Banker (CB 9) | Commercial branch manager, later audit department executive |

## Table 2 Sensemaking of microfinance as organisational change in Combank

| **Noticing and bracketing of events** | **Selection and Interpretation** | **Retention and enactment/action to resolve discrepant events** | **Phases** | |
|---|---|---|---|---|
| Pro-MF MD invokes bank's 'development mandate' to justify introduction of MF. | Commercial bankers invoke field level institutional logics, show concerns for MF's lack of profitability and fit with commercial banking. | Top commercial bankers resist MF in management meetings invoking commercial banking identity; branch managers do not cooperate with MF staff at branch level.<br><br>In response, pro-MF MD defends his MF team. | Early days (1993-1996) | The Rise |
| Top MF management protect MF field staff, and tap external sources of funding to reduce dependence on the bank's resources. | Commercial bankers, watching pro-MF executives promote MF despite its lack of fit with banking logic, perceive ulterior motives; Switch sensemaking frame and select political economy model of resource capture by framing MF as a 'bank within a bank'.<br><br>Branch managers show jealousy and resentment seeing MF staff with cars and access to resources/undeserved attention, given that MF is not profitable. | Top commercial bankers continue to bear grudge against MF but prevented from taking any action due to pro-MF top management;<br><br>Branch managers express their lack of interest in MF because of lack of financial benefit for their branch .MF field staff highlight strategic benefits of MF in terms of reputational benefits to the bank in the local community. Where needed, MF field staff switch sensemaking frame, focussing less on profitability and more on befriending branch managers by providing them favours. Switch identity from a banker or a MF field functionary to a reciprocity based on kinship based tribal affinity of 'Pukhtoonwali'. | Growth (1997 – 1999) | |
| Pro-MF top management team breaks down as pro-MF MD resigns. | Top MF team perceives its vulnerability as support from top wanes; selects commercial orientation as a survival tactic. | MF converted to a commercial unit focused on profitability; achieves a small profit.<br><br>Commercial bankers continue to perceive the small MF profit as inadequate. Direct attention to cost cutting and support MF managers launch a high margin consumer finance product through MF. | Departure of sympathetic top mgt. and Appeasement (2000-2001) | Beginning of the End |

| | | | | |
|---|---|---|---|---|
| Pro-MF operations head quits.<br><br>Regional elections bring a coalition of Islamist parties to power in CB's place of domicile. | Commercial bankers see rising default as confirmation of fears about MF as a bad fit in a commercial bank, and perceptions of lax lending policies due to weak accountability of MF staff.<br><br>Commercial bankers consider launching Islamic finance as a more lucrative strategic option to align with the political mood and interests of the most important stakeholder, government. No more reputational value perceived in MF<br><br>Emboldened by the departure of the operations head, commercial bankers perceive themselves to be more powerful to implement changes to further curtain MF.<br><br>Scared MF field staff switch frames, rely less on the intrinsic value of MF as a profitable activity; invoke personal tribal/kinship affiliations and reciprocity. | Highlighting cost cutting and risk management as key concerns, top management orchestrates frequent restructuring of MF operations to cut costs.<br><br>MF field staff exclusively focussed on trying to befriend branch managers by providing them favours. Utilise reciprocity based on kinship and tribal affinity of 'Pukhto'.<br><br>Now that pro MF top management gone, branch managers exploit friendly overtures of MF field staff by engaging in lending to commercial banking clients, friends and relatives. Diverting MF staff to non-MF related work. Loan defaults further exacerbate.<br><br>Finally, top management unilaterally terminates bank's funding contracts with international donors, leading to loss of funding for MF operations and ceasing of MF operations, except for the lucrative consumer finance product line. | Reactive organisational restructuring<br>Loss of external funding<br><br>(2002-2008) | The Demise |