

Incarnation and decay: reconciling the organizational decision-making and organizational institutional theory perspectives on budgetary research

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Abstract

Purpose – The organizational decision-making perspective (ODM) has a legacy regarding its concern for budgeting as an essential organizational routine in decision-making. Budgeting has also become a direct concern to organizational institutional theory (OIT) because of its prominent role in institution building, where budgeting can build trust in inter-organizational relationships. This paper builds on these two perspectives to explore organizational budget processes' formation, disruption, and re-creation over time.

Design/methodology/approach – We conducted a comprehensive review and critical analysis of the ODM and OIT perspectives, focusing on a fundamental paradox between ODM's emphasis on stability through organizational routines and OIT's focus on organizational legitimacy through the decoupled expression of organizational values. We then expanded on these paradoxical concerns in the context of budgeting, formalizing them into specific research propositions for future studies.

Findings – Tensions around the stability, decay, and re-creation of budgets as organizational routines emerge as a pressing issue requiring further empirical investigation from the ODM perspective. A critical issue in the OIT perspective is the potential for organizational budgets to provide an opportunity to decouple from practice through routinized expressions of rationality and to facilitate loose coupling in practice. These findings offer a fresh perspective and open up new avenues for future research in this area.

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Originality/value – This paper contributes to the accounting and organizational research literature by shedding light on how organizations respond to the potential decay of budget routines and the manifestation of organizational values in decoupling processes by further re-creating and elaborating budget processes.

Keywords Organizational decision-making, Institutional theory, Decoupling, Disruption, Decay, Incarnation, Institutional logic

Paper type Conceptual paper

Introduction

Organizational budgets have been researched from multiple theoretical perspectives, with results contributing to various streams of literature (Armstrong *et al.*, 1996; Arnold and Artz, 2019; Fukushima and Yamada, 2023; Hansen and Van der Stede, 2004; Hope and Fraser, 2003; Hoque and Hopper, 1994; Libby and Lindsay, 2010). In their study, Hansen and Van der Stede (2004) examined four reasons for organizational budgets: operational planning, performance evaluation, communication of goals, and strategy formation. Hansen and Van der Stede (2004, p. 415) suggest that the four reasons to budget are not entirely independent or mutually exclusive. Apart from these common themes within budgeting, another dimension of budgeting is the political nature of the budget process and its use to navigate struggle around organizational resource allocation and the associated behavior of people within organizations (Fukushima and Yamada, 2023; Lukka, 2007; Libby and Lindsay, 2010; Merchant, 1985; Van der Stede, 2000). Wildavsky (1975, p. xiii), for example, highlighted the multi-faceted nature of budgeting when he stated:

The reasons for studying budgeting are many. It exists. The people in it care about what they do. Their actions are important to many others. The bonds between budgeting and “politicking” are intimate. Realistic budgets are an expression of practical politics. The allocation of resources necessarily reflects the distribution of power. Budgeting is so basic that it must reveal the norms by which men live in a particular political culture – for it is through the choices inherent in limited resources that consensus is established and conflict is generated.

Cyert and March (1963) defined budgets as the substance and result of political bargaining processes where people endeavor to legitimize and maintain organizational influence. As a result, what gets accounted for within a budget shapes participants’ view of organizational reality by identifying the problems an organization will address and the range of actions it will permit (Hope and Fraser, 2003; March, 1987). If budgeting is an essential organizational phenomenon [1] to study because of this common theme regarding the relevance of budgets to people, Hallett and Ventresca (2006, p. 215) asked the corollary question, “What are we to do about people?” In the spirit of this probing question, this paper examines the influence of two prominent perspectives, the organizational decision-making (ODM) and organizational institutional theory (OIT) perspectives, on budgeting research and their respective concerns for people within organizations who stabilize, disrupt, and re-create organizational values [2] through the budget process. The ODM perspective focuses on the budget process as an organizational routine, i.e. repetitive, recognizable patterns of interdependent actions that involve multiple actors (Cyert and March, 1963; for details, see Dionysiou and Tsoukas, 2013, p. 181).

Beginning from the realization that the people who make up organizations, whether they are small or large, are bounded rational decision-makers, the ODM perspective on budgeting seeks to align individual activity with organizational goals, enhance decision-making and coordination, and minimize uncertainty (Cyert and March, 1963; Fukushima and Yamada, 2023; March and Simon, 1958; Simon, 1957). As a crucial organizational routine, the ODM perspective views budgets as critical to stabilizing decision-making processes. This interest-based framing provided by the ODM perspective allowed accounting and organizational

research on budgeting to move beyond earlier rational decision-making approaches criticized for unrealistically omitting the influence of cognitive limitation within organizational settings (Mouritsen, 1994). As a result, budgets as calculative tools were no longer understood as merely neutral tools that aided decisions but rather as the consequence of decisions to promote stability through organizational routines.

However, studies have questioned the ability of routines to provide perpetual stability and note the unintended influence of decay through failed adherence (Anand *et al.*, 2012). This concern for the ongoing unease around the possible decay in routines surrounding decision processes can also be seen in Mouritsen and Kreiner's (2016) characterization of budgeting not so much as a tool to rationalize the decision but as an ongoing effort and resultant pressure to restore decision structure and processes (see also, Daft, 2013). As a result, uneasiness around the stability, decay, and re-creation of organizational routines emerges as an important issue needing further examination from the ODM perspective. This paper aims to contribute to the budgeting research literature by addressing this issue in more detail.

The OIT perspective has also examined the prominent role of the budget process in securing the inter-organizational trust necessary for institution building. Institutions are social patterns that define what is perceived as proper, legitimate, or expected modes of action in a given society (Parsons, 1971). A vital attribute of budgeting from the OIT perspective is its role as an expression of the values [3] of an organization. Budgets serve as a set of constitutive rules, norms, culture, and moral codes that reflect how organizations should be understood by all individuals and evaluated. Given this focus, OIT research has emphasized the importance of organizational legitimacy (DiMaggio and Powell, 1983; Meyer and Rowan, 1977).

Moreover, the taken-for-granted nature of budgeting insulates policy-making from the public fray because budget processes and outputs/outcomes represent norms of acceptable and even desirable behavior within a larger social and political system (Meyer, 1986). It is argued that, like many other aspects of an organization's formal structure, budgeting demonstrates conformity with institutionalized rules, thereby securing necessary social support (Covaleski and Dirsmith, 1983; Hoque and Hopper, 1994; Covaleski *et al.*, 2013). However, studies question the assumption that expressions of organizational values can facilitate the perpetual decoupling of external constituencies from internal operations, thereby acknowledging a *constant pressure around the possible incarnation of such values* (for example, see Hallett, 2010) and internal actors' role as change agents when they encounter and interact with institutions (Sahlin-Andersson, 1996, 2001). These concerns suggest that institutional myths [4] can be made tangible (intendedly and/or unintendedly) through time, as conformity to a rationalized cultural perception such as "budgetary performance" shifts from the symbolic expression of binding commitment (Hallett and Ventresca, 2006) to a more temporal process of de- and re-institutionalization of organizational structure (Boxenbaum and Jonsson, 2008).

The budget process is now understood to be simultaneously stable and flexible, static and dynamic, persistent and changing (Burns and Scapens, 2000; Lukka, 2007). Despite the influence of the ODM and OIT perspectives on the budgeting literature, the two perspectives suggest a heretofore unreconciled paradox. The ODM perspective vests budgetary authority in the stability provided through organizational routines, while the OIT perspective vests budgetary authority in the legitimacy derived through the decoupled expression of organizational values. Our study contributes to the literature by reconciling these foundational perspectives and their insights into budget formation, disruption, and re-creation of budget processes.

This paper notes neglected aspects of the ODM and OIT perspectives pertaining to decay and incarnation that have important implications for budgeting research. Anand *et al.* (2012),

for example, asked *what happens when there is unintended instability (i.e. decay) of budgets caused by failures to adhere to operational routines*. Likewise, Hallett (2010) questioned the durability of decoupling when he asked *what happens when conformity to a rationalized budgetary accountability is no longer decoupled and symbolic but instead recoupled and incarnate*. In addressing these questions, the paper highlights the temporal and endogenous nature of apprehensions within the ODM and OIT perspectives in their respective efforts to maintain organizational stability through routines and promote organizational change through decoupling. These recent apprehensions regarding the role of budgeting in organizations are developed and formalized in our suggestions for future studies.

Lounsbury (2007, 2008) criticized approaches to budgeting that focus on routines in isolation of the expression of organizational values, or approaches to budgeting that focus on the study of the expression of organizational values in isolation of the potential endogeneity of such values into organizational routines. Our paper extends this thought, addressing how people within organizations respond to the potential of the decay of organizational routines and the incarnation of expressions of organizational values in decoupling processes through their further re-creation and elaboration of budget processes.

Continuing on the theme of the temporal and endogenous nature of budgeting, we draw from the literature on institutional logic (Battilana and Dorado, 2010; Battilana and Lee, 2014; Grossi *et al.*, 2022; Kastberg and Lagström, 2019; Marquis and Lounsbury, 2007) to examine the mechanisms through which process change is enacted through time by people subject to institutionalized constraints. This argument is in the spirit of Kraatz and Block (2008, 2017), who suggest organizations are not 'passive receptors of legitimate ideas' (Gondo and Amis, 2013, p. 229) and that to the contrary, 'shades of rogueness' (Quirke, 2013, p. 1692) are accepted as part and parcel of all institutional contexts. Understanding *why* particular organizations selectively conform to or deviate from established practice and *how* they do so is a promising focus for future research (Greenwood *et al.*, 2017).

Institutional aspects cover various social and economic institutions: the state, markets, legal systems, religion, law and order, political processes, governmental administration, labor unions, cultural rules, customs, and values. This paper highlights how future studies could examine organizational budget practices as an organizational routine and expression of organizational values. In particular, the question of how the people who make up an organization stabilize, disrupt, transform, and re-create organizational routines. Our paper does not propose an integrative theory of stability versus change or formality versus informality. Instead, we explore the inherent paradox between the ODM and OIT perspectives. This approach facilitates the simultaneous study of budgets as organizational routines and expressions of organizational values, as opposed to an isolated focus on one or the other (Czarniawska-Joerges and Jacobsson, 1989; Poole and Van de Ven, 1989).

The remainder of this paper is organized as follows: Section 2 discusses the contributions of the ODM and OIT perspectives in budgeting studies. Section 3 addresses the role played by the disruption of organizational budget processes as defined by both the ODM and OIT perspectives, focusing on the unintended consequences of the impact on organizational life. The final section concludes the paper with suggestions for practice and future studies.

Two prominent perspectives on organizational budgeting research

This section reviews and assesses the relevance of the ODM and OIT perspectives to the study of organizational budgeting, focusing on the impact and intended consequences of budgets on organizational routines and expressions of values. Figure 1 summarizes arguments rooted in the ODM (Panel A) and OIT (Panel B) perspectives. Each panel serves as a thematic guide for exploring each perspective and its influence on organizational

ORGANIZATIONAL STABILITY

Panel A: Budgeting as Organizational Routines

HIGH ←-----→ LOW

*Intended
Consequence*

*Stability
Functional
Adherence to operational routines
Consistent conforming output
Rationale Accounting*

RP # 1: Budgeting promotes stability, which can be desirable for the organization because too much instability can undermine functional operational routines.

Panel B: Budgeting as expressions of organizational values

HIGH ←-----→ LOW

*Intended
Consequence*

*Instability
Functional Improvisation
and change in
operational routines
De-coupling
Mock bureaucracy*

RP # 2: Budgeting serves to promote de-coupling through the expression of organizational values which can be desirable for the organization because too much stability can lead to Inertia and the resultant failure to innovate.

The combined research propositions RP # 1 and RP # 2 recognize the potential (and contradictory) uses of budgets in an organization as a critical routine in providing organizational stability and expressing organizational values in the de-coupling processes.

Source(s): Authors' own creation/work

Figure 1.
Intended consequences
of budgeting as
organizational routines
and budgeting as an
expression of
organizational values

budgeting research. The subsections explaining each panel culminate with a research proposition to formalize implications for further investigation and analysis.

The role of organizational budgets in ODM perspectives (Figure 1 – panel A)

At the core of the ODM perspective is [Simon's \(1947\)](#) notion that individual decision-makers are the basic unit of analysis, and organizational designs – including budgets and the budget process – are subject to the “bounded rationality” of their architects. [Simon \(1947\)](#) viewed

accountability primarily in terms of compliance with hierarchical authority and decision-making processes in organizations. His work highlights the need for stability when coordinating the day-to-day activities of boundedly rational individuals and advocates doing so through organizational routines constructed around observable, easily measured objectives (Simon, 1957). This emphasis on the significance of organizational routines as a source of stability amidst bounded rational decision-makers (Cyert and March, 1963; March, 1978, 1981, 1989; March and Simon, 1958) was a departure from earlier rational decision-making approaches. These earlier approaches were criticized for being unrealistic due to not recognizing the limitations of human cognitive capabilities as well as the complexity and realities of decision-making within an organizational setting (Brunsson, 1989; Mouritsen, 1994). Enriching these earlier rational decision-making approaches, the ODM perspective views that stable budget processes help an organization maximize limited cognitive capacity by focusing on adherence to operational routines.

Simon (1947) proposed bounded rationality to explain the incremental nature of decision-making allocations in government budgeting (Wildavsky, 1964, 1975) and the muddling through the policy-making process (Braybrooke and Lindblom, 1953; Lindblom, 1959). This behavioral focus in accounting raised the concept of the 'decision' to new explanatory heights (Lowi, 1993). As Williamson (1985, p. 187) emphasized, "Simon proposed that the 'decision premise' be made the basic unit of analysis." Once cast in this manner, budgeting came to be seen as vested interested practices where calculative practices aimed at forestalling politics in the name of administrative efficiency (i.e. fostering impersonal types of interactions) resulted in removing the debatable from political discussion by transforming the moral into the merely factual (Hopwood, 1983).

Early process models of organizations (c.f., Cyert and March, 1963) extended the research of March and Simon (1958) by explicitly recognizing the manner in which politics – through social and organizational interaction – influenced processes made up of bounded rational decision-makers. This perspective increasingly emphasized that individuals within an organization have conflicting interests and that organizational structures and routines, such as budgeting, can establish power relations to manage resulting tensions. Organizational budget processes, therefore, could reduce resistance to the exercise of power by concealing its exercise within such neutral routine or technical procedures. Budgeting could also be identified with social norms of rational organizational behavior, thus conferring legitimacy on decisions reached. Such application might go unquestioned for years after initial implementation because of the subtle but pervasive manner in which seemingly impersonal, rational processes influence organizations. March and Olsen's (1983) work – where organizational actors are primarily defined in terms of the absence of rationality – does not necessarily result in reflective decision-makers who attempt to understand and act upon organizational context. However, it opens up the characterization of norms, standards, and routines, such as budgeting, as instrumental in providing meaning and power in organizational relationships (Mouritsen, 1994).

This characterization of budgeting (i.e. as representing both the substance and result of political bargaining processes within an organization's environment that is politically and ideologically heterogeneous) resurrects the emphasis on rationality and decision-making and expands the possibilities for the "study of organizational heterogeneity and practice variation" (Lounsbury, 2008, p. 351) and the potential for fragmentation, conflict, goal-ambiguity, and organizational instability (Heimer, 1999; Stryker, 2000). The organizational process models that underpin ODM perspectives stress that decision-making is primarily structured by procedures, rules, and routines (Gavetti *et al.*, 2012). These processes standardize decisions through routine practices (Nelson and Winter, 1982), reduce cognitive complexity by decomposing decisions (Simon, 2002), and facilitate collective decision-making by defining steps (Cyert and March, 1963). As such, budgeting is a highly structured

process in most organizations, frequently disentangled into partially autonomous but interdependent sub-processes over time, scope, and institutional units. These process models developed a major characteristic of organizational behavior – the boundedly rational search for solutions to organizational problems – that became the basis for the academic study of budgeting (Covaleski *et al.*, 2013; Ozdil and Hoque, 2017; Wildavsky and Caiden, 2004).

These research efforts concerned with budgeting also reinforce Pfeffer's (1981) classic work, which stated that budgets continue to be theoretically vital because they represent critical decisions and are contested within organizations. Furthermore, many choices about the allocation of resources are made within organizations using administrative mechanisms such as budgeting because they provide functional stability to organizations because of their rationality, consistency, and conformity to operational routines. On this point, Stinchcombe (2001, p. 4) argued that budgeting serves to address uncertainty in decision-making processes because the meaning of any formalized process "amounts only to various current resting places in the process of improving that certainty by substantive debate, in appeals courts, in legislatures, or in administrative implementing regulations." From the ODM perspective, budgeting as a resource allocation and monitoring tool helps organizations identify potential business problems, track earnings and spending in specific areas, and create an action plan to manage resources and reach organizational goals (Horngren *et al.*, 2014; Jakobsen and Pallesen, 2017). For example, by planning financials in advance, organizations can determine which projects and initiatives require more resources and areas where they can cut back (Cote, 2022). Thus, making informed, rational financial decisions through budgets helps organizations achieve efficiency and economic stability. In short, we assert the apprehension of ODM perspectives on the role of budgeting in the following research proposition (RP):

- RP # 1.* Budgeting promotes stability, which can be desirable for an organization because too much instability can undermine its functional operational routines.

The role of organizational budgets in OIT perspectives (Figure 1 – panel B)

Budgeting is also of direct concern to the OIT perspective because of its prominent concern for the mechanisms and processes of institution building as part of "those conscious efforts to direct societal change and to search for more effective social controls which are grounded in rationality" (Janowitz, 1978, p. 400). A central theme of the OIT perspective is that an organization's survival depends as much on ceremonially conforming to social expectations as it does on achieving high levels of production efficiency (Scott, 1987). In turn, a critical issue in enhancing the legitimacy of organizations to these external pressures is the centrality of definitions pertaining to processes such as budgeting that are central to the working of an organization (Friedland and Alford, 1991). This legitimacy includes the internal distribution of resources where budgeting can build trust in inter-organizational relationships in a social setting, thereby promoting organizational stability. In their study of budgeting at an Australian university, Moll and Hoque (2011) demonstrated that the university introduced a new budget system borrowed from its institutional environment. The rationale behind this move was to convey to external stakeholders and staff that the new organizational structural change with a new budgeting system would be governed appropriately. This view is consistent with others (for citations, see Moll and Hoque, 2011, p. 86) who argue that seeking legitimacy for an organization's new structures and practices is critical for its survival and sustainable growth. This characterizes budgeting as both the substance and result of political bargaining processes shaped by a pluralistic environment (Wildavsky, 1975). This recognition of the organizationally robust nature of budgets is also consistent with Selznick's (1949, 1957) notion of institutionalism (that is, forms and rules of social institutions), which sees an organization's environment as politically heterogeneous).

Furthermore, while organizations seek to effectively shape key definitions, individuals subject to organizational rule systems can use them to their own advantage through their strategic reinterpretation and manipulation. As such, it is equally important to consider how an organization's structures and processes – including budgets – are shaped by internal organizational conditions, dynamics, and agents (Hallett, 2010; Hallett and Ventresca, 2006; Moll and Hoque, 2011). Therefore, the OIT perspective suggests that part of the cultural iconography captured by the term “legitimacy” involves the existence of a credible collective account, or rational explanation, of what an organization is doing and why (Jepperson, 1991; Meyer and Scott, 1983). Without such rational accounts, organizations are more vulnerable to claims that they are negligible or irrational. For example, using studies of the Swedish public sector, Czarniawska-Joerges and Jacobsson (1989) traced connections between budget processes taking place in organizations and the cultural context in which they are located. They saw “budgeting as a symbolic performance rather than a decision-making process; a means of conversion rather than a means of control; and an expression of values rather than an instrument for action” (Czarniawska-Joerges and Jacobsson, 1989, p. 29). According to Dandridge *et al.* (1980), p. 77, “Organizational symbolism refers to those aspects of an organization that its members use to reveal or make comprehensible the unconscious feelings, images, and values inherent in the organization.” In this context, symbolism reflects an organization's culture and provides clues about its character and value system (Coşar *et al.*, 2020). Therefore, budgets can be considered a symbolic organizational performance apart from their calculative identity.

Extending this view, the role of budgeting in forging organizational legitimacy is not so much an operational resource to be managed. Instead, it represents a set of constitutive beliefs and cultural perceptions reflecting how organizations should be understood and evaluated (Carruthers and Espeland, 1991). Management accounting literature has recognized mechanisms like budgeting as important to institution building because they provide the myths or rationalizations to ensure the legitimacy of the organizational arrangements, thus facilitating the system's ability to reproduce itself (Czarniawska, 1997; Moll and Hoque, 2011). The taken-for-granted nature of budgeting insulates policy-making from the public fray, as accounting information represents norms of acceptable and even desirable behavior in the larger social and political system (Hopwood, 1983; Meyer, 1986). Such rule systems as budgets are built or created by system participants (Covaleski *et al.*, 2013; Seneviratne and Martino, 2021) and enable individuals to pursue collective organizational goals (Galaskiewicz, 1991). Like many other aspects of an organization's formal structure, policies and procedures, budgeting serves to demonstrate conformity with institutionalized rules, thereby legitimizing it to gain society's continued support (Covaleski and Dirsmith, 1988a, b). The significance of the use of budgets in the development of meaning within organizations is forcefully clarified in March and Olsen's (1983, p. 292) observation:

Governance is an interpretation of life and an affirmation of legitimate meaning and institutions. . . . It provides symbolic and ritual confirmation of the possibility of meaningful individual and collective action. The argument is not that symbols [such as budgeting] are important to politics, although they certainly are. Rather, the argument is the reverse – that politics are important to symbols, that a primary contribution of politics to life is in the development of meaning. . . . They are heavily intertwined, and discussion of primacy may obscure that fact.

Furthermore, budgeting gains its force when its assumed properties of bureaucracy are part of forging organizational legitimacy and more trust-based control patterns in organizations. This is accomplished through the responsible development and application of generally legitimated categories as organizations grope to find, conform to, and demonstrate for their internal and external constituents an organization's commitment to a rational course of action (Dambrin *et al.*, 2007). As such, a common theme from budgeting research using the

OIT perspective is the budget as a socially constructed expression of organizational values. Budget is a socially constructed practice because actors at various levels play an active role in its construction, challenge, and deployment in their organizational context (Covaleski *et al.*, 2013; Hoque and Hopper, 1994). Budgets help people understand organizational values (beliefs, norms, and principles) and act accordingly in reaching their individual and organizational goals. Hence, budgets affect how people interact and behave toward organizations and, more subtly, how they understand and communicate their role within them (Covaleski and Dirsmith, 1988a, b; Ezzamel *et al.*, 2012; Seneviratne and Martino, 2021).

Therefore, a critical issue in OIT perspectives is the potential for organizational budgets to provide the legitimacy necessary to facilitate loose coupling in practice (Moll and Hoque, 2011). Budgeting, as such, serves as a powerful organizational tool because of its fungibility in that it provides organizations with the means for moving resources among departments in an ostensibly rational manner (Stinchcombe, 2001; Lindblom, 1959). Here, it is argued that budgeting gains force in organizations by the concerted development and application of generally legitimated categories as organizations grope to find, conform to, and demonstrate a commitment to a rational course of action. For example, for internal constituents such as top managers and operational managers, budgets are set relating to outputs/outcomes, and they are used by managers concerned in an efficient way to achieve individual and organizational goals. For external constituents, budgets serve to demonstrate organizations' compliance with their external institutions, such as governments, funders, and other stakeholders. Hence, understanding the operation of budgets in an organization requires understanding the economic, cultural, social, and political processes within the organization and its relations to other organizations and society (Hodgson, 1984). Thus, organizational budgeting is a naturalistic phenomenon, influenced by people and institutions inside and outside the organization (Covaleski and Dirsmith, 1983; Hoque and Hopper, 1994; Seneviratne and Martino, 2021).

Furthermore, budgeting takes on significance by contributing to understanding observable patterns of an organization's collective action (Feldman and Pentland, 2003) and corresponding social norms (Czarniawska, 2013), as well as reflecting acceptable and desirable organizational processes and outcomes. Here, Pfeffer (1981, p. 5) reasoned that organizational budgets provide almost limitless malleability of symbols and rituals against the exogenously constrained recalcitrance of "tangible, real outcomes." This recognition of the fungible nature of organizational budgets reinforces the OIT perspectives' concern for budgeting as an expression of organizational values with an intended consequence to provide space for organizational instability through improvisation and change (i.e. loose coupling). Hence, while budgets are important expressions of conformity to institutional rules and structures, they also facilitate intended instability and change in operational activity. Thus, the concern of OIT perspectives on the role of organizational budgets can be stated in the following research proposition:

RP # 2. Budgeting promotes decoupling through the expression of organizational values, which can be desirable for the organization because too much stability can lead to inertia and the resultant failure to innovate.

Combined, the ODM and OIT research perspectives stress organizational budgets and budget processes as a tangible reflection of decisions to shift resources from one use to another (Stinchcombe, 2001). Figure 1 (and related RP #1 and RP #2), however, reveals a fundamental contradiction between the ODM perspective's focus on promoting stability through organizational routines and the OIT perspective's focus on decoupling the expression of organizational values. However, we do not intend to remedy or integrate these inherent paradoxes. Instead, we highlight the intrinsic paradoxes between these organizational perspectives and argue that the study of organizational budgets is limited when addressing

one perspective in isolation from the other (Poole and Van de Ven, 1989). Recognizing this inherent refutation helps to emphasize the critical point of our paper: that within the inherent refutations between the ODM and OIT perspectives on the role of budgeting in organizations, each of these perspectives has apprehensions within themselves that have implications for understanding the rich nature of the organizational budget construct. These apprehensions within the ODM and OIT perspectives are the focus of the next section.

Budgeting at the intersection of organizational routines and expression of values: disruption from decay and incarnation

Figure 2 summarizes arguments rooted in the ODM (Panel A) and OIT (Panel B) perspectives. Each panel serves as a thematic guide for exploring each issue and its influence on organizational budgeting research. The subsection explaining each panel culminates with a research proposition to formalize stated implications for further analysis.

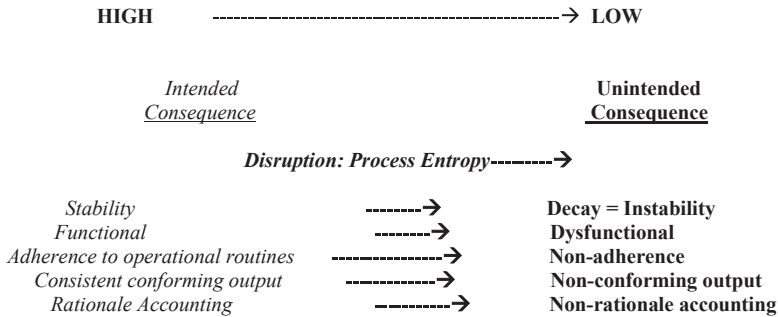
Organizational budget process disruption in ODM perspectives (Figure 2 – panel A)

ODM perspectives typically highlight the role played by organizational budgets in providing stability through organizational routines (March and Simon, 1958; Padgett, 1980; Simon, 1957). However, studies posit that perpetual stability is only sometimes intended or achievable through organizational routines as initially designed (Anand *et al.*, 2012; Becker, 2008; Cohen, 2007). From the ODM perspective, budgets can be used as stable organizational routines to facilitate decision-making. Anand *et al.* (2012) raised the issue of *what happens when there is unintended instability (i.e. decay) of organizational budgets caused by failures to adhere to operational routines*. They proposed that operational routines such as budgets will break down over time and need to go through regular phases of renewal. Accordingly, everyone in an organization must adhere to routines to add energy to the system and maintain low levels of process entropy. Using the term “process entropy” to describe the level of unintended decay in routines (Katz and Kahn, 1978), Anand *et al.* (2012) argued that movement toward a state of high entropy – or decay – describes a natural tendency of organizational systems such as budget process to lose orderliness and approach a state of disorganization in the absence of disciplined forces. Therefore, the study of organizational budgets must incorporate both the intended imposition of stability through formalized routines and the unintended consequences of instability and dysfunction through non-adherence and non-compliance.

An interesting question from the ODM perspective regarding process entropy and the decay of organizational routines such as budgeting is: *how does this occur?* This state of higher entropy over time – or decay – is particularly problematic and relevant in Lindblom’s (1959) work, which focused on the ability of budgets to align individuals with organizational goals within uncertain decision-making processes. Lindblom’s (1959) proposed “incremental-remedial approach” as a formal control system highlights the susceptibility of organizational budgets to irrelevance through the erosion of pivotal definitions used in control structures and its relevance to induce uncertainty within the ostensible certainty of budgeting. The decision-making uncertainty Lindblom (1959) identified as critical would no longer be served well by the “muddling through” decision because the ostensible certainty provided by budgeting would no longer be relevant to complex social problems. Lindblom’s (1959) notion of the “incremental-remedial approach” (“muddling through”) to budgeting adheres to the fundamental tenets of the work of March and Simon (1958), which emphasizes the importance of the power to set premises in organizational relationships. As a result, the decay in organizational routines causes budgets to lose relevance in developing meaningful solutions to complex social problems.

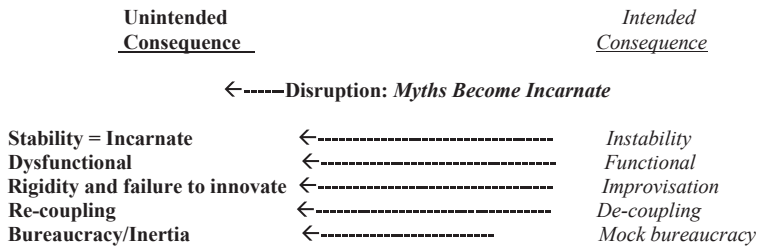
ORGANIZATIONAL STABILITY

Panel A: Budgeting as Organizational Routines



RP # 3: Budgeting which serves to promote stability can incur disruption through process entropy, leading to its decay as a functional operational routine.

Panel B: Budgeting as expressions of organizational values



RP # 4: Budgeting which serves to promote de-coupling through the expression of organizational values can incur disruption through incarnation leading to facilitating too much organizational stability and Inertia resulting in the resultant failure to innovate.

The combined research propositions RP # 3 and RP # 4 recognize the temporal nature of budgets and the potential dual disruptions to the use of budgets in an organization due to the inherent tensions within both the ODM and OIT perspectives: process entropy (decay) as an organizational routine, and incarnation in the expression of organizational values in efforts to de-couple processes.

Source(s): Authors' own creation/work

Figure 2. Intended and unintended consequences of budgeting as organizational routines and budgeting as an expression of organizational values

The potential and unintended instability of budgeting through entropy and decay speaks to the possibility that micro-processes – such as organizational routines – are not foolproof and suggest a mechanism for failure as suggested in Scott's (2001, p. 54, *emphasis ours*) observation:

[W]e are reminded that laws do not spring from the head of Zeus nor norms from the collected soul of a people; rules must be interpreted, and disputes resolved; incentives and sanctions must be designed and will have unintended effects; surveillance mechanisms are required but will prove to be fallible, not foolproof; and conformity is only one of many possible responses by those subject of regulative institutions.

Here, [Mouritsen and Kreiner \(2016, p. 21\)](#) observed that one of the significant contributions of the ODM perspective is that “when decision-making is understood in less rational terms, accounting plays much more complex roles as these roles often enact ambiguity, uncertainty, politics, and complexity” [resulting in] “limited rationality, power, and non-consequentialist logics.” Drawing from [March \(1987, 1991, 1997\)](#), [Mouritsen and Kreiner \(2016\)](#) stated that it is the paraphernalia of decision-making (e.g. budgets) that frames decisions amidst limited rationality. These more complex roles of organizational budgets have indeterminable consequences, which, they argued, include a problematic trend toward higher states of entropy – or decay – over time. This can be seen in [Mouritsen and Kreiner’s \(2016\)](#) assertion that the primary role of budgeting is not so much to transform the decision into rationality but in ongoing efforts to restore the decision, which, in turn, invokes a dimension of entropy into rationality. Organizational choices will be made (whether it be for subjective and/or objective reasons), but the unique role of budgets as an organizational memory and recorded economic history lends itself – through entropy or decay – to a similar form of forgetfulness as stated in the following research proposition:

RP # 3. When budgeting promotes stability, it can be disrupted due to process entropy, leading to its decay as a functional operational routine.

To summarize the ODM perspective’s recognition that there might be unintended decay in an organization’s adherence to routines such as budgets with consequential declining performance ([Anand et al., 2012](#)), we depict this potential decay in the left-to-right movement in Panel A of [Figure 2](#). As mentioned, this reflects the intended consequences of organizational budgets promoting stability and adherence to operational routines and the unintended consequences of facilitating instability and dysfunctional non-adherence to organizational routines. This potential unintended decay, or “process entropy” as described by [Katz and Kahn \(1978\)](#), suggests a more fluid nature to traditional ODM perspectives ([March and Simon, 1958](#)). *RP # 3* incorporates the insight by [Anand et al. \(2012\)](#) that movement toward a state of high entropy (decay) describes a natural tendency of organizational systems, such as budgeting, to lose their orderliness and approach a state of disorganization. Furthermore, this more fluid depiction of process entropy in the left-to-right movement in Panel A of [Figure 2](#) acknowledges the possibility that perpetual stability was not always considered eminent or desirable in an organizational routine’s original conception ([Becker, 2008](#); [Cohen, 2007](#)). Acknowledging the temporal nature of stability within organizational routines recasts budgeting from a static (i.e. perpetual stability) to a more dynamic practice (i.e. ranging from stability to instability). [Anand et al. \(2012\)](#) argued that this instability in organizational routines is endogenous, determined by, and to some degree controlled by the organization itself, which suggests the degree to which organizational routines decay over time will vary by organization.

Budget process disruption in OIT perspectives (Figure 2 – panel B)

OIT perspectives have also evolved a more skeptical, inquiring attitude toward the image of organizational structure as efficient and rational ([Hallett and Ventresca, 2006](#)). Early institutional theory ([DiMaggio and Powell, 1983](#); [Meyer and Rowan, 1977](#)) became a mandate for examining how macro-cultural ideals – or institutional myths – provide legitimating rationales across broad organizational populations. This led to a focus on how organizations comply in symbolic, ceremonial ways, yet vital aspects were more local in orientation. Here, [Hallett and Ventresca \(2006\)](#) proposed that it is time to develop the neglected aspect of the work of [Meyer and Rowan \(1977\)](#) by examining how these myths become incarnate: absorbed and incorporated as expected behavior. This renewed concern prompts a shift in focus away from external factors ([Schneiberg and Clemens, 2006](#)), such as symbolic

compliance with institutional myths and broad diffusion processes and macro-environments, focusing on the work people do together (i.e. the micro-processes of organizations), thus provide insight as to how myths are given tangible flesh.

Hallett (2010) referred to the shift from a desired organizational decoupling of external constituencies from internal operations toward a singular constraint as the unintended consequence of recoupling (i.e. myths becoming incarnate). Just as the ODM perspective asks how process entropy and the decay of organizational routines occur, OIT asks similarly crucial questions: *What happens when institutional myths become incarnate and conformity to a rationalized cultural ideal such as “budgetary performance” is no longer symbolic? How do decoupled systems change over time, such as reversing from loose-to-tight organizational couplings?*

Decoupling generally refers to a situation in which two or more activities are separated or do not develop similarly. In an organization’s budgeting context, the actual outcome of a budget deviates from its intended or expected result. Researchers (e.g. Basu *et al.*, 1999; Moll and Hoque, 2011; Rautiainen, 2010) have highlighted the debate of “decoupling” in accounting. For instance, Moll and Hoque’s (2011) study showed how the vice-chancellor faced difficulties in managing institutional demands when systems for external reporting are loosely coupled with those used inside an organization. According to Moll and Hoque (2011, p. 100), “Internal legitimacy problems were mainly caused by decisions of the vice-chancellor in responding to the demands of external constituents. Such choices brought about reactive behaviors by those inside the organization who found them inconsistent with their values.”

Addressing this decoupling issue further would advance the understanding of the micro-sociological foundations of OIT by “inhabiting” institutionalism with many of the facets of organizational budget processes: people, their work activities, social interactions, and meaning-making processes (Hallett and Ventresca, 2006). Given the OIT perspective’s concern for budgeting as an expression of conformity to institutional rules and structures (i.e. decoupling), these expressions of conformity can become incarnate and binding through time (Hallett, 2010). This incarnation results in movement from intended instability (i.e. decoupling) and changes in operations to the unintended consequence of inertia, rigidity, and failure to innovate (i.e. recoupling).

This apprehension for the process by which budgets become incarnate is grounded in an understanding of organizational legitimacy not so much as an operational resource to be managed but as representing a set of constitutive beliefs and cultural perceptions that reflect how people should understand and evaluate organizations (Hopwood, 1983; Meyer, 1986; Van der Stede, 2000). The budget is essential to institution-building because it provides the myths or rationalizations necessary to ensure the continued legitimacy of organizations, thus facilitating the system’s ability to reproduce itself (Czarniawska, 1997). Organizational budgets demonstrate an organization’s conformity with established rules, legitimizing it to gain society’s continued support (Scott, 1987). However, in the incarnation process, budgeting is now abiding by the set values and making people accountable for their actions, not just demonstrating conformity.

Thus, as mentioned earlier, organizational budgets are socially constructed (Covaleski *et al.*, 2013) and affect how people behave toward organizations according to organizational values and, more subtly, how they understand and apply them in practice (Burns and Scapens, 2000; Orton and Weick, 1990). In this sense, socialization occurs through significant others who mediate the objective reality of society and render it meaningful; in this way, it is internalized by individuals (Berger and Luckmann, 1991). In an organizational budget setting, budget-related tasks are performed in a social (organizational) setting where multiple actors (budget preparers, top management, budget users, other actors involved, and clients) interact with each other, resulting in constructing a budgetary accountability report for multiple stakeholders such as funders, internal board, regulators, and other stakeholders

concerned. Here, budgeting is a matter of a phenomenon (reality) that multiple actors construct through their daily experiences and social interactions. This social construction, however, can become incorporated into the organization, going beyond simply understanding organizations to control them. As such, budgets no longer protect policy-making from public disputes (Hopwood, 1983; Meyer, 1986) but, in contrast, can incorporate public disputes into budget expectations (Carruthers and Espeland, 1991; Meyer and Jepperson, 2000; Oakes *et al.*, 1998; Oliver, 1991), as reflected in the following research proposition:

RP # 4. Budgeting, when used to promote decoupling by expressing organizational values, can disrupt the incarnation process and lead to excessive organizational stability and inertia, hindering innovation.

Figure 2 Panel B summarizes the OIT perspectives' recognition that institutional myths can become incarnate. As a result, conformity to a rationalized cultural ideal (principles or values that society pursues) expressed in organizational budgets is no longer symbolic, resulting in the decoupled systems of control that budgets facilitated; in effect, reversing from loose-to-tight organizational couplings over time (RP #4).

While decoupling has long been a focus of research from the OIT perspective (e.g. Meyer and Rowan, 1977), recent studies highlight the lesser-studied question of how a stable process can be remade around sources of organizational meaning and result in the incarnation of myth and ceremony (Hallett, 2010). This result is depicted in the right-to-left movement in Panel B of Figure 2. Questions of incarnation are especially salient to studies of organizational budget processes because budgets are a primary tool in resource allocation to support specific organizational activity. Activities resulting from budgetary allocation can potentially be one of the primary mechanisms for the incarnation of organizational meaning.

In summary, the ODM perspective's emphasis on functional stability through the rationality, consistency, and conformity of operational routines was captured in RP # 1. The OIT perspective's emphasis on decoupling organizational values (thus enabling improvisation and change) was encapsulated in RP # 2. Section 3, however, revealed the inherent tensions within each perspective in that organizational budgets, which serve as functional routines, decay (RP # 3) and, in turn, organizational budgets, which serve as an expression of organizational values to promote decoupling become incarnate (RP # 4). This realization of the inherent tensions within each budgeting perspective acknowledges organizational budget processes' temporal and endogenous nature (Poole and Van de Ven, 1989). The following section addresses mechanisms for the re-creation of stability and decoupling in the budget process within the ODM and OIT perspectives, focusing on the impact of these re-creations on organizations.

Budgeting at the intersection of organizational routines and expression of values: the re-creation of stability and decoupling

Figure 3 summarizes arguments rooted in the ODM (Panel A) and OIT (Panel B) perspectives. Each panel serves as a thematic guide for exploring each issue and its influence on organizational budgeting research. It culminates with a research proposition to formalize stated implications for further studies.

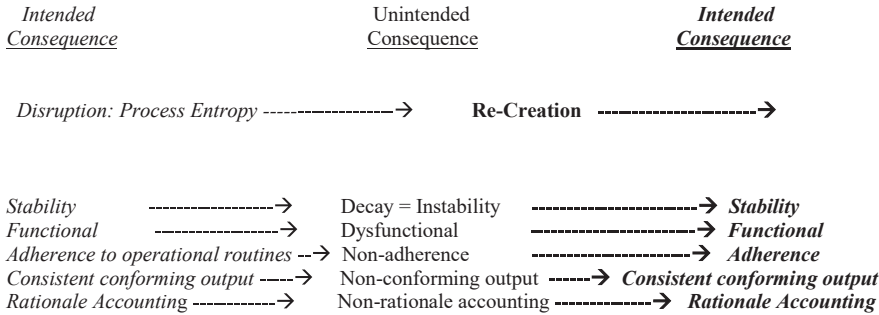
Lawrence and Suddaby (2006) suggested that the work required maintaining and re-create stability in organizations and related control systems, such as budgeting, maybe a more fundamental question for future research than how these systems were created. Extending this observation to the concerns of this paper, we argue that the study of organizational routines (ODM) and expressions of conformity (OIT) should be less about moments of initial creation but more about the continuous renewal and re-creation of what

Intended and Unintended Consequences of Budgeting as Organizational Routines and Budgeting as an Expression of Organizational Values

ORGANIZATIONAL STABILITY

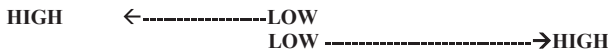


Panel A: Budgeting as organizational routines



RP # 5: The stability provided by budgets can be re-created in response to the disruption that led to its decay as a functional operational routine.

ORGANIZATIONAL STABILITY



Panel B: Budgeting as expressions of organizational values

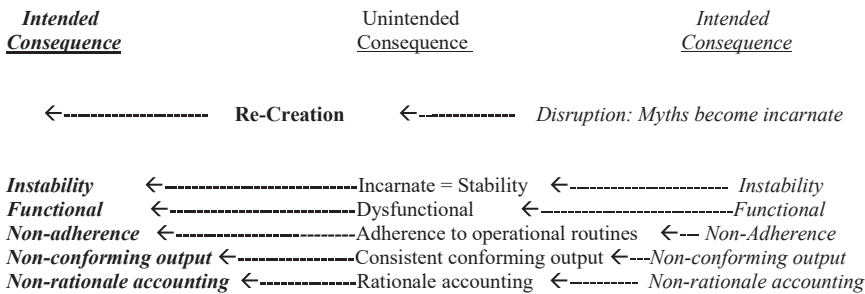


Figure 3. Intended and unintended consequences of budgeting as organizational routines and budgeting as an expression of organizational values

(continued)

RP # 6: The de-coupling provided by budgets can be re-created in response to the disruption that led to its incarnation as an expression of organizational values.

The combined research propositions RP # 5 and RP # 6 expand the characterization of the temporal nature of budgets by recognizing the importance of the re-creation of the uses of budgets in an organization: both as a critical routine in the provision of organizational stability (ODM); and in the expression of organizational values in de-coupling processes (OIT). However, even in the recognition of the importance of the re-creation of the budgeting in response to the tension and related disruptions to budgets both as an organizational tool for stability as well as de-coupling, there remains an inherent contradiction to be mindful of that re-creation of stability through budgeting is not done in isolation of organizational values; and re-creation of de-coupling through budgeting is not done in isolation of concern for the stability through organizational routines, thus continually challenging organizations to balance the two objectives (Poole & Van de Ven, 1989).

Source(s): Authors' own creation/work

came before. Within ODM perspectives (Figure 3 – Panel A), for example, adherence to routines such as budgets is important for functional stability (Simon, 1957; RP # 1), but these routines tend to decay (Anand *et al.*, 2012; RP # 3).

Within OIT perspectives (Figure 3 – Panel B), expressions of conformity to institutionalized rules and structures are important for functional instability and decoupling (DiMaggio and Powell, 1983; RP # 2), but these expressions of values tend to become incarnate and binding (Hallett, 2010; RP # 4). Each of these concerns highlights neglected aspects of the ODM and the OIT traditions (i.e. endogenous influence through the decay of routines and the incarnation of the expression of values), a continuous challenge to studying organizations (Poole and Van de Ven, 1989). These neglected aspects of the ODM and OIT traditions motivate the study of the social re-creation of practices like budgeting amidst endogenous pressure for change (Hallett and Ventresca, 2006).

As mentioned, budgets can promote stability but may result in an unintended consequence of fostering inertia in organizational values and failure to innovate. Budgets can also demonstrate organizational values to promote loose coupling but might have the unintended consequence of encouraging the decay of functional operational routines. This common emphasis in the study of budgeting from both the ODM and OIT perspectives encompasses a richer appreciation of the endogeneity involved in re-creating organizational routines and values. As Dionysiou and Tsoukas (2013, p. 198) explain, the unanticipated outcome may increase routine participants' perceived uncertainty, resulting in their going through cycles of interaction (role taking, re-alignment of joint understandings and schemata) to revise their joint understanding of what was required to achieve the desired outcome and to align their actions appropriately (i.e. in alignment with broader organizational schemata). In the context of budget routines, the re-creation of stability occurs in organizations where budget participants interact to discuss their adherence to routines and find new ways for future routine performance (Dionysiou and Tsoukas, 2013). However, we acknowledge that pressures in managing the ideas of re-creation stability and legitimacy need to be managed, but the reality of how these pressures transpire in practice is unclear. Schneiberg and Lounsbury (2008) highlight this apprehension when they ask where practices such as routines and decoupling come from and how they are forged or elaborated over time. They suggest that new systems are rarely created in one fell swoop or through one wave of diffusion or comprehensive settlement. Instead, they observe waves or cycles of mobilization and organizational formation. These themes suggest that cyclical processes of decay, incarnation, and respective processes of re-creation are an important foundation for organizational routines and values and should be studied as such.

This focus on the *re-creation* of organizational routines such as budgeting and values assists in addressing Poole and Van de Ven's (1989) concerns about the limitations of defining the role of organizational routines in isolation from organizational values – or alternately – the limitations of studying decoupling in isolation from stability through organizational routines. Recent literature on institutional logic and hybrid organizations provides deep insight into maintaining this duality in practice (Marquis and Lounsbury, 2007; Schneiberg, 2007). Organizational institutionalism [5] offers an understanding of the forces *for and against institutional stability, recognizing both the controlling influence of the institutional context and* the possibility of the role of people/actors within organizations. Organizational actors as human agencies operate within a framework of institutional logic that conditions their behavior; thus, an institution shapes and is shaped by the actions of its people (Lounsbury, 2008; Thornton *et al.*, 2012). Hence, the selective leveraging of different institutional logic enables an organization to rationalize and build political support for necessary organizational changes. This can include appeals for budget process renewal through a renewed focus on stability, routine, and compliance (ODM; Anand *et al.*, 2012) or the need to decouple and achieve operational legitimacy from emerging values (Hallett, 2010).

The institutional logic perspective reframes stability and instability as expressions of agency *both for and against* institutional maintenance [6]. It highlights how taken-for-granted understandings defy change through social invisibility (Greenwood *et al.*, 2010). Critical here in the incarnation process is “more-or-less-taken-for-granted repetitive social behavior that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order” (Greenwood *et al.*, 2017, p. 4–5). Process incarnation within institutionalism extends the characterization of organizational actors' behavior beyond convergence on common organizational forms and practices, recognizing that the agency of actors' behavior is not simply a determinist view of institutional resilience exclusively to exogenous shocks (Meyer, 1982; see also Lounsbury, 2007, 2008). Instead, we argue that organizational change to routines and values is so traumatic, unpredictable, and damaging that so much effort gets exerted toward institutional maintenance. People may prefer to recreate organizational routines and/or re-create efforts at organizational decoupling because hobbling along under a legacy regime is preferred over the uncertainty of attempting replacement. As such, a foundational driver for institutionalization is that it is a buffer against repeated disruptions that arise due to the decay of routines and incarnation of values. On this point, we expand the ODM and OIT perspectives on the multiple roles of budgeting in organizations and call for further research along the lines reflected in the following two research propositions:

RP # 5. Budgets' stability can be re-created in response to the disruption that led to their *decay* as a functional operational routine.

RP # 6. Budgets' decoupling can be re-created in response to the disruption that led to their *incarnation* as an expression of organizational values.

Studying competing institutional logics and hybrid organizations is a sound theoretical framework to advance these research propositions because they direct attention to the micro-macro boundary that links organizations to their environments (Binder, 2007). Importantly, organizational budgets are implicated within continuous tensions at the micro-macro boundary, which includes change driven by unintended decay in an organization's adherence to routines with consequential declining performance (RP # 3; Anand *et al.*, 2012), as well the unintended incarnation of budgets such that the public fray become incorporated into budget expectations (RP # 4; Hallett and Ventresca, 2006). Such apprehensions become magnified when external and internal stakeholders do not share a common underlying logic to facilitate agreement on a standard set of internal actions and external expectations.

Descriptions of budgets at the micro-macro boundary suggest two distinct yet interconnected political arenas with competing logic for action (Miller *et al.*, 2008). Placing budgets at this micro-macro boundary reframe organizational routines and decoupling from static to dynamic through an ongoing process of disruption and *re-creation*, which, in turn, provides a framework to describe how organizational routines (RP # 5; Mouritsen, 1994) and decoupled systems (RP # 6; Hallett, 2010) change over time. Future studies, however, need to consider their study's research questions when selecting these two approaches.

Figure 3 summarizes the ODM and OIT perspectives and shows how the budgetary outcomes can be intended or unintended results, thus highlighting ways organizations might manage contradictory perspectives to succeed (Carlsson-Wall *et al.*, 2016). Furthermore, integrating alternative logic within organizations enables access to a broader range of organizational actors (Kraatz and Block, 2008) and a richer set of potential motives and solutions to manage internal processes (Smets *et al.*, 2015). These opposing roles for budget processes echo a *contradiction* between the need to maintain organizational stability and to express organizational values (e.g. Poole and Van de Ven, 1989). Within firms that successfully balance these two objectives, the budget process facilitates organizational routines (without slipping into decay) and expresses organizational values (without becoming incarnate). Here, we propose that the recent literature on institutional logic and hybrid organizations provides deep insight toward maintaining this duality (and contradiction) in practice (Busco *et al.*, 2017; Greenwood *et al.*, 2010), thereby avoiding approaches to budgeting that highlight just one of these attributes in isolation (i.e. in terms of organizational routines alone, or in terms of expression of values alone). The literature on institutional logic and hybrid organizations is grounded in the explicit recognition of disruption (Figure 2) and re-creation (Figure 3) in both the ODM and OIT literature. Organizational change resulting from disruption and re-creation comes at a significant cost and threatens the coalition of stakeholders necessary for the organization to survive. However, that is not to say that organizations do not change.

One of the major points of Figure 3 is to explicitly recognize common *apprehensions within* both the ODM and OIT perspectives regarding the study of budgeting. It suggests organizational practices often: (1) promote stability (ODM) or decoupling (OIT) to the point of decline in performance; (2) undergo change only as the result of a significant external *disruption* (e.g. technological advancements, artificial intelligence (AI), changes in customer preferences, political uncertainty, global financial crisis, inflation, wars, etc.); and (3) *re-create* a system for stakeholder support through the adoption of further routines (ODM) or further externally legitimized solutions (OIT). These points suggest a need to focus less on the study of budgeting as a means to optimize organizational performance and more on understanding the ways in which budgetary regimes are maintained (RP # 1, RP # 2), break down (RP # 3, RP # 4), and renewed (RP # 5, RP # 6). The result should provide insight as to why organizational practices (like budgeting) persist and the study of how these persistent organizational practices evolve and change through time.

Furthermore, recent scholarship on institutional logics provides an opportunity to conceptualize organizations made up of people doing things together (Greenwood *et al.*, 2011). Here, Alford and Friedland (1985) characterized institutional logic as defining the content and meaning of institutions, including the contradictory practices and beliefs that coexist in institutional life. Institutional logic is a field's shared understanding of the goals (the emphasis of OIT on values) to be pursued and how they are to be pursued (the emphasis of ODM on routines). As such, these logics serve as a template for organizing (Battilana *et al.*, 2009). Similarly, Hallett and Ventresca (2006) characterized institutional logic as broad structures of meaning that are taken for granted and organized activity, thus stressing the importance of social interactions around the micro-processes of organizational routines (ODM) as foundational to the institutionalist perspective (OIT). The conflict between

competing logics does not necessarily result in an ascendant logic winning but instead in existence within a set of competing logics and tensions, thus the re-creation of hybrid organizations, hybrid logics, and hybrid routines (RP #5 and RP # 6) (Pache and Santos, 2010, 2013; Thornton and Ocasio, 2008).

Finally, the institutional logic literature focuses on instances where firms might face multiple, possibly conflicting templates for action, such as the need for varying levels of stability. Figure 3 depicts a range of strategies for organizational routines and decoupling and the ways in which their intended consequences can be accommodated (Friedland and Alford, 1991; Kraatz and Block, 2008; Thornton *et al.*, 2012). Many organizations also operate in fields characterized by the longstanding coexistence of multiple and often divergent institutional logics (Boxenbaum and Jonsson, 2008). Budgets provide a prominent window into these everyday tensions due to numerous and divergent logics through the implicit connection between financial resources, organizational activity, and the legitimacy attributed to varied institutional logics. The logic reflected within a budget articulates to internal and external stakeholders the activity that must be undertaken to acquire necessary resources and the activity the organization will sanction as a legitimate means of resource allocation (Gooneratne and Hoque, 2016). As such, budgetary processes are a rich venue for analytical insight into when these micro-processes act in concert or conflict with the larger environment.

Conclusions and implications for research and practice

This paper seeks to reconcile the organizational decision-making (ODM) and organizational institutional theory (OIT) perspectives on budgeting research. ODM scholars recently asked: *What happens when organizational routines such as budgeting decay?* Simultaneously, OIT scholars asked: *What happens when conformity to an organizational routine is no longer symbolic but, instead, becomes incarnate, resulting in decoupled systems changing over time (recoupling) and reversing from loose-to-tight?* Our study contributes to the budgeting literature by engaging these questions in tandem. This multi-faceted approach to the budget process suggests a set of propositions of interest to both research and practice.

Implications for research

An inhabited, people-centric view of organizational budgets has significant implications for future research. It recognizes an endogenous agency, stresses intra-organizational politics, and extends ODM's and OIT's focus on differing interests by demonstrating how interests become articulated via struggles over meaning at a practice level. No group with multiple identities, purposes, and belief systems can be fully satisfied in an organization. Variant goals and objectives are likely endemic. This focus requires some governance work to be done by cultural or cognitive mechanisms (ODM) rather than exclusively the coercive, interest-based, or meaning-based ones (OIT) (Kratz and Block, 2008, 2017). OIT's attention to the social embeddedness of organizational behavior is also consistent with the ODM perspective's understanding of organizational decision-making (Gavetti *et al.*, 2012).

Additional studies can build on these theories and enhance our knowledge of how organizations use budgets to integrate varying perspectives at the micro and macro levels (Chenhall *et al.*, 2013). Attending to the *inherent paradox* across the ODM and OIT perspectives avoids limitations that result from the study of budgets as solely an organizational routine or solely an expression of organizational values (Poole and Van de Ven, 1989). Various forms of hybrid processes are required to manage differing identities and incorporate multiple/conflicting logics (Battilana *et al.*, 2017). Organizational arrangements, such as budgets, can be temporal and endogenous, as espoused in RP # 3, RP # 4, RP # 5, and

RP # 6, rather than being permanent. Future studies can explore these propositions to better understand the multi-faceted role of organizational budgets.

Figure 3 presents a more dynamic characterization of organizational budgeting that may emerge when the ODM and OIT perspectives are considered together. In so doing, it recognizes the role of budgeting in disrupting and re-creating institutionalized organizational processes. Miller *et al.*'s (2008, p. 945) observation that "Not only are hybrids more prevalent, and more varied in type, than organization theorists have suggested. But a specific class of hybrids, those formed at the intersection with the calculative practices and expertise of accounting, are of particular significance." As illustrated by Amans *et al.* (2015) depiction of a budget incorporating management, political, and professional logic, the interrelationship between budgeting practices and various forms of hybrid organizations and processes is a fruitful avenue for future research. Furthermore, a dynamic understanding of how budgets and other critical micro-processes (i.e. organizational routines) of institutionalization inhabit organizations provides a rich venue for future studies to analyze periods where micro-processes act both in concert and conflict (i.e. the success or lack thereof in organizational decoupling and recoupling).

Extending the concern about the role of hybrid processes in organizations, alongside Hallett and Ventresca's (2006, p. 215) concern about "what are we to do about people," Zucker (1977, 1991, p. 106) warned that ignoring local processes would turn institutionalization into a "black box." While institutions were initially viewed as human social constructions, organizations and people have been increasingly treated as institutional constructions (Meyer and Jepperson, 2000). The idea that recoupling and re-creating can be part of the disruption of decay and incarnation is robust for further study.

As Hallett (2010, p. 53) argued, "[W]e cannot observe recoupling and understand its components or ascertain its possible outcomes . . . interests become articulated via local interactions, and turmoil involves struggles over meaning." He noted a need for empirical interrogation of local processes to understand how and why organizations matter. Important amongst these local processes for future studies include how organizational routines and institutional myths, such as through budgeting, are coupled to actual work; how these routines and couplings change; and what routines and couplings, such as through the budget process mean to inhabitants (Hallett, 2010). If, below the surface, the gaps that inspired ODM's (e.g. March and Simon, 1958) and OIT's (e.g. Meyer and Rowan, 1977) original thinking have changed, then we are obligated to revisit the micro-foundations of ODM and OIT. What happens when organizational routines are no longer relevant to the control and stability of work (i.e. Figure 3 Panel A)? How does that happen? What do these routines now look like compared to when they were functional? Likewise, what happens when conformity to macro-myths is no longer symbolic but is given flesh as the local myth of a tight coupling between an institutional environment and work activities is made natural (i.e. Figure 3 Panel B)? How does this happen? What does it look like? Future studies need to shed empirical light on these critical organizational concerns.

Budgeting provides a fascinating setting to study the recursive impact of organizational logics on the rational behavior of individuals and, in turn, individuals in shaping and changing this logic's organizational impact (Thornton, 2004). Budgeting also serves as a primary mechanism to manage the coexistence of multiple logics, particularly tensions around routines and values at the micro-macro boundary (Amans *et al.*, 2015; Ramus *et al.*, 2017). Managing variant perspectives can be organizationally challenging, but understanding the role of budgeting in integrating alternative logic within organizations can provide a link between individual agency and cognition and between socially constructed institutional practices and formal rule structures.

Suddaby and Greenwood (2005) argued that the institutional logic approach provides an important remedy to the theoretical drift away from institutional effects by highlighting how

the cultural dimensions of institutions both enable and constrain social action and the endogeneity of the definition of organizational routines in responses to institutional pressures (see also, Greenwood and Hinings, 1996; Seo and Creed, 2002). Because of this deep focus on legitimacy in the OIT perspective and the deep focus on operational stability in the ODM perspectives, these perspectives have been vulnerable to criticism for relying on an over-socialized view of action and not accounting for institutional and endogenous change (Hirsch and Lounsbury, 1997). In response to this criticism, the institutional logic framework incorporates multiple actors into a purposeful political struggle to create, maintain, disrupt, and/or re-create institutions (Lawrence *et al.*, 2009).

The decay/incarnation duality this paper offers within Figure 3 is an attempt to free logics from singular institutional orders and allow researchers to explore logics in dynamic play. This disassociation allows the re-theorization of logics as flexible bits of culture that constitute organizational actors, their identities, and their actions. Opening this theoretical window freshens thinking about logic, redirecting institutional research away from the study of isomorphic processes and toward understanding the sources and consequences of heterogeneity (Hirsch and Lounsbury, 2015). This focus on heterogeneity foregrounds contestation and struggle, putting meaning and morality – central to the “old institutionalism” – back on the institutional theory agenda (Kraatz and Block, 2017). The inherent tension between the ODM and OIT perspectives outlined herein suggests opportunities for future research to explore these foundational questions with a renewed perspective.

Implications for practice

The tension between ODM and OIT perspectives on organizational budgets is highly relevant for practitioners. An inhabited view stresses intra-organizational politics and extends the focus on conflicting interests by demonstrating how multi-faceted interests are articulated via struggles over meaning. As such, budget processes as a manifestation of both *rational decision-making* and *symbolic political processes*. Organizational budgets are a critical organizational routine used to promote both *stability* and *instability*, thus offering a potential solution to the paradox for organizations seeking to balance these objectives (Poole and Van de Ven, 1989).

Budgets emerge as an essential organizational tool from the ODM and OIT perspectives because of their ability to allocate organizational resources following established organizational routines or values and norms of desirable behavior (Stinchcombe, 2001). ODM perspectives evolved from a primary concern with the functionality of organizational routines whose functionality decays and loses function (Mouritsen, 1994; Battilana *et al.*, 2009). OIT perspective evolved from a primary concern with symbolic compliance with institutional myths and broad diffusion processes that incarnate and bind (Schneier and Clemens, 2006; Scott, 2008). The result is a paradox of embedded agency where people seek to change the organizations that shape their identity and activity.

Concluding comments

A theoretic approach around decay/incarnation foregrounds actor interest, individual agency, and institutional change (DiMaggio, 1988). March and Olsen (1983) argued that neither politics nor administration can dominate the other, yet both mutually complement each other. The result is a proliferation of hybrid organizational forms and practices that heighten the importance of budgeting in organizational life.

Our paper extends the ODM and OIT perspectives by critically accounting for under-considered attributes and usage within the extant budgeting literature. Budgets function as rational instrumental and socially constructed symbols, providing meaning and legitimizing power to the ever-shifting organizational relationships at the core of the ODM and OIT perspectives.

Notes

1. Hope and Fraser (2003) have raised concerns about the relevance of traditional budgets for managerial control and performance evaluation in a rapidly changing business environment. They proposed Beyond Budgeting as a new approach for organizations to work effectively based on their decision-making needs (for an empirical study on this phenomenon, see Libby and Lindsay, 2010). In this paper, beyond budgeting is not our focus.
2. Organizational values refer to “. . . the way an organization commits to working — a statement of how a company does what it does and the principles it will consistently abide by” (Coleman, 2022, pp. 1–2).
3. In this context, values are an organization’s moral codes — the rules individuals embrace and abide by that reflect the ethics of people within organizations and hold everyone accountable to a suitable standard of behavior (Coleman, 2022, p. 3). Budgets serve as a set of constitutive rules, norms, culture, and moral codes that reflect how organizations should be understood by all individuals and evaluated.
4. The American Heritage Dictionary defines a myth as a popular belief or story that becomes associated with a person, institution, or occurrence, especially one considered to illustrate a cultural ideal. Our study uses the term “myth” throughout to reference the beliefs and stories used to illustrate cultural ideals within an institutionalized context.
5. Organizational institutionalism refers to a broad field within the OIT that seeks to understand how organizations and institutions interact to conform to legitimate rules or the extent to which organizations effect changes within these institutional arrangements (Reid and Yang, 2016).
6. Institutional maintenance refers to “activities that ensure and enable the effectiveness and legitimacy of an institution” (Nelson, 2009, p. 1). In an organizational budgeting context, institutional maintenance includes changes in budgetary routines and practices and maintaining their stability.

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