Power and Performance:
Institutional Embeddedness and Performance Management
in a Chinese Local Government Organization

ChunLei Yang

Sven Modell*

Manchester Business School
University of Manchester

*Corresponding author

Address:
Manchester Business School
University of Manchester
Crawford House
Booth Street West
Manchester M15 6PB
E-mail: Sven.Modell@mbs.ac.uk

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Abstract

Purpose – The purpose of this paper is to explore how performance management practices are implicated in the exercise of power with particular reference to the ability of managers to balance between more or less institutionalized conceptions of performance whilst pursuing organizational change.

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 conceptions of performance in the Chinese government sector has fostered considerable ambiguity enabling various actors to exercise power in more or less explicit ways. The focal manager in our analysis initially balanced successfully between these conceptions of performance whilst pursuing a degree of organizational change, but was ultimately transferred as the power relations forged through her manoeuvring were radically reversed. Whilst this balancing act was facilitated by the simultaneous embeddedness of the manager in both conceptions of performance, she experienced growing difficulties in maintaining such a position as a means of nurturing critical power relations.

Research implications – The empirical analysis underscores the importance of examining institutional embeddedness as a multi-layered phenomenon constituted by institutionalized expectations as well as espoused values and beliefs of individual actors. The varying degree of alignment of these elements of embeddedness has important implications for the relationship between power and performance and the possibilities of embedded agents to effect change.

Originality/value – In contrast to much previous research on performance measurement and management we analyze power as a dynamic and relational concept. The study also sheds new light on the notion of institutional embeddedness by underlining its multi-layered nature and the need for more constructivist approach in making sense of this phenomenon.

Key words – Balance, China, embeddedness, 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, 2009; van Helden et al., 2008). 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 power relations. Yet, in reviewing the progress of this research programme, Modell (2009) argued that the more dynamic and relational 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 general management and organization literature informed by institutional theory (Greenwood et al., 2008; Lawrence, 2008).

A critical issue emerging from the implication of power in PMM is how this conditions the ability of managers to balance between different conceptions of performance. Early institutional research on PMM tended to see such balancing as an outcome of relatively unrestricted managerial choice (Brignall and Modell, 2000; Modell, 2001). Similar to functionalist approaches (e.g., Johansson et al., 2006; Sundin et al., 2010) it also saw this as a response to largely given power differentials between key institutional constituencies favouring particular performance aspects. These premises evoke a voluntarist view of managers as rational agents detached from the interests and values manifest in various conceptions of performance. Little

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1 This literature is primarily informed by new (or neo-) institutional sociology (NIS) although some influence is also discernible from old institutional economics (OIE) (e.g., Siti-Nabiha and Scapens, 2005). For the sake of consistency the term institutional theory refers to the former strand of institutional thought throughout this paper.
attention has been paid to how the embeddedness of managers in institutional arrangements, conditioning the very definition of performance, influences their ability to balance between different conceptions of performance and how this interacts with changing power relations. Whilst this is symptomatic of the insufficient attention to embedded agency in accounting research informed by institutional theory (see Burns and Baldvinsdottir, 2005; Englund and Gerdin, in press; Kilfoyle and Richardson, 2010; Lounsbury, 2008) it requires deeper probing to enhance our understanding of how institutions influence the propensity for balanced PMM.

The discussion above raises the following research question to be explored in this paper: how can managers, as embedded agents, balance successfully between more or less institutionalized conceptions of performance and how is this conditioned by changing power relations? We define successful balancing as a set of actions enabling individual managers to retain their position whilst paying attention to diverse conceptions of performance exercising a more or less constraining effect on human agency. This definition subscribes to a notion of agency as both deliberate and conditioned by institutionalized expectations and the values and beliefs espoused by individual actors (Emirbayer and Mische, 1998; Leca and Naccache, 2006). As such, it avoids the functionalist fallacy of conceiving of balancing as a managerial process of value-neutral optimizing for the benefit of various constituencies (cf. Sundin et al., 2010). Following recent attempts to re-institute a focus on individuals in institutional theory (e.g., Battilana, 2006; George et al., 2006) we also steer away from the notion of balance as an organization-level outcome (cf. Pache and Santos, 2010). Rather, we direct our analysis to the ongoing managerial manoeuvring involved in balancing between diverse conceptions of performance.

Focusing on individual managers as institutionally embedded agents enables us to address the thorny issue of how their efforts to achieve balance in PMM are implicated in wider processes of organizational and institutional change. Balancing has typically been portrayed as a strategy for preserving the status quo by reaching some compromise between competing institutional demands (Brignall and Modell, 2000; Oliver, 1991; Pache and Santos, 2010). However, this disregards the possibility of individual actors being simultaneously embedded in multiple institutional arrangements (Kilfoyle and Richardson, 2010; Kraatz and Block, 2008; Meyer and
Hammerschmid, 2006) and the opportunities this creates for pursuing change (Englund and Gerdin, in press). We demonstrate how such simultaneous embeddedness may enable managers to effect change but also draw attention to how this is contingent on shifting power relations.

Our empirical analysis is set in a Chinese local government organization. Political reforms unfolding in this context over the past 30 years entail a gradual but, as of yet, incomplete shift between two conceptions of performance. The ambiguity resulting from these reforms creates opportunities for various actors to exercise power in more or less explicit ways. We follow the trajectory of an individual manager over a period of five years and analyze her efforts to balance between the two conceptions of performance whilst pursuing organizational change. Our analysis documents how she went about this through three consecutive phases: an initial phase of rapid and radical change, followed by a period of gradual stabilization and, ultimately, the process leading to her demise. This analysis enables us to contrast the relative success with which managers may balance between different conceptions of performance. Whilst the focal manager’s simultaneous embeddedness in the two conceptions of performance initially facilitated the combination of balancing with a significant degree of change, the difficulties in maintaining such a position eventually contributed to alter power relations to her disadvantage. The following section presents the theoretical framework applied in exploring these issues. This is followed by a description of the research setting and design. We then provide an overview of recent reforms in the Chinese government sector and how they have influenced PMM practices in general as well as in our field study site. The subsequent analysis of the use of such practices in the exercise of power follows a largely chronological approach across the three phases of the change process. The concluding discussion sums up our main findings, contributions and implications for future research.

**Power, Performance and Embedded Agency**

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 view 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) considerable progress has been made in addressing this limitation. Early advances emphasised the need for purposive and strategic manoeuvring as a means of gaining and leveraging power to change extant institutional arrangements (e.g., Beckert, 1999; Fligstein, 1997; Lawrence, 1999; Oliver, 1991). More recently, however, such conceptualisations have been criticised for over-emphasizing notions of strategic agency and underplaying the extent to which actors are embedded in institutional fields (e.g., Dorado, 2005; Garud et al., 2007; Hardy and Maguire, 2008; Leca and Naccache, 2006; Seo and Creed, 2002). Such critiques have drawn attention to the “paradox of embedded agency” or the seemingly intractable issue of how actors whose values and behaviour are conditioned by extant institutions can initiate change in such institutions.

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 and is closely associated with their ability to influence or force other actors to comply with their interests. However, addressing the “paradox of embedded agency” requires us to recognize that the possibilities of exercising episodic power are by no means unconstrained by extant institutional arrangements conditioning the values and beliefs of potential change agents and the expectations of the surrounding institutional environment. This renders deviations from institutionalized practices socially risky (Hardy and Maguire, 2008; Seo and Creed, 2002).
Recent advances in institutional theory have started to address the “paradox of embedded agency” by drawing attention to how competing institutional arrangements enable actors to exercise a degree of power and choice (Greenwood and Suddaby, 2006; Leca and Naccache, 2006). Rather than forming monolithic entities dominated by a limited number of firmly entrenched institutions, institutional fields are increasingly seen as potentially fragmented and pluralistic environments (e.g., Kraatz and Block, 2008; Purdy and Gray, 2009; Reay and Hinings, 2009; Wooten and Hoffman, 2008). Such fragmentation has important implications for which conceptions of performance come to permeate institutional fields and the extent to which individual actors are able to mobilize these in their quest for power (Déjean et al., 2004; Lounsbury and Ventresca, 2003). Some PMM research sheds light on how field fragmentation affects the ability to exercise power. Modell (2005) showed how a new actor entering into the field of Swedish higher education attempted to change institutionalized conceptions of performance by influencing other actors to subscribe to emerging PMM practices pivoting on perception-based rankings. However, this attempt to exercise episodic power ultimately failed as a result of resistance embedded in more firmly entrenched conceptions of performance and the inability to co-opt influential actors in this field. Conversely, Østergren (2006) observed how the gradual confluence of competing interests shaped novel conceptions of performance in the field of Norwegian health care. Acts of episodic power, such as government interventions, initially clashed with professional standards underpinning systemic power in the field of health care but eventually contributed to re-configure power relations by fostering some compromise between competing conceptions of performance.

These examples testify to a fluid and relational view of power rather than treating it as a static property “belonging” to certain actors (Lawrence, 2008). They also illustrate how the existence of multiple conceptions of performance can enable and constrain change in institutional fields by conditioning the scope for agency. However, they do not explain how individual managers may balance between diverse conceptions of performance whilst pursuing a degree of change. It has been argued that managers may accomplish some balance between competing constituency interests by decoupling various PMM practices and thus concealing conflicting relationships
(Brignall and Modell, 2000; Modell, 2001). However, such decoupling assumes some compartmentalization of the beliefs and values espoused by various actors (Kraatz and Block, 2008), which would seem inherently difficult when individual actors are simultaneously embedded in multiple conceptions of performance. Yet simultaneous embeddedness may reinforce the need and propensity for balancing. To the extent that managers espouse or are expected to conform to multiple conceptions of performance, they may be compelled to pay at least a minimum of attention to all of them (cf. Kraatz and Block, 2008). This would seem to preclude radical deviations from particular conceptions of performance in some pursuit of episodic power, especially if extant institutions continue to exercise a considerable degree of systemic power. Hence, simultaneous embeddedness may be expected to fill a stabilizing role although there is some evidence of it entailing at least some opportunities for change (Englund and Gerdin, in press; Glynn and Lounsbury, 2005).

Whether the embeddedness of managers in multiple conceptions of performance will enable them to combine balancing with an element of change thus remains an open empirical question. Even though prior institutional research recognizes that the propensity for balanced PMM practices rests on the dependence of managers on particular constituencies (Brignall and Modell, 2000; Chang, 2006; Modell, 2001), it remains mute as to how power relations change over time and condition such practices. Addressing this issue requires us to examine the notion of balancing as a much more fleeting and temporal phenomenon than has been the case in prior PMM research. Although successful balancing may require managers to maintain some rough equilibrium between constituency interests in the longer term (cf. Brignall and Modell, 2000), there may be scope for temporary deviations from such a path. Such deviations may be manifest in periods of somewhat “imbalanced” PMM as managers exploit inequities in power relations in attempts to effect change. However, it would be fallacious to assume that such inequities are constant or that managers always have a clear view of how and when shifts in power relations occur. The ambiguity surrounding the notion of performance in fragmented institutional fields (see e.g., Feldman and March, 1981; Modell, 2004; Vakkuri and Meklin, 2006) would seem to exacerbate this. Ambiguity can also fill an enabling role, however, as it may facilitate the accommodation of multiple constituency interests whilst empowering individual actors to influence their behaviour (Davenport and Leitch, 2005).
Research Setting and Design

The ensuing empirical analysis is derived from a broader field study in Northeast\(^2\), a municipal government department in Northern China.\(^3\) 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 municipal government headquarters on operational issues and the municipal Party Committee on political and personnel matters whilst receiving 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 manages the Party Committee within Northeast. 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 provides a simplified illustration of the internal and external reporting lines of Northeast.

[Insert Figure 1]

\(^2\) In accordance with the confidentiality agreement, the name of the organization is kept anonymous.  
\(^3\) The Chinese government system has five tiers of administration, namely the central, provincial, municipal, country, and township. The provincial governments and those below are typically referred to as local government. Northeast is a department within the municipal government of a large Chinese city (equivalent to an independent division of a large metropolitan borough council in the UK).
The field study in Northeast ran from 2003 to 2009. During this period, the principal investigator (who is a native Chinese) spent a considerable amount of time in the organization whilst also collecting data from other parts of the municipal government. The bulk of data collection took place in the summer of 2004 when the principal investigator spent four months in 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, who assumes a key role in our analysis.

Overall, the field study entailed 112 semi-structured, formal interviews lasting between 30 minutes and 2 hours. Key informants, 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 Appendix A. Most of the interviews touched upon sensitive issues which interviewees wished to discuss anonymously. Consequently, they were recorded through note-taking rather than audio-taping. 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 field 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 ample opportunities for informal discussions with staff members 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 material, 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 demise, which was complemented with other data sources to construct a more complete account of events surrounding this episode.

The data collected during the broader field study were continuously analyzed through open-ended and thematic coding and provide valuable insights into the evolution of reforms in the Chinese government sector as well as the municipal government of which Northeast is part. In combination with prior research, this broader data set informs our account of the traditional and emergent conceptions of performance permeating this institutional field. Such conceptions of performance tend to be highly context-specific and can only be discovered through empirical inquiries (cf. DiMaggio and Powell, 1983). For the purpose of the present paper we rely on this background description to conduct a more focused, longitudinal analysis of how an individual manager (i.e. the Director of Northeast between 2003 and 2008) mobilized the two conceptions of performance in exercising power. This analysis followed a temporal bracketing approach decomposing the process of change into three analytically distinct phases (Langley, 1999). In keeping with the growing emphasis on individuals in institutional theory (e.g., Battilana, 2006; Washington et al., 2008), we started by mapping the manager’s actions over time whilst interpreting these through our key analytical categories (e.g., different forms of power and conceptions of performance and balancing). To avoid an excessively actor-centric approach (cf. Hardy and Maguire, 2008), we combined this with a detailed analysis of the reactions of other key actors to the focal manager’s manoeuvring. Appendix B provides a summary of this analysis across the three analytical phases.

**Institutional Context and Reforms: from a Moral- to Merit-Based Conception of Performance**

Changes in PMM practices in the Chinese government sector unfolding over the past three decades have been characterised by a gradual, but as of yet, incomplete
transition from a moral- to a merit-based conception of performance. A major watershed in this regard was the economic reform initiative of 1978, which formed the starting point for the introduction of free-market capitalism and modernisation of public sector operations. The two following sub-sections outline some institutional field-level developments preceding and following these reforms with specific reference to how these are manifest in our field study site.

The traditional, moral-based conception of performance
Reforms following the establishment of the People’s Republic of China in 1949 cemented a pronounced moral-based conception of performance which, in many respects, prevails to this day. Drawing upon the code of Communist morality, the notion of performance was expressed through a scorecard\(^4\) with four aspects of political integrity, ethical standards, attitude and professional competence (Chow, 1993a, 1993b). Table 1 lists the main performance dimensions across these overriding categories. Traditionally, moral considerations (in terms of officials’ ethical standards, political integrity and attitude) have been paramount for performance evaluation purposes. In comparison, the concept of professional competence was loosely specified and largely left to the judgment 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 signifying a lack of initiative and selflessness (Chow, 1993a, 1993b).

Consistent with the Communist “mass-line” principle, PMM has served a pronounced “educational” purpose. To this end, performance evaluation involves extensive engagement of the evaluated official’s superiors, subordinates and peers, whose mostly qualitative feedback informs 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

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\(^4\) The scorecard was issued in October 1949 as a general guideline for performance evaluation across all levels of government and state-owned enterprises.
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 been heavily input-based, focusing on the amount of effort and attention devoted, rather than the output produced. Traditional PMM practices have also tended to conflate organizational performance with the individual performance of senior officials and have enabled the Chinese Communist Party to exercise considerable power over the appointment, promotion, demotion and transfer of staff (see Yang, 2008).5

The moral-based conception of performance has been reinforced by the work unit heritage of Communist China. A work unit is more than a bureaucratic entity.6 It is also the extended family of an urban Chinese (Yang and Zhou, 1999). This creates a tacit dimension to the performance scorecard which requires one to be “likeable”, as well as moral and competent. As Yang and Zhou (1999) observed, in order to appeal to “family members”, people often resort to such acts as volunteering for strenuous tasks, involvement in each other’s private lives and gift-giving. The practice of gift-giving symbolises the offering and reciprocating of good-will and is deeply embedded in the Chinese way of life. In the pre-reform era, the value of gifts exchanged in work places was rather insignificant. Nevertheless, it conveyed to other “family members” a sense of social courtesy and the wish to be liked and included.

Under the influence of such family atmosphere and the Communist principles of equality and collectivism, PMM practices have long reflected a distinctive “average culture” (Lu, 1989, 1993; Yang and Zhou, 1999). At each level of government, league tables, published at the beginning of the year, are used to rank the performance of departments and identify top and bottom performers. However, the “average culture” constitutes an important source of systemic power mitigating tendencies towards

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

6 Prior to the instigation of economic reforms in 1978, all government organizations were structured as work units: a standardised form of organization with identical reporting lines, pay schemes, role descriptions, personnel procedures and PMM practices (Lu, 1989, 1993; Yang, 2008).
radical performance improvement. Aspirations towards top performance in league tables are typically viewed with some apprehension. Virtues such as modesty and likability are valued to such a degree that performance often has to be deliberately downplayed or attributed to collective efforts in order to display a humble attitude. Even a star performer may be denied promotion for violating the “average culture”. On the part of the appraiser, there is also a tendency to sacrifice merit for superficial accord by evening out the scores of candidates under review to maintain a harmonious family atmosphere. Rewards and sanctions have also been spiritual rather than economic, with top performers enjoying the honour of a being a “role model” and poor performers being subjected to “educational talks” on how to improve their league table positions. Fast-track promotion or demotion based on league table rankings alone has typically been rare. 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 municipal government of which Northeast is part has long applied PMM practices similar to those described above. 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. This involves detailed peer reviews (where departmental directors score each other), superior review, and the Director’s self-evaluation. Occasionally, the Party Committee dispatches an inspection team on a one-day survey to assess the solidarity of the board, the leader-subordinate relationships and the general consensus within the organization, eliciting information from senior and middle managers of Northeast and representatives of service users. Having collected all the performance data, the final score is worked out by the Party Committee using a weighted average approach. Departments are categorised into four grades - “excellent”, “good”, “fair” and “poor” - and ranked in a league table. Similar procedures are also applied within Northeast for divisional performance evaluation. Whilst these basic performance evaluation procedures remained largely intact throughout our field study, reforms emerging in the Chinese government sector since the late 1970s have introduced notable pressures for change enhancing the ambiguity of PMM practices.

7 At the time of the field work, the supervisory, peer, and self-reviews account for 50, 40 and 10 percent of the score, respectively
Towards a merit-based conception of performance

Reform initiatives unfolding since 1978 have consistently called for more merit-based governance 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 emphasise the professional competence of government officials. 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, increasing efforts have been made to change PMM practices in the government sector. After two years of preparation, the Central Committee of the Communist Party of China issued a set of guidelines in 2006 to instil a more “scientific” and “objective” approach to performance evaluation including a refined performance scorecard with stronger emphasis on professional performance. The new framework also requires output indicators and cost efficiency to be included for performance evaluation. According to official Party publications, the 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”. Government organizations have also been encouraged to continue to experiment with PMM practices in line with this ethos.

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

At the level of policy-making, these measures signify a transition towards a more *merit-based conception of performance*. However, professional and operational performance cannot be pursued without attention to the traditional, moral-based conception of performance as both continue to influence overall scorecard performance. There is reason for questioning whether the merit-based conception of performance has yet become more firmly institutionalized and replaced the moral-based ditto. 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).

At the outset of our study, the municipal government of which Northeast is part was in the process of reforming its PMM practices in line with what has been described above. Consistent with the emergent, merit-based conception of performance, “selecting officials for merit rather than morality” has become a catch phrase guiding the work of the municipal Party Committee. In 2007, it launched a public website illustrating in great detail the process of departmental performance evaluation. The procedures for performance evaluation and promotion were also revised to respond to recent calls for reform. These publications give a strong impression of reform and progress. However, our interviews and field observations provide a more nuanced view, drawing attention to the obstacles to establishing merit-based PMM practices. For instance, despite increasing emphasis on professional competence, solidarity - or “the extent to which the board and the organization can think and act like one”\(^{10}\) - remains one of the most significant performance indicators. According to a former Deputy Head of the municipal Party Committee:\(^{11}\)

\(^{10}\) Quote from an interview with a performance reviewer of the municipal Party Committee in 2008.

\(^{11}\) The interviewee has retired and was a member of the customer group at the time of the interview in 2008.
The [departmental] Director is held accountable for maintaining the solidarity at the board level; that is, achieving a high degree of consensus among board members on all major issues concerning the organization ... Failing to do so is to invite questions on the Director’s ability to lead; and we [the Party] certainly do not tolerate in-fight.”

In addition, despite the repeated calls for increasing attention to merit and professional competence, the “average culture” continues to exercise considerable systemic power. The reformed PMM practices have been widely criticised for lacking motivational effect and for failing to improve professional performance. For example, league table rankings for professional competence are rarely used as the basis for personnel-related decisions because of the need to “strike a balance and obtain consensus among the majority of our comrades”. Although a structure has been set up to permit performance-based rewards so that high-achievers can get fast-track promotion, they often need to wait for their turn after those with longer service.

Recent changes in the institutional environment of Northeast have thus created a tenuous mix of “official” PMM practices, increasingly testifying to the merit-based conception of performance, and legacies of the moral-based ditto. This co-existence of diverse conceptions of performance has fostered considerable ambiguity. In elaborating on the meaning of the notion of performance, a Party official in charge of performance evaluation explained:

“[Performance] to whom, of what, by whose standards? Ask ten people, you are likely to get eleven answers... At one level it is taken as [the Party Committee’s] 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 used to convey the message of performance to the outsiders, as if it is some kind of scientific development...but in my view our performance management regime is far from being objective, nor ... scientific...but it is not entirely subjective either.”

12 Quote from an interview with the former Deputy Head of the municipal Party Committee (and member of the customer group) in 2004.
This ambiguity has afforded performance appraisers considerable discretion and power over personnel-related decisions. In 2008, a performance reviewer of the Party Committee described how such ambiguity is used to influence promotion decisions:

“[Performance] evaluation today is as discretionary as ever if not more so... there are few hard criteria for differentiating levels of performance. It all depends on the [municipal Party] Committee’s intention and the way in which it is played out...our current [PMM] system is still more about controlling government personnel [i.e., deciding who gets what position] than boosting their professional competence as you call it…this is not to say the latter is unimportant but rather it is evaluated within the context of personnel management, [where] nothing overrides the Committee’s intentions.”

The co-existence of moral- and merit-based conceptions of performance has also enhanced the need for government officials to be (or at least to be seen as being) embedded in both to maintain their standing. As the Deputy Mayor succinctly explained, recent reforms have fostered clear expectations on them to demonstrate compliance with both conceptions of performance:

“There are structural issues of concern here. No need to spell out what they are … but one of the consequences [of the reforms] is that our senior officials have to wear multiple guises all the time. Can you expect them to single-mindedly pursue a single agenda? I would say very difficult. Change will always be very slow and hesitant.”

The institutional environment emerging from recent reforms would thus seem to put considerable pressure on government officials to balance between competing conceptions of performance whilst constraining the possibilities of pursuing radical change. However, managing performance is not confined to making operating-level trade-offs between various dimensions of the scorecard but also requires officials to “make a favourable impression on the [Party] Committee”.13 Similar to other parts of the Chinese government sector, such impression management is associated with rampant networking and gift-giving. In the post-reform era, gift-giving has evolved

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13 Quote from the deputy head of the Organizational Department of the Party Committee in 2009.
into a means of strategic cultivation of relationships with superiors rather than merely constituting an act of social courtesy (cf. 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 office. Whilst such behaviour is officially seen as inconsistent with the merit-based conception of performance, an interviewee within Northeast remarked:

“This is no doubt highly irregular…but then the reality in present China is irregular so we just have to go with the flow.”

A similar form of “irregular” though tacitly accepted behaviour is the widespread practice of generating “local income”. In the wider Chinese government sector, this phenomenon can be traced back to the 1980s when local governments were encouraged to seek off-budget financing from non-governmental sources such as charges for public utilities and revenues from running their own businesses. More recently, this type of “local income” has been subject to considerable controversy due to its lack of accountability and transparency (Yang and Scapens, 2010). The National Audit Committee and the Ministry of Finance have become increasingly alarmed by the scale of off-budget financing and the rise of corruption. In the late 1990s, policies were issued to prevent government organizations from engaging in commercial activities or issuing unauthorised user charges (see Ma and Ni, 2008). However, even though it is no longer officially legitimate, government officials use “local income” to bolster networking and gift-giving and influence the perceptions of performance reviewers. In our field study site, it is an open secret that many departments have locally generated income which is accounted for separately, as a “little private treasury”, and used at their discretion. As illustrated by the following analysis, “local income” generation can constitute an important but potentially controversial source of power in the ambiguous space resulting from the co-existence of moral- and merit-based conceptions of performance.

**Performance Management, Power and Change in Northeast**

The analysis of the process of change in Northeast is divided into three phases characterised by distinct differences in managerial mobilization of PMM practices to
exercise power and balance between the merit- and moral-based conceptions of
performance. The first phase marked an attempt to reverse a relatively “imbalanced”
position, emanating from long-standing neglect of important constituency interests, by
harnessing the merit-based conception of performance as a vehicle of episodic power.
Whilst the first phase witnessed relatively rapid and radical change, the second phase
was one of gradual stabilization where the use of episodic power was increasingly
balanced with the systemic power embedded in the moral-based conception of
performance. As evidenced by the third phase, however, this balancing act ultimately
failed as power relations were re-configured and contributed to the demise of the focal
manager.

The re-balancing phase (August 2003 to mid-2004)

At the outset of our study, Northeast was notably struggling to conform to the
emerging, merit-based conception of performance. At this stage, it had degenerated
into a chronic under-performer that was only considered useful as “a convenient
dumping ground for undesirable personnel”.\(^{14}\) As a rather insignificant support unit,
the performance of Northeast rarely registered much attention at higher echelons. This
had left the organization in a state of continuous decline with growing problems of
competence and fiscal probity. By 2003, it had dropped to the second from the bottom
in the municipal government league table. This triggered an outright performance
crisis, catalyzed by a series of formal complaints on virtually all aspects of
organizational performance. Middle managers, in particular, were accused of fraud
and corruption through involvement in “unclean” business with the private sector. In a
heated debate with the municipal Party Committee, customers described Northeast as
“an institutionalized under-performer”\(^{15}\) and proposed commercial takeover of its
operations.\(^{16}\) This coincided with reforms signifying reduced tolerance with poor
performers on the part of the municipal government. According to a headquarters
official, the reform was a “wake-up call for all under our jurisdiction”, especially “bad
apples such as Northeast and its kind”.\(^{17}\) In the summer of 2003, Northeast received a
formal warning for having drifted too far to fit into merit-based government. Shortly

\(^{14}\) Quote from former deputy head of the Municipal Party Committee who was a member of the
customer group at the time of the interview.

\(^{15}\) Quote from the recollection of a customer who participated in the complaint.

\(^{16}\) In another city of the province, there had been examples where similar government operations were
outsourced to private companies.

\(^{17}\) Quote from an interview with the First Secretary of the municipal Government Headquarter in 2004.
after this, more drastic measures were taken. The Party Committee gave the Director early retirement and appointed a “side-lined” deputy director of another department as Acting Director.

At the outset of our study, the Acting Director was clearly seen as an agent embedded in both the moral- and merit-based conceptions of performance. According to the Deputy Mayor at the time, she possessed the “hard-to-find combination of De [morality] and Cai [competence]”. On the one hand, she embodied the expectations embedded in emerging reform agenda and was a renowned performer with an impressive track record. Before joining the municipal government, she had spent twenty years as the chief inspector of the municipal Disciplinary Committee fighting fraud and corruption and gaining a strong reputation for merit. On the other hand, she was seen as being in touch with the “past” and managed to maintain moral authority by attending to the needs of those lower down the hierarchy. Former subordinates, for example, viewed her as a caring “parent” and a good role model for junior staff. However, her track record prior to taking up the position testifies to a firm commitment to the emerging reform agenda and the merit-based conception of performance. One manifestation of this was her strong aversion towards the “gift culture” as a means of furthering promotion which had allegedly had a negative impact on her career trajectory. In an interview shortly after her appointment she explained:

“I agree this [exchanging expensive gifts for promotion] is wide-spread … but it is wrong … this type of unhealthy tendency threatens the legitimacy of the whole system. But it is temporary. I do not believe such tendencies will last long. I have not done it in the past and certainly wouldn’t do it in the future.”

The backing of the municipal government and Party Committee provided a strong mandate for the Acting Director to mobilize the merit-based conception of

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18 Quote from the transcription of the observation of a meeting between the Deputy Mayor and the Acting Director in 2004.
19 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 department-level manager remaining un-promoted for ten years in the municipal government.
performance as a means of exercising episodic power. In a speech to all staff within Northeast in late 2003 she proclaimed:

“Our current situation is deeply problematic…we need to have a real sense of urgency…the priority is to improve our services, enhance our competence and build a strong performance culture. Nothing supersedes this … we must start anew and all irregular practices must stop right away.”

This harnessing of the merit-based conception of performance was also reflected in more concrete actions aimed at influencing staff attitudes. The Acting Director adopted a hands-on approach to operational and financial matters in an attempt to lead by example. In order to boost league table performance, she immediately went through all unresolved cases of customer complaints accumulating over the previous years and instructed staff to deal with them promptly. She also addressed complaints that facilities were falling apart due to negligence by making a number of visits to the Deputy Mayor and finally succeeding in getting a special budget half-way through the fiscal year to renovate the Activity Centre. This not only resolved a number of safety issues but also enabled two new programmes of outdoor tennis and indoor golf to be offered.

More obtrusive forms of episodic power were also exercised to change employee attitudes and behaviour. The Acting Director instructed her deputy and the Party Secretary to follow her example and take charge of operational duties. For senior board members privileged by the old order this was something inconceivable. However, at the time, there was general consensus within the board that Northeast must improve its league table position to survive. As such, despite some apprehension, board members submitted to the Acting Director’s request and agreed to take the lead in major operational tasks. The Acting Director urged staff to leave behind their old habits and endorse new ways of working under the ethos of efficiency, economy and individual responsibility and to use customer satisfaction as the ultimate test of their work. Before 2004, 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 in 2004 that: “compared to other government departments which already operated in a
more market-aware manner, Northeast is decidedly old-fashioned.” To convince her subordinates of gaps in their performance and the need to enhance operational competence, the Acting Director paid them to visit their counterparts in the private sector and encouraged them to learn and copy commercial practices.

This strategic management of relationships with a wider range of constituencies enabled the Acting Director to expand the network of supportive power relations and restore the performance of Northeast. Customers, in particular, were impressed when the Acting Director paid them home visits before the national holiday to express personal interest in their welfare and seek advice on how to improve organizational competence. It was the customers who first turned to support the Acting Director by sending a letter of compliment to the Party Committee stating that if Northeast was to get out of the mess, the Acting Director must stay and be made “legitimate” (i.e. promoted to permanent Director). By the summer of 2004, Northeast had re-gained its reputation as a performing organization. Staff morale was restored after “cynics” predicting the imminent demise of the Acting Director had “duly shut up”. Employees were notably impressed by her actions. For instance, the chief of the aquatics centre explained:

“The way we go about our work has changed in a way that is inconceivable. If only there were more Party leaders like her…imagine they were all committed to real work and real progress instead of paying lip service to the word merit whilst being busy promoting themselves.”

The chief of the transport unit echoed this view and underlined the importance of pursuing the merit-based conception of performance despite the risks associated with doing so:

“The way she handles performance issues is quite ahead of the time which is admirable… [but] I would not say that this kind of approach is necessarily appreciated in wider circles. But then in a rotten place like this you need someone like her to bring back order.”

20 The remark was made in 2004 by the Acting Director’s personal driver who was also a member of the transport unit.
Following this growing endorsement of the merit-based conception of performance, Northeast rose rapidly in the municipal league table, taking the place of tenth out of nineteen in the 2003 review. In addition, the Acting Director was increasingly perceived as a “star” as the news spread that she was favoured by the Party Committee in the next promotion round. Yet, the mobilization of the merit-based conception of performance as a vehicle of episodic power was not pursued without recognition of the expectations embedded in extant institutions. Evidence of compliance with the traditional, moral-based conception of performance emerged as the Acting Director took measures to look after her subordinates’ well-being and foster a sense of solidarity. In August 2003, she organized a free medical check for all members of full-time staff. A case of early cancer was diagnosed and the patient felt “forever indebted to the Director”.21 Further steps were taken later during the year to improve staff relationships by removing what she considered “unnecessary privileges and luxuries” by converting the en-suite bedroom in her office, withdrawing the special menu for senior officials and imposing an open-door policy during office hours so that “people can see we are all in the same boat”. As explicated below, these emerging efforts to balance between the merit- and moral-based conceptions of performance became increasingly salient over the following years as the Acting Director sought to capitalize on the power relations formed as a result her early manoeuvring.

The stabilization phase (mid-2004-July 2007)

The period between 2004 and 2007 saw a notable stabilization in the performance rankings of Northeast around the middle of the municipal government league tables. This performance improvement was also reflected in the Acting Director’s personal performance scores. In December 2004, she was promoted to permanent Director of Northeast and over the following years she received three nominations for distinction in annual performance reviews. As explicated below, these achievements were underpinned by sustained efforts to balance between the merit- and moral-based conceptions of performance.

21 The remark was made by the patient to express her gratitude during a house visit to the Director in 2004.
The Director continued to mobilize the merit-based conception of performance to exercise episodic power. When interviewed in the autumn of 2004, she claimed that obtaining good league table rankings was not enough and that performance was “an empty word” without more firmly embedded notions of merit, competence and integrity. To this end, she introduced a series of changes in 2004 and 2005, involving a crackdown on fraud and corruption, fast-track promotion of high-achievers, and the creation of a system of responsibility and accountability coupled to more customer-focused work practices. Illicit transactions flourishing before her appointment were strictly forbidden and in October 2004 a divisional manager lost his job for ignoring the ban. Another key measure reinforcing the merit-based conception of performance was the issuing of a “responsibility book” specifying clearly defined responsibility areas and establishing a set of performance standards for every full-time member of staff. A league table, similar to that of the municipal government, was used to rank individual performance and expose “free-riders”. The Director also improvised a merit-based promotion system to allow able, junior staff to assume wider responsibilities and to be paid more.

However, the reinforcement of rules did not lead to control at a distance but was accompanied by increased visibility of senior management on the operational frontline. The Director once noted that old habits died hard, and that she felt trapped in a situation where “nothing can be achieved without a sustained push [from above] in spite of the proliferation of rules and regulations”. To overcome such inertia, the Director continued to engage all senior officials in her programme of change. In 2005, each board member was assigned personal responsibility for at least one operating unit and made accountable for its results. The most important unit, the aquatic centre, was headed by the Director herself. She managed its performance with close scrutiny and continued to make frequent visits to the operational frontline. For example, she regularly visited the aquatic centre to make sure the water pressure was not set too high.

The municipal government clearly appreciated the Director’s initiatives. In the 2005 annual performance review, Northeast was held up as an exemplary case of reform. This recognition bolstered the Director’s position and enabled her to exercise episodic power with greater conviction in the subsequent years with notable effects in league
table ranking, but also on the morale of the organization. “Political behaviour”, as staff called it, more or less stopped as they felt that the emphasis of everyday work had shifted away from “people” (i.e., cultivating personal relationships) to “things” (i.e., carrying out operating tasks and meeting certain standards). The higher authorities’ support also came in the form of “favourable policies” which afforded the Director certain flexibility in drawing up a merit-based performance evaluation system within the general guidelines of the Party Committee and headquarters. For four years - from 2003 to 2007 - the Director was explicitly encouraged to explore new avenues of expanding services and experimenting with new mechanisms to enhance the customer experience. This did not only give the Director a considerable sense of discretion, but also enhanced her authority as she came to be viewed by subordinates as someone with “special political capacity” which “shouldn’t be ignored”.  

The exercise of episodic power in the pursuit of change was thus facilitated by continued nurturing of the power relations with higher authorities. However, the Director also showed evidence of being embedded in the moral-based conception of performance and demonstrated an awareness of the concomitant need to attend to staff interests. Elaborating on what she saw as key values underpinning her pursuit of performance she explained:

“Different people have different ways. For me to perform is to dedicate to my duty, to do what is necessary to serve the customers and look after staff… this is what matters and what lasts… at the end of the day I want to be spoken of and remembered as such.”

Her awareness of the need to strike some balance between the merit- and moral-based conceptions of performance was notably manifest in efforts to boost staff morale whilst ensuring that they supported ongoing attempts to improve operational performance. Twice a year since 2005, staff took turns to go abroad on an official exchange programme to form connections with countries experienced in dealing with the ageing population. These trips were offered with the mixed intentions of providing

22 Quote from an interview with the First Secretary who is also the head of the General Office.
a free holiday and training opportunities. They nonetheless had an indirect impact on internal operations as staff experienced the gap in service quality between Northeast and more developed regions. In 2005, the General Office of Northeast volunteered to make a documentary for each of these tours to systematically record and share staff’s learning experience. The practice remained until 2008 and led to the accumulation of a considerable volume of audio-visual material documenting perceived “best practices” of developed countries for the purpose of learning and development.

The Director also demonstrated an obvious awareness of the systemic power embedded in the moral-based conception of performance by conforming to the “average culture”. In spite of her reputation as a reformer, she consciously declined official recognitions and went to considerable length in portraying herself and Northeast as “average”. In an interview in 2005, the Director expressed a clear reluctance to advance the existing league table position any further, although she believed rising to the top was “not out of reach”. In addition to her sense that “‘good’ is good enough - I don’t want to be greedy”, her preference for the middle range was influenced by concerns that “the tree that grows too big catches the head wind”. Similar displays of modesty can be found in the Director’s annual reports from 2004 to 2006, which made liberal use of such phrases as “very limited” and “much below the expectation” to downplay her performance. She also declined the official nominations as “Outstanding Director of the Year” three times insisting that they should be awarded to “more deserving departments”.

The continued balancing between the merit- and moral-based conceptions of performance thus entailed an important element of impression management nurturing an image of Northeast and its director as embedded in both. However, this balancing act required the Director to engage in activities which are, strictly speaking, inconsistent with the emerging reform ethos and the merit-based conception of performance. To generate sufficient resources to finance staff benefits the aquatic centre, transport unit and restaurant were opened to the general public to generate a steady stream of “local income”. Whilst seemingly aware of the political risks involved, the Director felt compelled to take such initiatives to look after her subordinates and be “worthy of the position [as Director]”. The risks associated with deviating from the merit-based conception of performance were also reduced by the
endorsement of “local income” generation by higher authorities. For instance, a member of the municipal Finance Bureau went as far as saying that:

“This kind of act [i.e. local income generation] is admirable as far as I am concerned. One must have some entrepreneurial spirit and boldness … or you are left behind … this quality is particularly relevant for a top person nowadays.”

Such endorsement was partly justified by the use of “local income” to boost staff morale in the pursuit of operational performance improvements rather than as a source of personal enrichment. The use of “local income” to fund unofficial pay rises was accepted as a means to this end whilst maintaining a sense of solidarity within the organization. In 2006, the municipal government also offered official recognition of some of the ideas emanating from the staff training initiatives - namely the initiation of a local university project offering flexible cultural and educational programmes - by granting Northeast a substantial special budget to cover the initial capital investment. “Local income” generation was thus construed as consistent with the merit- as well as the moral-based conceptions of performance without disrupting the supportive power relations formed in the earlier phases of the change process. However, some opposition to the scheme began to surface within Northeast. The passing of the performance crisis allowed the long-serving Deputy Director and his affiliates to regain some status and question the ways in which the Director pursued the idea of merit. At a board meeting in 2005, he questioned the appropriateness of using the “private treasury” to send staff abroad and intimated that the imposition of operational duties and centralised decision-making constituted evidence of the Director overstepping her authority. In return, the Director openly criticised the deputy for obstructing reform and progress. As demonstrated by events unfolding after 2007 this emerging controversy ultimately contributed to alter power relations to the disadvantage of the Director of Northeast by bolstering the systemic power embedded in the moral-based conception of performance.

The demise of the Director (July 2007-August 2008)
The dissension within the board of Northeast re-surfaced in 2007 and led to renewed concerns with the lack of harmony. In July 2007, the Deputy Director raised a formal complaint to the municipal Party Committee regarding the leadership of the Director
and her commercial programmes and requested an external audit. Although the audit concluded that there was no case of fraudulent behaviour, the Party Committee cautioned the Director to keep the executive board “unified” to avoid “similar embarrassment in the future” whilst reassuring her that the deputy would be transferred elsewhere. The other Deputy Director (who helped co-ordinating the audit) was rather alarmed by this incident, noting that the Director ought to value her relationship with the deputies a great deal more because “the cost of a lack of board-level consensus is too high”. Nevertheless, other informants argued that the Director “did not know where to stop and how to stop”.23

Indeed, the course of action pursued by the Director after the audit revealed a growing discrepancy with the expectations to maintain some balance between the merit- and moral-based conceptions of performance. Instead of taking the warning and realising the threat to the impression of harmony and solidarity within Northeast, she saw the outcome of the audit as a triumph over the “die-hard regime of the past”. In an interview shortly after the external audit she exclaimed:

“I am not arguing against solidarity. But it is important not to confuse solidarity with face-saving, especially if you want to do some real work and introduce real progress. …. It is easy enough to sit around appraising each other, which was exactly how things were done before … But then who is to do all the work? For Northeast to progress, it is inevitable that some senior people have to be inconvenienced to say the least.”

The external audit did not weaken the Director’s commitment to reform and embeddedness in the merit-based conception of performance. Her pursuit of more individualised responsibilities and customer-focused work practices continued and was increasingly focused around the advancement the university project. The project also 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. However, the Director faced increasing difficulties in balancing

23 Quote from an interview with the Director’s personal driver in 2007. Similar ideas were also expressed by the First Secretary and other members of the transport unit during more informal conversations.
this image of progress and reform with the moral-based conception of performance as a result of the lingering dispute with the Deputy Director. The promised transfer was delayed and eventually failed due to a lack of appropriate vacancies, which allowed him to launch repeated attacks on the Director. Throughout the winter of 2007 he was frequently seen visiting the Organization Department of the Party Committee in protest against the “irregular financial practices at Northeast and the offensive leadership style of its Director”. The officer dealing with these allegations later described this type of actions as “suicide attacks”, “the worst form of board conflict”, and “unsuitable for someone of his status/seniority”, noting that these visits more or less sealed the fate of the Deputy Director as well as that of the Director. He went on by saying that “the face has been torn [so] there is absolutely no possibility for us to reconcile [the conflict] or quiet things down”.

In August 2008, the municipal Party Committee made an unexpected announcement to transfer both the Director of Northeast and her deputy. The arrangement was made in the name of a routine personnel matter and no official explanation was ever given. However, a deputy head of the municipal Party Committee intimated that the persistent lack of solidarity and the controversial commercial programmes were the cause of the transfer. These explanations met with some defiance on the part of the Director although she eventually accepted the situation as irreversible and decided that “there was no alternative but to move on”. Two days later, a farewell conference was held which showered the Director with compliments. In his speech, the Deputy Mayor spoke highly of her achievement noting that:

“Comrade [X] took the office at a time of great difficulty; yet managed to transform the organization and achieve outstanding performance. …Her behaviour is exemplary, worthy of the respect from all of us.”

Her successor made similar remarks, praising the Director for “setting an impossible performance standard”.25

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24 The information was obtained in 2009 during meetings with an officer of the Organization Department of the Municipal Party Committee.
25 The quotes from the farewell conference are derived from the transcription of the video recording of the meeting.
These findings suggest that the sudden demise of the Director of Northeast was, in large part, due to her inability to uphold the impression of Northeast as embedded in both the merit- and moral-based conceptions of performance. The continued dissent and perceived lack of harmony in the organization are clearly at odds with the latter. The demise of the Director also coincided with a notable slow-down in the reform pace within the municipal government as evidenced by relaxed sanctions against under-performers and the replacement of precise departmental performance rankings with general categorisation of departments into four categories. A plausible conclusion is thus that the Director’s ability to exercise episodic power in the pursuit of reform was eventually thwarted by events bolstering the systemic power embedded in traditional PMM practices. Towards the end of our study, it became increasingly clear that the Director’s reputation as an upright reformer was becoming something of a liability. In 2008, a department of the same hierarchical rank indicated slight disappointment over the Director’s “impersonal” handling of its request for membership discounts and felt annoyed at “losing face” vis-a-vis what it perceived as a much less prestigious department.26 Representatives of other peer organizations also voiced their scepticism of pursuing the merit-based conception of performance in such a single-minded way as was increasingly perceived to be the case in Northeast. For instance, a member of the Industry and Commerce Bureau remarked:

“I like the idea of merit. We all do. The problem is our [PMM] system is armoured by incredibly thick skin, as thick as China’s history…could anything ever penetrate that?”

Similar concerns were raised within Northeast. Whilst lower-level employees continued to support the Director till the end some of them also intimated that she was not paying sufficient attention to nurturing external power relations. Even the First Secretary - a faithful ally of the Director - expressed mixed views on her refusal to conform to the “gift culture” and predicted that this would do more harm than good by saying that “there are [more] important relationships outside Northeast which need looking after…you lose [the support] if they do not see tangible benefits”. In a less diplomatic remark, members of the transport unit observed that the Director was the

26 Quote from an interview with the chief executive of the municipal Police Hospital (a branch of the municipal Police Force) in 2008.
“silliest of all” departmental heads across the municipal government due to her “purity”. Whilst aware of these discussions, the Director dismissed them as “an irregular way of thinking”. She rejected the well-intentioned reminder from the First Secretary and never joined the gift-giving “crusade” before major public holidays and firmly refused to accept presents from people below her rank.

Our interviews conducted after the demise of the Director confirmed the negative effect of her aversion to the “gift culture” on critical power relations. Several interviewees contrasted her behaviour with that of her successor whilst pointing to the differences this made in securing support from higher authorities. A key party official directly involved in departmental performance evaluation described the new Director as “ambitious, competent, very generous [in gift-giving] and well-connected”. For example, in the third week into his appointment, he dispatched a van full of presents to provincial authorities to “say hi” in the hope of securing their future support.\(^\text{27}\)

Whilst such attempts to influence higher authorities improved his chances of promotion this had long been hampered by the lack of appropriate vacancies. A former Deputy Mayor\(^\text{28}\) confirmed this view, intimating that the arrangement was to first elevate the new Director to head Northeast and then promote him to a more important post when the opportunity came. The former Director of Northeast knew nothing about these moves and was thus unable to counteract them.

Hence, even though the demise of the Director was closely associated with her failure to maintain the impression of being embedded in both the merit- and moral-based conceptions of performance this only seemed to provide the pretext for a decision more deeply rooted in changing power relations. Several interviewees shared the view that the change of directors was mostly “politically” motivated and had little to do with performance. A performance reviewer of the Party Committee rather bluntly explained:

“I do not think performance matters that much in this [personnel] transfer [because] the intention of the [Party] Committee must be fulfilled… The intention of the

\(^{27}\) Information was obtained in 2008 through an informal conversation with staff of the transport unit who delivered the presents.

\(^{28}\) The interviewee has retired and was a member of the customer group at the time of the interview.
Committee is to use him [the new Director] - a more rounded candidate - so there you go.”

Indeed, the change of directors had no immediate effect on the performance of Northeast, although the new Director’s rather aggressive approach to giving and receiving gifts created some complaints in late 2008 and early 2009. A performance reviewer of the Organization Department of the Party Committee admitted that his department had received questions as to where the money for gifts came from. Nevertheless, he noted that “no serious steps have been taken and no harm has been done… he [the new Director of Northeast] will continue to do fine in the peer review and superior review”. Already in the summer of 2009, the Deputy Head of the Organisational Department of the municipal Party Committee confirmed that the new Director had been shortlisted for further promotion.

**Concluding Discussion**

This paper set out to explore the issue of how managers may balance between more or less institutionalized conceptions or performance and how their ability to do so is conditioned by changing power relations. In contrast to most institutional research on PMM (cf. Modell, 2009), we approach the analysis of power as a dynamic and relational concept whilst recognizing that individual managers may be embedded in multiple conceptions of performance. The field study in Northeast illustrates how such simultaneous embeddedness enables managers to exercise episodic power in the pursuit of change whilst balancing such efforts with the systemic power embedded in institutionalized PMM practices with a varying degree of success. Whilst initially enjoying strong support from higher authorities to mobilize the merit-based conception of performance as a vehicle of episodic power, the Director of Northeast also made concerted efforts to comply with the institutionalized expectations embedded in the moral-based conception of performance (e.g., conforming to the “average culture” and accommodating staff interests). This enabled her to sustain the performance improvements resulting from her radical change initiatives whilst gradually extending the network of power relations and mustering support from a broader range of constituencies (especially customers and lower-level employees). However, even though there was originally little doubt about the Director’s
embeddedness in both conceptions of performance this began to change in the wake
of the controversy around the “local income” generation scheme. Moreover, key
manifestations of her embeddedness in the merit-based conception of performance,
such as her refusal to comply with the “gift culture”, were increasingly re-interpreted
as a liability and reinforced the change in power relations to her disadvantage. This
exacerbated the task of balancing between the two conceptions of performance and
ultimately contributed to her demise.

These findings are indicative of the fragility of power relations in fragmented
institutional fields and demonstrate how the ability to balance between diverse
conceptions of performance is contingent on the maintenance of some impression of
simultaneous embeddedness. Our analysis also underlines how the ambiguity
associated with performance may contribute to alter such impressions. In Northeast,
the significance of such ambiguity was particularly notable with respect to the
meaning of “local income” generation, which shifted from being construed as a
legitimate vehicle of reconciling the merit- and moral-based conceptions of
performance to denoting a somewhat questionable practice challenging the latter. The
more favourable interpretation contributed to stabilize the power relations forged
through the Director’s balancing between the two conceptions of performance.
However, the re-interpretation of “local income” generation entailed the construction
of a very different narrative pivoting on the Director as less firmly embedded in the
two conceptions of performance. This narrative was reinforced by her strong
commitment to the values underpinning reforms and her increasingly one-sided
pursuit of the merit-based conception of performance. Ultimately, this change in
meanings added impetus to the shift in power relations to her disadvantage.

This empirical analysis suggests that the ambiguity associated with PMM practices
may reverse the conventional view of power relations as an antecedent of more or less
balanced performance (cf. Brignall and Modell, 2000; Chang, 2006; Modell, 2001).
Such ambiguity enables various constituencies to construct an image of managers as
more or less embedded in multiple conceptions of performance and committed to
some notion of balanced performance. Such impressions may in turn stabilize or
disrupt the power relations underpinning the position of managers. In other words,
power relations do not only condition but are also conditioned by the ability of
managers to balance between various conceptions of performance. Such insights have been ignored in prior institutional research on PMM as a result of the failure to link the notion of ambiguity to explicit analyses of power (see Modell, 2004; Noordegraaf and Abma, 2003; Vakkuri, 2010; Vakkuri and Meklin, 2006). However, our findings are consistent with other empirical studies indicating that ambiguity may both facilitate and constrain the pursuit of power in fragmented institutional fields (Davenport and Leitch, 2005).

The above discussion underlines the need to make a clearer distinction between the construction of various agents as embedded in diverse conceptions of performance and the values and beliefs that they espouse. Our analysis suggests that the final, radical change in power relations was primarily due to a shift in such constructions, although this was reinforced by actions grounded in the Director’s firm commitment to the merit-based conception of performance. However, constructions of embeddedness are also conditioned by institutionalized expectations, such as the need to conform to the moral-based conception of performance, which may be more or less aligned with espoused values and beliefs. This suggests a need to unpack the notion of institutional embeddedness as a multi-layered phenomenon (cf. Leca and Nacache, 2006). Institutionalized expectations should be treated as analytically distinct from espoused values and beliefs whilst recognizing that these concepts collectively constitute the notion of institutional embeddedness. Institutional theorists have failed to make this distinction explicit for two different sets of reasons. On the one hand, researchers exploring the role of embedded agency have tended to adopt a “flat”, undifferentiated view conflating the social mechanisms underpinning this phenomenon (Leca and Nacache, 2006). On the other, institutional theorists adopting a more voluntarist view of agency (e.g., Oliver, 1991; Pache and Santos, 2010) often assert that agents can disembed themselves from institutionalized expectations by decoupling them from espoused values and beliefs (see Boxenbaum and Jonsson, 2008). Scholars subscribing to this view tend to treat institutionalized expectations as belonging to a separate analytical realm from that of institutional embeddedness and afford too much discretion to individual agents (Lounsbury, 2008). Such a view is also problematic where agents need to demonstrate some consistency between their values and the institutionalized expectations of multiple constituencies, as tends to be
case where they are simultaneously embedded in diverse institutional arrangements (Kraatz and Block, 2008).

The recognition of institutional embeddedness as a multi-layered phenomenon has two major implications for future PMM research. First, it underscores the need to adopt a more pronounced constructivist approach (Arnaboldi and Azzone, in press) than has been the case in much PMM research informed by institutional theory (Modell, 2009). By examining how different elements of institutional embeddedness are constructed researchers may gain a better understanding of how PMM practices are implicated in the continuous formation and negotiation of power relations. Rather than assuming that some balance between diverse conceptions of performance and constituency interests may be achieved by simply concealing conflicting relationships (cf. Brignall and Modell, 2000; Modell, 2001), researchers need to examine how managers exploit the ambiguity associated with performance to maintain certain constructions of embeddedness and how this affects and is affected by the values and beliefs they themselves espouse. Deliberate, strategic use of PMM practices may form part of this interplay but it is also likely to be constrained by the institutionalized expectations conditioning what commitments need to be displayed to various constituencies. Furthermore, we need to recognize how the more or less ongoing (re-)construction of embeddedness is tied up in some dynamic and reciprocal relationship between power and performance. The constructions of embeddedness enabling managers to balance between various conceptions of performance are not fixed but require constant attention to maintain supportive power relations.

Second, the view of institutional embeddedness as a multi-layered phenomenon compels us to revisit the “paradox of embedded agency” and address the issue of how a degree of embeddedness in multiple conceptions of performance conditions the propensity for change. Our findings suggest that the notion of balancing may be a useful analytical category for shedding additional light on this issue. Whilst balancing has generally been portrayed as a means of inducing stability (Brignall and Modell, 2000; Oliver, 1991; Pache and Santos, 2010) we demonstrate how a less static analysis of this phenomenon may reveal an element of change. The multi-layered view of institutional embeddedness also draws attention to how the stabilizing and dynamizing aspects of balancing may be linked to different elements of
embeddedness. Whilst the firm espousal of the merit-based conception of performance prompted the Director of Northeast to pursue concerted change efforts, especially in the “re-balancing” phase, the stabilizing aspects of balancing became more notable as she stepped up her efforts to comply with the institutionalized expectations embedded in the moral-based conception of performance. This gainsays the view that agents who are embedded in multiple institutional arrangements only tend to display marginal interest in change (cf. Glynn and Lounsbury, 2005). Rather, it reinforces the need to decompose the notion of institutional embeddedness and to examine, in greater detail, which specific elements of this phenomenon enable and constrain change. This complements recent advances identifying wider sets of contingencies enabling embedded agents to effect change (Englund and Gerdin, in press; Kilfoyle and Richardson, 2010). The combination of such analyses with a multi-layered view of embeddedness offers promising opportunities to unravel the “paradox of embedded agency” without falling prey to the fallacy of viewing agents as disembedded from extant institutions (cf. Leca and Naccache, 2006).
References


Qian, Y. and Litwack, J. (1998), Balanced or unbalanced development: special economic zones as catalysts for transition, *Journal of Comparative Economics*, 26, 1, 1-25


Wu, J. (2007), Towards a merit-based performance measurement system, *Chinese Public Administration*, 5, 30-34


Figure 1: Internal and external reporting lines of Northeast

![Diagram of internal and external reporting lines of Northeast]

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

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

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Time of the interview</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Northeast Director</strong></td>
<td>15/Aug. 19/Jul. 23/Jul. 29/Aug.</td>
</tr>
<tr>
<td></td>
<td>2/Aug. 26/April 9/May</td>
</tr>
<tr>
<td><strong>Deputy Director (also Deputy Party Secretary of Northeast)</strong></td>
<td>5/Aug. 30/Sep. 12/Sep.</td>
</tr>
<tr>
<td><strong>First Secretary (also Head of the General Office)</strong></td>
<td>26/Jul. 6/Aug. 9/Sep.</td>
</tr>
<tr>
<td><strong>Secretary, General Office</strong></td>
<td>09-Sep 1/Nov. 30/Oct.</td>
</tr>
<tr>
<td><strong>Staff, Party Committee of Northeast</strong></td>
<td>10/Sep.</td>
</tr>
<tr>
<td><strong>Chief Accountant</strong></td>
<td>22/Jul. 2/Aug. 11/Aug. 27/Sep.</td>
</tr>
<tr>
<td><strong>Junior Accountant</strong></td>
<td>10/Aug. 16/Aug.</td>
</tr>
<tr>
<td><strong>Division Chief, Aquatic Centre</strong></td>
<td>24/Sep. 09-May</td>
</tr>
<tr>
<td><strong>Staff, Aquatic Centre</strong></td>
<td>4/Oct. 6/Jun.</td>
</tr>
<tr>
<td><strong>Division Chief, Restaurant</strong></td>
<td>3/Sep. 10-May</td>
</tr>
<tr>
<td><strong>Chef, Restaurant</strong></td>
<td>03-Sep</td>
</tr>
<tr>
<td><strong>Division Chief, Transport Unit</strong></td>
<td>02-Aug</td>
</tr>
<tr>
<td><strong>Staff, Transport Unit (including the Director’s personal driver)</strong></td>
<td>22/Aug. 22/Jul. 17/Sept. 23/Sept.</td>
</tr>
<tr>
<td><strong>The Customer Group (including the former deputy mayor and the former deputy head of the municipal Party Committee)</strong></td>
<td>28/Aug. 16/Aug. 10-May 6/Jun. 3/Aug.</td>
</tr>
<tr>
<td></td>
<td>24/Sep. 27-Jul</td>
</tr>
<tr>
<td><strong>Chief, Social Welfare Division</strong></td>
<td>10-May 2/Jun.</td>
</tr>
<tr>
<td><strong>Staff, Social Welfare Division</strong></td>
<td>12/Oct.</td>
</tr>
<tr>
<td><strong>Deputy Chief, Budget Division</strong></td>
<td>05-May</td>
</tr>
<tr>
<td><strong>Staff, Public Administration Division,</strong></td>
<td>13/Sept.</td>
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<tr>
<td></td>
<td>20/Aug.</td>
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<tr>
<td>Position</td>
<td>Date 1</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Former Director</td>
<td>16/Sep.</td>
</tr>
<tr>
<td><strong>Peer Government Departments</strong></td>
<td></td>
</tr>
<tr>
<td>Chief Executive, Police Hospital, municipal Police Force</td>
<td>8/Aug.</td>
</tr>
<tr>
<td>Head of the Finance Division, municipal Police Force (also the deputy chief of the municipal Police Force)</td>
<td>18/Aug.</td>
</tr>
<tr>
<td>Division Chief, Price Administration Bureau</td>
<td>15/Sep.</td>
</tr>
<tr>
<td>Deputy Division Chief, Price Administration Bureau</td>
<td>28/Sep.</td>
</tr>
<tr>
<td>Division Chief, municipal Water Authority</td>
<td>3/Aug.</td>
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<td></td>
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<tr>
<td>The Chinese people's political consultative conference, city X</td>
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<tr>
<td>Municipal Planning Committee</td>
<td></td>
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<tr>
<td><strong>Municipal Party Committee</strong></td>
<td></td>
</tr>
<tr>
<td>Performance reviewer, Organisation Department</td>
<td>30-Sep</td>
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<tr>
<td>Deputy Head, Organisation Department</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Municipal Government Headquarters</strong></td>
<td></td>
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<tr>
<td>First Secretary (also Head of the Office)</td>
<td>22/Aug.</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>9</td>
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<td>11</td>
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<td>5</td>
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<tr>
<td><strong>Total</strong></td>
<td>9</td>
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</table>
## Appendix B

### Actions of the Director

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>- Performance crisis leading to the appointment of a new Acting Director.</td>
<td>- Use of merit-based conception as vehicle of episodic power: -Formalizing responsibility system; tightening expenditure control; regulate purchasing; crackdown on fraud. -Assigning operational duties to board members. -Continuing to be “on the spot” and “lead by examples”. -Improvising fast-track promotion based on merit and competence.</td>
<td>- Lacking mindfulness of systemic power embedded in moral-based conception: - Continuing with merit-based reforms. - Escalating conflict with the Deputy Director. - Failing to react to warnings after the audit of Northeast.</td>
</tr>
<tr>
<td>Use of merit-based conception as vehicle of episodic power: - Hands-on attention to customer needs. - Enhancing customer-awareness - Mobilizing the board.</td>
<td>Mindfulness of systemic power embedded in moral-based conception: -Conforming to “average culture” -Decline official recognition and nominations. - Boosting staff morale by organizing overseas training. Use of ambiguity resulting from overlap between the two conceptions of performance: -“Local income” generation to create “private treasury”.</td>
<td>- Aversion to “gift culture” preventing the Director from nurturing critical power relations.</td>
</tr>
<tr>
<td>Mindfulness of systemic power embedded in moral-based conception: - Attending to staff welfare. - Reducing senior management privileges.</td>
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</tbody>
</table>

### Reactions of other key actors

<table>
<thead>
<tr>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer group</strong></td>
<td>- Initially sceptical, but soon impressed. - Endorsing the new Acting Director through sending letters of compliment and offering positive performance review.</td>
<td>- Agreeing to the “local income” generation scheme. - Continuing to provide positive performance review.</td>
<td>- Continuing to support the Director and argue on her behalf against the transfer.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lower-level employees</strong></td>
<td>- Initially cynical. - Gradually convinced of the Director’s determination and accepting change. - Providing positive subordinate performance review.</td>
<td>- Withdrawing from “political behaviour”. - Liaising with the Director on performance reforms, supporting formalisation and tightened control. - Continuing to provide positive performance review.</td>
<td>- Continuing to support the Director.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Board members of Northeast</strong></td>
<td>- Welcoming the new appointment. - Willing to compromise privileges.</td>
<td>- Increasingly divided on the issue of keeping “private treasury”. - Beginning to challenge the authority of the Director openly.</td>
<td>- Launching formal complaints and calling for the Party inspection. - Exposing the “private treasury” and board disputes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Peer organisations</strong></td>
<td>- Supporting the new appointment. - Offering positive peer performance review.</td>
<td>- Supporting merit-based reforms and “local income” generation. - Increasingly concerned and apprehensive about the Director’s lack of diplomacy and tactics. - Displeased with the Director’s lack of reciprocity.</td>
<td>- Mixed reactions: sympathetic, but also consider the Director is to blame for overstepping the boundary.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Higher authorities</strong></td>
<td>- Instructing the new Director to pursue merit-based reform. - Offering special grant and special discretions to the new appointment.</td>
<td>- Approving the Director’s promotion. - Holding up Northeast as an exemplary case of reform. - Remaining acquiescent on the “private treasury” of Northeast. - Agreeing on the future agenda of Northeast and offer substantial special budget to construct the University.</td>
<td>- Contradictory actions: continuing to support the Director’s reform; but in practice beginning to make arrangements for a new appointment to take over Northeast. - Reshuffling the board for irregular fiscal practices and lack of solidarity. - Endorsing the new Director.</td>
<td></td>
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</tbody>
</table>