

Inside state enterprises: Symbolic compliance to modern HRM as a response to contradictory institutional logics

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Abstract

This study explores how state enterprises, incorporating competing institutional logics, internally manage the contradiction of logics that they embody. Using case study research design, the study attempts to evaluate adoption of private-sector HRM practices (in place of contradictory personnel administration practices) in Sui Northern Gas Pipelines Limited. Twenty-one in-depth interviews are conducted from both within and outside HR department. Additionally, HR policy documents were analyzed. The study found that the enterprise adopted modern human resource management by (i) creating a Human Resource Management Committee, (ii) creating a position of Senior General Manager HR, (iii) bifurcation of HR and administrative activities, and (iv) horizontal integration of HR practices through performance management system. However, evidence from outside the HR department revealed that these modern HR practices are not implemented in their true spirit and traditional employment practices are still in operation. Using the strategy of symbolic compliance to modern HRM, the enterprise has incorporated both (modern and traditional) logics in HR system. The study supports the argument of institutional logics perspective that instead of conformity to institutional pressures, the organizations can use its discretion in choosing appropriate strategy to manage contradictory logics.

Keywords: Institutional logics, state enterprises, HR practices, symbolic compliance

The concept of institutional logics is getting increased attention of researchers due to the nuanced understanding of isomorphism and convergence arguments presented by new institutionalism (Thornton, Ocasio, & Lounsbury, 2012). Proponents of new institutionalism argue for conformity of organization to environmental pressures due to taken-

for-granted nature of institutions and rationalized myths (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Lynne G Zucker, 1977; Lynne G. Zucker, 1987). This literature has generated valuable insight into the process that defines and explains institutionalism in organizational environments. However, the main emphasis remains on continuity and constraints in social structures which do not allow for free initiatives of organizations (Scott, 2008). Notably lacking from this literature, is realization that organization can contribute in creating and transforming institutions through their actions. Hence, it ignores the discretion of agency for employing appropriate strategic behaviors in response to institutional pressures (Oliver, 1991).

This inability of institutional theory, to explain agency behavior, is addressed in the literature of institutional logics (Thornton et al., 2012). Studies have explored the ability of organizations to navigate or balance multiple institutional logics while choosing appropriate strategies in response to multiple institutional pressures (Dunn & Jones, 2010; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Reay & Hinings, 2009). More recently, these perspectives have been accompanied by theories of hybridization and hybrid organizations (Pache & Santos, 2013). Hybrid organizations are conceptualized as organizations that incorporate multiple and contradictory logics in their operations, structures, practices and processes (Battilana & Dorado, 2010; FossetØL, Breit, Andreassen, & Klemsdal, 2015).

Hybridity refers to ability of organization to incorporate elements from contradictory institutional logics over extended period of time and thus hybridization refers to process through which this absorption is managed. Hybridization enhances the ability of organization to project appropriate behavior to a wide variety of institutional referents in complex fields (Greenwood et al., 2011). Christensen and Læg Reid (2011) have conceptualized and analyzed this hybridity in public sector welfare reforms. Pache and Santos (2013) also explored how social enterprises, being hybrid organizations, internally manage conflicting logics. However, exploration, of organizational responses to conflicting institutional logics, is still a neglected area and is calling for researcher's attention. Particularly in case of state enterprises, which incorporate elements from different institutional logics (being public agencies as well as commercial entities), exploration of conflicting demands and organizational responses would be a significant contribution in literature.

Addressing these literature gaps, the current study aims at exploring conflicting institutional demands faced by state enterprises in Pakistan and how they internally incorporate elements of contradictory logics in managing human resources. State enterprises are faced with contradictory institutional logics for two important reasons. Firstly, contradictions are inherently present in state enterprises, due to their dual personalities, being public sector agencies with commercial orientation

(Lioukas, Bourantas & Papadakis, 1993). Therefore, two contradictory logics (public service logic as well as market logic) justify their existence making them hybrid in nature. Secondly, public sector is being transformed under extensive New Public Management (NPM) reform agenda incorporating private sector business practices (Kaul, 1997; Martin, 2002). Although, being commercial entities, state enterprises are always exposed to market demands and competitive challenges. However, some notable developments are observed under New Public Management reforms to increase the commercial orientation of state enterprises through adoption of private sector business practices. Advocates of NPM assume the generic character of private-sector management practices and inherent structural similarities across public and private sector. However, such adaptation is quite challenging for state enterprises. State enterprises enjoy less flexibility and autonomy in management of human resources than the private sector due to centralizing tendency in public sector particularly in Pakistan. Hence, direct and indirect pressures from political actors are inevitable in the state enterprises. Moreover, private sector HRM practices are based on commercial and managerial logic of efficiency which is contradictory to the already prevailing logic of traditional personnel administration. Hence, it is argued that state enterprises in Pakistan are faced with the challenge of incorporating demands from conflicting institutional logics in HR system. This exploration requires in-depth analysis of HR system, practices and processes. Therefore, qualitative case study research design is adopted taking Sui Northern Gas Pipelines Limited (SNGPL) as unit of analysis. In-depth interviews were conducted in HR department and with managers outside HR department. HR policy documents are also analyzed to add and validate the findings.

Institutional logics perspective argues for discretion of agency to choose appropriate response to institutional pressures instead of indecisive conformity to institutional demands argued by institutional isomorphism and convergence debate. This perspective appreciates agency's ability to navigate through multiple institutional logics. Recently, this literature is accompanied by theories of hybridization and hybrid organizations (Battilana and Lee, 2014). Hybrid organizations are conceptualized as those who incorporate demands from different institutional logics (Pache and Santos, 2013). State enterprise is by nature hybrid due to its inbuilt dual personality of being a public agency as well as a commercial entity. So, state enterprises, by nature, harbor an arena of contradictions. They have to generate commercial activities bearing political pressures. Hence, they are caught between contradictory logics of market and state. It would be interesting to explore how state enterprises deal with contradictory demands. Contradictory demands have got further prominence under NPM reforms, whereby state enterprises are introducing components from modern HRM which is in

sharp contrast to already existing personnel administration practices. Ideally, state enterprises should have ability to incorporate business practices including modern HRM (under market logic) due to their commercial orientation. However, being a public agency, presence of political interference and lack of autonomy (to take HR decisions independently) cannot be ignored in the context of state enterprises (Lioukas, Bourantas, & Papadakis, 1993). Therefore, the study argues that modern HRM practices (under market logic) may not be implemented due to its contradiction with existing personnel administration practices and political interferences (under state logic). In this regard, instead of replacing modern HRM with traditional personnel administration (as argued under institutional isomorphism) the state enterprise may use its discretion for using appropriate strategy to manage contradictory logics.

The study aims to address the following research objectives:

- To develop a framework of contradictory logics faced by state enterprises.
- To explore changes introduced in human resource management systems and practices by state enterprises in Pakistan (under managerial logic).
- To explore how state enterprises, incorporate contradictory institutional logics in HR system and practices.
- To explain organizational responses to conflicting demands in light of institutional logics perspective.

This study makes contribution to the existing research in three ways. Firstly, exploration of management of human resources from multiple perspectives, allowed the researchers to explain inter-organizational processes of change which is rarely addressed in the literature of institutional logics. Existence and contradiction of multiple institutional logics is has received significant research attention in the recent decade (Greenwood et al., 2011). Researchers have addressed how multiple logics often coexist (Lounsbury, 2007) and present contradictory pressures on the organization (Oliver, 1991). However, the researchers have overlooked how organizations deal with contradictory logics internally (Battilana & Dorado, 2010). This study addresses this gap by exploring the contradiction among logics in human resource management process and hence explores the gaps on micro level. Secondly, it also responds to the call for exploring the underlying process of institutional change (Ocasio & Radoynovska, 2016). Drawing on an intra-organizational human resource system allows to develop a deeper understanding for the micro-processes of change within the state-owned enterprises. Thirdly, the study contributes to the literature on diffusion of reforms (Westphal & Zajac, 1997) by exploring diffusion of NPM-based modern HR practices in the system of traditional personnel administration practices.

Literature Review

Institutional logics and hybrid nature of state enterprises

Institutional logics are overarching sets of principles and norms that prescribe how to interpret situations, what legitimate behavior is, what goals are appropriate and what means are appropriate to achieve goals (Thornton et al., 2012). Organizational fields are complex and they present multiple logics to organizations that may have contradictory demands (Greenwood et al., 2011). An organization can be exposed to one dominant logic in the field (that guide and change behavior) and other subordinate logics that do not (Thornton and Ocasio, 2008); more than one dominant logics presenting equally challenging demands (Reay and Hinnings, 2009) or layering of logics due to legacies of previous practices that are changed with new practices (Reay and Hinnings, 2005). The presence of contradictory logic creates challenge for the organization.

Due to presence of contradictory logics, hybrid organizations are getting increased attention in modern societies. Battilana & Dorado (2010) conceptualized hybrid organizations as organizations that incorporate prescriptions from different institutional logics. State enterprises have an inherently hybrid nature for having dual personality being a public agency as well as distinct business entity. Hence, state enterprises are faced with the challenge of applying corporate management practices for efficient operations while coping with all political pressures and government controls. Having separate legal status, they can take management decisions independent of government (Rondinelli, 2007) and hence enjoy autonomy in many responsibilities of hiring, rewarding, managing performance and firing of employees. However, state controls and political influences are inevitable in the decision making process since government is the sole or major owner of state enterprise and possesses formal as well as informal controls over its affairs (Lioukas et al., 1993). This hybrid nature of state enterprises is further enhanced due to recent developments towards adoption of modern business practices under NPM reforms.

State enterprises sector and NPM reforms

In Pakistan, the state enterprise sector enjoys a critical strategic position in the economy and provides a significant economic contribution. Therefore, enhancing efficiency and performance of state enterprises has remained an important policy concern for the government. For efficient management and governance of state enterprises, the government is introducing reforms to reinvent the state enterprise sector under the umbrella of New Public Management reforms. In most developing countries, NPM trend is transferred through international donor agencies (Tambulasi, 2010). The basic idea of NPM reformers is to expose public sector to corporate management cultures to deal with its inefficiencies (Hood, 1991). For reinvention of state

enterprises, specific mechanisms prescribed by NPM reforms include restructuring of board of governance, managerial autonomy, performance contracts, implanting private sector management techniques and instilling latest skills and technologies (Larbi, 1999; Osborne & Gaebler, 1992; Trivedi, 2007). Reinvention of state enterprises through incorporating private sector management culture has a great influence on modernizing employment practices in state enterprises. In the efforts of emulating best corporate practices, state enterprises are modernizing their HR systems through strategic orientation of HR and private-sector human resource management practices in place of traditional personnel administration.

HRM reforms in public sector

With the realization that human resource plays an important role in achieving desired results, public sector reforms are targeting the quality of government employees (CAPAM, 2005; OECD, 2005). Measures provided in the World Public Sector Report (United Nations, 2005) for reforming HRM in public sector include merit-based appointment, competence-based human resource development, performance-based appraisal and compensation and effective labor management. The report suggests impartiality, professionalism and responsiveness as principles of HRM synthesis in public sector (United Nations, 2005). Pollitt & Bouckaert (2011) pointed out that the trajectories of public sector HR reforms include three characteristics that differentiate traditional personnel management from HRM being practiced in private sector: tenured career appointment, promotion on the basis of seniority and part of unified civil service. They argue that reformers have targeted all these three aspects for HRM reforms. As a consequence, contractual appointments are replacing life-time jobs, promotion is linked with performance instead of seniority and break-up of national pay scales are initially introduced in developed countries followed by developing countries.

(Taylor, 2001:177) identified elements of strategic HRM providing base for NPM reforms which include involvement of line managers in HRM activities, HR managers playing role of journalist, use of performance contracts to maximize employee performance, end of job-for-life mentality, application of performance-related pay and individualization and incentivization in employment relationships in public organizations. From an empirical research, Čiarnienė, Sakalas, & Vienažindienė (2007) identified changing trends in HR system influenced by NPM which include expansion of employee development possibilities, emphasis on competitiveness, collaboration, communication and information exchange and participative management style. Pollitt & Bouckaert (2011) state that although the reforms vary in different countries, the most common reforms include changes in the recruitment system, use of performance-related pay, individualization of employment

contracts/performance contracts, and promotions based on merit. Various HR reforms introduced in Pakistan, under Civil Service Reforms 2002, include merit-based and transparent appointments, job specific performance evaluation against predetermined tasks, transparency in promotion and professional development and training of employees. NPM is changing traditional personnel practices in public sector in Pakistan such as from permanent hiring to contract based hiring and from Annual Confidential Report to Performance Management Systems (Hanif, Jabeen, & Jadoon, 2016). These reforms indicate that public organizations are introducing modern HRM practices based on market logic. To incorporate this new logic, public organizations have to change existing personnel practices based on state logic. Greenwood et al. (2011) argue that whenever a new logic is incorporated, it does not completely replace previous one. Rather, both logics may co-exist in the system which create hybridity for the organization. This implies presence of contradictory logics in state enterprises to manage human resources.

Theoretical Framework

State enterprise is a hybrid organization which operates in a complex field where both state and market forces coexist and are equally important. State is important because of the dominant position of the state. State entails formal authority stemming from duty of enterprise to conform to statutory obligations and government directives. According to this view the state-enterprise relationship effectively becomes hierarchical, with government (or representatives from concerned ministry) at the apex of the hierarchy (Lioukas et al., 1993). Government is the sole or main owner of state enterprises and possesses formal power to control their behavior. State presents bureaucratic logic to state enterprise where relationships between enterprise and government /administrative seniors are hierarchical. Administrative seniors exert controls on human resources of enterprise through centralized civil service rules and procedures. Traditional personnel administration practices are based on formal state controls in HR decision of enterprises. Centralized and unified civil service rules, seniority based promotion, tenure career appointments and hierarchical controls are the key features of traditional personnel administration (Taylor, 2001).

Market is important because enterprise has to operate in commercial environment. Market competition forces enterprise towards application of commercial, business-type rules of operation based on managerial logic. This logic is further enhanced under NPM reforms. Taylor (2001: 177) has identified following elements of HRM agenda which provide base for NPM reforms targeting reinventing public organizations:

- HRM is not simply the province of HR managers rather line managers also play a critical role in HRM. With the strategic orientation of HR, it should play the role of HR generalist rather

than personnel specialist concentrating just on operational activities.

- Maximizing performance of employees through performance contracts as Hood’s model (1991) suggests the explicit standards of performance rather than bureaucratic rule serving.
- The end of job-for-life mentality, the application of performance-related pay, individualization and incentivization in employment relationships in public organizations.
- Strategic integration which means HR practices and policies must contribute to achieving the overall mission of public agencies/ enterprises.

Under NPM agenda, state enterprises are providing extensive adherence to managerial logic by incorporating private sector HR practices in place of traditional employment practices based on bureaucratic logic. Prescriptions of managerial logic, to manage human resources, are in sharp contrast with prescriptions of bureaucratic logic. Table 1 provides contradictions between managerial logic and bureaucratic logic to manage human resources.

Table 1. Contradictions between managerial logic and bureaucratic logic

	Bureaucratic logic	Managerial logic
Institution	State	Market
Structure	Administrative Department is responsible for personnel administration	There should be bifurcation between HR and administrative activities; Separate HR department should handle human resource management
Focus	Personnel administration is an operational activity	HR should have strategic orientation
Role of HR manager	Personnel specialist to perform operational HR activities	HR generalist to perform strategic HR; operational HR activities should be handled by line managers, HR manager is responsible to align HR activities with strategic objectives of organization
Practices	Tenure career/ permanent	Contractual appointments;

hiring;	
Seniority based compensation and promotion;	Performance management system for compensation and promotion
Centralized and unified civil service rules	Individualization in employment contracts

Table 1 demonstrates how the institutional of market and state logic presents contradictory logic to state enterprises. State presents bureaucratic logic which is based on centralized civil service rules, seniority based increments and promotion, and permanent hiring practices. Here major HR decisions are centralized which leave only operational activities for personnel department. Therefore, there is no need for separate HR department these activities can be handled by administration department. On the other hand, managerial logic prescribes individualization of employment contracts, application of performance management system, compensation and promotion based on individual performance and alignment of HR activities with organizational strategic objectives. These prescriptions demand a separate HR department with strategic orientation of HR activities. NPM-based managerial logic presents prescriptions for HR management, which are contradictory to bureaucratic logic of personnel administration. An important consideration is how state enterprise can incorporate these contradictory logics.

New-institutional theories can provide essential theoretical base for understanding process of institutionalization of rationalized logics (i.e. enterprise's adoption of modern HR practices). In particular, 'institutional isomorphism' can be used to analyze the mechanisms that trigger organization to adhere to institutional demands under "coercive", "mimetic" and "normative" pressures (DiMaggio and Powell, 1991:67). However, institutional theories argue for indecisive conformity of organizations to institutional pressures and support convergence debate.

On the other hand, institutional logics perspective argues for the discretion of organization in choosing strategic responses to institutional pressures and thus challenges the thesis of convergence or isomorphism in organizational fields (Thornton et al, 2012). Several studies have argued for various strategic responses that organization may use to incorporate multiple logics (Greenwood et al., 2011, Oliver, 1991, Pache and Santos, 2013). Mainly, these types of strategic responses can be identified including symbolic compliance, compromise and combination.

Symbolic compliance is also conceptualized as decoupling. The strategy of symbolic compliance is identified by many institutional theorists (Meyer & Rowan, 1977; Westphal & Zajak, 1998). Within symbolic compliance, organizations symbolically endorse one logic whereas actually implementing prescriptions of another logic (Pache &

Santos, 2013). This strategy is especially important when prescriptions of new logic contradicts with already prevalent management practices. Symbolic compliance enables organizations to gain legitimacy in the eyes of important external referents while having less change in actual practices. *Compromising* refers to the struggle or organization to incorporate prescriptions of contradictory logics in a modified way. Organizations may achieve a balance between both logics through altering some aspects of confliction (Oliver, 1991). Such strategy is possible when an organization is in position to negotiate with external referents who are presenting logics to organization. However, managing a compromise may get difficult for organization in the long run. *Combination* is another response which is widely adopted by hybrid organizations particular social enterprises (Pache & Santos, 2013; Tracey, Phillips, & Jarvis, 2011). It refers to creative blending of demands of two or more logics. Here the organizations try to reconcile conflicting logics by developing combination of activities prescribed by each logic to get legitimacy from variety of external referents (Pache & Santos, 2013).

The variety of strategic responses of organizations to multiple logics, suggest that instead of indecisive conformity to institutional logics, organization can use its discretion for how to incorporate multiple logics. Moreover, conformity to multiple logics is not simply possible due to contradictory prescriptions. State enterprises are adopting NPM-based modern HRM practices, which have contradictory implications within bureaucratic logic already prevalent in the system. Therefore, although modern HRM is formally adopted by state enterprises but it may not be implemented in true spirit or the enterprise may have to work for some combination of these contradictory logics.

Research Methodology

The study employs case study design (Yin, 2003) because of the in-depth analysis required keeping in view the contextual realities of the sector and the country. The issue of adoption of contradictory logics in HR system required rigorous analyses of the system and respondents' perspectives. The research philosophy guiding the use of design and methods in our qualitative study is transcendental realism (Miles and Huberman, 1994) which argues for the existence of reality in mind as well as in the objective world. Hence, the evidence is collected from the regularities and sequences observed and recorded from the objective world and interpreted through social meaning added to it by the respondents' perspectives.

The study argued for the presence of contradictory institutional logics as a consequence of NPM reforms in public sector. It was also argued that NPM-based managerial logic was in sharp contrast with the prevalent bureaucratic logic. The presence of these contradictory logics

was more evident in case of state enterprises as compared to other government departments and ministries. Being public agencies as well as commercial entities, state enterprises are exposed to both (managerial and bureaucratic) logics and are bound to incorporate them in their structures and organizational practices. Therefore, state enterprises were studied within the public sector for this research study.

The unit of analysis was *organizational* and Sui Northern Gas Pipelines Limited (SNGPL) was selected as the unit of analysis. SNGPL is a typical case of a hybrid organization (SOE) which is a public agency, operating in commercial environment. Moreover, it has also introduced modern HR practices extensively.

An initial contact was made with the Senior General Manager (HR) of the company to have an idea about the availability and suitability of the potential participants. This initial visit helped in explaining the purpose of the study to the organization, that helped in gaining access to data, and potential sample respondents for the study. The data collection served two key objectives to aid the analysis phase: triangulation of data from multiple sources and triangulation of perspectives from multiple participants. For **triangulation of data** multiple sources of evidence were used which included HR policy documents and interviews. Evidence was collected using both primary and secondary data. Using multiple sources of evidence increased the construct validity (Yin, 2003) of the study. For the **triangulation of perspectives**, twenty-one interviews were conducted with diverse respondents including senior management team, managers in HR department, line managers outside HR department and employees.

To ensure the quality and rigour of the research study, Yin's (2009:41) four tests that are commonly used in social science research methods were used. In order to ensure *construct validity*, data was collected from multiple sources e.g. policy documents and interviews that were conducted from people within and outside HR department. Chain of evidence was maintained and interview responses were validated from the policy documents during the data collection and data reduction phases. *Internal Validity* was ensured during the data analysis phase by using techniques such as pattern matching during data analysis. 'Rival explanations' from people interviewed within HR and outside HR departments were contrasted and compared during the data analysis phase to enrich our findings. *External Validity* of the research was established with the use of existing research and theory to develop the research questions and interview guide of the research study. Whereas, *reliability* of the study was ensured with strict case study protocols and databases of policy documents and interviews that were maintained in NVivo. A standard interview guide was used, that was designed after review of the existing research.

Table-2 describes the number of interviews conducted in each category. Having perspectives from both sides (within HR department and outside HR department) helped in gaining a better explanation of the HR policies formally *adopted* and actually *implemented* in the organization. Moreover, perspectives of employees were also captured since they were the major stakeholders of HR practices. The technique of triangulation of perspectives provided opportunity to better understand how the enterprise has incorporated contradictory logics in HR practices.

Table 2. Interviews and respondent categories

Category of Respondents	No. of interviews
Senior Management Team	4
HR Department	5
Line managers outside HR department	6
Employees	6

Data was collected and analyzed in three phases using abductive research strategy (Blaikie, 2009). Data collection phases are summarized in Table 3.

Table 3. Data collection phases

Phase	Data sources	Purpose
Phase I	In depth interviews of senior HR managers	Understanding of HR system in SNGPL; exploration of role and focus of HR; identification of key HR practices
Phase II	In-depth- interviews of senior management team and managers in HR department; HR policy documents	Evaluation of formal adoption of modern human resource management in policies and propagated by HR department.
Phase III	In-depth interviews outside HR department including line managers and employees	Exploring gaps between adoption and implementation of HRM; Presence of previous personnel practices.

In the first phase, HR system and evolution of HR department were explored. It provided an essential basis for understanding the change that occurred in the role and focus of HR after NPM reforms. In the second phase, adoption of this new logic was analyzed on a formal level (through interviews with senior management team and managers in HR department and analysis of HR policy documents) across the following aspects:

- Vertical alignment of HR policies with strategic objectives of the organization.
- Replacement of traditional employment practices (permanent hiring, seniority-based pay and promotion) with private sector HR practices (individualized employment contracts, performance-based pay and promotion).
- The role of HR manager as an HR Generalist rather than a Personnel Specialist.

In the third phase, interviews were conducted outside HR department to determine the extent to which the new logic has actually been implemented and to see the extent to which traditional personnel administration practices were still prevalent in the system. Using the technique of *triangulation of perspective* and *triangulation of data* (Yin, 2009), existence of both logics in HR system was explored. It provided the bases to analyze how the enterprise has incorporated contradictory prescriptions from managerial and bureaucratic logics.

Data Analysis & Findings

The process of data analysis and data collection were concurrent. The interview transcripts were transcribed and coded using NVivo (Bazelay, 2013). The data consisted of interview’s transcriptions, HR policy documents and company reports. The coding process included first cycle coding and second cycle coding (Miles & Huberman, 1994). First cycle coding involves assigning initial codes to data chunks (Saldaña, 2016) included phrases of similar themes (free nodes). In second cycle coding, patterns were identified from similar themes and further merged into themes (tree nodes). These codes essentially emerge from the first order codes generated in the first stage. Data is analyzed in light of the three research objectives: presence of managerial logic, presence of bureaucratic logic and organizational responses to contradictory logics. Figure-1 summarizes various themes that emerged during first second cycle coding exercise.

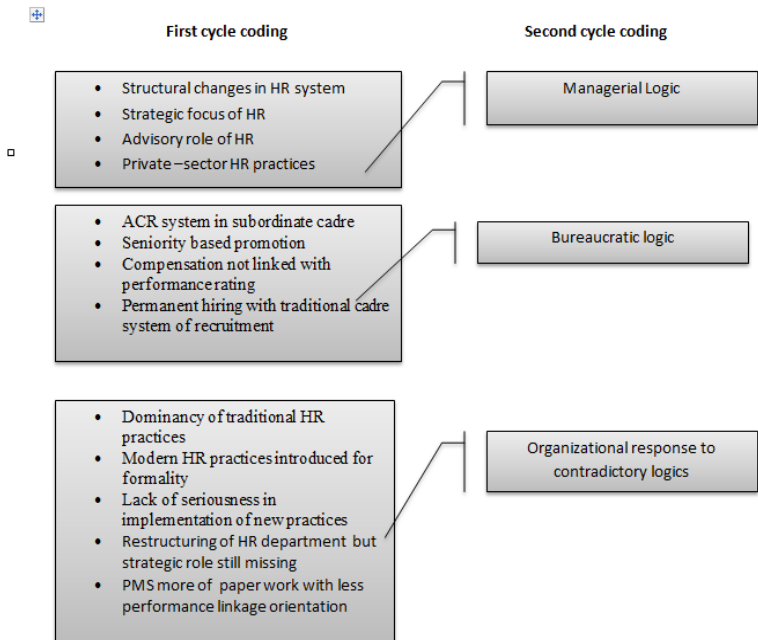


Figure 1. Coding Themes

Managerial logic: Adoption of private-sector HR system and practices *i. Structural changes*

In 2006, HR Department of SNGPL was restructured. A clear distinction was made between human resource and administrative activities by creation of two separate departments: *Human Resource Management* and *Logistic Support*. The major change was separation of

reporting lines of both departments. The HR department, post-bifurcation was headed by its own Senior General Manager (SGM) who reported directly to the Managing Director. Prior to this restructuring, both HR and Administration Departments used to report to same SGM. The Administration Department was restructured into Logistics Support Department and it had to report to Head of Central Sharing Support Services. Resultantly, a clear distinction was made between administration and human resource activities by separating their reporting lines. Additionally, an HR Committee was also formed which was a sub-committee of Board of Directors. The second major change was restructuring within the HR department according to the activities being carried out to perform separate functions. Accordingly, the department was divided into two sub-departments: *Human Resource Operations* and *Sui Northern Gas Training Institute (SNGTI)*. HR department is headed by Senior General Manager (SGM) who reports to the Managing Director and the department is divided into two sub-departments: HR Operations and HR Training and Development.

ii. Strategic focus of HR department

According to respondents in the HR department, the department is involved in strategic HR activities including long term planning, providing training to line managers for operational HR activities, training and development of employees and presenting suggestions to HR Committee. Presence of HR Committee is an indication of strategic orientation of HR in the company. It presents a channel of taking input from HR department in strategic decisions. Moreover, there is a special training institute devoted towards training and development of employees. This is another indication of change in the focus of HR department from operational to strategic activities.

iii. Role of HR as advisor/consultant to line managers

A respondent in HR department said that all the operational activities are mainly handled by line managers with advice and involvement of HR. Responding to provision of training and guidance to line managers on HR related activities, a manager in HR Operations said that training department has started some courses on HR practices to provide training to line managers for effectively performing their HR-related tasks. For example, a respondent said, “*effective performance appraisal*’ is offered by SNGTI in its recent schedule”.

iv. Adoption of best HR practices

Adoption of best private-sector HR practices, were explained by managers in HR Department and these were verified in HR policy manuals. SNGPL has developed manuals for recruitment policies, compensation policies, performance management system, and promotion policies. SNGPL has moved from traditional ACR system towards the likes of performance management systems espoused under NPM. A respondent in HR department explained that based on job description,

key performance indicators (KPIs) are set for the year and after agreement between employee and management these are signed. Annual appraisal is based on the KPIs signed Respondent in HR department explained the difference between ACR and Performance management. In the system of Annual Confidential Report (ACR) an annual report is filled by the supervisor on the progress of the employee. It is a confidential report in where there is no discussion among management and employee. The format of ACR is very general based on the judgment of soft skills only. In contrast to this, in Performance Management System (PMS), performance is evaluated on the basis of KPIs which are set separately for each employee according to job description. Manager's outside HR department also verified this by saying,

“performance is evaluated on the bases of key performance indicators which are set according to the job description documents”.

Presence of PMS is an evidence that HR department is working on developing a link between performance and HR practices. Annual performance evaluation reports provide the basis on which important decisions can be taken including salary increments, promotions, transfers and placement. Responding to the link between compensation and employee performance, HR manager explained that after evaluation of technical and soft skills, set in KPIs, the increments are decided.

Promotion is decided on the basis of required job experience and rating in evaluation reports. Respondents in HR Department explained that employees are promoted on the bases of seniority and performance appraisals scores. Responding on recruitment practices, a respondent said,

“SNGPL follows a transparent and merit-based recruitment policy and its selection procedure and employment policies are geared to attract and retain capable and qualified employeesn order to HIRE the individual best qualified for a position to be filled.”

SNGPL has its in-house cadre system which comprises of two separate cadres for executives and sub-ordinates. Employees are hired on grade/pay scale I- IX in both cadres. Pay Scales are used for subordinate employees whereas Grades are associated with Executive Cadre. An extensive selection process is defined which includes giving advertisement, online conduct of test and interviews by selection committee. Appointment is offered after these process formalities are fulfilled. Previously, all employees were hired on career terms as permanent employees. Now, company is also hiring on contractual and casual basis. For contractual hiring, individualized contracts are offered. Casual hiring is based on fixed pay and the person is hired for two months.

Training and development of the employees is considered as critical practice. Responding to this question, managers in HR department said,

“SNGPL is very concerned for the professional development of employees. Our company has its own institute fully devoted for this purpose, where through of the year, different employees get trainings according to their requirements.”

The company has created its own training institute - Sui Northern Gas Training Institute (SNGTI) for conducting in-house training. Since its inception in December 2004, the Institute has conducted more than 305 training programs. Recently, SNGTI has been certified as an approved training center of City & Guilds UK which is one of the world's leading vocational certificates awarding body. Trainings are carefully designed according to the technical needs and professional development of employees. Progress, of employees, is evaluated after provision of training.

Bureaucratic logic: Presence of traditional personnel practices

Interviews were conducted outside HR department (with line managers and employees), to reveal the true picture of best HR practices being adopted by the company in policies and explained by HR department. Respondents reported that changes in HR practices have not been implemented successfully and the enterprise is still continuing the traditional personnel practices.

i. ACR system still in practice

Performance management system is not implemented in subordinate cadre which comprises of almost 80% of the total employees in SNGPL. Therefore, there is no concept of performance-based pay and promotion in subordinate cadre. The same ACR system is being practiced in which a link of annual objectives and performance evaluation is not developed. A general report, based on soft skills evaluation is filled confidentially without any open discussion between employee and line manager. Compensation and promotion is not linked with performance. Use of non-variable pay and seniority based promotion is being practiced.

Even, in executive cadre, where performance management system is being practiced, some of the line managers have shown their dissatisfaction with the implementation of this system. Employees expressed their dissatisfaction with the changes introduced in HR system and highlighted presence of previous HR practices still in operations. A respondent said,

“It is as ineffective as ACR was to reward employee performance” “Performance evaluation is just filling the form and is based

on subjective judgment of head of the department”.

ii. Compensation not linked with performance rating

Employees also revealed that employee performance rating is not linked with employee rewards. Although performance management system is introduced, however, salary increment and other rewards are provided irrespective of employee performance rating. Respondents reported that appraisal from is no more than paper work because it has less impact on employee’s benefits. A respondent said,

“I got an ‘A’ rating in appraisals” but my salary raise was same as ‘B’ rating employee”

iii. Promotion based on Seniority

Promotion is purely based on seniority. A seniority list is maintained by HR department. Employee can only be promoted according to the turn. Exceptional performance is not considered in this regard. Employees also reported stagnation in career advancement due to lack of succession planning by HR department. Therefore, employees have to wait for years to get their turn in seniority list for promotion.

iv. Permanent hiring under traditional cadre system

Bureaucratic logic is also dominant in hiring practices. Hiring is mostly done for career terms based on well-defined pay scale and cadre system for subordinates and executives respectively. Contractual and casual hiring is also being practices. However, contractual hiring is very rare and limited to some special role where company needs expertise of consultants from private sector. Casual hiring is practiced more, where 59 days contract is offered on a fixed remuneration with no other incentives. Hiring based on individualization in employment contracts, prescribed by managerial logic, is rarely practiced. It indicates that traditional personnel practices, based on bureaucratic logic, are still prevalent in SNGPL.

Organizational response: Symbolic compliance

i. Dominancy of traditional HR practices

It is explored from discussions in HR department and policy documents that SNGPL is transforming its HR system and practices to incorporate managerial logic, On the other hand, interviews with respondents outside HR department, revealed other side of the picture. Although many changes have been introduced in HR system and practices, however, they are not implemented in true spirit. Traditional personnel practices are still dominant in the system including Annual Confidential Report for employee rating, seniority based increment and seniority based promotion

ii. Lack of seriousness in implementation of modern HR practices

Many changes are introduced in HR system to incorporate managerial logic, but there implementation is taken less seriously. Most of the

changes are simple replacement of names with less actual change. The performance management system is not implemented in its true spirit. Moreover, HR orientation is not shifted to strategic level as it is still engaged in operational HR activities with less focus on planning and development of employees.

iii. PMS more of paper work with less performance linkage orientation

As highlighted earlier that a performance management system has been introduced. However, pay and promotion decisions are not linked with employee's performance. Therefore, it is more of a change in name from 'Annual Confidential Report' to 'Appraisal Form'.

iv. Restructuring of HR department but strategic role still missing

Most of the respondents reported their dissatisfaction with changes introduced in the system. A respondent explained that restructuring of HR department has not brought much change. A major reason is the evolution of HR Department from a general Administration Department. Therefore, it is still working with the same administrative approach with less strategic contribution.

According to Public Sector Companies (Corporate Governance) Rules (2013) of Security and Exchange Commission of Pakistan, public companies have to form HR Committee as a subcommittee of the Board of Directors. This requirement ensures strategic presence of HR in Board's decisions. Although HR Committee is created but direct involvement of HR department in strategic deliberations is still missing. HR manager has no seat in Board of Directors or in HR Committee. Many a times decisions are made either without taking input from HR department or the suggestions are taken just to fulfill a procedural formality. The final decisions are in the hands of Board of Directors.

Moreover, respondents reported that role and focus of HR department is more operational and less strategic. HR is not very active in human resource planning and developmental activities. A respondent said,

“HR is not proactive to plan for future HR needs. HR needs to work on succession planning”

It indicates that recognition of the role of HR department by strategic apex is there but much more efforts need to be made in order to make HR more effective. Company's efforts to incorporate managerial logic in its HR system and practices appears to be more symbolic. The company has fulfilled formalities of managerial logic including restructuring of HR department, creation of HR committee and introducing best HR practices in policy manuals. Whereas, it is actually working with traditional personnel practices with less efforts towards change implementation. Thus, the organization is incorporating both (managerial as well as bureaucratic) logics in HR system and practices

using the strategy of symbolic compliance to modern HRM while continuing with traditional personnel practices in operations. This strategy is enabling the enterprise to manage contradictory institutional logics in its HR system and practices.

Discussion

The study has found a unique response of organization to incorporate contradictory institutional logics. The enterprise has to incorporate private sector HR practices under NPM reforms which are in sharp contrast with already prevailing personnel practices. The enterprise had the choice of rejecting the change in HR practices or acceptance of the change. Being a public enterprise, it could not reject the modern practices since it faced political pressures for incorporating NPM-based reforms. On the other hand, total adherence to the new practices was also not possible because traditional practices are being institutionalized in the system. Therefore, the organization incorporated new practices symbolically while continuing with old practices. This can be deemed as an intelligent response of the organization through which it can satisfy both external as well as internal organizational pressures for incorporating change.

The enterprise has used strategy of symbolic compliance to managerial logic while continuing with already prevailing bureaucratic logic in its HR system and practices. This response has enabled it to incorporate contradictory institutional logics. This behavior of enterprise challenges the convergence argument. Proponents of new institutionalism argue for organizational conformity to institutional pressures due to the taken-for-granted nature of rationalized myth (DiMaggio & Powel, 1983). It gives a nuanced understanding of what happens to previous logic when a new logic is incorporated, particularly when logics are contradictory. Can new logic replace the previous one? Can organization incorporate both? This is where institutional logics perspective provides the theoretical explanation in understanding how organizations internally manage multiple logics.

In the current study, instead of indecisive conformity, the enterprise has used its discretion to incorporate the rationalized myth (modern HRM) only symbolically, while continuing with the bureaucratic logic which is no more a rationalized myth in the current public sector reforms. This careful selection of appropriate response by the organization, is the basic thesis propagated by institutional logics perspective (Thornton et al., 2012). Institutional logics perspective argues that organization can use its discretion in choosing appropriate strategy to respond to institutional logics.

The organization in our current study is faced with two logics which are equally important for the existence of the organization and presents equally challenging demands (Reay and Hinings, 2009). To cope with this situation, the organization has used the strategy of

symbolic compliance (Meyer & Rowan, 1977; Westphal & Zajak, 1998). Symbolic compliance is also conceptualized as decoupling in the literature (Hamilton and Gioia, 2009) and has been endorsed by several researchers (for example Oliver, 1991). This strategy is particularly effective when the prescribed logic by external referent is in contradiction with internal practices while the internal referents support the already prevalent practices. This strategy prevents conflict between external and internal referents and becomes a safeguarding mechanism to minimize threats to legitimacy. The findings also support the literature on layering of logics due to legacies of previous practices that change with new practices (Reay and Hinnings, 2005).

Adoption of modern human resource management system signifies the presence of market logic. According to Public Sector Companies (Corporate Governance) Rules (2013) of Security and Exchange Commission of Pakistan, public companies have to form HR Committee as a subcommittee of the Board of Directors. This requirement ensures strategic presence of HR in Board's decisions. The strategic role of HR in SNGPL is evident from the presence of Human Resource Committee. Its members, being members of the Board, have a say in strategic decisions of the organization. However, HR manager has no seat in HR Committee and its involvement in strategic HR decisions is indirect. The HR department is headed by Senior General Manager (HR) which is a strategic position since all the SGMs are involved in company's planning and development process of making and forwarding suggestions regarding strategic choices to the Board. The structure of HR department indicates recognition of importance of HR in strategic decision making. Evidence of the application of performance management system is also found which indicates a horizontal connection among various HR practices. Moreover, line managers are involved in operational HR activities so that HR can play more of an advisory and strategic role. According to HR perspective and policy documents, evidence of adoption of modern HRM is quite visible. However, evidence is also found on lack of implementation of these modern HRM requirements which indicate that market logic has not taken roots in the system yet. On the other hand, presence of state logic is also found in the HR system. Traditional personnel practices are still dominant in HR operations. Seniority based pay, seniority based promotion, unified pay scale and cadre system are the evidence that previous system and practices are still in operation. Although, an HR committee is created but its presence is symbolic because the recommendations coming from the HR department may or may not considered by the Board. HR department is more involved in operational HR activities than planning and analysis. Multiple evidence found indicate that HR is reactive rather than proactive. Contradictions are found in the perspectives of respondents within and outside HR department for HR practices. It is also argued that

a gap exists between what HR rhetorically believes and what is actually is going indicating that the enterprise is complying to modern HRM symbolically.

Conclusions

Incorporating the universal new public management (NPM) trend, the government of Pakistan is emphasizing state enterprises to adopt corporate management techniques. This implies replacement of traditional personnel administration with private-sector human resource management practices which exposes state enterprises to contradictory institutional logics. Furthermore, a state enterprise is inherently faced with contradictory logics due to its dual personality of being a public agency as well as a commercial entity. Being a public agency it enjoys less flexibility and autonomy in management of human resources than the private sector. Therefore, the adoption of modern HRM practices can be challenging. This study explores how state enterprises, which incorporate competing institutional logics, internally manage the contradiction of logics that they embody. The study argued that state enterprises are exposed to two contradictory logics (state verses market) which are equally important to incorporate. A theoretical framework, of contradiction between state logic and market logic, is developed. The study argues that both logics present contradictory pressures to the enterprise in terms of their prescriptions for structure of HR department, focus and role of HR and HR practices.

The study found that the enterprise has introduced several drastic changes in HR system and practices including formation of HR Committee, restructuring of HR department, bifurcation of HR tasks from administration activities, performance management system and creation of training institute for in-house employees training. However, through triangulation of HR perspective with employee's perspective, it was revealed that these changes are not implemented in true spirit and previous personnel practices are still in operation.

The study also found that instead of replacing traditional personnel practices with human resource management practices, the enterprises attempted to incorporate both logics, in HR system. It is quite logical that prescriptions of bureaucratic logic cannot survive in the presence of managerial logic because they have sharp contrast with each other. Still, the enterprise managed both logics at the same time. This has happened because of the continuance of traditional personnel practices while symbolically enforcing modern HRM requirements. This strategy has allowed organization to project legitimacy to external referents without actually changing operational practices. The study supports the argument of institutional logics perspective that instead of conforming to institutional pressures, the organizations can use their discretion in choosing appropriate strategy to manage the contradictory institutional pressures. It also identifies the discretionary strategy of the enterprise in

face of instructional pressures to change HR practices. Instead of conformity to new HR practices, it is continuing with old practices while maintaining new practices symbolically. Institutional logics perspective argues that organization can contribute to the creation and transformation of institutions through their actions. This study contributes in this literature through explaining role of agentic behavior in institutional change and transformation.

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