REINVENTING THE STATE-OWNED ENTERPRISE? NEGOTIATING CHANGE DURING PROFOUND ENVIRONMENTAL UPHEAVAL

MIA RAYNARD
Vienna University of Economics and Business

FANGMEI LU
Nanjing University

RUNTIAN JING
Shanghai Jiao Tong University

This study builds theory on organizational change through a qualitative study investigating how a small state-run factory in China transformed into a global leader in power equipment manufacturing. Drawing on cross-level longitudinal data from the company's founding in 1966 to 2016, we unpack a process of organizational change that unfolded during China's transition away from a centrally planned economy. Our findings draw attention to the role of "values work" in facilitating and mitigating the risks of implementing highly controversial and seemingly immoral changes, which, in the case of the present study, were necessitated when the relevance of prior experience and organizing templates eroded. We present a model illustrating three strategies that, in combination, animate this values work: reconditioning, negotiated obsolescence, and mitigating risks of nonconformity. The model contributes to an understanding of how organizations reconcile the need for radical change with pressures for continuity and coherence. It also shows how managers find a balance between taking risks and minimizing them through efforts to time and align ongoing changes with shifting conceptualizations of appropriateness—both inside and outside the organization.

In the face of unprecedented global economic integration and fierce competition, organizational survival is increasingly predicated on the ability to cope with adversity, strain, and the unexpected

(Amis, Slack, & Hinings, 2004; Deeg, 2009; Weick & Sutcliffe, 2007). The emergence of disruptive technologies, industry deregulation, and macroeconomic shocks are but a few examples that have knocked firms out of major inertia and encouraged them to engage in some form of revolutionary transformation (Burgelman, 2002; Haveman, 1992; Pratap & Saha, 2018; Siggelkow, 2001). Empirical accounts of such transformations have shed beneficial light on the complex interrelationship between values and change—highlighting, in particular, how values enable and constrain change through their influence upon organizational culture, structures, and decision-making processes (Fox-Wolfgramm, Hunt, & Boal, 1998; Hinings, Thibault, Slack, & Kikulis, 1996).

For the most part, emphasis has been on exploring how values channel change processes in ways that align with socially shared beliefs and preferences "around the ultimate goals of the organization and how these should be achieved" (Perkmann & Spicer, 2014: 1787). Despite shedding light on the role of values in directing attention and circumscribing

strategic choices (Bansal, 2003; Kabanoff, Waldersee, & Cohen, 1995), existing accounts have given less attention to examining how organizations *purposefully* change in ways that contravene prevailing values. It remains, in other words, somewhat of a mystery both in theory and in practice how such processes unfold.

We examine this puzzle through an inductive study of a small archetypal socialist factory that evolved into a world-class power equipment manufacturer during China's transition away from a Soviet-style planned economy. China's economic transition and subsequent integration into the global economy are widely recognized as "among the most important social changes" in recent history (Keister & Zhang, 2009: 377; see also Wright, Filatotchev, Hoskisson, & Peng, 2005). Not only was the entire institutional fabric of society in flux, but basic assumptions about the purpose of economic activity were effectively rewritten (Peng, 2003; see also Newman, 2000). This type of "extreme" context is ideal for theory building because dynamics are more visible than they might otherwise be under more moderate conditions (Creed, DeJordy, & Lok, 2010; Pratt, 2000). Drawing upon multiple data sources, including semi-structured interviews, participant observation, and a unique data set of archival organizational documents, we trace the transformation of "Turbo Company" (pseudonym)—one of the "eldest sons of the republic" (McGregor, 2012: 30).

Through an in-depth analysis of a single exemplary case, we aim to build theory in three ways. First, we unpack a process of transformational change, wherein an organization is encoded with a new configuration of practices and structures that is seemingly antithetical to its overarching mission and organizing template. We present a model that illustrates how this was accomplished through "values work"—which we define as a category of actions directed at (re)articulating what is right or wrong, good or bad, in the design and operation of an organization (Amis, Hinings, & Slack, 2002; Gehman, Treviño, & Garud, 2013). The model highlights three strategies that, in combination, animate this values work: reconditioning, negotiated obsolescence, and mitigating risks of nonconformity.

Second, we show that what appeared on the surface to be a revolutionary break from the past was actually seeded in "earlier sequences of incremental change" (Weick & Quinn, 1999: 379) that sought to, paradoxically, preserve the integrity of the organization's past. As managers introduced changes that did not align with prevailing organizational values, they looked to the past to determine the means of implementation—that is, the approach and procedures to use. Thus, instead of acting as a "focusing device" for identifying and evaluating *what* types of change options were considered (Perkmann & Spicer, 2014), values influenced *how* change was implemented. By ensuring that implementation processes resonated with longstanding values and entrenched norms, managers were able to provide a sense of coherence amid the chaos of upheaval and feeling of being "set adrift" (Guthrie, 1999: 36). In illuminating these dynamics, our study implicates a nuanced and richer consideration of the role of values in change; and, further, speaks to recent efforts to better understand how the past can be leveraged to facilitate transformative change (Hatum, Silvestri, Vassolo, & Pettigrew, 2012; Marquis & Huang, 2010; Ravasi, Rindova, & Stigliani, 2019).

Third, our study contributes to an understanding of how managers negotiate the challenges of initiating changes that are not only new to them, but also "diverge from the institutional status quo in the field" (Battilana, 2011: 821). By situating organizational changes within the broader institutional landscape, our study sheds light on how managers built consensus around a new set of value commitments that were once widely repudiated as illegal and intrinsically immoral. Specifically, we show how efforts to map evolving conceptualizations of appropriateness, both inside *and* outside the organization, help determine the appropriate balance between taking risks and minimizing them. In so doing, such mapping can mean the difference between success and failure, as it not only informs decisions about the scope and timing of change, but also provides a way to identify the amount of top-down pressure that can be exerted to push changes through. Given that conforming to conceptualizations of appropriateness generates positive evaluations of credibility and legitimacy (March & Olsen, 2006; Navis & Glynn, 2010; Suchman, 1995; Zuckerman, 1999), it is important to understand how conformity is negotiated—particularly, when there are few, if any, legitimated "templates in use" (Newman, 2000; see also Greenwood & Hinings, 1996).

THEORETICAL GROUNDING

Organizational Values and Change

Organizational values not only ground an organization's culture and identity, but also circumscribe critical processes and patterns of behavior (Bansal, 2003; Pant & Lachman, 1998). Unlike organizational

identity, values are not unique to each organization, but "shared among organizations" (Perkmann & Spicer, 2014: 1795). They go beyond definitions of "who we are" and "what we do" as an organization (Albert & Whetten, 1985; Gioia, Schultz, & Corely, 2000; Tripsas, 2009) to encompass particular preferences for *how* an organization should be designed, operated, and evaluated (Amis et al., 2002; Hinings et al., 1996). As a touchstone for all organizational action, values are central to treatments of organizational change in at least three ways (Kabanoff et al., 1995; Ranson, Hinings, & Greenwood, 1980).

First, they foster organizational cultures and structural arrangements that predispose an organization to resist *or* embrace change (Burnes & Jackson, 2011; Levinthal, 1997; Moore & Kraatz, 2011). Some values, for example, promote inertial tendencies, rigidity in policies and routines, and strong commitments to past strategies and forms of change (Amburgey & Miner, 1992; Leonard-Barton, 1992; Miller & Friesen, 1980). Others, in contrast, encourage reflexivity and openness to change by promoting adaptive learning, experimentation, and the development of dynamic capabilities (Argote & Miron-Spektor, 2011; Eisenhardt & Martin, 2000; Granqvist & Gustafsson, 2016; Helfat & Peteraf, 2015; Rubera & Kirca, 2012). Values, in other words, influence organizational flexibility and openness to change by fostering commitment to particular structural arrangements and norms of behavior.

Second, by shaping the interpretation and legitimation of strategic alternatives, values delimit the types and range of change options considered (Perkmann & Spicer, 2014; Posner, 2010). Studies suggest that organization members tend to be more committed to, and accepting of, changes that are aligned with prevailing organizational values (Amis et al., 2002; Bourne & Jenkins, 2013). Conversely, changes that run counter to organizational values have been shown to elicit apprehension and resistance (Amis et al., 2002; Fox-Wolfgramm et al., 1998; Maitlis & Lawrence, 2007). Some studies also suggest that such changes may even be overlooked because they fall outside of managers' radars (Bansal, 2003). The underlying implication is that initiating value-incongruent change is challenging and may require some form of top-down coercive pressure to convince organization members to get on board (Dunphy & Stace, 1988; Hambrick & Finkelstein, 1987; Huy, Corley, & Kraatz, 2014). From this standpoint, values are seen as relatively stable contextual factors that open up and close down pathways for change—notably, through the regulation of choices and

diagnostic procedures that inform decision making (Cohen, March, & Olsen, 1972; Pant & Lachman, 1998).

Third, values not only influence but are *influenced by* change processes (Kraatz, Ventresca, & Deng, 2010; Townley, 2002). Studies have highlighted, for example, the importance of aligning ongoing change activities with meaning construction processes (Balogun, Bartunek, & Do, 2015; Bartunek, 1984; Gioia & Chittipeddi, 1991). Much of this work focuses on the sensegiving and sensemaking processes that effect disidentification with old values and meaning systems, while encouraging the acceptance of new ones (e.g., Armenakis, Harris, & Mossholder, 1993; Balogun & Johnson, 2004; Fiol, 2002; Piderit, 2000; Sonenshein, 2010). Whereas some studies emphasize the role of charismatic leaders and change agents (Burgelman, 2002; Carlisle & Baden-Fuller, 2004; Labianca, Gray, & Brass, 2000), others illuminate bottom-up transformative processes, wherein new values find their way into an organization's internal social structure through "ordinary and ongoing adaptation processes" (Kraatz et al., 2010: 1524). In these latter cases, continuous adjustments and seemingly mundane actions accumulate, generating enough bottom-up tension for espoused schemas and values to be "surfaced, discussed, and changed (Rerup & Feldman, 2011: 605; see also Plowman, Baker, Beck, Kulkarni, Solansky, & Travis, 2007; Wiedner, Barrett, & Oborn, 2017).

Taken together, the above streams of research have shed important light on the inextricability of organizational values and change. In much of this work, values are conceptualized as either channeling change in particular directions and trajectories or being upended when an organization undergoes revolutionary change—that is, a shift from one archetypal template to another (Greenwood & Hinings, 1988; Ranson et al., 1980). Because of the tendency to "attribute the success of revolution to its break with the past" (Weick & Quinn, 1999: 379), we lack an in-depth understanding of how organizations respond to profound environmental turbulence and uncertainty while "remaining true to core values" (Ansell, Boin, & Farjoun, 2015: 91). In the next section, we turn our attention to the literature on transition economies, which examines an extreme form of environmental change.

Organizational Responses to Institutional Upheaval

Economic liberalization and new demands for profit in transition economies have not only diminished

much of the relevance of prior experience and competencies, but also uprooted the cultural meaning systems and references that had traditionally anchored organizations' values (de Holan & Phillips, 2002; Newman, 2000; Pratap & Saha, 2018). Research on transition economies provides illuminating accounts of how organizations have responded by initiating extensive strategic reorientation and restructuring efforts (Hoskisson, Eden, Lau, & Wright, 2000; Jing & Benner, 2016; Marquis & Raynard, 2015; Uhlenbruck, Meyer, & Hitt, 2003). To acquire new knowledge sets and market-based competencies, for example, organizations have been shown to engage in distant search (Yin & Prabhu, 2018), participate in proactive experimentation (Nee & Opper, 2012), and enter into alliances with foreign partners (Hitt, Ahlstrom, Dacin, Levitas, & Svobodina, 2004). Similarly, network-based strategies have been found to reduce uncertainty and attenuate the challenges of underdeveloped intermediary institutions and market infrastructures (Haveman, Jia, Shi, & Wang, 2017; Krug & Hendrishke, 2008; Peng & Heath, 1996; Zhang, Tan, & Tan, 2016).

Whereas the above studies focus on adaptive efforts to regain fit with the changing competitive landscape, another stream of research has examined how organizations overcome the constraints of institutionalized expectations and arrangements—such as those around lifelong employment and following of rigid chains of command (Child & Yuan, 1996; Dodds, 1996; Marquis & Qiao, 2018; Tilcsik, 2010). Ample empirical and anecdotal evidence suggests that organizations continue to be carriers of socialist legacies because "socialist norms and values have simply been ingrained in their regular thought and practice by virtue of operating in such an environment for a long time" (Kriauciunas & Kale, 2006: 669). Roth and Kostova (2003: 317) liken such legacies to "institutional baggage," arguing that the "more ingrained and pervasive behaviors, routines, and cognitive scripts are, the more difficult it will be to destroy them and replace them with a radically different new set of scripts and behaviors." Some studies suggest that, to overcome these constraining forces, organizations may need to significantly alter hiring and socialization practices—that is, replacing the "old guard" with a new demographic, less wedded to socialist norms and practices (de Holan & Phillips, 2002; Tilcsik, 2010). Other studies indicate that the constraints of prior political ties and dependencies can be offset by employing buffering and image-management tactics that reduce uncertainty and manage potential power imbalances (Dieleman & Boddewyn, 2012; Stevens, Xie, & Peng, 2016).

Emergent research on transition economies has provided valuable insights into the learning and adaptation processes that have enabled organizations to develop new capabilities, overcome constraining socialist legacies, and emerge as business giants in the global market (Khanna, Palepu, & Sinha, 2005; Peng, Wang, & Jiang, 2008). However, there is still much that we do not know about how organizations have reconciled the seeming discrepancy between market-oriented goals and practices and the archetypal socialist organizing template. Indeed, how were practices, structures, and norms that were once repudiated as intrinsically immoral introduced and encoded into organizations? We propose to address this gap through an inductive, longitudinal analysis of how a highly embedded state-owned enterprise (SOE) was successfully transformed during China's profound shift away from a Soviet-style planned economy.

RESEARCH SETTING AND METHOD

Since Mao Zedong famously proclaimed the founding of the People's Republic of China (PRC) in 1949, the country has undergone a series of paradigmatic shifts in political and socioeconomic development policies (Guthrie, 1999; Lieberthal, 2004). Mao's socialist blueprint called for the development of a command economy, characterized by centralized planning and the collective ownership of all means of production (Chai, 2003; Spence, 1999). Political goals and national defense considerations diverted major capital projects and resources to the remote interior, as a way to remedy uneven regional development and protect key industries from mounting foreign threats (Fan, 1997; MacFarquhar, 2011). Through such redistributive policies, western China saw a rapid rise in large-scale heavy industry, despite its lack of physical infrastructure, human resources, and agglomeration economies (Murrell & Wang, 1993; Raynard, Lounsbury, & Greenwood, 2013).

By the 1970s, redistributive policies and the privileging of military defense had taken a toll (Fan, 1997; Sit & Liu, 2000). Facing mounting urban unrest and massive food shortages, a new political administration ushered in a series of economic reforms that shifted the focus to efficiency and pragmatism (Chai, 2003; Lin, 2002). Not only did China "open its door" to the world, it began introducing free market forces—reducing the scope of central planning and bureaucratic control over resources (Dodds, 1996; Nee & Su, 1996; Steinfeld, 1998). For SOEs, the transition to a socialist *market* economy signaled a fundamental shift

in their expected role and function in society. Prior to the reforms, they were mere cogs in the multitiered hierarchy of the Communist Party infrastructure (Xie, Lai, & Wu, 2009). Their role was to fulfill production quotas, ensure employee welfare, and support full national employment (Shinkle & Kriauciunas, 2012). Innovation and risk-taking were not valued, and there were few economic incentives or disincentives because the state absorbed all profits and losses (Dodds, 1996; Guthrie & Wang, 2007; Tan, 2007).

After the introduction of economic reforms in the late 1970s, however, organizations were increasingly expected to fuel national development and growth. With this new competitive mandate, organizations faced a "detrimental fit-destroying change" (Siggelkow, 2001) as past models for action and templates for organizing became increasingly irrelevant (Chen, 2006; Jing & McDermott, 2013; Peng, 2003). While many organizations fell victim to intractable conflict, paralysis, and obsolescence (Ralston, Terpstra-Tong, Terpstra, Wang, & Egri, 2006), Turbo Company survived—seemingly reinventing itself, while preserving the integrity of its socialist roots and SOE status. In the following section, we detail the methodology we used to unpack the process by which Turbo Company transitioned from a small state-run factory to a world-class power equipment manufacturer with assets totaling more than RMB 34 billion in 2015.

Research Design and Data Sources

This research unfolded in two phases. In the first phase, we sought to identify important shifts in the sociopolitical and economic environment, as well as changes in the expectations and mandates imposed upon SOEs. In the second phase, we delved deep inside Turbo Company to understand how managers and employees interpreted and experienced these important societal changes. This latter phase was part of a larger research project that began in early 2011 and sought to understand the sources of Turbo's success and how it became one of China's "national champions," spearheading global integration and advancing the country's economic interests.

Access to Turbo was negotiated through the third author's personal contacts with members of the top management team. These contacts were developed over a 15-year period, during which the author provided training and consulting services to the company. Without these long-term trust-based relationships, we would not have been able to gain deep access to the company, nor would we have been provided with such candid insights into the company's transformation.

These relationships are especially important when it comes to studying SOEs—and, in particular, flagship enterprises that operate in China's "pillar industries" (i.e., strategic sectors such as national power generation and distribution, telecommunications, and civil aviation). Below, we outline the four main sources of data used in this study (see Table 1 for a detailed data inventory).

Official government documents. To better understand China's changing institutional landscape, we collected more than 300 official government documents, including reports and keynote speeches from national congresses of the Communist Party of China, reports from major Party meetings, national Five-Year Plans, the Constitution of the PRC, and laws and policies governing SOEs. These primary-source political documents are not only carefully crafted and thoroughly scrutinized to accurately reflect the priorities of China's top polity, but are also widely disseminated through government-controlled media and local Party committees (Heisey, 2000; Li, Green, & Hirsch, 2018). Moreover, being "explicitly normative and value oriented" (Kluver, 1996: 5), official discourse in China is an important conduit through which to understand the social expectations and norms regulating economic activity (Lu & Simons, 2006).

Archival organizational documents. We collected more than 770 archival documents from Turbo Company, a power equipment manufacturer located in western China that is owned by the central government. The documents covered the period from the company's founding at the height of Mao's socialist regime in 1966 to 2016. Most of the documents were maintained by the company's Archive Reserves Division, which functions much like a corporate library.[1] Due to the sensitive nature of the documents, permission from senior managers was required to have original hard copies scanned into PDF format. We collected three main types of archival material: strategic plans and reports, formal notifications of changes, and speeches and documents from Turbo's workers' congresses[2] and Turbo's

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[1] The Archive Reserves Division is composed of four subunits, staffed with 40 employees. Its main responsibility is to collect and preserve formal organizational documents, such as official plans, reports, and product designs.

[2] The "Workers' Congress" is a constitutionally mandated, self-governing body within Chinese SOEs. It comprises representatives from each subunit, who meet twice a year in formal congress meetings at which the factory director or CEO delivers a report on the current and future development of the company.

TABLE 1
Data Inventory

Original Data Source	Quantity	Data Specifics
State-level archival data	211 docs.	Reports, speeches, and communiqués from national congresses of the Communist Party of China and major Party meetings (1945–2012)
	118	
	45	Reports from State Council meetings (1954–2012)
	32	Reports and speeches on China's Five-Year Plans (1954–1964 and 1982–2010)
	16	Reports on 30 years of China's reform and opening up (published by the National Bureau of Statistics of China in 2008)
Laws and regulations	108 docs.	
	7	Constitution of the PRC (1954, 1975, 1982), Amendments to the Constitution of the PRC (1988, 1993, 1999, 2004)
	101	Company Law, Labor Law, Labor Contract Law, and other regulations regarding Chinese SOEs (1950–2010)
Organizational-level archival data	158 docs.	
Strategic plans and reports	12	Five-Year Plans (1970–2010)
	17	Annual report and strategic plans (1978–1989), annual strategic plans (1990–2012)
	32	TCPO committee secretary speeches and reports from TCPO Congress (1985–2014)
	59	Factory director/CEO speeches and reports from Turbo's Workers' Congress (1980–2014)
Formal Notifications	590 docs.	
	38	Applications to/replies from the state on production orders and structural arrangements
	13	Instructions on the responsibility of each department/division (1966, 1972, 1985, 1991); organizational charts (1966, 1985, 1991, 2002, 2007, 2012); income distribution policies (1985, 1991, 2012)
	577	Decisions on restructuring sub-units (e.g., workshops, departments, subsidiaries); other rules and policies
Others	27 docs.	
	3	Memoirs of former directors (Word document, 94 pages); Turbo's Official Record of Key Events from 1966 to 2000 (Word document, 238 pages); Turbo's Official Record of Key Events from 2001 to 2010 (Excel file, 2,467 records)
	24	Complaint letters and staff suggestions regarding transferring Turbo Hospital; internal culture surveys
Interviews		
First round, 2011	6 interviews	Former CEO and current CEO; 2 former factory directors; 1 former TCPO committee secretary (also factory director); 1 member of revolutionary committee (also factory director)
Second round, 2012–2016	25 interviews	8 interviews with managers and staff in charge of restructuring: 3 executive managers, 3 middle managers, and 1 low-level staff member
		6 interviews with 5 senior managers: heads/vice heads of Turbo's business subunits under reform
		9 interviews with middle-managers/staff from Turbo Hospital: department heads of hospital units
		2 interviews with Turbo's first-generation staff members: 1 retired general staff member and 1 retired middle manager
Participant observation		
Field notes, 2001–2015	11 executive meetings	3 meetings on restructuring auxiliary business subunits (Aug. 2003, Jan. 2006, Oct. 2015)
	76 pages	2 meetings on overall organizational restructuring (May 2002, Oct. 2014)
		2 meetings on organizational culture development (Mar. 2001, May 2009)
		4 others: formulating the 2006–2010 Five-Year Plan (Nov. 2005), entering wind-power sector (Mar. 2006), improving human resource management (Apr. 2008), and formulating technology development strategy (Dec. 2012)

Communist Party Office (TCPO) congresses.[3] While many of these documents were originally required by the government to facilitate national economic planning (e.g., Five-Year Plans, annual reports, and strategic plans), they were later used for internal communication and reporting purposes. Together, these archival organizational documents provide a detailed, longitudinal account of major changes in the company's strategies, structures, and practices.

To supplement this database of formal documents, we examined internally-distributed autobiographies and memoirs of former directors, organizational culture surveys, and corporate records of key events that took place between 1966 and 2010 (e.g., cultural events, technology and product changes, and visits from government officials and corporate partners). We also collected data from Turbo's Complaints and Grievances Office—focusing, in particular, on employee appeals made during major corporate restructuring efforts. Other documents such as employee records and those detailing salaries and promotions were not accessible because of their confidential nature. However, we were able get average income ratios across different hierarchical levels of the company, and detailed breakdowns of employee turnover rates (e.g., from transfers, retirement, and layoffs). This supplemental archival material helped flesh out the contextual conditions surrounding each major change event.

Interviews. We conducted two rounds of semi-structured interviews between 2011 and 2016. The first round sought to gain insight into the situated experiences and understandings of Turbo's top leadership—that is, those of the factory director (i.e., CEO) and committee secretary (i.e., head of TCPO).[4] We interviewed six informants, whose combined leadership tenure spanned our full research window. As part of Turbo's first generation of staff, four of the informants had experienced the founding of the company firsthand. The other two joined Turbo in 1982 and 1983, respectively, rising through the ranks of the company during their careers. Each of these "elite" informants (Mikecz,

2012) was asked to reflect upon the development of the company and the major changes that occurred under their leadership. We also asked them to describe how changes were implemented, the key challenges and obstacles faced, and how these were addressed.

To corroborate, extend, and contrast these accounts, we conducted a second round of 25 interviews. The majority of the informants were selected through purposive sampling, with the aim of capturing a variety of perspectives on the change process. We spoke with senior executives responsible for implementing Turbo's change initiatives, as well as mid-level managers across a diverse range of subunits that were being restructured or divested. We encouraged each informant to provide specific examples and detailed descriptions of how the changes affected their respective business units, day-to-day activities, and their work and personal lives. To gain additional insights into the early years of the company, we relied upon nominative sampling to identify two retired employees who were part of Turbo's first generation of staff.

All of the interviews were conducted on-site at the company and lasted on average one hour. Because of the concern that mid-level managers and low-level employees might feel uneasy about being interviewed by "outsiders," our informants were mostly senior personnel. For Turbo's leaders, it was important to avoid causing unnecessary stress among staff members because it could negatively affect the ongoing change process. To address the limitation and potential bias of having a more top-down perspective of change, we examined other data sources, including staff appeals and minutes from meetings discussing the challenges of restructuring. These data sources provided insight into how lower-level staff might be interpreting and experiencing the changes.

Participant observation. Our final data source was collected from observing 11 executive meetings held between March 2001 and October 2015. These meetings covered a wide range of topics, including human resource management, strategic diversification, and corporate restructuring. This "insider" view on decision-making processes shed important light on leaders' major concerns during the planning and implementation of change initiatives. It also provided unique insights into initiatives that were abandoned—and, thus, unobservable in formal organizational documents. Because electronic recording was prohibited, we relied on detailed field notes to document the actors involved in the meetings, the

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[3] Party congresses are biannual meetings involving official Communist Party members from each subunit. In these meetings, the committee secretary delivers a report on the current and future development of the company's Communist Party Office.

[4] Part of these interview data were used in another paper, published in the *Journal of Organizational Change Management*. The paper examined how Turbo's distinctive organizational culture emerged and evolved over time.

major issues discussed, and the proposed courses of action.

Data Analysis

To facilitate more efficient indexing, searching, and coding, we organized all our data sources using MAXQDA qualitative research software. Below, we detail the four main steps of our data analysis process.

Step 1: Mapping the changing institutional and competitive landscape. Using existing literature as a thematic guide, we examined state-level archival documents to map how the institutional and competitive landscape changed during our research window. We began by identifying passages of text describing sociopolitical and economic policies, state–enterprise relationships, and the expected role of enterprises in society. As we coded these passages, we began constructing a chronological narrative of societal-level events to provide a contextualized backdrop for our study. Key events included new policies on state–enterprise governance relationships, reforms in the national wage and tax system, and the publishing of official guidelines for managing state assets. This chronological narrative shed light on important changes in the mandates imposed upon SOEs—namely, the shift away from emphasizing production quotas and social welfare responsibilities to meeting more market-oriented legitimacy criteria (e.g., revenues, labor productivity, and R&D investments).

Step 2: Identifying the archetypal socialist organizing template and how it evolved. In this step, we delved into our archival organizational documents to identify how Turbo evolved and changed. We started by examining formal documents from the company's early years to sketch out its initial configuration of organizational building blocks—i.e., its, mission, governance structures, management models, espoused values, and dominant practices. We then cross-validated and fleshed out this sketch by triangulating across other data sources from the same time period. We paid particular attention to government documents that outlined how SOEs should be structured and managed, and the values that they were expected to uphold—for example, "stick to hard working and plain living," "improve the livelihood of workers," "implement the policy of self-reliance," and "carry out the socialist revolution and socialist construction."

Once we were confident that we had adequately captured Turbo's initial configuration as a "state-run" factory, we began analyzing data sources from later periods to identify how the company's archetypal template evolved and changed. Cycling between the archival database, interview data, and field notes, we identified major "change events" that were proposed, discussed, and deliberated upon. To illustrate, when we identified a change event in a formal report, we checked to see if it was listed in Turbo's recorded timeline of key events. We then examined other data sources, identifying and extracting all data related to that event. Throughout this iterative process, we kept detailed notes about the motivation behind the changes, their objective or purpose, and the actors involved. This enabled us to develop a rich and detailed timeline of Turbo's transformation.

Step 3: Situating the change process within the institutional context. As our analysis progressed, we noted a clustering of change events at two periods in time: 1979–1987 and 1998–2006. To better understand these temporal clusters, we developed detailed case reports for each period. As we "zoomed in" (Stake, 2010) and comparatively examined each cluster, we identified two interesting patterns. First, the same phrasing and terminology was used in both state- and organizational-level documents. We tentatively interpreted this as an indication of a "sensitive period" wherein Turbo experienced heightened susceptibility to external pressures (Marquis & Tilcsik, 2013). Following this hunch, we conducted a series of frequency tabulations of specific phrases and political slogans at each level. This supplemental analysis revealed that Turbo's discourse on its change initiatives closely mimicked state-level discourse—almost using it as a means to legitimize proposed changes and *prime* organization members for the changes to come. The second pattern was identified when our coding surfaced what appeared to be "identifiable discontinuities" (Langley, Smallman, Tsoukas, & van de Ven, 2013)—that is, major shifts in social and political expectations of SOEs. We found that in and around these two periods of discontinuity, Turbo faced intense pressures to implement changes that seemed to contravene longstanding assumptions about its overarching mission, as well as prevailing beliefs about how it should be designed and operated.

Step 4: Unpacking the strategies for negotiating transformational change. To unpack how Turbo negotiated these periods of discontinuity, we inductively coded Turbo's responses. We used informants' own language to guide and refine our coding schema—with the aim of ensuring that our interpretations would reflect the "lived experience" of

our informants (Smets, Jarzabkowski, Burke, & Spee, 2015). We also relied on member checks and follow-up correspondence with select informants to confirm and improve the accuracy of our interpretations (Lincoln & Guba, 1985; Nag, Corley, & Gioia, 2007).

To coordinate our individual efforts, we met regularly to debrief and share our emerging impressions. During one such session, we noted that some changes were implemented shortly after Turbo's leaders announced plans for extensive organization-wide reforms. For the most part, implementation of these changes was a matter of learning and adaptation to develop relevant skills and competencies—for example, creating internal accounting systems to track costs and allocate resources. Other changes, however, seemed inherently more complex. Both organizational documents and informants explicitly acknowledged that such changes "did not readily align with" longstanding practices and norms. Oftentimes, implementation of these changes was discussed in terms of "daring to," or of there being "no ready answer for whether it is appropriate or acceptable." As we returned to our data to perform further rounds of coding and comparison, we focused on developing this embryonic insight (Howard-Grenville, Metzger, & Meyer, 2013).

After multiple debriefing sessions, we moved through the stages of gradual abstraction (Eisenhardt, 1989)—linking empirical themes to second-order conceptual categories, and then collating and collapsing these categories into aggregate dimensions (Smets, Morris, & Greenwood, 2012; Smith & Besharov, 2019). Throughout this analytic process, we continuously cycled back and forth between the data, relevant literature, and emerging theoretical insights (Langley, 1999; Locke, 2001), eventually surfacing a model that captured the process through which Turbo seemingly "reinvented" itself. The analysis led us to understand that the process involved, on the one hand, introducing new value commitments, and, on the other, removing highly institutionalized elements tied to old value commitments. Our first set of conceptual categories—"reconditioning"—involved the encoding of new value commitments to market-oriented goals and activities. Oftentimes, these codes were associated with traditional socialist control mechanisms (e.g., mandatory education and training programs), which sought to "coercively embed" changes in the minds of organization members. Other times, they involved efforts to "normalize" the introduction of highly controversial practices and structures by couching them in the familiar—in essence, rendering the extraordinary "seemingly ordinary" (Ashforth &

Kreiner, 2002: 217). As we examined codes from the second period of discontinuity, we identified another reconditioning tactic, wherein individuals that resisted change were singled out and directly pressured to accept the reforms (i.e., "targeted persuasion").
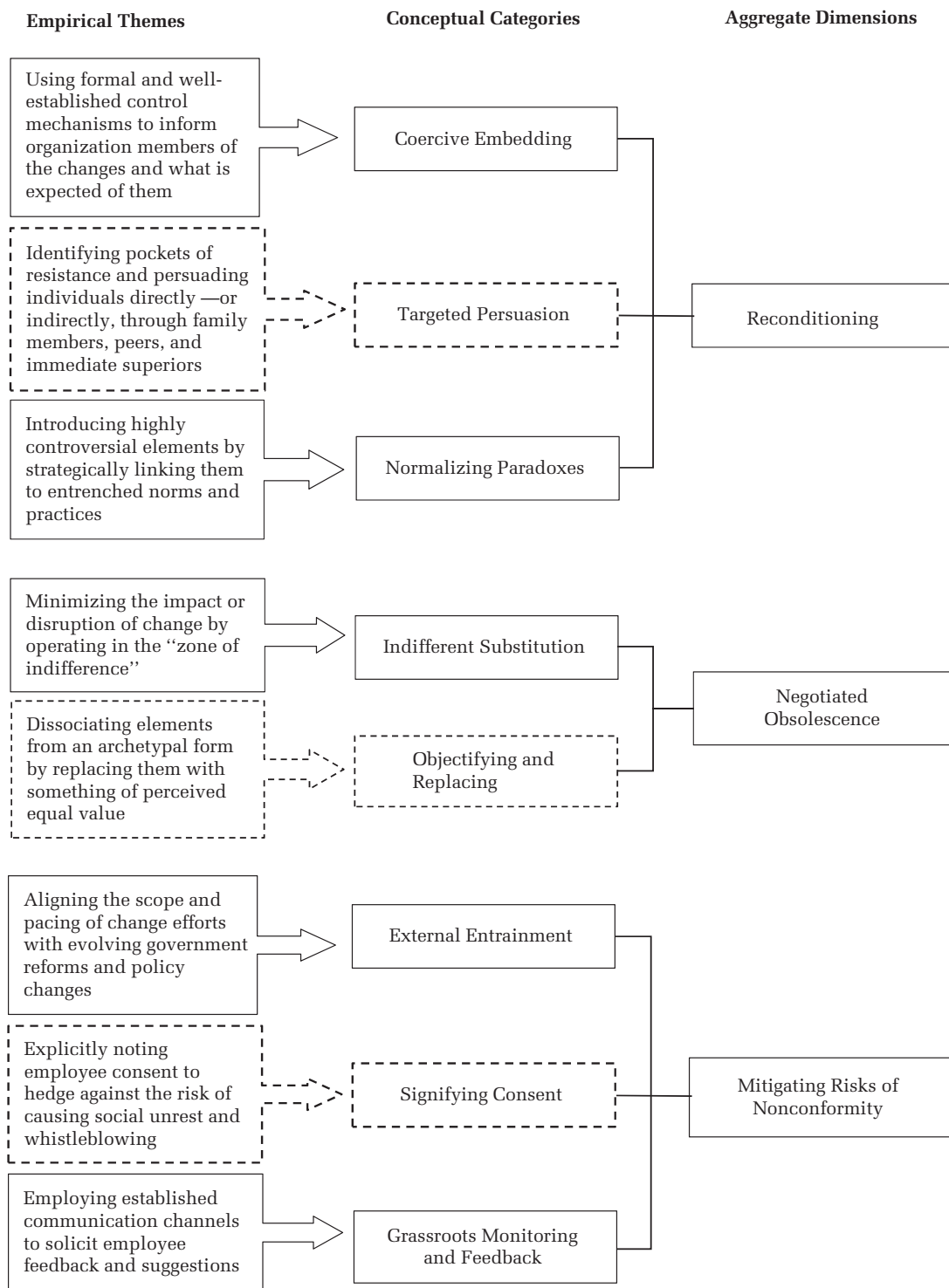
Whereas the first set of conceptual categories reflected top-down tactics to introduce new elements, the second set explained how elements of the archetypal socialist enterprise were removed. We created two categories to capture efforts to negotiate acceptable replacements for institutionalized practices and arrangements that were no longer externally mandated by the government: "indifferent substitution" involved efforts to contain the potential disruption of changes by minimizing their impact on decision-making processes and day-to-day activities; "objectifying and replacing" involved negotiating replacements that were perceived to be of equal value or utility to employees. We subsumed these two conceptual categories under the aggregate dimension "negotiated obsolescence."

The third set of conceptual categories was not directly associated with implementing change per se, but instead with determining the appropriate scope and timing of implementation. Empirical themes pointed to efforts to cautiously align ongoing change efforts with what external and internal audiences deemed appropriate- for example, pacing change actions according to evolving government reforms and policies (i.e., "external entrainment"), collecting employee feedback and suggestions on the change process (i.e., "grassroots monitoring and feedback"), and explicitly noting that staff supported the proposed changes (i.e., "signifying consent"). These conceptual categories were collapsed under the aggregate dimension of "mitigating risks of nonconformity."

Together, these three strategies "set the stage for a full delineation of our model" (Howard-Grenville et al., 2013: 120). They show, in particular, how values work enabled transformational change through a combination of top-down tactics, negotiation, and timing and aligning strategies. Figure 1 provides an overview of how we moved from our empirical themes to conceptual categories, and, finally, to our aggregate dimensions.

Below, we separate our findings into three sections. We begin by providing a contextualized account of Turbo's founding and its initial configuration of building blocks and value commitments. Next, we detail how Turbo responded to institutional upheaval, articulating the strategies through which seemingly antithetical elements were introduced and encoded

FIGURE 1
Data Structure

Empirical Themes	Conceptual Categories	Aggregate Dimensions

Using formal and well-established control mechanisms to inform organization members of the changes and what is expected of them → **Coercive Embedding**

Identifying pockets of resistance and persuading individuals directly —or indirectly, through family members, peers, and immediate superiors ⇢ **Targeted Persuasion**

Introducing highly controversial elements by strategically linking them to entrenched norms and practices → **Normalizing Paradoxes**

Reconditioning

Minimizing the impact or disruption of change by operating in the ''zone of indifference'' → **Indifferent Substitution**

Dissociating elements from an archetypal form by replacing them with something of perceived equal value ⇢ **Objectifying and Replacing**

Negotiated Obsolescence

Aligning the scope and pacing of change efforts with evolving government reforms and policy changes → **External Entrainment**

Explicitly noting employee consent to hedge against the risk of causing social unrest and whistleblowing ⇢ **Signifying Consent**

Employing established communication channels to solicit employee feedback and suggestions → **Grassroots Monitoring and Feedback**

Mitigating Risks of Nonconformity

- - - - Tactics implemented in the later stages of the transformation when economic reforms deepened

into the organization. In the third section, we elaborate on how the constitutive elements of the company's archetypal socialist organizing template were reconfigured as the government's economic reforms deepened.

FOUNDING A THIRD FRONT ENTERPRISE

Turbo Company was founded in 1966, a period when the whole country was engrossed in a sociopolitical campaign that championed "purist egalitarianism" (MacFarquhar, 2011; Spence, 1999). Amid this climate of ideological fervor and heightened tensions in China's international relations, Turbo was given the important political task of developing the power industry in the remote western region:

> We should be concerned with national affairs . . . give "priority to politics," engage with the masses . . . We should trust the people and trust the Party. These are our two cardinal principles. If we doubt these two cardinal principles, we won't be able to succeed or do anything. (Speech at Turbo's groundbreaking ceremony, 1966)

Heeding Mao's call to develop China's "Third Front," Turbo's first generation of nearly 1,500 staff and family members flocked to the mountainous interior:

> We wholeheartedly believed that the "Third Front Movement" was an important political task . . . When we successfully developed and produced our first turbine, we were all very excited . . . when we produced our second turbine, we started to feel like our factory had become valuable and that it made a contribution to the nation. (Factory Director A, April 2011)

Responding to the call was perceived as an honor, and act of proletarian selflessness:

> Most of the early generation of our staff were cadres and intellectuals who came here with the intention to contribute to the nation. They were relatively young, around 30 years old. I was 28 when I came . . . Back then, the factory didn't have much . . . The first generation of staff lived a very plain and basic life. They didn't have a yearning for money or status. All they seemed to care about was the prosperity and development of the country. (Factory director B, May 2011)

Because the guiding principle for the Third Front Movement was "in the mountains, dispersed, and hidden" ("*kaoshan*, *fensan*, *yinbi*"), transportation and commercial infrastructure were virtually nonexistent. Indeed, the very nature of privileging military defense and isolation meant that accessibility to inputs and public services was limited: "When we first came here, the conditions were terrible. It was extremely challenging . . . We had to build a farm to provide basic necessities like milk and meat" (Factory director B, May 2011).

For Turbo, the need to overcome these significant challenges spawned a pioneering spirit: "For most of its early years, Turbo faced major adversities. The first generation embraced the value of self-reliance, which has been passed down from generation to generation" (Executive manager A, December 2014). Another director similarly explained, "Because we witnessed and experienced these hardships together, there is a strong sense of camaraderie . . . The difficulties of that time united us. It formed a spirit of community and perseverance" (CEO A, July 2011). From all accounts, these founding conditions fostered a strong commitment to the company's socialist mission and values.

Archetypal Socialist Organizing Template

Turbo reflected the dominant organizing template of Mao's time. It had a line-based structure governed by a revolutionary committee, comprising members handpicked by the Central Committee of the CPC. All major decisions, from product lines and resource allocations to strategic partnerships and promotion decisions, were controlled by the central government. Turbo's main responsibility was to fulfill national production quotas, and serve as a mini welfare state, providing for the employment, health, and educational needs of its staff and their dependents:

> In those days, managing a factory was very complicated. You had to oversee every aspect of the factory and the staff. In addition to handling production and factory development and operations, you were responsible for your staff members' livelihood and welfare . . . Housing allocations were of vital importance to each family, so such decisions required careful deliberation. Other important considerations included the provision of education and employment for our staff members' children. Because these issues could affect a family for generations, it was important to seriously consider all relevant factors in making decisions. (Memoir of factory director A, 2015)

Under the so-called "workers' state" (Dodds, 1996), employees were the "masters" of the enterprise, and were to be treated equally—an arrangement

colloquially referred to as "*da guo fan*" or "everyone eating from the communal rice pot." Employment relations followed the "three irons" model, incorporating the "iron rice bowl" (lifelong employment and benefits), "iron wages" (national fixed wage), and "iron chair" (secured position) (Warner & Zhu, 2000). This employment model grounded the factory's management philosophy and remuneration structure, such that, regardless of variations in job content or performance, those assigned to the same position were compensated equally (Zhu, De Cieri, & Dowling, 1998). Further, because of the commitment to proletarian selflessness and the strong disdain for monetary incentives, emphasis was placed on "spiritual encouragements":

> At that time, the factory conducted a lot of "socialist labor competitions," where staff competed to get the honorary title of "advanced individual." It was very difficult … The award was only [bestowed] once a year. It was based on a combined assessment of how well you did your job, how you conducted yourself, and how you treated others. Everyone took this award very seriously. Winners would get "spiritual encouragements" such as red flags or pennants, and they would be widely praised. (Retired staff member Z, May 2016)

Being born at the height of the Mao era, Turbo was *the* archetypal socialist enterprise. It had a clear ideological mission to develop China's power industry, and championed the socialist values of egalitarianism and self-sacrifice. Its management philosophy followed the principle of staff as "masters," which manifested in democratic management practices, minimal hierarchical structures, and a strong egalitarian ethos. Moreover, as a Third Front industrial enterprise, Turbo was imprinted with a strong sense of self-reliance and camaraderie. Table 2 provides a detailed overview of Turbo's initial configuration of building blocks, and outlines how Turbo's organizing template and underpinning value system changed as the company transitioned from a small state-run factory to a global leader in power equipment manufacturing.

NAVIGATING INSTITUTIONAL UPHEAVAL

In the late 1970s, SOEs faced profound environmental turbulence and uncertainty as the government introduced economic reforms that departed significantly from prior redistributive policies and the traditional centralized approach to development:

> Under our present system of economic management, power is over-concentrated, so it is necessary to devolve some of it to the lower levels without hesitation but in a planned way … We must learn to manage the economy by economic means … There can be no doubt that, as the economy grows, more and more possibilities will open up and each person will be able to make their contribution to society. (Central Work Conference, 1978)

The new reform-minded government sought to encourage market competition and "open" China's doors to the West (Fan, 1997; Raynard et al., 2013). Instead of building self-sufficient industrial bases and diverting capital investments to the remote interior, attention shifted to developing trade in the eastern coastal region. With this shift, the "Third Front" mission that had united Turbo's staff and grounded its core values was called into question:

> Some people started to say that "Third Front construction [is] wrong." It was even reported in the *People's Daily* [the Communist Party's official newspaper]. I was very worried because it could lead to unrest in the Third Front. (Factory director A, April 2011)

Turbo could no longer rely on its political significance to attract a contingent of committed staff—a challenge that was exacerbated by Turbo's unfavorable and isolated location in the mountains. This loss of preferential political status and guaranteed production orders from the state put Turbo's survival and the welfare of hundreds of employees at stake:

> Third Front construction … was no longer the priority of the central government. The factory was on the verge of collapse—what were we supposed to do? Not only did we face a challenging natural environment, but we no longer had support from the state … At one point, we didn't even have a single product order from the state … It was like we had been forgotten. (Factory director B, May 2011)

To make matters worse, the government removed traditional safety nets and increasingly shifted accountability to enterprise leaders: "Any enterprise with serious losses due to poor management must start making profits within a limited period; otherwise, it will be suspended and rectified" (China's Sixth Five-Year Plan, 1982). Turbo's leaders were suddenly thrust into the unfamiliar position of needing to acquire and develop critical resources:

> The government gave us land, but, when it … decided to develop China's power equipment manufacturing sector, it appointed two of our counterparts [in the

TABLE 2
Major Changes in Turbo's Organizing Template and Underpinning Value System

	Archetypal Socialist Enterprise	Early Reform Period	Deepening the Economic Reforms
Role of Organizations in Society	*Instrument of Socialism*: Perform both social and economic functions	*Engine of National Economic Growth*: Fuel economic growth and productivity	*World-Class Global Enterprise*: Enhance competitiveness and international standing
State–Enterprise Relationships	State as owner and manager with control over all strategic and operational decisions	State as owner with an "economic contract" with enterprises; enterprise leaders responsible for operational decisions—however, major strategic decisions require government approval	State as shareholder; enterprises as separate legal entities
Turbo's Organizing Template and Value System			
Mandate/Mission	Contribute to building the "Socialist Motherland" by developing China's power industry	Spearhead the government's economic reform plan through exports and developing foreign markets	Become a "national champion" to promote innovation and China's integration into the global market
Governance Model	Extensive democratic management system—workers have the right to participate in decision-making processes	*Dual-Authority Structure*: Factory director granted authority over formal administration/operational decisions • Specified democratic management procedures: workers have the right to be consulted on major decisions	*Corporate Shareholder System*: Board of directors; factory director acting as CEO
Employment Relationships	Staff as "masters" and workers of the state • "Three irons" national employment model: lifelong employment and benefits, national fixed wages, and secured job position	Staff as "masters" and employees of the *enterprise* • Introduction of open recruitment and fixed-term employment contracts	
Management Philosophy and Values	Self-reliance; camaraderie; proletarian selflessness; strong egalitarian ethos • "Absolute" equality	Emphasis on egalitarianism shifts to fairness • Strong discouragement of hierarchies and status differences between job positions	Emphasis on self-reliance shifts to independence
Incentive Structures	Spiritual/nonmaterial "encouragements"; discouragement of financial incentives	Introduction of material rewards and financial incentives	
Implicit Social Contracts	Lifelong employment and benefits from the "cradle to the grave" for employees and their dependents	*Implicit* lifelong employment—with most benefits directly provided by the company for employees and their dependents	Monetized benefits as part of compensation packages for employees

east] to import high-capacity technology from the United States. ... Without this key technology, we would not have any products, so how could we maintain the factory? (Factory director A, Apr. 2011)

It was clear that responding to the government's new market-oriented mandate would require drastic changes, including an overhaul of the factory's strategies and operations:

The objective of Turbo's comprehensive reorganization is to improve the economic efficiency of the factory ... We need to fundamentally change our way of thinking. We need to change from an emphasis on product value and quantity to product variety, quality, and costs. Our focus should not only be on increasing production and revenue, but also decreasing costs. (Report from Workers' Congress, Oct. 1982)

Figure 2 situates Turbo's change initiatives within the broader institutional landscape, linking organizational changes to major regulatory and policy events.

Priming the Organization for Change

When Turbo's leaders announced plans for extensive organization-wide changes, they drew heavily on the legitimacy and authority of the central government:

The State Council just approved the reform for the industrial sector, which is highly related to our ongoing governance system reform ... The State Council's approval is a clear statement about the significance of the reform. (Report from Workers' Congress, March 1984)

By anchoring the narrative for change to that of the Communist Party, Turbo's leaders not only legitimized but also infused their announcements with a sense of inevitability. Change, in other words, was "mandated" by the government, and thus required for the good of the socialist motherland:

The Central State proposed that one of the guiding principles for formulating the Seventh Five-Year Plan was to "make reform a priority". ... All the staff in our factory should stand at the forefront [and] continue to take up the heavy responsibility of promoting the reform and developing the productive forces of the society. (Report from TCPO Congress, Mar. 1985)

Through such external legitimation, Turbo's leaders *primed* organization members for major reforms—which required the introduction of practices that did not readily align with the company's archetypal socialist template and entrenched egalitarian ethos:

[We must] seriously implement the government's policy of "from each according to his ability, to each

according to his work" ... From this year forward, the distribution of bonuses and pay raises is not going to satisfy everyone. All forms of remuneration will embody the principle "more pay for more work, less pay for less work"—allowing for remuneration differences between intellectual work and manual work, complex work and simple work, and skilled and unskilled labor. (Report from Workers' Congress, Mar. 1984)

Not only did the introduction of bonuses and material incentives trigger perceived value system discrepancies, proposed changes to governance structures appeared to undermine the socialist tenet of employees as "masters" of the enterprise:

With the new governance system, the factory director has a lot more power ... [which] seems contradictory to the principles of democratic management, but that is not the case ... Because of the long history of feudalism in old China, people have a poor understanding of democracy. (Report from Workers' Congress, Oct. 1986)

It was clear to Turbo's leaders that implementing the proposed changes would necessitate a shift in traditional understandings of elements that were "socialist" and those that were "capitalist":

For a long time, the idea of the big communal pot and the iron rice bowl system were mistakenly treated as the embodiments of socialism, examples of its superiority ... People were afraid to cross the line. Today, many people are still affected by those thoughts, they want to be rich, but dare not get rich ... those outdated rules and notions that hinder the development of production and economic growth must be changed. (Report from Workers' Congress, Mar. 1984)

Negotiating Value System Discrepancies

To attenuate the perceived oppositional nature of the changes and reduce potential resistance, Turbo's leaders employed three interrelated values work strategies (see Table 3 for additional supporting evidence and illustrations of the strategies).

Reconditioning. In the early stages of the reform, Turbo's leaders redeployed well-established control mechanisms to "coercively embed" changes in the minds of managers and staff. Turbo's extensive education programs were particularly useful, as they had a long history and were widely accepted in socialist enterprises:

Workers should dedicate no less than three hours per week on political education and study. In 1976, each branch must hold evening political education classes—with a minimum enrollment of approximately 70% of the total number of employees. This

FIGURE 2
Chronology of Events and Change Initiatives

Instrument of Socialism — *Engine of National Economic Growth* — *World-Class Global Enterprise*

SOCIETAL LEVEL

1955 First National Five-Year Plan
1964 Third Front Movement started
1966–1976 Cultural Revolution
1978 "Open door" economic reform policy ①
1981 Contract responsibility system (CRS) introduced in industrial sector
1983 Corporate tax system introduced
1988 SOE financing shifted from state to banks
1991 Shareholder system introduced
1992 Operational decision-making authority transferred to SOEs
1994 Company Law passed
1995 Labor Law passed
Reform of the social security system ②
SOEs encouraged to transfer social welfare units
1998 Reform of the housing system ③
2001 China joined World Trade Organization
2002 Guidelines published for SOEs ④ to transfer social welfare units and restructure auxiliary businesses
2003 State-owned Assets Supervision & Administration Commission established ⑤
2008 Labor Contract Law passed

ORGANIZATION LEVEL

Legal Status
1966 State-owned factory ①
- State as owner and manager
1984 State-owned factory ①
- State as owner with an "economic contract" with Turbo; Turbo as self-managed factory
1998 State-owned Enterprise
- State as shareholder; Turbo as separate legal entity

Formal Structure
1966 Line-based structure
1979 Functional organizational structure adopted
1980–1996 Functional departments restructured
1984–1993 Workshops restructured into sub-plants
1998–2006 Restructure some sub-plants into independent subsidiaries
2000 Divisional-matrix structure adopted
2001–2006 Further restructuring of units and departments

Governance Structure
1966 Single-authority structure
- Governed by the factory revolutionary committee
1979 Increased accountability for functional departments
1982 Piloted "soft" CRS in select units ①
1984–1993 Operational decisions decentralized to sub-plants
1984 Piloted dual-authority structure
1985 Dual-authority structure formally adopted
- CRS implemented throughout the factory
2003–2014 Auxiliary businesses restructured and social welfare units transferred to government, e.g., schools and police (2006), hospital (2013) ④
2006 Modern corporate shareholder governance structure established ⑤

Employment and Wage Systems
1966 "Three Irons" employment model; national grade-wage remuneration system
1979 Piloted bonus distribution in select business units
1984 Piloted position-based wage system in select sub-plants
1984 Piloted new internal promotion system
1985 Internal promotion system formally adopted
1987 Skill-and certification-based wage system adopted
1987 Internal certification system established to complement professional certifications
1989 Open recruitment introduced and employment practices specified
2000 Open and competitive employment system introduced within the factory
2002 Job- and performance-based wage system adopted
2005 Supplemental bonus program for professional certifications introduced

Auxiliary Social Welfare Units
1966 Mini welfare state
- Full provision of healthcare, education, transportation, and housing
1980 Day-care centers established
1981 Collective weddings organized once a year
1985 Introduced annual organization-wide sports meetings
1995 Provision of social insurance ②
1998 Monetization of housing ③
1998 Social welfare units restructured into subsidiaries
1999 Social welfare benefits monetized and changed to subsidies
2003 Social welfare units restructured into subsidiaries
2006 Prioritized access to schools provided
2006 Contribution to housing fund benefits and

Note: ⑨ Reflects the corresponding societal-organizational level changes.

TABLE 3
Supporting Data for Priming and Values Work Strategies

Conceptual Categories	Representative Data for Coding Scheme
Priming for Change	***Announcing and justifying change plans by explicitly referencing an external and highly legitimate source***
	We must seriously study and understand the spirit of the Congress . . . we must unify ourselves to the spirit of the 13th National [Congress of the Communist Party of China] both mentally and physically . . . In deepening the reform, the central government has stressed to deepen the reform by transforming enterprises into self-managed entities . . . to improve their economic performance. For our factory, it means we are going to deepen the reform, first, by breaking the "iron chair" of managers . . . Second, by reforming the remuneration system . . . and changing our current wage structure. (Report from TCPO Congress, Sep. 1987)
	Our factory is one of the largest manufacturers in this region, and is also a backbone enterprise of the country. Therefore, we must adhere to the government's reform and open door policy, promote the nation's development and stability, and set a good example. (Report from Workers' Congress, Oct. 1996)
	The factory is a business entity that utilizes current resources to achieve the best possible economic benefits so as to contribute to society . . . in pursuing this end, it contributes to local social and economic development. Therefore, the factory will promote the separation of social welfare units according to the requirements made by the [2002] No. 267 policy . . . The factory has been engaged in multiple negotiations with the local government on the issue. (Report on the separation of Turbo social functions, Aug. 2002)
Reconditioning	***Reorienting attention and behavior to new value commitments***
Coercive Embedding	*Embedding proposed changes in the minds of organization members through formal and well-established control mechanisms*
	Turbo's official record of key events, 1966–2010:
	• Feb. 2, 1984—the TCPO decided to conduct mandatory training sessions for young workers under the age of 35
	• Sep. 1984—the factory published a magazine titled *Reform and Management*
	• Dec. 7, 1984—the TCPO organized a five-day study program on "economy reform," 70 managers attended
	• Nov. 30, 1985—the factory organized a study program on general laws and regulations, such as the Constitution of the PRC and the Economic Contract Law
	• Aug. 8, 1986—the TCPO organized a 10-day study program on the "economic reform," approximately 230 managers attended
	• Apr. 26, 1997—the TCPO organized a study session on recent economic laws and regulations, 140 top and middle managers attended
	Last year, the factory conducted 10 young-worker training sessions—around one per month. In total, 1,152 young workers attended. During these sessions, young workers were required to study "modern Chinese history," "common knowledge of the working class," and "knowledge of scientific socialism" . . . This year, all departments should actively cooperate and support these training programs so as to achieve the target of having 1,000 workers participate this year. (Annual summary of 1985, Jan. 1986)
Targeted Persuasion	*Identifying pockets of resistance and persuading individuals directly—or indirectly through family members, peers, and immediate superiors*
	When we restructured [subunit F] into a subsidiary, I spoke to each manager separately to find out why he/she was against the restructuring. I persuaded them to agree . . . We also organized a lot of conferences and meetings where I sat and answered all kinds of questions from the staff and managers. (Factory director D, Jul. 2011)
	After we signed the contract with the local state [to transfer the hospital], around 30 staff members started making appeals to the company and the local government. They were against the change. The company asked me to talk to them and stop them—so I talked to them and persuaded them. (Head of Turbo Hospital, Dec. 2014)
Normalizing Paradoxes	*Introducing seemingly antithetical elements by consciously linking them to entrenched norms and practices*
	Last year, we widened the income gap among staff to a certain extent . . . But, we were cautious not to create too wide a gap . . . What we are working toward is to alter expectations for equality in the distribution and allocation of bonuses. (Report from Workers' Congress, Oct. 1984)
	Our factory is a Third Front company. This means the leader should work hard to develop production, improve economic efficiency, and, at the same time, care about the livelihood of the masses . . . and solve their daily problems and difficulties . . . This will enhance the cohesion of the company and consolidate our culture of camaraderie. (Report from TCPO Congress, Sep. 1987)
	Organizing labor competitions is an important way to realize the Party's basic guiding principle of wholeheartedly relying on the working class . . . Rewards for the labor competition must adhere to the principle of combining spiritual encouragements with material awards—however, spiritual encouragements should be the core motivator. (Instructions for socialist labor competitions and emulation campaigns, 2009)
	When we introduced new rules and the new management system, it was important for us to preserve a harmonious atmosphere—maintaining and prioritizing amiable relationships, and encouraging a cooperative spirit. (CEO B, Sep. 2011)

TABLE 3
(Continued)

Conceptual Categories	Representative Data for Coding Scheme
Negotiated Obsolescence	***Removing elements traditionally associated with the archetypal organizing template***
Indifferent Substitution	*Minimizing the impact or disruption of removing highly institutionalized elements*
	When we transferred the hospital to the local government, we made sure the reform wouldn't affect the incomes and social welfare benefits of its staff. Because incomes in the [local public health care] sector are much lower, we made it a rule that restructuring plans would not decrease staff incomes. We had the same rule [and monetizing practices] when we transferred the middle and high schools. (Executive manager A, Dec. 2014)
	[Another local SOE] privatized [one of its subunits] and it caused a lot of problems . . . I would never follow the same path. During the restructuring and divesting of our auxiliary subunits, I made the rule of retaining the subunits' managers and adopting internal promotion when new positions were necessary. Managers were still under the supervision of Turbo's local Party committee and products and production technology were determined by Turbo . . . These two rules maintained Turbo's control over and ties with these subunits. (Factory director D, Jul. 2011)
	To maintain the factory's general goal of improving staff living conditions, we replaced direct housing allocations with a collective funding approach. Staff [members] who do not own property can join this funding scheme to pay for residential properties at cost. This collective funding scheme was a major breakthrough in our reforms to monetizing housing allocations. (Report from Workers' Congress, Oct. 2001)
Objectifying and Replacing	*Replacing highly institutionalized elements by objectifying them and, then, substituting them with something of perceived equal value*
	In the late 1980s, the factory adopted . . . a new wage system that kept the amount of staff members' previous remuneration as part of the basic wage and then added an additional component based on skill level and certifications. This allowed us to create flexibility in the wage system, and shift staff understanding [away from the traditional "iron wage" system] . . . In the mid-1990s, we added another component . . . to further widen the income gap among employees. (Follow-up correspondence with executive manager C, Mar. 2018)
	In the past, we just got on the bus. We didn't need to pay. After restructuring [the transportation unit], we still take the same bus every day, but we need to pay because the bus company no longer belongs to Turbo. However, we are provided with transportation subsidies. Basically, the company deposits money on our bus cards every month. (Staff member M, Aug. 2014)
Mitigating the Risks of Nonconformity	***Ensuring that changes stay within the bounds of "appropriateness"—as determined by external and internal stakeholders***
External Entrainment	*Aligning change efforts to ensure external conformity (i.e., with evolving government regulations and policies)*
	During the national Seventh Five-Year period [1986–1990], the state will no longer use the iron wage system . . . enterprises now have the right to establish internal wage systems . . . Thus, we need to steady ourselves and collectively embrace the reform of the factory's wage system. (Report from Workers' Congress, May 1987)
	We will adjust our reform by learning from our experiences and that of other factories, as well as by following the Party and government's requirements for transforming the employment system. (Report from Workers' Congress, Oct. 1991)
	The first step for Turbo is to restructure [subunit E] into a wholly owned subsidiary, then we need to figure out the next step. However, because the state hasn't published any policies yet, we can't move forward . . . Without a change in the Constitution first, you won't be able to do anything. If you make a change that becomes inconsistent with the Constitution, you will have problems. (Middle manager F, Dec. 2014)
Grassroots Monitoring and Feedback	*Employing communication channels to ensure internal conformity (i.e., employee perceptions of acceptable change)*
	We were well prepared for this reform. We conducted formal inquiries along with extensive campaigns to encourage and elicit suggestions from general staff. The campaign resulted in 105 suggestions about the reform and its implementation. The human resource department organized dozens of symposiums to discuss proposals from the staff. These symposiums led to 54 proposals, which were published in a report and then submitted to the factory administrators to make the final decisions. (Report from Workers' Congress, Sep. 1987)
	The factory's technicians conducted a largescale campaign to collect suggestions and feedback from the staff. This campaign, along with the "My Suggestions if I Were the Factory Director" campaign, led to 890 suggestions. (Report from TCPO Congress, Oct. 1988)
	Once the hospital is transferred, [30% of the staff] will lose their professional certifications because these are not recognized by the public health care sector . . . We hope the factory can deal with issue . . . at the same

TABLE 3
(Continued)

Conceptual Categories	Representative Data for Coding Scheme
	time, we request that staff who are older than 40 be given the option of early retirement from Turbo [i.e., state-owned sector retirement packages]. If early retirement is not possible, keep their employment contracts with Turbo and they will keep working at the hospital . . . We appeal to leaders to take the above issues into consideration. (Collective appeal of managerial group from Turbo Hospital, Oct. 2013)
Signifying Consent	*Explicitly signaling employee consent as a way to hedge against the risk of social unrest and whistleblowing* The [newly privatized] company will sign a three-year minimum employment contract with those staff who *agreed to* the restructuring, and will take over responsibility for the staff social insurance provisions. (Application to restructure subsidiary H, 2006; emphasis added) The factory will provide economic compensation to the 299 staff members who *agreed to* terminate their employment contracts with the factory in the course of restructuring . . . as well as provide pensions for those staff members who agreed to accept early retirement. (Application for reorganizing subunit D, 2006; emphasis added) After several years' independent operation, staff of [subsidiary E] are now better prepared for further reform. There is a good atmosphere where *people are supportive and active in participating the reform*. Therefore, it is necessary and feasible to further reform . . . we will handle these issues on staff employment contracts and economic compensations in accordance with state's relevant regulations. (Report on the restructuring of subsidiary E, 2003; emphasis added)

enrollment should be increased to 90% in 1978. . . . Each branch should investigate and be aware of the situation of its workforce by conducting regular home visits, talks, and other activities. (Turbo's Fifth Five-Year Plan [1976–1980], Feb. 1976)

Through these control mechanisms, Turbo's leaders informed managers and staff about new government policies and what was expected of them during the reform process:

Implementing change requires meticulous ideological and political work to push people to fall in line . . . It is acceptable to be frustrated during the reform, but it is not acceptable to say "no" to the reform . . . A manager is a Party member first, and a manager second. (Report from Workers' Congress, Oct. 1984)

Beyond reorienting attention to new market-oriented activities and redefining role expectations, Turbo's leaders employed more subtle tactics to recondition behavior. Specifically, they "normalized" highly controversial and seemingly immoral changes by couching them in the "familiar." To illustrate, when introducing financial bonuses, there was a conscious effort to do so in a way that was consistent with the company's entrenched norms and egalitarian ethos:

We introduced material incentives, but only very minimal ones . . . Even as the director, I did not receive the highest pay in the factory. My earnings ranked around the thirtieth highest . . . I did not receive overtime pay, and my bonus was only 80% of the bonus of a front-line worker . . . The management philosophy at

that time was that cadres should be role models, and that the income gap should be very small in order to unite the workers. (Factory director C, May 2011)

Minimizing pay differentials and even having some mid-level managers earn more than the factory director (i.e., CEO) attenuated the seeming impropriety of introducing bonuses and variations in compensation—elements that echoed the "bourgeois materialism" that was condemned in Mao's time (Zhu et al., 1998). As Table 4 shows, the pay differentials between managers and general staff remained consistently low even after the reforms—with the average income ratio between senior managers and front-line workers increasing only slightly, from 2.22:1 in 1985 to 2.42:1 in 1991. Even today, pay differentials remain relatively low, averaging around 6.21:1—a stark contrast to large U.S. firms, where the average CEO makes 312 times the wage of the average worker (Mishel & Schieder, 2018).

In keeping with the company's commitment to ensuring employee welfare and security, Turbo's leaders also made it clear that they would not take advantage of their new state-sanctioned authority to downsize their workforce. Instead, they opted for job rotation and employee (re)training programs, giving redundant employees three months of full pay while waiting for reassignment. Even if no suitable position was found, employees were allowed to stay on—albeit with a reduced base-level wage. For Turbo's leaders, laying off employees was not a viable option because it might threaten their livelihood:

TABLE 4
Change in the Income Ratio between Management/General Staff and a Low-Level, Frontline Employee

	1985	1991	2005	2010	2017
Executive or senior managers	2.22	2.42	5.62	7.93	6.21
Middle managers	1.78	2.06	3.12	2.89	3.56
Low-level managers	1.22	1.24	1.51	1.17	1.29
Senior staff members	1.67	1.86	1.61	1.39	1.4
Mid-level staff	1.33	1.37	1.42	1.24	1.12
Frontline workers and support staff	1	1	1	1	1

At that time . . . you would not have been able to find a job if you left Turbo . . . Starting your own small business would have also been difficult because of the small population and the challenging living conditions in the region. (CEO B, Sep. 2011)

Thus, even as competitors and other SOEs were drastically reducing their workforces, Turbo's leaders remained steadfast in reinforcing the company's traditional norms and practices (see Figure 3 for the firing rates in this period):

I didn't want to lay anyone off . . . I didn't want to do what the Japanese did—which was to keep men in jobs with high salaries and push women to stay at home. If I did the same and fired women, what would happen if a man's salary was not enough to support his family? . . . Also, when [our counterparts in the east] laid off around 2,000 to 3,000 employees, we didn't . . . For us, it was simple: keep the factory running and let our staff and their families

have a life and sense of security. (Factory director C, May 2011)

Such efforts to *coercively embed* and *normalize* changes facilitated and enabled the gradual introduction of new value commitments that appeared, on the surface, to be inherently contradictory to the company's socialist roots and values. Importantly, it reoriented attention and behavior toward the new competitive and profit-oriented mandate.

Negotiated obsolescence. Whereas reconditioning was centered on introducing new value commitments, "negotiated obsolescence" was focused on removing elements tied to old ones. Turbo's leaders readily acknowledged that, to open up space for change, some highly institutionalized structures and practices would have to be replaced:

We need to replace old values, and *dare to* give high rewards to staff who make significant contributions.

FIGURE 3
Changes in Employee Numbers and Firing Rates

- - - - Layoffs as a proportion of the total decrease in the number of employees

——— Total number of employees (in hundreds)
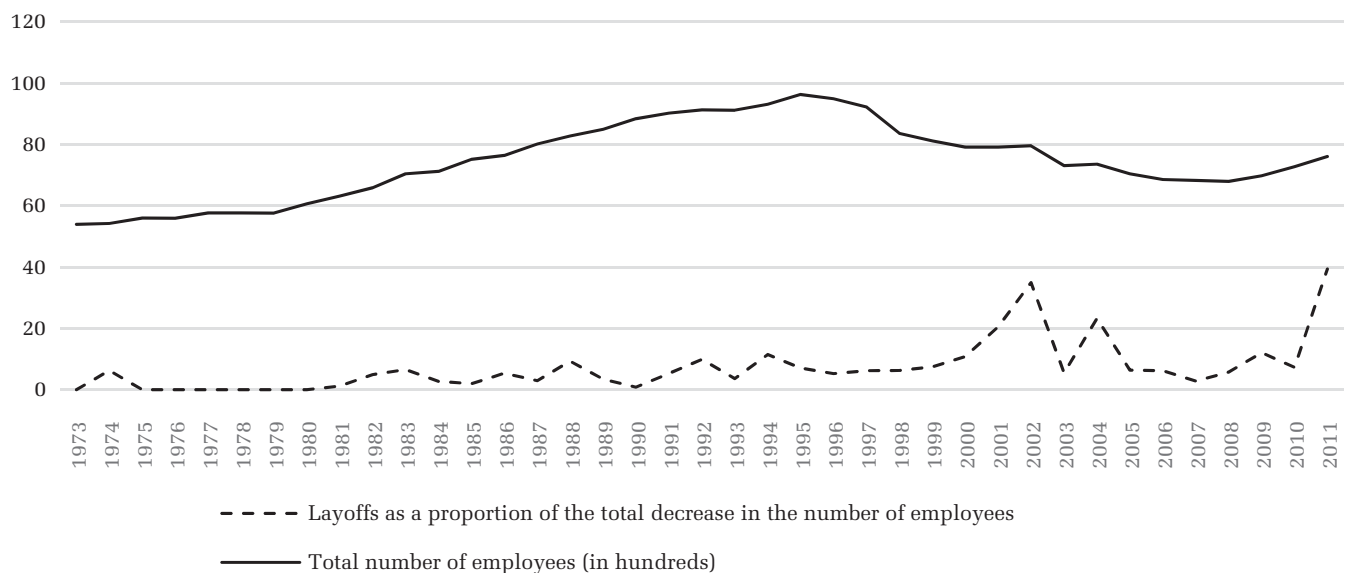
Like the saying "a rock thrown into the water produces ripples," we need to create a stimulus—providing strong incentives to stimulate people to strive toward overall betterment. (Report from Workers' Congress, Oct. 1986; emphasis added)

The challenge of removing these elements was that they were defining features of the archetypal template:

The distribution system is grounded in the principle of egalitarianism ... It is very important to overcome this idea of absolute equality ... [but] there is currently no ready answer for whether it is appropriate or acceptable to let some people get rich first. (Report from Workers' Congress, Mar. 1984)

Wary of the sensitive nature of removing elements hardened by custom and political legacy, Turbo's leaders employed a tactic we call "indifferent substitution," whereby elements were replaced in a way that had seemingly little impact on employees' day-to-day activities. Instead of "absolute equality," for example, Turbo's leaders maintained an "atmosphere" of equality by discouraging hierarchy and status differences:

Our first factory director used to go to the factory workshop, sit on a bench, and chat with our staff ... When I became the factory director, I did the same. I would ride my bike to our workshops ... There is this saying amongst Turbo's leaders: "Never go fishing on Sundays because, if you go fishing while the staff is working, they will wonder why *they* have to work." This tradition of going to the workshops in the evenings and on Sundays—eating with the staff—has been passed down from one director to another. (Factory director C, May 2011)

By gradually shifting to the more mutable value of fairness and reinforcing a sense of camaraderie, traditional value commitments to purist egalitarianism were progressively dissociated from the archetypal socialist template. This dissociation infused some flexibility into the organization and opened up space for change.

Mitigating the risks of nonconformity. As elements were introduced and others replaced, Turbo's leaders were cautious to ensure that changes were synchronized with evolving government reforms and policies. Because of the ambiguity and uncertainty surrounding the government's economic reform plan, one of their first steps was to apply for government approval to alter the company's legal status and governance structure. This approval helped clarify new lines of power and authority—granting Turbo the right to participate in the market (i.e., pursue commercial

orders), and the factory director formal responsibility over major strategic and operational decisions. As the implementation process progressed, Turbo's leaders "entrained" change initiatives to ensure political and regulatory conformity:

At the beginning of this year, I made the promise that staff would receive a 20% bonus as long as we fulfilled our economic and production goals. However, because of state-imposed limits on the percentage of profits that could be used for bonuses, in addition to the delays caused by the changing authority structure between central and local government units, we did not receive approval for this increase until now. Without government approval, we did not dare or have the confidence to make this move. (Report from Workers' Congress, Oct. 1985)

In addition to external entrainment, Turbo's leaders were careful to ensure that changes stayed within the boundaries of what staff deemed acceptable. To map these boundaries, Turbo's leaders used "grassroots monitoring and feedback," which involved explicit policies for going to the "factory floor" and speaking with staff: "Managers should spend one hour every Saturday listening to staff suggestions and proposals ... Each suggestion should be recorded, organized, and forwarded to the factory administration" (Report from TCPO Congress, October 1986). Democratic management procedures were, similarly, deployed to identify potential issues that, if left unattended, could escalate and threaten the change process:

In the past year, major problems involving production, operations, reform, and welfare benefits were submitted to the Workers' Congress to let staff discuss, revise, and make suggestions—to let staff exercise their rights as the masters of the factory. (Report from Workers' Congress, Mar. 1984)

Such efforts to align ongoing change activities with shifting conceptualizations of appropriateness—both inside and outside the organization—played an important role in maintaining the delicate balance between the push–pull tensions of reconditioning and negotiating obsolescence.

As summarized in Table 2, this period of discontinuity was marked by significant changes. Turbo's strategic focus expanded from producing small-capacity to medium-capacity power equipment, as well as developing foreign markets. Turbo also increased its autonomy from the state by adopting a dual-authority governance structure that gave the factory director responsibility over major strategic and operational decisions, while the committee secretary retained control

over political work and the management of Turbo's Party units. By the end of the 1980s, Turbo grew from having 33 subunits to having approximately 112 subunits that employed over 8,000 staff.

DEEPENING ECONOMIC REFORMS

Through the 1990s, as China prepared for accession to the World Trade Organization, barriers to trade and restrictions on foreign ownership were progressively removed. With intensifying competition at home and abroad, the misalignment between Turbo's archetypal socialist template and the new market demands became increasingly salient:

> The factory's current management system is a product of both the planned economy and the market economy ... along with the deepening of economic reforms and increased marketization, some deep-seated problems in state-owned enterprises like ours have gradually been exposed—in particular, problems related to the management system, which have restricted the factory's development. (Report from Workers' Congress, Mar. 1998)

Recognizing the challenges confronting SOEs, the government encouraged them to adopt modern shareholding structures. In addition, the government sought to unburden them of traditional social functions by publishing tentative policies and "suggestions" for transferring social welfare and public service units to the local government:

> Piloting cities should actively explore ways to separate elementary and middle schools, hospitals, and logistic services from enterprises, finding other channels for redirecting redundant personnel. Enterprises should focus on first restructuring ... units into independent entities, and then gradually transfer them to local government authorities when conditions are suitable. (Suggestions on Separating Social Welfare Functions and Redirecting Redundant Staff from Enterprises in Select Cities, May 1995)

Priming the Organization for Change

Responding to the government's call to advance China's global competitive position and focus on core businesses, Turbo's leaders announced plans for extensive corporate restructuring:

> In the following years, the factory's development will follow the spirit of the 15th National [Congress of the Communist Party of China] and its call to establish modern corporate management systems ... to adhere

to the goal of enterprise reform and profit maximization, optimize the factory's resource allocations, transform its operation system, and promote modern corporate management. (Report from Workers' Congress, Oct. 1998)

Again, Turbo's leaders relied upon the legitimacy and authority of the Party to "prime" organization members for changes that were portrayed as being externally mandated. However, because specific guidelines for altering equity structures and divesting auxiliary businesses were still pending, Turbo's leaders opted for a two-staged approach to restructuring. In the first stage, subunits involved in Turbo's social welfare and public service units would be transformed into wholly owned subsidiaries:

> Public service units such as education and health care will first be transformed into independent legal companies with the factory as the major investor. When the time is right and the units are ready to be independent, we will deepen the separation ... During the interim, however, the factory will maintain responsibility for the management of these units, while national and local government will provide political and financial support. (Report on the separation of turbo social functions, Aug. 2002)

This initial phase of restructuring progressed relatively smoothly, as Turbo had market experience to impart upon subunits to facilitate the process:

> By restructuring [subunit A] into a wholly owned subsidiary, we gave it some independence and pushed it to compete in the market ... After one to three years, they began to realize that they were capable of competing in the market, and so they were less resistant to the reform. (Middle manager A, Dec. 2014)

The second stage, however, was much more complicated because it involved either reducing Turbo's equity stake in the subunits or divesting them entirely (i.e., transforming them into private companies or public sector organizations):

> Not only do you need to manage a lot of different aspects in order to complete this kind of reform, you need to ensure that it is a successful reform ... you need to make sure that the restructured unit can survive in the long term, instead of failing within two or three years. It would be a big failure on the part of the factory and the government if it were to fail. (Top manager B, Aug. 2014)

Noting the difference between the first and second stages, one informant explained: "Changing subunits into wholly owned subsidiaries doesn't really alter

their ownership much or change staff employment relationships with Turbo . . . [The] staff is much more resistant to complete privatization" (Middle manager A, December 2014). The sticking point was that the second stage required altering or terminating employment contracts—which undermined deeply held beliefs and understandings about enterprise–employee relationships:

> Our staff has this belief that "I am a member of Turbo when I am alive, a ghost of Turbo after I die". . . If Turbo is facing major financial strain, staff would tolerate poor pay and less benefits because all members would be in the same situation. But now, the reform will separate staff from our company. This is not easy for them to accept, given their mindsets. (Middle manager C, Dec. 2014)

Many employees felt a strong emotional attachment to the company because of a shared history and extensive family ties in the company:

> Many of our current staff members followed their parents to Turbo from the northeast during the 1960s . . . we survived many challenges together . . . those common experiences have strengthened our emotional connection to Turbo . . . our staff is very reluctant to be transferred. Many of their family members work in Turbo and that is another type of emotional connection. (Head of Turbo Hospital, Dec. 2014)

The second stage of restructuring, in other words, threatened implicit social contracts and contravened longstanding value commitments. While Turbo's leaders had previously resisted such changes, the intensification of competition made it difficult to avoid: "We need to make a clear boundary between our core business and other businesses . . . If we don't undergo major restructuring . . . we won't be able to survive" (Executive manager B, December 2014). Echoing this point, another senior executive warned, "If Turbo were to stop and give up the reforms, it would not be able to compete in the market. Turbo would end up like our 'brother company' [another SOE in the same city], unable to adapt and end up bankrupt" (Executive manager C, December 2014).

Negotiating Value System Discrepancies

Implementing change in this period proved significantly more challenging and riskier, compared to the 1980s. Not only did it require extensive changes in structures, strategies, and processes, but also a redefinition of entrenched beliefs about employee–enterprise relationships. In light of these challenges,

Turbo's leaders expanded the repertoire of tactics for "reconditioning," "negotiating obsolescence," and "mitigating risks of nonconformity."

Reconditioning. To overcome strong opposition to the deepening restructuring efforts, Turbo's leaders relied more heavily upon *coercive embedding*. As one informant acknowledged, "We need to adopt some coercive practices to push the reforms through. Otherwise, we would be stuck" (Executive manager C, December 2014). Education and training programs were redeployed to not only inform organization members about the new government policies, but also train managers to be more effective in pushing subordinates to get onboard:

> [All senior managers] must learn about the market economy and modern enterprise system . . . to enhance their ability to persuade and educate workers. It important to make the workers see things correctly and objectively so that they can grasp opportunities and face the challenges of change and reform. In this way, they will not only more actively support the reform, but also be more devoted to further transforming the factory. (Report from TCPO Congress, Sep. 1996)

Other control mechanisms such as performance and promotion systems were also used to reorient attention to new role expectations. For example, performance evaluations were expanded to include components to measure managers' commitment to the reform effort:

> Basic requirements for effective leadership: First, have a good political mindset . . . be confident and resolute in the company's reform plan; firmly uphold the Party's basic lines and policies as well as the state's laws and regulations, and be politically and mentally aligned with the Party. (Criteria for leadership evaluation, 2010)

A distinguishing feature of this period was that change did not affect *all* parts of the organization equally—that is, it affected some parts (i.e., restructured subunits) more than others. Turbo's leaders, thus, employed an additional reconditioning tactic for these affected units. Using what we refer to as "targeted persuasion," Turbo's leaders singled out individuals who resisted change, and tried to convince them directly—sometimes pulling in spouses and family members who also worked at Turbo:

> We talked to them separately and persuaded them to accept the reform . . . On one occasion, we invited [executive manager] to a meeting . . . He brought all the middle managers' spouses [who were senior managers in Turbo]. (Head of Turbo Hospital, December 2014)

The involvement of spouses was meant to amplify the pressure on middle managers to relent because their spouses, as senior managers, were responsible for leading the changes:

> When we began restructuring the hospital, around 30 or 40 staff members resisted. Twenty of them were wives of [senior managers] in our company ... We took a number of steps to work it out. We talked to them and also talked to their husbands. As [senior] managers, their husbands had to support the reform. They had to find a way to deal with this situation. (Executive manager B, Aug. 2014)

Coercive pressure was applied indirectly *through* senior managers, who were held accountable for the success and failure of the reforms. A good illustration of this was noted during an executive meeting on restructuring:

> Our managers are the backbone for implementing restructuring plans. We can be patient with our staff, but we cannot tolerate our cadres blowing hot and cold ... After we negotiated steps and replacement packages for transferring the hospital to the local government, the managers of the subunit set up a meeting ... to negotiate five new requests. I became very angry and told them, "Your undisciplined behavior will make the local government withdraw its support, and the reform will fall apart. As a cadre, your role is to figure out how to implement this reform, not to argue with us. If you can't make up your mind now, please step back. I believe there is someone else that is capable of implementing it." (Executive manager B; field notes, Oct. 2014)

The selective use of coercive pressures was necessary because staff—as "masters" of the factory—had the implicit right to resist or reject the proposed changes:

> If [senior managers] are against restructuring, we can threaten them with demotions or replace them. But this strategy won't work with general staff ... Implementing restructuring plans is a part of managers' jobs and responsibilities, so you can use coercive pressures to a certain degree. (Executive manager C, Dec. 2014)

Another informant similarly explained: "Too much pressure can have counter-effects. We have to be ... very careful to control the level of pressure—keeping it at a moderate level" (Executive manager A, December 2014).

Beyond coercive and targeted persuasion tactics, Turbo's leaders sought to recondition staff mindsets by, again, *normalizing* the introduction of controversial practices. Throughout the restructuring process, Turbo's leaders went to great lengths to reinforce traditional socialist values:

> Our past reforms were carried out according to the principle of ensuring staff security and living. We used the same principle for restructuring ... to prevent harmful effects on staff morale, we choose to reduce wages organization-wide instead of reducing the wages in these subunits. (Executive manager A, Dec. 2014)

This example of cutting wages across the organization to cover the losses of poor-performing subunits reinforced Turbo's emphasis on selflessness and camaraderie. Such efforts to introduce controversial reforms while reinforcing entrenched values was also evident in the way that Turbo terminated employment contracts:

> If you need to reduce employee numbers by 50%, who are you going to lay off first? ... You need to set criteria to guide the decision process ... If you implement changes in a way that is congruent with dominant norms, there is less resistance ... In this way, people feel that "we have to make these changes, even if we, personally, don't want to. The organization has to make these changes to meet the state's requirements." (Executive manager B, Dec. 2014)

By linking seemingly antithetical elements to entrenched norms and widely accepted practices, Turbo's leaders invoked a sense of continuity and coherence with the past.

Negotiated obsolescence. In conjunction with these efforts to introduce new value commitments, Turbo's leaders sought to remove highly constraining practices and structures that were once defining features of the archetypal socialist template. Removing these features, however, was complicated by the fact that they still had a high degree of value and importance to employees. To reduce potential resistance, Turbo's leaders again relied upon *indifferent substitution*. Indeed, when asked about the impact of restructuring thus far, a staff member of the recently restructured hospital remarked, "There's not much difference. The company gave us a three-year transition period, during which our salaries and benefits will be the same as before" (Staff member Y, August 2014). Likewise, for employees who remained with the factory, Turbo's leaders took great pains to minimize the disruptive effects of divesting social welfare and public service units: "In the past, our staff's children entered the factory's middle or high school directly ... We negotiated with the authorities to make sure that our staff's children would continue to get priority access to the schools" (Middle manager D, August 2014).

Through such indifferent substitution, highly institutionalized elements were subtly removed in a way that did not undermine the company's longstanding socialist value commitments.

Given the complexities and challenges of restructuring, Turbo's leaders relied upon an additional tactic in this period: "objectifying and replacing." This tactic involved monetizing (i.e., objectifying) institutionalized elements, which then made substitution easier. For example, when transferring social functions to the local government, Turbo's leaders meticulously monetized welfare benefits and public service provisions—later incorporating these amounts into employee remuneration packages:

> Along with the restructuring of auxiliary businesses, the factory recently issued a guideline shifting from direct payment of expenses such as electricity, water, and gas to "explicit" subsidies. The factory combines these explicit subsidies with employees' salaries—so the employees pay their own bills at market prices to the newly restructured business units. (Report from Workers' Congress, Sep. 1999)

Similarly, through protracted and painstaking negotiations, Turbo's leaders fashioned severance packages that would be of perceived equal value to employees:

> For staff working in the restructured subunits ... the factory will provide economic compensation for terminating their labor contracts. This economic compensation will take the form of either stock options in the new company or cash, depending on the preference of the staff member. (Restructuring plan for divesting auxiliary businesses, 2003)

Such objectification enabled Turbo's leaders to replace institutionalized elements that constrained change efforts—effectively, reducing employee commitment to old values and opening up space for change.

Mitigating the risks of nonconformity. As the restructuring program unfolded, Turbo's leaders remained cognizant of inherent risks, as inaccurately monetizing state assets during equity restructuring and divestitures was considered a serious crime:

> It could be problematic if you go too far with equity restructuring. For example, the former factory director at [SOE] was imprisoned and ended up dying in jail. Also, Mr. X, the former factory director at [SOE], is still in jail. During the restructuring of their companies, they introduced third-party funding in various subsidiaries [a strategy that was often perceived as involving under-the-table dealings]. (Factory director D, Jul. 2011)

In light of these risks, the restructuring process was carefully *entrained* to the government's deepening reforms: "Our initial plan was to directly restructure [subunit A] into a private company ... However, our board was worried that this might cause problems if it became inconsistent with future policies" (Middle manager C, December 2014). What was different in this period was the need to ensure that Turbo's initiatives would not *become* misaligned with some yet-to-be-determined *future* policy. Running through discussions about how and when to begin the second stage of restructuring were clear tensions within Turbo's top leadership. While Turbo's board of directors was concerned with mitigating political risks, Turbo's top management team was under pressure by the government to divest auxiliary businesses:

> Our board was worried that diversifying ownership [of subsidiaries] may inadvertently lead to the devaluation of state property. Currently, there is no clear policy on this. It could be in 2016 or later. However, we can't wait that long, we have to do it now. But our board rejected our plans because, without a clear policy, they didn't know whether what we were doing was right or wrong. (Executive manager A, Dec. 2014)

Adding to the tension was the risk that senior managers could be accused of inappropriate conduct by staff members:

> Because of the issue of terminating employment contracts with Turbo ... there is strong resistance from the staff ... If we had coercively carried out the restructuring plan, it would have led to mass disturbances—which would definitely draw attention from our board of directors and the government. (Executive manager C, Dec. 2014)

To keep apprised of employee perceptions and experiences of the change process, Turbo's leaders relied upon traditional *grassroots monitoring and feedback* tactics. Using existing communication channels, they identified potential points of conflict and pockets of resistance:

> When we formally announced the start of the reform, the staff began to make certain demands ... Our company has a Complaints and Grievances Office ... which collects all kinds of information from staff, and then passes the information to the relevant departments. All staff members are free to file complaints or make requests to the office. (Executive manager B, August 2014)

Such vigilant monitoring was particularly important because, if staff members were to launch appeals to government authorities, go on strike, or take to social

media, it would reflect badly upon the organization's leadership, as well as on the government.

To further hedge against such risks, Turbo's leaders expanded their repertoire of tactics to include *signifying consent*—which involved explicitly noting staff approval of the changes:

> Following the State Economic and Trade Commission [2002] No. 859 ... we drafted implementation plans on restructuring ... These plans were passed at the factory's executive meeting and the [subunit's] executive meeting. They were also *approved by staff* at the subunit's local Workers' Congress. (Application for reorganizing [subunit D], 2006; emphasis added)

Documents submitted to the board of directors and to government agencies regularly emphasized the use of democratic procedures to elicit employee suggestions and support for the reforms. This not only signaled compliance with the constitutionally mandated expectations of democratic management in SOEs, but also aligned with the longstanding principle of employees as "masters" of the factory.

Taken together, these efforts counterbalanced the risks of diverging from the archetypal socialist template. At the same time, however, they caused to major delays and, in some instances, decisions to abandon restructuring plans:

> We started negotiations in 2012. However, it failed ... There was strong resistance from our staff, and Turbo agreed with staff concerns—so Turbo stopped pursuing it ... It wasn't until 2013, when the local government proposed a new plan ... that we started another round of negotiation. (Head of Turbo Hospital, December 2014)

Indeed, Turbo's initial goal was to divest seven or eight auxiliary business units—but, in the end, only four were successfully divested.

Summary

From its humble beginnings as a small state-run factory, Turbo evolved a complex patchwork of elements, underpinned by seemingly conflicting values. On the one hand, its socialist roots clearly continue to pervade its norms, structures, and practices—as seen in its privileging of employee welfare and security, commitment to socialist principles (e.g., staff as "masters" of the enterprise), and archetypal socialist features (e.g., Communist Party Office, political education programs, mass mobilization campaigns, and "spiritual" incentives). Yet, on the other hand, it has become a world-class

multibillion-dollar power equipment manufacturer with markets in Pakistan, Bangladesh, Indonesia, Russia, and India. Through an inductive analysis of Turbo's founding and evolution, we unpacked the process through which managers introduced and encoded seemingly antithetical elements. We found that, instead of breaking from the past, Turbo's leaders anchored change initiatives to the company's original socialist template and underpinning value system. As a former factory director reflected:

> It is good that we have been very pragmatic in implementing reform. We used the requirements of the Party and considered the needs of our staff to guide our reforms. Our long-inherited values and traditions have helped us smooth away difficulties. (Field notes, Jan. 2006)

In many ways, Turbo's commitment to preserving the integrity of its roots and underpinning values helped sow the seeds for its successful transformation into one of China's national champions.

A PROCESS MODEL OF TRANSFORMATIONAL CHANGE THROUGH VALUES WORK

In this section, we present a conceptual model of transformative change that pulls together our findings—highlighting, in particular, the role of values work in facilitating and enabling the change process (see Figure 4).

Eroding Relevance of Organizing Template

When an exogenous shock triggers a clear misfit between an organization's internal configuration of activities and its competitive environment, managers may face intense pressures to initiate transformational change (Battilana, 2011; Meyer, 1982; Siggelkow, 2001; Tushman & Romanelli, 1985). Being an extreme form of exogenous shock, institutional upheaval could reasonably be expected to knock firms out of major inertia (Hoskisson et al., 2000; Roth & Kostova, 2003). Yet, studies of transition economies have shown that many organizations continue to exhibit a deep-seated commitment to socialist principles and practices (Child & Yuan, 1996; Pop-Eleches, 2007; Shinkle & Kriauciunas, 2012). Some studies suggest that the "reliance on old, irrelevant capabilities is symptomatic of the inability of firms to engage in second-order learning" (Newman, 2000: 607). Others find that this continued commitment can be traced to pressures and arrangements in the external environment, which

FIGURE 4
Model of Transformational Change through Values Work
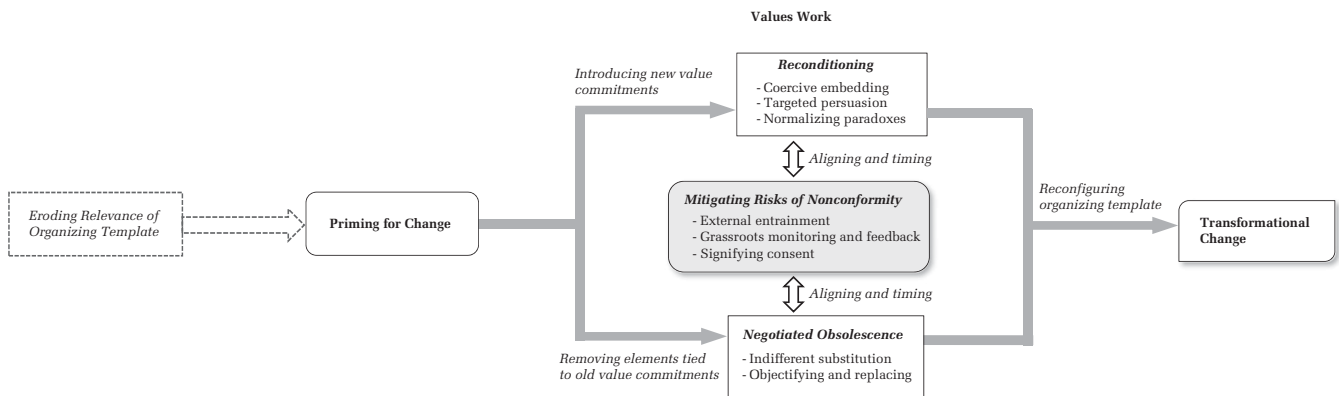
"still retain some features of the socialist era" (Kriauciunas & Kale, 2006: 669; see also Sit & Liu, 2000). Still others argue that socialist norms and behaviors persist because they are deeply ingrained in organizational structures, routines, and cognitive scripts (Marquis & Qiao, 2018; Roth & Kostova, 2003; Zhang et al., 2016).

Priming for Change

Our examination of a highly embedded, archetypal enterprise suggests that, in the early stages of upheaval, the "internal logic of the old system" (Siggelkow, 2001: 842) may remain intact—that is, there is no disruption of the internal fit among organizational elements or key decision-making processes (Albert, Kreutzer, & Lechner, 2015; Levinthal, 1997). Without this disruption, managers may need to create a "jolt of urgency" (Gersick, 1991) to *prime* organization members for change. In the case examined in our study, this involved crafting change narratives that were anchored to the mandates of a highly legitimate external actor—the central government. Leveraging external authoritative sources can add credibility to change narratives (Armenakis et al., 1993; Townley, 2002), reinforcing the "appropriateness and rationality of the change" (Ford, Ford, & D'Amelio, 2008: 365). This may be especially important when the impetus for change is not readily apparent or when proposed changes are not aligned with prevailing values—as "whether employees accept a controversial change might depend on the extent to which they evaluate the change content and/or the change agent as legitimate or not" (Huy et al., 2014: 1654; see also Piderit, 2000).

Once an organization is primed for change, the implementation of some aspects may be relatively straightforward—being more a matter of learning and adaptation to develop the necessary structures, competencies, and experience (Jing & McDermott, 2013; Kriauciunas & Kale, 2006; Nee & Opper, 2012; Peng, 2003). Others, however, may require *values work* to address perceived value system discrepancies. Such discrepancies often arise when changes conflict with socially shared beliefs about how an organization should be designed and operated (Amis et al., 2002; Huy et al., 2014; Reger, Gustafson, Demarie, & Mullane, 1994).

Introducing New Value Commitments through Reconditioning

Initiating divergent change typically requires some form of top-down pressure, as organization members need to "be convinced" to adopt practices that are not only new to them but that diverge from the institutional status quo (Battilana, 2011: 821; see also Daudigeos, 2013; Fiol, 2002). Oftentimes, this involves coercive tactics designed to effect disidentification with old values and meaning systems, and encourage the acceptance of new ones (Armenakis et al., 1993; Balogun & Johnson, 2004; Piderit, 2000; Sonenshein, 2010). *Coercive embedding* employs established control mechanisms to reorient attention to new value commitments—that is, informing organization members about the new structures and practices, and redefining role expectations within the organization. *Targeted persuasion* involves coercively pressuring pockets of resistance. The selective use of coercive pressure is important because coercion has been

found to be "the least likely" to result in the cognitive internalization of change (Subašić, Reynolds, Turner, Veenstra, & Haslam, 2011: 171; see also Judson, 1991). Moreover, indiscriminate use of coercive pressure may be self-defeating as not all organization members will be resistant to, or at least not similarly resistant to, change. That is, some members may be more or less resistant to change, depending on their commitment "to the prevailing institutionalized template in use" or their preference for an "articulated alternative" (Greenwood & Hinings, 1996: 1035).

A third, more subtle tactic to recondition behavior is *normalizing paradoxes*. This tactic involves introducing controversial elements in a way that reinforces entrenched norms and practices. Couching changes in the "familiar" has been shown to temper fears of disruptive innovations (Durand & McGuire, 2004; Hargadon & Douglas, 2001; Ravasi et al., 2019), as well reduce cognitive dissonance—, wherein "the status quo is different from what an individual desires or expects" (Bansal, 2003: 517). In the case of our study, normalizing paradoxes helped mollify perceptions of impropriety by blurring boundaries that encourage "either/or thinking" (Smith & Lewis, 2011; Smith & Tracey, 2016).

Together, these reconditioning tactics explain how managers can introduce new value commitments—reorienting attention and behavior toward activities that appear, on the surface, to contravene prevailing organizational values.

Removing Constitutive Elements through Negotiated Obsolescence

Whereas reconditioning focuses on encoding new elements, negotiating obsolescence aims to remove highly institutionalized ones. In our case, this involved removing elements of the archetypal template that were no longer institutionally-mandated or expected—for example, absolute equality, guaranteed employment for staff and their dependents, and the provision of welfare and public service benefits such as health care, education, transportation, and housing. For the most part, when there is an erosion of consensus around the social legitimacy or functional utility of a practice, it prompts processes of deinstitutionalization—such as "gradual atrophy in use" (Oliver, 1992: 567) or outright rejection and abandonment (Dacin & Dacin, 2008; Maguire & Hardy, 2009). Yet, in Turbo's case, there was no such erosion of consensus. Indeed, the elements in question were still valued by important stakeholders, particularly those inside the organization.

In such situations, *indifferent substitution* can reduce resistance by containing the potential disruption of removing the practices. Managers, in other words, operate in the "zone of indifference," such that employees experience little impact on their day-to-day activities (Johnson, Smith, & Codling, 2000). In a similar fashion, *objectifying and replacing* involves negotiating substitutes that are of perceived equal value or utility—thus, opening up the possibility of equifinality, or multiple means to achieve the same end (Payne, 2006).

These two tactics explain how highly institutionalized elements are removed to introduce flexibility into "tightly coupled organizations" (Levinthal, 1997: 947) wherein activity systems and constitutive features are highly interdependent and mutually reinforcing (Albert et al., 2015; Siggelkow, 2001).

Mitigating Risks of Nonconformity through Aligning and Timing

Introducing controversial elements and removing highly institutionalized ones are inherently risky endeavors, as such efforts could be perceived as threatening or undermining conceptualizations of appropriateness. Situations are likely to require efforts to align ongoing change with meaning construction processes, both inside *and* outside the organization. *External entrainment* focuses on synchronizing change actions with evolving external expectations and standards of "appropriateness" (March & Olsen, 2006)—which, in our study's case, centered on government policies and reforms. In contrast, *grassroots monitoring and feedback* involves the use of democratic management procedures to map the boundaries around what internal constituencies deem appropriate or acceptable. Such internal monitoring is geared toward preempting the possibility that points of conflict might escalate to accusations of "severe and protracted institutional breaches" (Herepath & Kitchener, 2016: 1114). To further hedge against the risk of such accusations, *signifying consent* explicitly notes internal approval of ongoing changes. Our findings suggest that such signaling facilitates consensus building, as it implicates, or gives the impression of, widespread support for the form and direction of change.

These efforts to align change with external and internal meaning construction processes help counterbalance the risks of diverging from the institutional status quo—notably, by determining the appropriate balance between taking risks and minimizing them. In other words, they help identify the

"guardrails" that delimit the bounded space within which leaders can "experiment with alternative approaches" and gradually shift meanings and practices (Smith & Besharov, 2019: 28).

Transformational Change: Reconfiguring the Organizing Template

As illustrated in Figure 4, values work enables the encoding of a new configuration of building blocks that are misaligned with, or even contradictory to, an organization's overarching mission and values. However, instead of shifting from one archetypal template to another "articulated" alternative (Greenwood & Hinings, 1996), our model depicts how an organization's original template is *reinvented* by reconfiguring its constitutive elements. Through the simultaneous processes of introducing new value commitments and removing elements tied to old ones, the archetypal template is reconfigured around a "system" of values that, instead of being stable, reflects a hierarchical and robust combination of old and new, past and present (Polzer, Meyer, Höllerer, & Seiwald, 2016; Rokeach & Ball-Rokeach, 1989).

DISCUSSION

As a touchstone for decision making and action, values ground an organization's identity and culture—defining what it is, what it does, *and* how it does it (Bansal, 2003; Hinings et al., 1996; Pant & Lachman, 1998). In this study, we sought to develop theory on how organizations *purposefully* encode elements that seem antithetical to their underpinning values. Prior research has shown that value-incongruent change is inherently problematic because it undermines socially shared beliefs about what is right or wrong, good or bad in the design and operation of an organization (Amis et al., 2002; Gehman et al., 2013; Perkmann & Spicer, 2014). Indeed, studies have found that such change triggers strong resistance, and may lead to superficial conformity, strategic confusion, or short-lived change (Huy et al., 2014; Reger et al., 1994; Wiedner et al., 2017). Running through most accounts is the implicit assumption that major strategic reorientation and restructuring requires a concomitant shift in values. In our case, however, we show how managers introduced controversial and seemingly immoral elements while preserving the integrity of the company's prevailing values.

During China's transition away from a centrally planned economy, the survival of many organizations became dependent upon the ability to negotiate "revolutionary" transformation (Nee, 1992; Ralston et al., 2006). For most organizations, new demands for profit, efficiency, and accountability reflected a "detrimental fit-destroying change" (Siggelkow, 2001) because prior experience and templates for organizing were increasingly irrelevant (Newman, 2000; Peng, 2003). Some organizations fell short, and were thus shut down or amalgamated with others (Chen, 2006; McGregor, 2012). Other organizations went too far, triggering public admonishments and sanctions for stepping outside regulatory boundaries (Jing & Benner, 2016; Tan, 2007). Our inductive longitudinal analysis unpacks how Turbo Company was able to survive and thrive—seemingly reinventing itself to emerge as one of China's national champions. Importantly, our findings show that what appeared on the surface to be a revolutionary transformation was, upon closer inspection, grounded in a sequence of incremental changes that sought to preserve the company's socialist roots and values. Below, we discuss how insights from our study contribute to research on organizational values and change, and organizational strategies in transition economies.

Implications for Research on Organizational Values and Change

Studies of organizational change tend to depict values as either channeling change in aligned directions and trajectories, or being upended during major strategic or structural reorientations (Amis et al., 2002; Bansal, 2003). Our study, however, implicates a somewhat different role of values in processes of organizational change. Instead of acting as a focusing device, delineating the types and range of change options considered (Kabanoff et al., 1995; Perkmann & Spicer, 2014), values regulated *how* change was implemented. For Turbo, responding to the profound shifts in the external environment meant changing not only "what it was" (i.e., a Third Front enterprise), but also "what it did"—that is, its traditional focus on fulfilling national production quotas and serving as a mini welfare state. Our analysis revealed that, as Turbo changed these core aspects, it remained true to *how it did things*. Oftentimes, Turbo's leaders went to exceptional lengths to ensure that the implementation process (i.e., the approach and procedures used) was consistent and coherent with entrenched norms and patterns of behavior. When altering the wage system, for example, they were conscious to minimize pay differentials and even capped the remuneration of top management so that they would earn less than

some mid-level managers. Similarly, during corporate restructuring, Turbo's leaders went as far as cutting wages across the whole organization to ensure that employees in poor-performing subsidiaries would not see a significant drop in their wages. Through such efforts, Turbo's leaders fostered perceptions of procedural continuity—such that the boundaries or "guardrails" of acceptable change (Smith & Besharov, 2019) were delineated not by the content of change but by the extent to which the means of implementation cohered with longstanding norms and practices. In this way, highly controversial and seemingly immoral changes were cloaked as "ostensibly innocuous innovations" (Kraatz et al., 2010: 1522)—thus reducing potential resistance and the antagonistic tensions that often arise when pitting "old" against "new" (Balogun & Johnson, 2004; Piderit, 2000).

By showing how managers reconciled tensions between change and stability, our model contributes to understanding of "dynamic conservatism" (Ansell et al., 2015) wherein an organization is responsive changes in the environment while remaining true to its core values (see also Hatum et al., 2012). As an organization is encoded with a new configuration of building blocks, the values previously "built into" its social structures are progressively reconfigured (Kraatz et al., 2010: 1524) such that it evolves a complex patchwork of elements made coherent through a hierarchical and robust *system* of values (Rokeach & Ball-Rokeach, 1989). It would be interesting for future studies to examine whether significant changes in the normative expectations of organizations are more (or less) likely to dislodge or erode organizational values than disruptive advances in technology or major regulatory changes. If so, how and with what implications? Alternatively, studies could examine how different contextual conditions shape the ways that archetypal organizing templates are reconfigured. Do varying levels of commitment to the values associated with the template influence its relative mutability—and, thus, the challenge of reconfiguring elements? Our study suggests that a greater appreciation of how environmental pressures and internal value commitments intercede in organizational change processes could provide a fuller picture of how the past can be leveraged to facilitate transformative change (Marquis & Huang, 2010; Ravasi et al., 2019).

Implications for Research on Organizational Strategies in Transition Economies

Another area of research to which our study contributes is the study of organizational change in contexts of profound environmental turbulence and extreme uncertainty. In transition economies, institutional upheaval is of a magnitude wherein the dominant institutions of society are being dismantled and replaced in a relatively short period of time (Hoskisson et al., 2000; Marquis & Raynard, 2015; Peng, 2003; Roth & Kostova, 2003). Under these challenging conditions, implementing change may have "more a feeling of wandering in the wilderness than rationally searching for available alternatives" (Newman, 2000: 609). We find that, in the face of such extreme upheaval and uncertainty, organizational survival may depend upon the ability to continuously recalibrate the change process in accordance with evolving conceptualizations of appropriateness—both inside *and* outside the organization (Granqvist & Gustafsson, 2016; Haveman, 1992; Haveman et al., 2017).

The importance of appropriately aligning and timing organizational change has been well documented in studies examining dynamic competitive environments, innovation cycles, and technological discontinuities (e.g., Ancona & Chong, 1996; Brown & Eisenhardt, 1997; Pérez-Nordtvedt, Payne, Short, & Kedia, 2008). However, unlike the traditional emphasis on competitive, regulatory, or technological alignment (Rindova & Kotha, 2001; Dattée & Barlow, 2017; Furr & Snow, 2015), our study foregrounds normative alignment—wherein the form, direction, and timing of change is aligned with evolving societal norms regulating economic activity. We also find that such alignment is internally focused and managers are highly cognizant of the need to monitor and map the boundaries of what organization members deem appropriate and acceptable organizational conduct.

Together, these external and internal alignment mechanisms not only inform decisions about the scope and timing of change, but also help identify the amount of top-down pressure that can be exerted to push changes through. Such alignment is important for counterbalancing the inherent risks of diverging from the institutional status quo—which, in our case, was particularly high because perceived "nonconformity" could lead to imprisonment, expropriation, or "mass group incidents" such as labor strikes and demonstrations (Cai, 2002; Chen, 2006; Zhang & Liu, 2006). Interestingly, we found that the fear of such risks incentivized managers to engage in prospective alignment—that is, efforts to conservatively hedge against future risks. Such a prospective stance is important in contexts where formal rules and policies are vulnerable to "change overnight because of political and judicial decisions" (Hoskisson et al., 2000: 255). It is also important in the Chinese context, as

managers can be held "retrospectively" accountable should their present decisions result in changes that are misaligned with some yet-to-be-determined future policy.

By showing how managers reconcile pressures to take risks with strategies to minimize them, we build upon recent studies examining how the boundaries of "acceptable" change are identified and negotiated (Hatum et al., 2012; Marquis & Qiao, 2018; Smith & Besharov, 2019). Such negotiation is especially salient in centralized regimes, as change agents may have fewer affordances for types of cultural entrepreneurship and bottom-up mobilization processes commonly depicted in Western corporate narratives on managing change (e.g., Johnson, 2007; Kotter, 1995).[5] Indeed, before the economic reforms in China, managers did not have the "right" or authority to implement change—rather, their role was simply to take and carry out orders from government authorities (Dodds, 1996; Peng & Heath, 1996). It would be interesting for future studies to examine how values work evolves and changes as transition economies mature. Another fruitful line of research could delve deeper into *prospective* alignment strategies that help map how normative boundaries of appropriateness might expand or contract in the future. Such lines of research could shed important light on how risks are managed as processes of organizational change unfold in increasingly turbulent and uncertain environments.

CONCLUSION

To conclude, this research sought to build theory through an inductive longitudinal analysis of the encoding of a seemingly antithetical configuration of practices and structures within an organization. We show that what appeared on the surface to be a radical break from the past was actually seeded in earlier sequences of incremental change that sought to preserve and maintain a sense of coherence with the past (Weick & Quinn, 1999). As with any qualitative study that draws upon a single case, there are some boundary conditions to the insights provided. These inherent limitations, however, suggest useful directions for further investigation, as there is still much that we do not understand about how organizations purposefully change in ways that appear to contravene their prevailing values. We hope that our model may serve as a useful guide for further exploration.

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[5] We would like to thank the anonymous reviewer for highlighting this point.

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Mia Raynard (mia.raynard@wu.ac.at) is an assistant professor of organizational change in the Management Department at Vienna University of Economics and Business. Her research examines how organizations respond to competing pressures, and how processes of change unfold at organization and field levels. Her recent work focuses on emerging markets, professions, and CSR and sustainability.

Fangmei Lu (leifm07@lzu.edu.cn) is a PhD student in the Department of Business Administration at Nanjing University. Her research interest covers organizational change and adaptation, and the formation and evolution of social enterprises in China.

Runtian Jing (rtjing@sjtu.edu.cn) is a professor of organizational management in the Antai College of Economics and Management of the Shanghai Jiao Tong University. His research interests include organizational change and leadership behavior. He has recently been especially interested in developing indigenous theories of organizational change based on the Chinese cultural or institutional context.

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