

**Power and Performance:
A Field Study of the Rise and Fall of an Institutional
Entrepreneur**

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Abstract

Purpose – The purpose of this paper is to explore how performance measurement and management (PMM) practices are implicated in the exercise of power in organizations through the theoretical lens of institutional entrepreneurship.

Design/methodology/approach – The paper builds on a longitudinal field study in a Chinese local government department conducted over a period of six years.

Findings – The incomplete shift between moral- and merit-based performance logics in the Chinese government sector fostered opportunities for institutional entrepreneurship and power struggles in the organization under examination. The institutional entrepreneur initially balanced successfully between these logics, but was ultimately forced to resign as the power relationships forged through her manoeuvring were radically reversed. This process was intricately intertwined with the construction of shifting conceptions of her performance engendered by the ambiguity associated with the incomplete shift between performance logics.

Research implications – The paper explores the intricate relationships between power and PMM whilst shedding new light on the possibilities of balancing between different aspects of performance and how notions of performance are shaped through impression management.

Originality/value – The paper explores the relational properties of the notion of power implicated in PMM whilst extending the analysis to unravel opaque political processes, generally ignored in prior, related research, and addressing the issue of what determines successful institutional entrepreneurship.

Key words – China, institutional entrepreneurship, institutional theory, performance measurement and management, power.

Paper type – Research paper.

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Introduction

Studies of performance measurement and management (PMM) adopting an institutional theory perspective have proliferated over the past decade and now constitute one of the dominant streams of research on these topics in the public sector accounting literature (Modell, 2009a; van Helden *et al.*, 2008).¹ This body of research has evolved from relatively static depictions of how institutional constituencies influence PMM practices (e.g., Brignall and Modell, 2000; Johnsen, 1999) to pay increasing attention to how such practices are implicated in wider processes of organizational and institutional change (e.g., Adolfsson and Wikström, 2007; Modell, 2001, 2005; Modell *et al.*, 2007; Østergren, 2006; Siti-Nabiha and Scapens, 2005). In doing so, researchers have deepened the analysis of how the design and use of PMM may be understood as a manifestation of evolving power relationships (see especially Modell, 2005; Østergren, 2006). Yet, in reviewing the progress of this research programme, Modell (2009a) argued that the more dynamic properties of power as an enabling as well as constraining resource that actors draw on to mobilise and resist change are still under-researched. Similar observations have been made in the more general management and organization literature informed by institutional theory (e.g., Greenwood *et al.*, 2008; Lawrence, 2008).

One way of approaching this issue is to engage more explicitly with the literature on institutional entrepreneurship. The concept of institutional entrepreneurship was originally introduced as a means of dealing with the relative neglect of interests, agency and power in early articulations of institutional theory (DiMaggio, 1988). Institutional entrepreneurs are defined as actors with sufficient resources to initiate changes diverging from institutionalised practices in organizational fields (Hardy and Maguire, 2008). Performance information may be seen as one such resource being mobilised in the advocacy of certain interests. In a public sector context, the ambiguity often associated with the notion of performance has been found to open up considerable opportunities for actors to define what constitutes legitimate priorities in the face of competing interests (Modell, 2005; Østergren, 2006). The viability of such constructions of performance may, in turn, be imperative in sustaining the power of various actors (Déjean *et al.*, 2004; Modell, 2005) and raises the issue of what it means to be a successful institutional entrepreneur.

Whilst the literature on institutional entrepreneurship has grown into a substantial body of research (see Dorado, 2005; Garud *et al.*, 2007; Hardy and Maguire, 2008) little attention has been paid to the relative success and failure (or performance) of institutional entrepreneurs. The majority of empirical research on institutional

¹ Given the growing convergence of institutional theories, such as neo-institutional sociology and old institutional economics, in the accounting literature (see Dillard *et al.*, 2004; Modell, 2006; Ribeiro and Scapens, 2006; Siti-Nabiha and Scapens, 2005) we do not distinguish between these theories in this paper but engage more specifically with the literature on institutional entrepreneurship which has primarily grown out of the former. Hence, the term institutional theory primarily denotes neo-institutional sociology.

entrepreneurship has concentrated on relatively peripheral actors (e.g., Hensmans, 2003; Kraatz and Moore, 2002; Leblebici *et al.*, 1991) and the structuration of emerging organizational fields (e.g., Déjean *et al.*, 2004; Garud *et al.*, 2002; Lawrence, 1999; Lawrence and Phillips, 2004; Maguire *et al.*, 2004). The role of institutional entrepreneurship in more mature fields, where the barriers to change may be expected to be higher, has only recently received more focused attention (Greenwood and Suddaby, 2006). This has led some observers to argue that much research in the area has tended to convey a “hero image” of institutional entrepreneurs (Lounsbury, 2008; Lounsbury and Crumley, 2007), potentially overstating their capacity to successfully effect change and diverting attention from constraints embedded in organizational fields. Very little is known about the processes leading to failed institutional entrepreneurship (Hardy and Maguire, 2008). As noted by Mutch (2007), this may result in conflation of the notion of institutional entrepreneurs with those who bring about successful change at the expense of deeper understandings of what conditions change and stability.

This paper addresses this issue by tracing the trajectory of an institutional entrepreneur, seeking to change an organization in a mature but changing field, and how different conceptions of performance were mobilised in bolstering her position as well as bringing about her downfall. The study is set in the field of Chinese local government and examines how the gradual, but as of yet, incomplete shift from a moral- to merit-based performance logic creates opportunities for institutional entrepreneurship. The ambiguity stemming from these field-level developments proved to have an enabling as well as constraining effect on the ability to exercise institutional entrepreneurship as PMM practices became intricately intertwined with a power struggle in the organization under examination. The following section presents a theoretical framework for exploring these issues. This is followed by a description of the research context and design and an outline of broader reform movements in the Chinese government sector over the past decades. The subsequent case analysis follows a largely chronological approach tracking the actions of the institutional entrepreneur. The concluding discussion sums up our main findings, contributions and implications for future research.

Power, Performance and Institutional Entrepreneurship

The conception of power in early articulations of institutional theory was arguably one of relatively tacit and unobtrusive influence on organizational behaviour. The power of institutions to regulate behaviour was primarily ascribed to habitual aspects underpinned by regulative, cognitive and normative forces manifest in institutional isomorphism (DiMaggio and Powell, 1983; Scott, 2001). Whilst this conception of power has been criticised for ignoring more discrete and explicit acts of power motivated by clearly identifiable interests (Covaleski and Dirsmith, 1988; Covaleski *et al.*, 1993; Dillard *et al.*, 2004; DiMaggio, 1988) the literature on institutional entrepreneurship has made considerable progress in addressing this limitation. Early advances emphasised the purposive and strategic manoeuvring of institutional entrepreneurs as means of gaining and leveraging power in their attempts to change extant institutional arrangements (e.g., Beckert, 1999; Fligstein, 1997; Lawrence, 1999; Oliver, 1991). More recently, however, such conceptualisations of institutional entrepreneurship have been criticised for over-emphasizing notions of strategic agency and underplaying the extent to which institutional entrepreneurs are embedded

in organizational fields (Dorado, 2005; Hardy and Maguire, 2008; Leca and Naccache, 2006; Seo and Creed, 2002; Wijen and Ansari, 2007). Much research on institutional entrepreneurship has adopted an excessively actor-centric view bracketing the constraining effects of institutions accompanying struggles over power in organizational fields (Hardy and Maguire, 2008).

The solution to this conundrum lies in affirming the enabling as well as constraining properties of institutions (Dorado, 2005). This necessitates a conception of power as firmly embedded in existing institutions as well as subject to skilful exploitation by actors with vested interests. Drawing on Clegg (1989), several authors have proposed a distinction between *systemic* and *episodic* forms of power to this end (Déjean *et al.*, 2004; Lawrence, 2008; Lawrence *et al.*, 2001). Systemic power refers to the constraining effects of extant institutional arrangements as these frame actors' beliefs and behaviour in a particular field. This form of power is typically of a rather unobtrusive nature and is played out through routinized and habitual practices rather than more discrete, visible acts. By contrast, episodic power is exercised through clearly identifiable acts of a more strategic nature by individual actors as they try to influence or force other actors to comply with their interests.

It is primarily through reliance on episodic power that institutional entrepreneurs can create, transform and disrupt institutionalised practices (Lawrence, 2008). However, for such change initiatives to be sustainable requires alternative templates, or *institutional logics*, challenging the existing order to be available (Thornton *et al.*, 2005; Thornton and Ocasio, 2008). It is through the mobilisation of alternative logics that institutional entrepreneurs can accomplish shifts in collective consciousness and action (Leca and Naccache, 2006; Lounsbury, 2007, 2008), which often entails changing conceptions of performance (Déjean *et al.*, 2004; Lounsbury and Ventresca, 2003).² Hence, the exercise of episodic power should not be viewed as a function of free-floating and unfettered agency, but as embedded in emergent institutional logics. This is, in turn, complicated by the fact that shifts between institutional logics are not always complete. Incumbent logics, traditionally dominating an organizational field, may prevail alongside emergent logics and reinforce systemic power by providing a basis for resistance to institutional entrepreneurship (Marquis and Lounsbury, 2007; Townley, 1997).

The above conceptualization of power recognizes the reciprocal and dynamic interplay between actors in organizational fields and extant and evolving institutional arrangements. Power is thus treated as a fluid and relational concept rather than a commodity "belonging" to certain actors. Whilst such dynamic conceptions of power are increasingly being recognized in accounting research informed by institutional theories (Burns, 2000; Collier, 2001; Modell, 2006; Ribeiro and Scapens, 2006) it has only recently received more explicit attention in the literature on PMM in the public sector (Modell, 2009a). Early attempts to incorporate power in institutional analyses of PMM placed relatively one-sided emphasis on systemic power as firmly vested in the institutional arrangements favoured by various constituencies (see Brignall and Modell, 2000). Power was here seen as an antecedent constraint on managers' ability to exercise agency. More recently, however, empirical studies have drawn attention to

² Given this close link between institutional logics and conceptions of performance, we use the terms *institutional logics* and *performance logics* interchangeably in this paper.

how performance information is intricately intertwined with attempts to exercise episodic power and how this is conditioned by different institutional logics. Modell (2005) showed how an institutional entrepreneur entering into the field of Swedish higher education attempted to change institutionalised conceptions of performance by promoting an emergent performance logic. Whilst this change initiative created some ruptures in traditional conceptions of university performance, it ultimately failed to bring about more radical change in PMM practices as other actors in the field resisted it by harnessing incumbent performance logics. Similarly, Østergren (2006) observed how various constituencies struggled to construct and maintain diverse conceptions of quality grounded in competing institutional logics in the field of Norwegian health care. Acts of episodic power, such as government interventions to bring about a market-centred view of quality, were here resisted by other constituencies, such as the medical professions, mobilising a more traditional conception of quality grounded in the logic of medical care. Over time, however, this led to some accommodation of competing definitions of quality in emerging PMM practices.

An important analytical category for understanding how performance information may constitute a source of episodic and systemic power is the *ambiguity* stemming from the existence of competing institutional logics. The prevalence of multiple conceptions of performance competing for legitimacy in organizational fields opens up considerable scope for interpretation, which may be utilized by actors pursuing as well as resisting change (Modell 2004, 2009b; Vakkuri and Meklin, 2006). For instance, the emergence of novel performance logics has been found to fill an enabling role as the contents of such logics are rarely fixed, but may be moulded to suit the interests of institutional entrepreneurs as they struggle to cement their power in an organizational field (Déjean *et al.*, 2004). These findings resonate with institutional research suggesting that successful institutional entrepreneurs strive to maintain some ambiguity as they go about effecting change in a step-wise manner (Fligstein, 1997). On the other hand, the ambiguity associated with the notion of performance also creates opportunities for actors resisting the episodic power exercised by institutional entrepreneurs to construct competing accounts of performance. For instance, Modell (2005) found resistance to be bolstered by skilful use of such ambiguity by an incumbent regulator in the field of Swedish higher education. This, in turn, reinforced the systemic power embedded in extant performance logics and constrained the possibilities of institutional entrepreneurship.

The discussion above is indicative of the double-edged nature of the ambiguity associated with different performance logics as far as the likelihood of successful institutional entrepreneurship is concerned. In a public sector context, this dilemma may be exacerbated by the inherent ambiguity of the notion of performance (cf. Hofstede, 1981; Noordegraaf and Abma, 2003; Vakkuri and Meklin, 2006). Recent public sector reforms, pivoting on the modernising pressures embedded in the notion of New Public Management, have also been found to introduce novel institutional logics diverging from, but not necessarily replacing the logics traditionally dominating this field (e.g., Hammerschmid and Meyer, 2006; Hood and Peters, 2004; Reay and Hinings, 2009). This may be expected to create considerable scope for alternative interpretations of the notion of performance by actors competing for power. However, institutional logics differ in their degree of specificity and malleability (Leca and Naccache, 2006). Whilst some logics are relatively tightly specified and grounded in long-established and robust templates, others are open to a

broader range of interpretations and transformation. Hence, it is difficult to determine a priori how different logics will be mobilised by various actors in the struggle for power in organizational fields. This is inevitably an empirical question requiring deeper probing *in situ*. We now turn to explore this issue in the field of Chinese local government.

Research Context and Design

The research site is Northeast³, a municipal government department in Northern China⁴. The organization was created in the 1950s as a division of the municipal Party Committee, but became an independent department in the 1960s. At the outset of our study, it was responsible for delivering a wide range of exclusive services (e.g., gymnasium, aquatic centre, cinema, hotels, restaurants and further education) to a selected group of officials and Party elite (henceforth referred to as the “customer group”) and hosting invitation-only parties and social events.

Northeast is headed by an executive board consisting of one director and two deputy directors. Externally, it is subject to the dual leadership of the municipal government headquarters on operational issues and the municipal Party Committee on political and personnel affairs. Horizontally, Northeast receives fiscal resources from the municipal Finance Bureau. Internally, Northeast is structured along divisional lines. The executive board oversees three administrative divisions and the Activity Centre which operates the gymnasium, aquatic centre, restaurant and cinema. The Director controls the general office and the Activity Centre. Between the two Deputy Directors, one supervises administrative affairs and the other heads the Party Committee. The accounting office does not constitute an independent division, but is a secretarial function of the general office performing the book-keeping function on behalf of the municipal Finance Bureau. Figure 1 gives a simplified illustration of the internal and external reporting lines of Northeast.

[Insert Figure 1]

The case study in Northeast ran from 2003 to 2009. During this period, the principal investigator (who is a native Chinese) followed Northeast’s performance dynamics closely and recorded the rise and fall of its Director, who assumes the role of institutional entrepreneur in our analysis. Whilst this analytical focus responds to recent calls for greater attention to the role of individuals in institutional theory (Battilana, 2006), we situate our analysis against the backdrop of broader changes in institutional logics to avoid an overly actor-centric view of institutional entrepreneurship (Hardy and Maguire, 2008).

³ In accordance with the confidentiality agreement, the name of the organization is kept anonymous.

⁴ The Chinese government system has five tiers of administration, namely the central, provincial, municipal, county, and township. The provincial governments and those below are typically referred to as the local governments. Northeast is a department within the municipal government of a large Chinese city (somewhat equivalent to an independent division of a large metropolitan borough council in the UK).

The bulk of data collection took place in the summer of 2004 when the principal investigator spent four months inside the organization during a crucial stage of the change process under examination. This was preceded by a one-month pilot study in August 2003 and followed by a series of interviews, either in person or via telephone, from 2005 to 2009. The organization was visited at least once a year during the follow-up period. Towards the end of the data collection, in the summer of 2009, the researcher made another extended field visit (lasting three weeks) in an attempt to uncover the circumstances surrounding the sudden transfer of Northeast's Director.

Overall, the case study involved 112 semi-structured, formal interviews lasting between 30 minutes and 2 hours. Key interviewees, such as the Director and Deputy Director of Northeast, its First Secretary and officials of the municipal Finance Bureau, were interviewed several times. The Director, in particular, was followed closely throughout the case study to obtain an in-depth insight into her efforts to manage organizational performance. The distribution of the interviews across the various phases of the study is given in the Appendix. Most of the interviews touched upon sensitive issues which interviewees wished to discuss anonymously. Consequently, they were recorded through note-taking rather than audiotaping. The notes were usually transcribed on the same day as the interview. Whenever possible, formal interviews were followed up by informal conversations to validate emergent interpretations.

In addition to interviews, the case study benefited from extensive observations and everyday interactions with staff members. In August 2003 and the summer of 2004, the principal investigator had a desk at the general office of Northeast and was granted access to its weekly meetings, annual budgetary committee and ad hoc discussions of operational issues. During these periods the researcher worked regular office hours and closely followed staff routines. She interacted with the administrative staff on a daily basis and made frequent visits to the operational units. This offered plenty of opportunities for informal interactions with staff members, enriching her insights into the organization and supplementing the information obtained from the formal interviews. A wide range of archival data, including internal memos, official papers, the Director's annual performance reports (from 2004 to 2007), Northeast's annual budgets and other published materials, were also accumulated. During the field visit in 2008, we also obtained audiovisual material documenting the departure of the Director. This provided important insights into the official explanation of her downfall, which was complemented with other data sources to construct a more complete interpretation of the events surrounding this episode.

The prolonged engagement with the field study site, in combination with the principal investigator's background as a native Chinese, fostered a profound, emic understanding of situated meanings and their embeddedness in the institutional context of Chinese local government (Kakkuri-Knuuttila *et al.*, 2008). This is especially important for interpreting interview data as straightforwardness is generally considered socially inappropriate in this context and words alone do not always convey the richness and culturally specific subtleties of the conversation. However, in analysing the data and compiling the following case narrative we strived to combine this emic perspective with a theoretically informed, etic element, as is typically the case in much interpretive management accounting research (Kakkuri-Knuuttila *et al.*, 2008; Lukka and Modell, 2010). Whilst key analytical categories were given by our

theoretical framework, we strived to situate them and elaborate on how they explain the propensity for institutional entrepreneurship in the context under examination. Explanations of key events emerging from interviews, observations and documents were categorised under suggestive themes using relatively open-ended codes (e.g., the construction of performance, the dynamics of Northeast's performance, actions of the Director and circumstances surrounding her rise and fall) which were subsequently interpreted through the analytical lens provided by the theoretical framework. The themes emerging from the analysis were then used to construct a largely chronological narrative with particular emphasis on the actions of the Director and events surrounding these actions.

Institutional Context and Reforms: from a Moral- to Merit-Based Performance Logic

PMM practices in the Chinese government sector need to be understood in relation to China's political system and, in particular, a mechanism called the "personnel control" of the Chinese Communist Party (see Yang, 2008). This mechanism has tended to conflate the performance of individual senior officials with that of government organizations and has enabled the Party to exercise considerable power over the appointment, promotion, demotion and transfer of staff.⁵ Since its establishment in 1949, the People's Republic of China has initiated a series of reforms to modernise government and improve its performance. Of particular interest to our analysis is the partial shift in performance logics after the 1978 economic reform initiative, forming the starting point for the gradual introduction of free-market capitalism.

The PMM practices established before the economic reform era followed a pronounced *moral-based logic*. Drawing upon the code of Communist morality, the notion of performance was expressed through a scorecard⁶ with four aspects of political integrity, ethical standards, attitude and professional competence (Chow, 1993a, 1993b). Table 1 lists the main performance dimensions across these over-riding categories. Traditionally, moral considerations (in terms of officials' ethical standards, political integrity and attitude) have been paramount for performance evaluation purposes. The concept of professional competence was loosely specified and left to the judgement of reviewers as job descriptions in government organizations were often vague and encompassed many moral dimensions of the scorecard (Yang and Zhou, 1999). Government officials were encouraged to perform their duties out of a sense Communist morality rather than job specifications. Strictly "going by the book" was considered bad practice, lacking in initiative and selflessness (Chow, 1993a, 1993b).

[Insert Table 1]

⁵ Senior officials (*GanBu*) refer to those of departmental (*Ju*) level and above. Most of them are Party members themselves who, upon joining the government, must take vows to unconditionally follow decisions of the Party.

⁶ The scorecard was issued in October 1949 as a general guideline for performance evaluation across all levels of government and state-owned enterprises.

Consistent with the Communist “mass-line” principle, PMM has served an important “educational” purpose. To this end, performance evaluation involved extensive engagement of the evaluated official’s superiors, subordinates and peers, whose mostly qualitative feedback made up overall performance scores. A similar, highly subjective approach has dominated the evaluation of departmental performance. Such evaluation practices were generally structured around educational seminars where the appraisers and appraisees meet and exchange views on the overall performance of the organization in terms of its ability to meet operational and political targets. Little attention has been paid to financial performance and the financial awareness in the Chinese government sector has traditionally been low (see Qian, 1994; World Bank 1993, 1995, 2000, 2002). Hence, the evaluation of organizational performance has traditionally been heavily input-based, focusing on the amount of effort and attention devoted, rather than the output produced.

At each level of government, league tables, published at the beginning of the year, are used to rank the performance of departments and identify the top and bottom performers. However, rewards and sanctions have generally been spiritual rather than economic, with the top performer enjoying the honour of a being a “role model”. Poor performers were generally subjected to “educational talks” on how to improve their league table positions. Fast-track promotion or demotion based on league table rankings alone was rare. Once recruited, a job was secured for life. Excellent performers may expect a half-grade promotion every three years, whereas a poor performer may be transferred side-ways as a worst-case scenario.

The moral-based performance logic has been reinforced by the work unit heritage of Communist China. Prior to the instigation of economic reforms in 1978, all government organizations were structured as work units: a standardised form of organization adopting identical reporting lines, pay schemes, role descriptions, personnel procedures and PMM practices (Lu, 1989, 1993; Yang, 2008). Besides its formal role in building a strong Communist China, each work unit also functions as an extended family for its members (Yang and Zhou, 1999). This creates a tacit dimension to the performance scorecard. In addition to being moral and competent, one must also appeal to “family members” through such acts as volunteering for strenuous tasks and offering gifts (Yang and Zhou, 1999). The practice of gift-giving was usually acted out of a sense of social courtesy rather than calculation, because it is an important part of Chinese culture which values the offering and reciprocating of good-will. In the pre-reform era, the value of the gifts exchanged at work places was rather insignificant and the intention of such practices was often innocent.

In line with the Communist principle of equality and collectivism, PMM practices in the Chinese government sector also reflect a distinctive “average culture” (Yang and Zhou, 1998; Lu, 1989, 1993). Aspirations towards top performance in league tables are viewed with some apprehension: although it is necessary to perform well, virtues such as modesty and likability are valued to such a degree that performance often has to be deliberately downplayed or attributed to the input of collective efforts in order to display a humble attitude. Even a star performer may be denied promotion for violating the “average culture”. Furthermore, on the part of the reviewer, there is also a tendency to sacrifice merit for a superficial accord by evening out the scores of candidates under review to maintain a harmonious family atmosphere.

In the wake of the economic reform initiatives since 1978, the calls for more merit-based governance have grown louder and measures have been taken to trim government bureaucracy, remove functional overlaps, clarify responsibilities, prevent absolute power and improve the professional competence of government officials (see Fang, 1993; Lawrance, 2004; Leung, 1995; Qian and Litwack, 1998; Saich, 2001;). As a first step in this direction, the performance scorecard template was revised in 1979 to place greater emphasis on the professional competence of government officials.⁷ More recently, such developments have been reinforced by modernising pressures from external actors, such as the World Bank. In 2000, the introduction of the “Public Finance Framework” proposed a more objective, merit-based and output-driven performance appraisal system to improve operating performance (Yang, 2008; Yang and Scapens, 2010). This reform initiative stipulated that all government-funded projects must undergo capital investment appraisals for economic feasibility and be closely monitored through tight budgetary control to ensure accountability and fiscal probity.

Following these reform initiatives, the last five years have brought substantial efforts to change PMM practices in the government sector. After two years of preparation and experimenting, the Organization Department of the Central Committee of the Communist Party of China issued a set of guidelines in 2006 to instill a more “scientific” and objective approach to performance evaluation. In 2004, three provinces (ZheJiang, SiChuan and Mongolia) were chosen as “incubators” for a refined performance scorecard placing much stronger emphasis on the professional performance dimension. The new framework also requires output indicators to be established for performance evaluation and increasing emphasis to be placed on cost efficiency. According to official Party publications, this revised framework has since diffused widely and has been highly effective. By June 2008, over one third of all government organizations across the nation had allegedly adopted “a more scientific regime to evaluate the performance of government officials”.⁸ Government organizations have also been encouraged to continue to experiment with PMM practices in line with this ethos.

At the level of policy-making, these measures signify a transition towards a more *merit-based performance logic*. However, there is some reason for doubting whether this logic has yet become more firmly institutionalised in government organizations. The over-riding concern of the Party is still to exercise tight personnel control and the revised performance scorecard continues to place the moral and political integrity dimensions above all other performance criteria and emphasises the absolute leadership of the Party. As Wu (2007) observed, new PMM practices in the government sector are still struggling to take hold and have been hampered by the lack of a legal framework and systematic approach for pushing reforms down the hierarchy. Furthermore, recent reforms have been initiated without challenging the work unit system, even though it has been widely criticised as the cause of organizational inefficiency and ineffectiveness (e.g., Ma and Ni, 2008; Yang and Zhou, 1999).

⁷ The idea of professional competence during the reform era remains closely associated with meeting operating targets. Similar to the pre-reform era, however, financial indicators are generally absent from the performance scorecard.

⁸ People’s Daily, www.people.com.cn, 11, June, 2009 “A new performance evaluation model emerges”, accessed on 3rd November, 2009.

The emerging reform agenda has also fostered considerable ambiguity. Following the sustained challenges to the incumbent, moral-based performance logic and the expansion of the market economy, several observers have noted the growing disintegration of moral standards in society. This has left the notion of morality open to a broad range of interpretations from ones based on Communist values of equality, selflessness and disregard for material interests, to those based on the Capitalist values of individualism and free market mechanisms (Child and Tse, 2001; Saich, 2001; White, 1995). The motivation for the gift culture has also changed. Once acted out of social courtesy, gift-giving is increasingly used strategically for cultivating mutual obligations where power and influence are traded for money (Yang, 1989). In many cases the value of gifts far exceeds what one can afford and gift-giving has frequently been associated with fraud and abuse of power in the post-reform era.

To summarise, prior research in the Chinese government sector provides some evidence of attempts to accomplish a shift in institutional logics pivoting on competing conceptions of performance (cf. Déjean *et al.*, 2004; Lounsbury and Ventresca, 2003). However, it is still questionable whether these policy initiatives have been translated into new PMM practices in government organizations. The shift from a moral- to merit-based performance logic would, at best, seem to be incomplete and has enhanced the ambiguity associated with traditional values, such as morality. As illustrated by the field study in Northeast, this opens up opportunities for institutional entrepreneurship as well as power struggles in organizations.

Performance Management and Institutional Entrepreneurship in Northeast

Performance Measurement and Management Practices

The performance of Northeast is evaluated annually by municipal government headquarters and the municipal Party Committee, using a scorecard and procedures similar to those outlined in the foregoing. The peer review and superior review take place around the same time as the Director drafts her performance report. All departmental-level officials are required to score each other's performance according to a set of criteria. The same criteria are also used for the superior review, during which the Deputy Mayor scores and comments on the performance of Northeast. Meanwhile, an inspection team is dispatched to Northeast on a one-day survey to assess the solidarity and coordination of the board members, the leader-subordinate relationships and the general consent *within* the organization, eliciting information from senior and middle managers of Northeast and representatives of the service users. Having collected all the performance data, the final score is worked out by the Party Committee using a weighted average approach (the supervisory, peer, and self reviews account for 50, 40 and 10 percent of the score, respectively). Departments are categorised into four grades - "excellent", "good", "fair" and "poor" - and ranked in a league table. Similar procedures are also applied within each department for divisional performance evaluation.

Whilst subject to the modernising pressures associated with recent reforms in the Chinese government sector, the incumbent, moral-based performance logic still has a strong influence on performance evaluation in the municipal government of which Northeast is part. From the Party Committee's viewpoint, solidarity is one of the most

significant performance indicators. According to a senior Party official in charge of the performance review:

“The Director is accountable for maintaining the solidarity at the board level. In an environment of solidarity there is a general consensus among board members on all major issues concerning the organization and the Director must have strong support from below... Failing to do so would cast serious doubt on the Director’s ability to lead...”

An interviewee from the Organizational Division of the Party Committee added that:

“The government is expected to think and act like one. This is called unity...The Committee keeps a close eye on the coordination of the board. Our tolerance level for in-fight and nonsense like that is close to zero. Once a case of disharmony arises, the Committee steps in immediately to resolve the situation, which often means the transfer of at least one board member...but this is not something we would like to see.”

Consistent with the emergent, merit-based performance logic, “selecting officials for their merit rather than morality” has become a catch phrase guiding the work of the Party Committee. The Party Committee has launched a website illustrating in great detail the process of departmental performance evaluation to the general public. These publications give a strong impression of reform and progress. However, interviews with some of the Party officials involved in evaluating departmental performance suggested the opposite. For instance, on the subject of building a more merit-based performance measurement system, the general response has been rather unenthusiastic and progress towards this end has been slow. According to the interviews, there are numerous obstacles. To begin with, there is much confusion about the meaning of performance. A Party official in charge of the performance review noted that:

“What exactly does the term performance denote? Ask ten people, you are likely to get eleven answers. At one level it is taken as an *overall judgement* and *assessment* of the *quality* of a government official and the accomplishment of a government department... at another level we have the performance *score* calculated through a rather complicated formula. The latter is often used by the media to convey the message of performance to the public, as if it is some kind of scientific development...but in my view our performance management regime is far from being objective, nor is it in the slightest sense scientific”.

The ambiguity of the notion of performance creates much scope for political manoeuvring. In response to the question “what renders good performance in your view?” the Party official in charge of the performance review noted that “in practice there are no hard criteria for differentiating levels of performance, as all are up to the [Party] Committee’s impression and intention”. He added:

“You must understand that the purpose of the Party Committee is more about controlling government personnel [i.e., deciding who gets what position] than boosting their professional competence...this is not to say the latter is unimportant but one needs to put the word performance in context, where performance is an instrument for fulfilling the Committee’s intentions [about who gets what position]...”

it would make more sense if your question is re-framed to “How to impress the Committee?”, to this question I can give you a straight answer from years of observation—heavy networking as well as working hard unless you are born into a high family.”

PMM practices were also criticised for lacking motivational effect. Departmental performance is viewed as an indicator of the professional competence of its Director, but it is not the sole basis for personnel-related decisions. Although there is a structure that permits performance-based rewards on top of the traditional seniority system so that high achievers can get fast-track promotion, problems remain as candidates with well-developed networks gain much leverage in the competition for promotion. The younger and more ambitious careerists do not believe merit alone will get them anywhere. For them, gift-giving is “nothing personal, only professional”.⁹ A divisional chief within Northeast noted that:

“It is naïve to expect promotion solely on the basis of professional competence...[On the downside of gift-giving] no doubt the situation is problematic. It disrupts the order of competition [for promotion] and encourages abuse of office...I myself have published several articles on this subject [of building a more merit-based incentive system] ... but the culture is hard to change...forget about what you see in the newspaper, the system-in-use is pretty much the same as the old-school regime.”

Municipal government headquarters holds a rather ambivalent attitude to the flourishing of informal networking and gift-giving. Though publicly condemning such behaviour, it acknowledges the necessity of using informal channels to monitor and evaluate subordinates' performance. A senior government official suggested that:

“The existing system lacks clear job descriptions, which makes it very difficult to measure performance objectively. Comparing results at the year-end with the operational plan set at the beginning of the year is unhelpful, as the latter lacks specific output targets... [In such circumstances] personal contacts are useful because they help to complement the information we get from formal procedures...besides, it is rather inadequate to reject gifts; and people who do reject gifts are mocked and even marginalised by peers.”

The development of PMM practices in the field study site thus reflects much of the ambiguity associated with recent reforms in the Chinese government sector. Whilst officially lauded as a symbol of reform and progress, the merit-based performance logic has not replaced the incumbent, moral-based logic. As explicated below, however, the pressures associated with this reform agenda rendered certain organizational practices, traditionally flourishing in Northeast, increasingly untenable and created opportunities for change.

The performance crisis and the problem of “local income”

Due to its limited contribution to the local economy, Northeast was long a relatively marginal member of the municipal government. Since the start of the economic reform era it had suffered from an increasingly embarrassing reputation as being an old-school residue with little career prospects or financial benefits. There was an

⁹ Quote from a divisional chief of the Commerce Bureau of city government.

implicit understanding that Northeast was the Party Committee's dumping ground for the "hopeless", a place where "people may get in, but they can never move out", according to the assistant to the Director. For these reasons, the performance of Northeast had never registered much attention and was allowed to drift like a neglected child. Overstaffed, under-resourced and de-motivated, the organization's position in the government league table had always been rather unflattering. The deterioration of its performance escalated to an outright crisis at the outset of our study, when Northeast was deemed to have "drifted too far"¹⁰ and its poor performance was no longer tolerable. To begin with, 2003 saw a significant rise in the amount of fraud and financial scandals. Alleged abuse of office included minor offences, such as pilferage, as well as gross misconduct concerning several capital investment projects. These allegations were reported anonymously by "insiders" to the municipal Party Committee. Although no official case was established, the credibility of Northeast suffered gravely.

What is more, Northeast was plagued by personal disputes as a result of so-called "local income" generation. This phenomenon is unique to Chinese government during the post-reform era and can be traced back to the 1980s, when local governments were encouraged to seek financing from local, non-governmental sources such as charges for public utilities and revenues from running their own businesses. Local income has been one of the primary sources of off-budget financing and has been subject to considerable controversy over the past twenty years for its lack of accountability and transparency (Yang and Scapens, 2010). Since the late 1990s, the National Audit Committee and the Ministry of Finance have become increasingly alarmed by the size of public finance circulating outside formal government budgets and the corruption and fraud associated with local income generation. Several policies have since been issued to stop government organizations running their own businesses or issuing unauthorised user charges (see Ma and Ni, 2008). Nevertheless, in practice, local income generation still appeals strongly to local authorities. It is an open secret that local authorities have locally generated income which is accounted for separately, as a "little private treasury", and used at their discretion.

Within the municipal government, the practice of local income generation was rampant. However, the situation in Northeast was particularly problematic because it took place mostly at the level of privileged individuals. Staff members (mainly middle and senior managers) were allegedly involved in regular businesses with the private sector using the organization's resources. They kept the income to themselves but charged expenses to Northeast and thus became very well-off, leaving those without access to such revenue sources frustrated. The disputes between the two camps sometimes burst into heated arguments, causing much concern for the municipal Party Committee.

Northeast also faced overwhelming criticisms from its customer group. In an outburst of disappointment over a series of unresolved complaints, the customer group brought the performance issue to the municipal Party Committee and suggested that if Northeast was unable to perform, the government would be better off outsourcing services to the private sector. In fact, private sector counterparts of Northeast had already begun lobbying for control over its operations, claiming that better

¹⁰ Quote from a meeting between the Deputy Mayor and the incoming, Acting Director of Northeast.

performance would be delivered only if they were allowed to take over management. In another city of the province, there had been examples where similar government operations were handed over to private companies.

Northeast's performance score dropped to an all-time low in the 2002 review, sinking to the second from the bottom in the municipal government league table. Along with the persistent pressures from the customer group, this eventually prompted the Party Committee to take action. In July 2003, it engineered a lateral transfer, offering the Director early retirement whilst appointing a "side-lined" deputy director of another department as Acting Director of Northeast. As explicated below, this move allowed an institutional entrepreneur to come to the fore and initiate change in line with the emergent, merit-based performance logic.

The rise of the institutional entrepreneur

The new Acting Director was a renowned performer with an excellent track record and was widely respected for her integrity. Before joining the municipal government, she had spent twenty years as the chief inspector of the municipal Disciplinary Committee fighting fraud, corruption and other "irregularities in the socialist market economy".¹¹ However, her career progression had been relatively slow due, in large part, to her aversion to the gift culture described in the foregoing.¹²

During her interview with the Party Committee, the Acting Director was instructed to take necessary steps to improve performance and lift "men's morale". To further achievement of these objectives, the first few months saw her making extensive home visits to the customer group to whom she apologised for the long-neglected customer services and promised to improve the situation. Several long-standing disputes over medical bills and delayed payments were resolved. She also succeeded in obtaining a special budget for renovating the Activity Centre, which enabled a number of new programmes, such as outdoor tennis and indoor golf, to be offered. During this period, the Acting Director made daily visit to the operational frontline. Her findings were disheartening - "though I was prepared for this, the scale of the operational problems astonishes me" she intimated in one of our interviews. She initiated numerous discussions with middle managers (at the divisional level) on improving the efficiency and effectiveness of service provision. These gestures were well-received among the customer group who sent a letter of compliments to the municipal Party Committee in the autumn of 2003. The letter described changes in Northeast since the arrival of the Acting Director and recommended a half-grade promotion to reward her performance.

Improving customer relationships was thus a crucial first step in improving the performance of Northeast. Afterwards, the Acting Director set out to improve staff relationships through an "unofficial" pay rise, funded by opening the Activity Centre and the transportation unit to the general public. Generating such local income was a risky strategy as it diverged from the fiscal policies laid down in the Public Finance Framework. However, back in 2003, the Acting Director considered the risk worth taking and she described staff pay rise as "the only way to build trust, authority and order out of chaos". This view was confirmed by interviews with the staff members.

¹¹ The quote is extracted from the Acting Director's CV.

¹² Typically, promotion takes place after serving in a position for three to five years. Most of her peers with similar background have progressed to more senior positions. She was the only departmental-level leader remaining un-promoted for ten years in the municipal government.

Salary was one of the most talked-about subjects in Northeast at the time and literally all interviewees considered themselves underpaid. A veteran administrator complained bitterly about Northeast being “a poor people’s club and they [the leaders] are just as de-motivated and miserable as the rest of us.”

Staff accepted that the pay rise was decidedly a good thing, but they were also doubtful about the commitment of the Director and, above all, whether “a woman was capable of surviving in the jungle, let alone changing things single-handedly”¹³. The municipal government was unaccustomed to female leaders and a female director was a novelty in the male-dominated Northeast. Cynics, such as some members from the transport unit, expected her to “fall quickly and heavily”. However, such doubts were to be proven wrong. By the end of 2003, the operations opened to the general public were already generating revenues and a supportive network had been formed between the Acting Director and the municipal Finance Bureau and Municipal Party Committee.

These revenues were deposited in a “private treasury”, separately accounted for by the chief accountant, and were used to fund a generous bonus for staff members before the Spring Festival of 2004. The Acting Director frequently stressed the legitimacy of this local income generation scheme, claiming that “because the income was generated through collective efforts and used for collective benefits, it was fundamentally different from the previous money-making practices of the privileged”. The latter practices were forbidden under her leadership. In early 2004, oral warnings were given to some of the individuals still involved in private transactions. Later that year, a divisional head lost his job for ignoring such warnings.

By managing her relationships with customers and subordinates the Acting Director was able to enhance the moral aspects of organizational performance. Through the pay rise she gained immense popularity among staff at middle and lower ranks and hence a very favourable subordinate review at year-end. Anonymous letters more or less stopped by 2004, which indicated “considerable improvement in the morale and relationships between leaders and subordinates”.¹⁴ The peer and superior reviews also saw substantial improvement. Customers’ letters of compliment were copied to the city Mayor and Northeast was praised in the 2004 annual government conference. Fellow directors also scored the Acting Director highly in the peer review and were amazed at the quick turn-around of Northeast’s customer service.

The municipal Party Committee was quick in recognising Northeast’s performance. In the autumn of 2004, it offered the Acting Director a half-grade promotion to permanent Director in view of her “stunning”¹⁵ performance. In the beginning of 2005, Northeast already took the tenth place out of 19 in the municipal government performance league table, progressing from the “poor” to the “good” grade. This level of performance was maintained in the subsequent years until 2008. Although the Director considered it possible to improve the performance ranking further, she preferred the middle ground because “getting too far ahead of the others is not necessarily beneficial”.

¹³ The quote is extracted from an interview with the secretary from the General Office of Northeast.

¹⁴ Quoted from the Acting Director’s performance review, prepared by the Party Committee.

¹⁵ The quote is extracted from the official announcement of that promotion.

Whilst the initial performance improvements in Northeast were accomplished without seriously challenging the moral-based performance logic, tensions began to surface as the Director persisted in her pursuit of better operating performance. An important step in this direction was the attempt to enhance “operational competence” through a system of responsibility and accountability coupled to more customer-orientated work practices. However, customer orientation was unheard of in Northeast and both middle managers and lower-level staff were still seen as subscribing to the slow and passive way of doing things. The First Secretary admitted that: “compared to other government departments which already operated in a more market-aware manner, Northeast was decidedly old-fashioned.” The norms of conduct associated with a transition towards the merit-based performance logic, such as efficiency and individual responsibility, were discussed with less interest than anxiety. Interviews with middle managers and lower-level staff revealed a general fear that “shaking people up too much does no good”. The head of the restaurant noted that “she has dropped the special manual [for directors] and decided to eat in the dining hall [at lunch time], which makes us very nervous”. These interviews also suggested a tendency among staff to adopt a minimalist approach to operational duties. For instance, operational staff saw the Director as a sort of “idealist”, noting that “we are doing okay and she has been promoted, so what is the fuss all about?”¹⁶

To convince her subordinates of gaps in their performance, the Director encouraged them to visit their counterparts in the private sector to learn and copy efficient ways of working. For nearly two years she made daily visits to the frontline of operations, spending long hours with operating staff and taking very little holiday of her own. These efforts were rewarded with consistently high performance scores. However according to the Director, “the process was still in its infancy” because “people are so used to be told what to do... nothing can be achieved without a sustained push...I have to be there physically to monitor progress, or little gets done”. Up until 2008, she was still seen checking the restaurant menu, testing water supply at the aquatic centre and making personal inquiries about customer satisfaction.

These actions are testimony to more forceful mobilisation of the merit-based performance logic and diverge from what has traditionally been the norm in Chinese government organizations. Senior government officials are generally expected to give instructions whilst refraining from direct involvement in operational issues. In Northeast, the Director not only closely engaged with everyday operations, but asked her deputy and the Party Secretary, much to their dismay, to do likewise. This entailed taking charge of such “mundane tasks” as publishing the yearbook for elderly citizens and organising shows on the National Day. The Director’s espoused ethos was that “the new responsibility regime affects everybody, including senior managers”.¹⁷ She even improvised a merit-based promotion system to allow able junior staff to assume more responsibilities and to be paid more. Twice a year since 2005, a group of staff members were sent abroad to form connections with countries experienced in dealing with the aging population. The “private treasury” funded most of these unofficial bonuses and overseas training.

¹⁶ The quotes are extracted from informal discussions with staff from the Activity Centre during the fieldwork in 2004.

¹⁷ The quote is extracted from a meeting where the Deputy Director challenged her hands-on approach to work.

Initial reactions to these measures were very positive, especially among lower-level staff, who viewed the Director as the “most competent leader we have ever seen”.¹⁸ During an interview in late 2004, the assistant to the Deputy Mayor also argued that:

“Until last year it [ie. Northeast] was still hopeless, failing basic requirements of making ends meet and making people content...[in such situations] the appointment of a new director was only to be expected. ...but the organization was so marginal that we didn’t seriously expect it to become a star performer or rise to the top of the league table... a minimum approach would have been enough to meet these basic performance targets.....we were very surprised that comrade X [ie. the Director] took the job so seriously, put in so much effort and achieved so much.”

The official recognition was overwhelming. From 2004 to 2006, the Director was nominated as “outstanding department leader” of the year. She turned down the honour claiming that “there are many departments more deserving of the title”. It was the first time that the head of a service department was nominated for such an award. However with the performance crisis passing, disharmony within the executive board of Northeast began to surface. The initial dispute, centred on the Director’s leadership style, was started by one of the deputies who had served the organization for over two decades and had enjoyed numerous privileges. He was uncomfortable with the Director’s commercial initiatives and strongly resisted her rather “centralised” way of making decision, claiming that “I appreciate her hard work ...but one cannot do everything; at some point one must delegate”. In the subsequent years, he made similar remarks on several board meetings but they were mostly dismissed.

The disagreement between the Director and her deputy came to the open in mid-2007 when the latter filed a complaint to the municipal Party Committee concerning the lack of financial accountability for locally generated income. In June 2007, the Party Committee sent out an inspection team but found that there was no case of fraud or misconduct. Income generation was justified by claiming that revenues were used for investment in infrastructure and for reducing Northeast’s capital budget. The Party Committee encouraged the Director to continue her pursuit of improved operating performance and even promised to transfer the Deputy Director to facilitate reforms. Nonetheless, an interview with the Director was held afterwards on the subject of solidarity. The message emerging from this interview was that the Director should take measures to keep the executive board “unified” so as to avoid “similar embarrassment in the future”.

The re-assured Director re-affirmed the direction of change in a subsequent departmental conference, claiming that “a more individualised responsibility system and more merit-based performance system can be and ought to be achieved through sustained efforts from us all”. To expand the operations of Northeast, she embarked on another project which she deemed to be “absolutely essential for our sustained success”. In the fall of 2007, she obtained the planning permission and fiscal resources to build the first university for elderly people in that region of China. The idea was to borrow the Japanese experience to improve the cultural life of local, elderly people. The project progressed rapidly. The summer of 2008 saw the

¹⁸ The quote is extracted from an interview with a veteran administrator who had served Northeast for over twenty years.

completion of the main teaching buildings. The university project inspired great enthusiasm among the local population. Both Northeast and its Director received broad media coverage, which established a fresh image of Northeast as progressive, up-to-date with the transformation of China and ready to contribute to the well-being of society.

To summarise, the developments between 2003 and 2008 show clear evidence of an institutional entrepreneur bringing about divergent changes by harnessing the merit-based performance logic. Several of the Director's initiatives, such as her close engagement with operational tasks and her relentless pursuit of operating performance improvements, diverged from institutionalised practices in Northeast but were clearly in line with the ethos of experimenting with new ways of managing performance in Chinese government organizations. This alignment with the emergent institutional logic enabled the Director to exercise episodic power and overcome potential barriers to change, such as being a woman and rejecting the gift culture. By strategically managing her relationships with two disenfranchised constituencies (customers and lower-level employees) the Director was able to shape a conception of performance enabling her to entrench her position and continue her quest for operating performance improvements. Customer recommendations and improved relationships with staff fed into performance appraisals tallying with the merit-based performance logic. At the same time, however, the Director demonstrated some mindfulness of the systemic power embedded in the incumbent, moral-based performance logic. This was especially reflected by her decision not to challenge the "average culture" associated with institutionalised PMM practices and display of a humble attitude to official praise. Some of the Director's actions, notably that of generating "local income", also occurred in an institutional borderland. Whilst such actions run counter to the ethos of the economic reform agenda, they are widely practised and tacitly accepted in the field of Chinese local government. The manoeuvring of the Director is thus indicative of the delicate balancing acts often required to exercise institutional entrepreneurship in the face of ambiguity (cf. Fligstein, 1997). However, as illustrated by events unfolding over the coming year in Northeast, the ambiguity associated with the notion of performance can also be leveraged to mollify institutional entrepreneurship.

The downfall

Since 2007, there had been growing concerns about the Director's individual performance. On several occasions, the assistant to the Director worried about the Director's position, and especially about her refusal to give in to the gift culture, noting that "she is a bit blind ...hard work does not get one far in our line of business." The remark from the Party Secretary of Northeast (who helped to coordinate the 2007 inspection) was less subtle:

"The Director needs to value her relationship with the deputies a great deal more...She is trying to achieve what she considers to be better performance at the cost of the board level consensus. This can be very counter-productive... No matter what the inspection team promised, I would not be so optimistic."

It was not long before these concerns became reality. Even though the Party Committee promised to transfer the Deputy Director to another department, it never

took place because that department did not like the idea of accommodating a “troublemaker” and kept postponing the creation of a vacancy for him. This enabled him to launch a series of criticisms and complaints about the personality of the Director and the accountability of locally generated income, which proved detrimental to her position. In mid-August 2008, a rather abrupt announcement was made by the municipal Party Committee that both the Director and the Deputy Director of Northeast were to be laterally transferred elsewhere. According to the Party Committee, this move was “the only way, in view of the irreconcilable differences between the board members”.

Two days later, a farewell conference was held at Northeast. Attendants, mostly high-profile Party members and government officials, praised the Director’s performance. The Deputy Mayor stated “Comrade [X] took the office at a time of great difficulty; yet managed to transform the organization and achieve outstanding performance...Her exemplary behaviour is worthy of our respect.” Her successor as new Director of Northeast acknowledged her performance in a similar vein, noting that “I will do my best to serve the customers ... but Comrade [X] has set an impossible standard for me to match”.

The conference itself did not provide any obvious indications of the reason for the transfer of the Director. After the conference, the Director had a formal meeting with the Deputy Mayor, who suggested that although Northeast as a whole had progressed, its Director had failed on the solidarity issue in view of the persistent lack of harmony in the leadership team and that this may eventually threaten the performance of the organization. He also intimated that her local income generation was rather poorly managed and had become a source of internal conflict. These explanations met with some defiance, as the Director challenged the Deputy Mayor to “re-consider the decision with reference to my performance record from 2003 to 2007”. The latter did not give a direct response but promised to meet her again to discuss her concerns. However, the Director eventually accepted that the situation was irreversible and decided that “there was no alternative but to move on”.

These findings are indicative of how incomplete shifts between institutional logics constrain the ability of institutional entrepreneurs to exercise more sustainable forms of episodic power (cf. Thornton and Ocasio, 2008). The need to balance between the merit-based and moral-based performance logics implies that the former cannot be mobilised without the risk of challenging key vestiges of the latter (ie. solidarity). The ambiguity resulting from the co-existence of these logics enabled very different conceptions of the performance of Northeast and its Director to be constructed in a struggle for power involving a considerable element of tacit political gamesmanship. Senior officials generally considered the Director a “victim of a cunning game of politics”. Municipal government officials intimated that in late 2007 informal discussions had already started regarding the promotion of a particular candidate for a municipal government post. This candidate had a reputation for generosity in networking and was one of the high-fliers in the municipal government. A former Deputy Mayor suggested that:

“The deal [between the new Director and the Party Committee] must be to first elevate him as the Director of Northeast then transfer him laterally to a more important post when the opportunity comes. ... The Director of Northeast could

perhaps have taken pre-emptive actions had she known about these behind-the-scene arrangements. ... However, she is so clean and so detached from the circle ... people like her are often oblivious of danger until it is too late.”

The field visit in the summer of 2009 comprised several in-depth interviews with the key Party officials directly involved in the performance evaluation of Northeast, one of whom suggested that:

“What happened in 2008 is not unusual ... His [the current Director’s] generosity and ambition is well known ... [he] had been on the look-out for promotion for years and had managed to befriend most of the key personnel decision makers. ... However, it hadn’t been easy to clear a path. Due to all the streamlining programmes it was very difficult to find a vacancy. ... The Director of Northeast, being an old comrade, was the only one that could be relatively easily transferred to create such a vacancy. All the others were extremely well-connected and hence immobile ... her brilliant performance results really do not matter that much to her personal career. Performance scores serve to fulfil the intention of the Committee, not the other way around. The intention of the Committee is to use the new Director, so the former Director had to go.”

Whilst the change of directors had no immediate effect on the performance of Northeast, issues soon arose concerning the integrity of the new Director in view of his rather aggressive approach to gift-giving. According to a Party official:

“Anonymous letters started all over again, this time attacking the new Director’s character and probity...questions were asked as to where the money [for gift-giving] came from...I suppose these people [the customer group] are still attached to their previous Director so they must feel a bit disoriented by the new leader who seems to have a completely different set of agendas.”

Some gentle reminders regarding his attitude to service provision passed through informal channels to the new Director, but according to our interviewee from the Party Committee “no serious steps will be taken [on the part of the Party Committee]...and there will be no substantial threat to his performance in the short run. Thanks to a good network he will do fine in the peer review and superior review which is all that matters.” It was also revealed that the new Director had already been shortlisted for further promotion. “If he could keep the performance stable and his record clean, in three to five years I reckon he will be able to move on to a much better post”, said the Party official in charge of the personnel division of the municipal government.

Concluding Discussion

The field study in Northeast reveals how power relationships evolve through the interplay between an institutional entrepreneur and other actors in an environment permeated by competing performance logics. The rise of the institutional entrepreneur

was conditioned by her skilful exploitation of the emergent, merit-based performance logic, but also implied some balancing with the incumbent, moral-based logic (cf. Brignall and Modell, 2000; Modell, 2001). Whilst this entailed some strategic manoeuvring, such as the formation of an alliance with previously disenfranchised constituencies, it also comprised considerable mindfulness of the systemic power embedded in the incumbent performance logic. The latter was not least manifest in the striving of the institutional entrepreneur not to openly challenge the firmly embedded “average culture” constraining more radical performance improvements. In contrast to much previous research on institutional entrepreneurship (e.g., Déjean *et al.*, 2004; Garud *et al.*, 2002; Lawrence, 1999; Lawrence and Phillips, 2004; Maguire *et al.*, 2004), the institutional entrepreneur was not in a position to radically transform institutional logics. Yet, she was able to exercise an element of episodic power by utilizing the ambiguity associated with the incomplete shift between the moral- and merit-based performance logics. Initially, this entailed shaping a conception of performance striking a balance between these logics within which potentially contentious issues, such as the generation of “local income”, could be accommodated.

On the other hand, our findings also show how fragile power relationships emanating from the balancing between competing performance logics can be. The emerging controversy surrounding the generation of “local income” galvanized resistance and gradually reinforced the constraints to institutional entrepreneurship embedded in the incumbent, moral-based performance logic. Whilst the lateral transfer of the Director of Northeast entailed a considerable element of strategic manoeuvring, it was ultimately legitimised through recourse to firmly entrenched notions of “harmony” and “solidarity” forming key elements of the moral-based performance logic. This illustrates how resistance to institutional entrepreneurship is intricately intertwined with the systemic power embedded in incumbent institutional logics (cf. Lawrence, 2008; Marquis and Lounsbury, 2007), but also draws attention to how such power is played out through exploitation of ambiguous PMM practices. These findings show how systemic power may take precedence over the episodic power exercised by institutional entrepreneurs whilst impressing the view of power as an ever-shifting relational concept rather than a static property belonging to certain actors (Lawrence, 2008). This distances our analysis from an atomistic, actor-centric view of institutional entrepreneurship (Hardy and Maguire, 2008), potentially exaggerating its role in processes of institutional change (Lounsbury, 2008; Lounsbury and Crumley, 2007; Mutch, 2007).

These findings have important implications for the notion of balancing between different aspects of performance, which has received ample attention in recent PMM research (see Johansson *et al.*, 2006; Sundin *et al.*, 2010). Prior institutional research suggests that such balancing is primarily accomplished by decoupling conflicting performance indicators from each other whilst conforming to more powerful constituencies (e.g., Brignall and Modell, 2000; Modell, 2001). However, this would seem much more difficult where the boundaries between different performance logics are blurred and obscure the extent to which some performance aspects may be privileged over others without challenging certain interests. Rather than decoupling the moral- and merit-based performance logics, the institutional entrepreneur in our study initially fostered an image of performance downplaying potential conflicts between them. Whilst this balancing strategy proved tenable as long as the power relationships forged through her initial manoeuvring were sustained, the construction

of a very different conception of her performance was underpinned by a radical reversal of these relationships. This suggests that balancing between competing performance logics requires constant alertness to shifting power relationships rather than resorting to a strategy of decoupling performance indicators underpinned by presumably stable and clearly articulated interests (cf. Brignall and Modell, 2000). Herein lies our contribution to emerging accounting research exploring the changeable and relational properties of power within an institutional framework (e.g., Burns, 2000; Modell, 2006; Ribeiro and Scapens, 2006).

The discussion above also underscores how the ability of institutional entrepreneurs to exercise episodic power hinges on their management of performance through skilful manipulation of impressions (cf. Déjean *et al.*, 2004). Rather than conceiving of power as an antecedent constraint on the ability to exercise agency, we need to recognize that institutional entrepreneurs have varying opportunities to shape conceptions of their own success in their ongoing efforts to establish and sustain power relationships. It is this intricate interlacing of power and performance that determines what constitutes a successful institutional entrepreneur. This suggests interesting opportunities for future research into how power is exercised in organizations by combining institutional research on PMM with more explicit insights from the impression management literature (cf. Arndt and Bigelow, 2000).

However, our study goes considerably beyond the external impressions conveyed by PMM practices and extends the conceptualization of the relationship between power and performance by drawing attention to how interests are tacitly pursued as part of rather opaque political processes. The circumstances behind the fall of the institutional entrepreneur underline the need to go beyond ostensive agendas and attempts to rationalize the outcomes of power struggles through PMM practices to explore how power relationships are shaped. Prior institutional research on PMM has largely ignored such aspects by confining the analysis to how episodic power is openly contested and resisted by actors representing clearly articulated interests (see Modell, 2005; Østergren, 2006). This may be due to its concentration on the official positions adopted by various actors at the organizational field level and limited efforts to follow key actors, such as institutional entrepreneurs, over an extended period of time. Deeper insights into the more tacit dimensions of the relationship between power and performance, such as those emerging from our study, can probably only be gained from prolonged engagement and close observations of PMM practices from an emic perspective (cf. Kakkuri-Knuuttila *et al.*, 2008; Lukka and Modell, 2010).

By following such a research approach, our study also makes important contributions to institutional theory in the general management and organization literature. In addressing the under-researched question of what determines the relative success and failure of institutional entrepreneurs (Hardy and Maguire, 2008; Mutch, 2007), we have paid more explicit attention to the role of individuals than has hitherto been the case in much institutional research (see Battilana, 2006). Such aspects have largely been bracketed by the focus on organizational fields as the dominant unit of analysis (Wooten and Hoffman, 2008) and the relative neglect of micro-level processes in institutional theory (Powell and Colyvas, 2008). However, our study suggests that the role of individuals in such processes is important for understanding how notions of performance are shaped, especially where organizational performance is strongly

associated with effective personnel control. Future studies could extend such analyses to other organizational fields.

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Figure 1: Internal and external reporting lines of Northeast

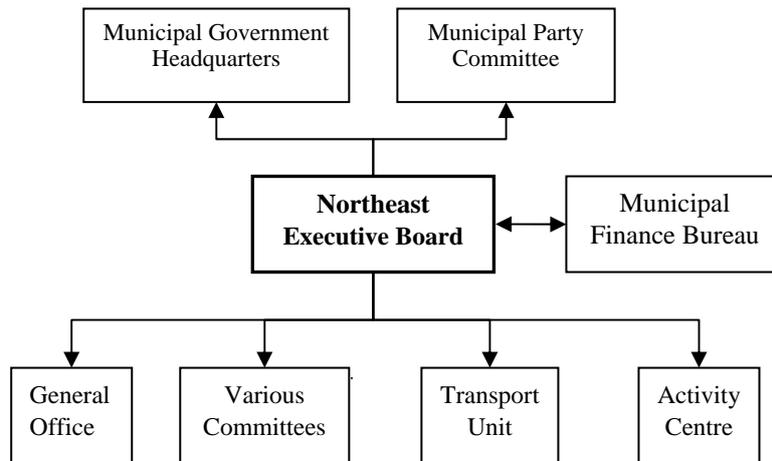


Table 1: The template of the performance scorecard used in Chinese government organizations.

Key aspects of performance	Key performance indicators
Ethical Standards	-Solidarity -Trustworthiness -Parsimony -Commitment -Generosity -Attentiveness to the development of personal virtue
Attitude	-Diligence -Devotion -Enthusiasm at work -Co-operation -Modesty
Political Integrity	-Patriotism -Participation in political learning -Loyalty to the leadership of the Chinese Communist Party -Contribution towards the social and political stability -Law/rule binding -One-child policy -Probity
Professional Competence	-Ability to accomplish delegated tasks -Flexibility -General competence -Leadership

Appendix: List of formal interviews

Interviewees	Time of the interview						
	2003	2004	2005	2006	2007	2008	2009
Northeast							
Director	15/Aug. 29/Aug.	19/Jul. 23/Jul. 2/Aug. 6/Aug. 9/Sep. 29/Sep. 8/Oct.	20/Apri. 26/Apri. 9/May	10/Feb. 1/Jan.	13/Apr. 3/Aug.	9/Sep. 10/Sep. 11/Dec.	4/Aug.
Deputy Director		5/Aug. 30/Sep.				12/Sep.	
Secretary A, General Office		26/Jul. 6/Aug. 9/Sep. 29/Sep. 8/Oct.		1/Jan.	3/Aug.	9/Sep. 10/Sep.	27/Jul.
Secretary B, General Office		09-Sep		1/Jan.		12/Sep. 30/Oct.	
Secretary, Party Committee		10/Sep.					
Chief Accountant		22/Jul. 2/Aug. 11/Aug. 27/Sep.	05-May				
Junior Accountant		10/Aug. 16/Aug.					
Division Chief, Aquatic Centre		24/Sep.	09-May				
Staff, Aquatic Centre		4/Oct.		6/Jan.			
Division Chief, Restaurant		3/Sep.	10-May				
Chef, Restaurant		03-Sep					
Division Chief, Transport Unit		02-Aug					
Staff, Transport Unit	22/Aug. 29/Aug.	22/Jul. 17/Aug. 23/Sep.	09-May	10-Feb 1/Jan.	13/Apr.	9/Sep. 11/Sep.	25/Jul.
The Customer Group	28/Aug.	16/Aug. 24/Sep.	10-May	6/Jan.	3/Aug.	31/Oct. 10/Sep. 31/Oct. 1/Nov.	27-Jul.
Municipal Finance Bureau							
Chief, Social Welfare Division	18/Aug.	17/Aug. 13/Sep. 11/Oct.	10-May	2/Jan.			
Staff, Social Welfare Division		13/Sep.	05-May			13/Sep.	
Deputy Chief, Budget Division		16/Sep.					
Staff, Public Administration Division,		20/Aug.					

Former Director	16/Sep. 2/Aug.							
Other Government Departments								
Chief Executive, Police Hospital	8/Aug.					11/Sep.		
Financial Division, Municipal Police Force	18/Aug.	31/Aug.						
Division Chief, Price Administration Bureau		15/Sep.						
		28/Sep.						
Deputy Division Chief, Price Administration Bureau		28/Sep.						
Division Chief, Municipal Water Authority		3/Aug.						
Organization and personnel Division, Municipal Party Committee		30-Sep				15-Sep	28/Jul.	
							3/Aug.	
Industry and Commerce Bureau		17/Sep.				13/Sep.	28/Jul.	
						3/Oct.		
Secretary, Government Headquarters	22/Aug.	12/Sep.				3/Oct.		
		6/Oct.						
The Chinese people's political consultative conference, city X							29/Jul.	
Municipal Planning Committee							17/Aug.	
Sub-Total	9	49	11	9	5	20	9	
Total								112