The Societal Relevance of Management Accounting Innovations: Economic Value Added and Institutional Work in the Fields of Chinese and Thai State-Owned Enterprises

Pimsiri Chiwamit[a], Sven Modell[a, b, *] and ChunLei Yang[a]

[a] Manchester Business School, University of Manchester, UK.

[b] NHH – Norwegian School of Economics, Bergen, Norway.

***Corresponding author**

Address:

Manchester Business School

University of Manchester

Crawford House

Booth Street West

Manchester M15 6PB

United Kingdom

E-mail: Sven.Modell@mbs.ac.uk

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Abstract

This paper contributes to the emerging debate about the societal relevance of management accounting innovations by examining the institutionalisation of Economic Value Added (EVA) as a governance mechanism in the fields of Chinese and Thai State-Owned Enterprises (SOEs). In doing so, we widen the view of this innovation from the conventional one as a vehicle of managerial alignment with capital markets pressures and explore how it became implicated in the political regulation and governance of such enterprises. We also examine how such processes were influenced by a broader set of societal interests than those typically assumed to dominate the use of EVA as a governance mechanism. To theorise this development we mobilise the notion of institutional work, denoting the human agency involved in creating, maintaining and disrupting institutions, and examine the collective actions attributable to the coordination of key actors with a stake in the institutionalisation of EVA. We extend extant research on this topic by exploring how different types of institutional work were implicated in creating and maintaining a degree of field cohesiveness, defined in terms of how consistent and tightly coordinated the interests dominating organisational fields are. This sheds light on how different field conditions foster variations in the patterns of institutional work evolving over time and how different types of work support and detract from each other. We discuss the implications of our comparative, field-level analysis for future research on the societal relevance of management accounting innovations and institutional work.

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Introduction

The past 25 years have witnessed a significant wave of innovation in management accounting practices, epitomised by such notions as Activity Based Costing and the Balanced Scorecard to mention but a few novel techniques. Management accounting research has followed suit and now provides a substantial body of empirical evidence of the use of such innovations (see Ittner and Larcker, 2001; Zawawi and Hoque, 2010). This research has been dominated by investigations of organisations adopting and implementing novel management accounting practices but has paid relatively scant attention to the long-standing observation that such innovation may also occur beyond individual organisations and may be an integral part of broader, societal processes of governance and regulation (e.g., Hopwood, 1983, 1992; Miller, 1991; Miller and O'Leary, 1993, 1994). Some accounting scholars have recently drawn attention to how more contemporary innovations have started to influence such broader, societal phenomena and penetrate the spheres of policy-making and legislation (e.g., Hopper and Major, 2007; Modell, 2012a, 2012b). Yet we know relatively little about the processes whereby management accounting innovations assume such broader relevance and which interests come to dominate such processes. This calls for further investigations of how the societal relevance of such innovations takes shape rather than slavishly subscribing to the widely held view of "relevance" as a primarily managerial concern denoting improved decision-making and control in specific organisational settings (cf. Tucker and Parker, in press).

One such innovation with a long-standing pedigree in conventional management accounting thought but also assuming wider societal relevance is Economic Value Added (EVA). Tracing its origins to traditional notions of residual income, the concept of EVA was devised and popularised by the US-based consulting firm Stern Stewart and subsequently heralded as a key innovation contributing to the contemporary reshaping of corporate control (see Bromwich and Walker, 1998; Ittner and Larcker, 1998; O'Hanlon and Peasnell, 1998). As such, it evolved into a centrepiece of the broader shareholder value movement emerging since the 1980s (Froud *et al*., 2000a; Malmi and Ikäheimo, 2003) and exercising a notable influence on management accounting and control practices in individual organisations (see e.g., Ezzamel and Burns, 2005; Ezzamel *et al*., 2008; Gleadle and Cornelius, 2008; Kraus and Strömsten, 2012). The shareholder value movement represents a social movement held together by the imperative of maximising shareholder wealth as an over-riding premise for the structuring of governance and control practices and has allegedly been furthered by the globalisation of modern capital markets and dissemination of economics-based conceptions of the firm (Davis and Thompson, 1994; Fiss and Zajac, 2004; Froud *et al*., 2000a; Zajac and Westphal, 2004). The relevance of EVA is here seen as primarily residing in the alignment of managerial interests and incentives with the preferences of dispersed shareholders who would otherwise be relatively powerless vis-a-vis management of large corporations (Bouwens and Spekle, 2007). However, this disregards that notions of relevance are fragile, socially constructed outcomes and that the interests served by particular governance practices may vary considerably across diverse societal contexts. This critique is underscored by the observation that EVA and similar value-based management techniques may serve wider interests as vehicles of political regulation in contexts where notions of shareholder value have historically been less salient (Francis and Minchington, 2002; Siti-Nabiha and Scapens, 2005). This compels us to expand the quest for what the broader, societal relevance of EVA might be and what interests come to dominate its institutionalisation as a governance mechanism.

The purpose of this paper is to explore these issues in the context of state-owned enterprise (SOE) reforms in the People's Republic of China (PRC) and Thailand unfolding over the past decade. The general relevance of pursuing a two-country comparison of the institutionalisation of EVA in East Asia is underscored by the observation that the shareholder value movement has influenced governance reforms across this region whilst generating significant, country-specific variations in governance practices (Morgan and Takahashi, 2002; Wong, 2005; Young *et al*., 2004). Adopting an institutional theory perspective[1], we seek to make sense of such differences by exploring how diverse actors with vested interests in the institutionalisation of EVA worked towards establishing it as a legitimate governance mechanism. Institutional theory constitutes a useful analytical lens for addressing such issues as it draws attention to the complex interactions between actors representing diverse constituency interests in the process of institutionalisation whilst

[1] By institutional theory we primarily refer to neo-institutional sociology. Although institutional research on accounting has also drawn on other perspectives, such as old institutional economics, this research has mostly been undertaken within individual organisations (Burns and Scapens, 2000; Dillard *et al*., 2004; Ma and Tayles, 2009). Since our analysis is located at the organisational field level we adopted an analytical perspective emanating from a more substantial body of work at this level (cf. Wooten and Hoffman, 2008).

recognising that this interplay is conditioned by extant institutional arrangements. Whilst institutional theory initially evolved to explain institutionalisation as an outcome of diffusion processes in organisational fields (see e.g., DiMaggio and Powell, 1983; Tolbert and Zucker, 1983), it has long been recognised that the manoeuvring of actors with vested interests requires focused attention to enhance our understanding of the human agency involved in the more or less ongoing construction of institutions (DiMaggio, 1988; Oliver, 1991). More recently, this has led researchers to pay increasing attention to how dispersed actors are coordinated and how this shapes the possibilities of collective action necessary for institutional change to take place (e.g., Hargrave and van de Ven, 2006; Lawrence *et al*., 2002; Phillips *et al*., 2000; Seo and Creed, 2002; Wijen and Ansari, 2007). However, studies of such change processes are typically confined to specific organisational fields and rarely encompass assessments across diverse fields for the purpose of comparative theory-building (Dorado, 2005; Greenwood *et al*., 2011). One useful approach for shedding further light on how field-level differences affect the process of institutionalisation is offered by the emerging literature on institutional work. The notion of institutional work refers to the human agency involved in creating, maintaining and disrupting institutions (Lawrence and Suddaby, 2006; Lawrence *et al*., 2009) and has been employed in studies seeking to explain how collective action is achieved in diverse fields (e.g., Slager *et al*., 2012; Zietsma and Lawrence, 2010; Zietsma and McKnight, 2009). We use this concept to enhance our understanding of how key, field-level actors strived to establish and maintain EVA as a governance mechanism whilst exploring how such efforts were conditioned[2] by differences in the structuration of the fields under examination.

The remainder of the paper proceeds as follows. We start by developing a theoretical framework linking the notion of institutional work to prior research on EVA. This is followed by an outline of the research contexts and design before providing a longitudinal analysis of the institutionalisation of EVA as a governance mechanism in the fields of Chinese and Thai SOEs, respectively. We conclude the paper with a comparison of our findings across the two fields and delineate our contributions to the emerging debate on the societal relevance of management accounting innovations and extant research on institutional work.

[2] The view of human agency as *conditioned* by institutional structures is not intended to denote a deterministic view of the process of institutionalisation (cf. Lawrence *et al*., 2009). As explicated in greater detail later in the paper, the literature on institutional work represents a transition towards a position where innovation is seen as continuously influenced by extant institutional structures whilst always entailing an element of intentional human agency.

Theoretical Approach

The literature on institutional work grew out of the long-standing debate about the relationship between agency and structure in institutional theory and represents an attempt to recognise the embedded nature of agency and its recursive interplay with extant and emergent institutions (Lawrence and Suddaby, 2006; Lawrence *et al*., 2009). As such, it can be seen as an attempt to rescue institutional analyses from the deterministic tendencies prevailing in early advances in the area whilst avoiding the pitfall of subscribing to overly instrumental and rationalistic depictions of human agency as underpinned by relatively unbounded choice opportunities (cf. Lounsbury, 2008). From an embedded agency perspective, institutional change and innovation are seen as continuously conditioned by extant, institutional structures although this does not negate the prospects of interest-driven and intentional agency. This position has traditionally been associated with the "paradox of embedded agency", or the seemingly intractable issue of how actors who are embedded in specific institutional arrangements can initiate change in such arrangements (see Seo and Creed, 2002). However, research on institutional work has started to resolve this conundrum by unpacking the enabling conditions facilitating change in organisational fields (see e.g., Battilana and D'Aunno, 2009; Zietsma and Lawrence, 2010). In contrast to a view of institutional change as having a definite end point, it also conceives of institutionalisation as an ongoing, indeterminate process and directs the analytical search light to the continuous efforts of individual and groups of actors to (re-)shape institutions (Lawrence and Suddaby, 2006; Lawrence *et al*., 2009). Rather than conceiving of diverse management innovations as immutable and monolithic categories, this compels us to explore the continuous "experimentation" or adjustments involved in embedding them in particular institutional contexts (cf. Andon *et al.*, 2007; Malsch and Gendron, in press; Modell, 2009).

Whilst this emerging theorisation of change and innovation parallels similar efforts to examine the interplay between agency and structure in institutional research on accounting (e.g., Burns and Scapens, 2000; Dillard *et al*., 2004; Englund and Gerdin, 2011; Kilfoyle and Richardson, 2011), the institutional work approach offers a more detailed classification of the various types of work, or agency, involved in the shaping of institutions (see Lawrence and Suddaby, 2006). For the purpose of this paper, we build on Perkmann and Spicer's (2008) elaboration of Lawrence and Suddaby's (2006) original typology and distinguish between the political, technical and cultural work involved in the institutionalisation of EVA.

Following Perkmann and Spicer (2008, p. 817), *political work* refers to the efforts of various actors to influence "the development of rules, property rights and boundaries in the attempt to anchor an institution within the wider social system". As such, it primarily entails the establishment of formal regulatory frameworks within which the users of a particular institution, or management innovation, need to operate through such mechanisms as legislation, policy formulation and standardisation. This often includes political negotiations between actors advocating and resisting focal innovations to establish a social basis for their construction. It also involves monitoring of compliance with regulatory frameworks once they have been established to ensure that interests remain reasonably aligned in organisational fields. However, it excludes the design of more detailed models required for the translation of such frameworks into practice. Such translations necessitate *technical work*, or crafting of specific innovations, and often involve considerable adjustments of their constitutive technical elements to make them fit particular institutional contexts. An important part of such work consists of educational activities aimed at training users of the focal innovation. This typically requires the employment of actors with greater technocratic expertise (e.g., consultants, professional bodies) working in close collaboration with the organisations adopting management innovations. *Cultural work*, by contrast, refers to the more symbolic actions undertaken to ensure that emerging institutions fit with the broader belief and meaning systems dominating a particular organisational field. In the context of the institutionalisation of management innovations this often entails mobilisation of normative discourses and rhetoric endorsed by various authorities (e.g., management "gurus") or social movements. However, successful cultural work also needs to ensure that such discourses and rhetoric are tailored to the specific institutional context to which innovations are introduced. As such, cultural work is fundamentally concerned with the framing of innovations in such a way that their meanings do not challenge those espoused by powerful interests. In contrast to political work, however, the primary vehicles to this end reside in the normative alignment and policing of broader meaning systems rather than formal regulation.

According to Perkmann and Spicer (2008), all these types of institutional work are often present in the institutionalisation of management innovations and may support or contradict each other. They also predict that innovations are more likely to become firmly embedded in organisational fields where the three types of work are combined and build on each other in a cumulative manner as opposed to when they occur in isolation or are brought together at the same time. Moreover, they suggest that institutional work combining the skills of multiple actors is more likely to be successful than work that draws on a more limited range of expertise. What is lacking from Perkmann and Spicer's (2008) framework, however, is any consideration of how differences in the structuration of organisational fields formed around particular innovations influence the configurations of institutional work evolving over time. Incorporating such considerations is important for gaining insights into how extant institutional structures condition agency and the emergence of new structures. A critique levied at parts of the literature on institutional work is that it over-emphasises notions of agency and brackets the issue of how extant institutions condition the action repertoires of embedded agents (Khagan and Lounsbury, 2011; Willmott, 2011). Examining variations across institutional contexts is a potentially fruitful way of addressing this problem as it may illuminate which institutional arrangements are more or less susceptible to different types of institutional work (Hwang and Colyvas, 2011).

Given our emphasis on how institutional work relates to diverse, societal interests, it is particularly pertinent to examine how the structuration of such interests in organisational fields interacts with the institutional work involved in developing EVA as a focal innovation. To this end, we advance the notion of *field cohesiveness*, defined in terms of how consistent and tightly coordinated the interests dominating organisational fields are. Institutional theorists are increasingly recognising the fragmented nature of organisational fields as made up of dispersed and heterogeneous actors with more or less competing interests (Greenwood *et al*., 2011; Kraatz and Block, 2008; Wooten and Hoffman, 2008). High levels of field fragmentation may be expected to reduce cohesiveness and increase the need for institutional work to achieve coordinated, collective action and institutionalisation (cf. Slager *et al*., 2012; Zietsma and McKnight, 2009). As noted by Dorado (2005), coordination in fragmented organisational fields often requires complex political negotiations aimed at balancing competing interests as opposed to situations where dominant actors may impose their interests on other constituencies in a more forceful and unilateral manner. However, little is known about how such differences in political work relate to other types of institutional work under different field conditions. Moreover, given the indeterminate view of institutionalisation underpinning the literature on institutional work it would be fallacious to assume that a given state of field cohesiveness will necessarily prevail over time and always cause emerging innovations to become firmly institutionalised. Following such an indeterminate view of change, we focus on the institutional work involved in creating and maintaining a degree of cohesiveness among the dominant interests clustered around EVA as a governance mechanism in two organisational fields. Consistent with the view of such work as implicated in some recursive interplay with extant and emerging structures, we also examine the efforts to embed EVA as an emerging innovation in prevailing governance structures. However, we observe considerable caution in drawing more definite conclusions as to whether EVA has become more or less firmly institutionalised in one or the other field.

Although the notion of institutional work has started to influence emerging accounting research (e.g., Goretzki *et al*., in press; Malsch and Gendron, in press), it has not been explicitly used to examine the institutionalisation of EVA. Nevertheless, a brief review underlines its general relevance to this end. The emergence of EVA and similar performance metrics as cornerstones of the shareholder value movement has been underpinned by a considerable amount of cultural work. This is notably manifest in the mobilisation of powerful rhetoric linking this movement to broader, neo-liberal concerns with deregulation and the diffusion of capitalist modes of production (Ezzamel *et al*., 2008; Froud *et al*., 2000a). The normative discourse surrounding EVA emphasises *inter alia* the need to adjust accounting profits for costs of capital and a range of financial accounting conventions to improve the alignment of managerial and shareholder interests. The linking of managerial incentives to such adjusted accounting metrics has also been presented as a prerequisite for the entrenchment of EVA as a single, integrated financial management system in lieu of a broader range of disparate performance measures and control practices (see e.g., Stern *et al*., 1995, 2001; Stewart, 1991). However, the extent to which such ideals are achieved has been found to vary in organisations adopting EVA (Malmi and Ikäheimo, 2003). Such variations can partly be traced to the political and technical work involved in the process of implementation. Several studies show how actors with vested interests that conflict with notions of shareholder value engage in political work to resist the implementation of EVA and other value-based management techniques (Ezzamel and Burns, 2005; Francis and Minchington, 2002; Siti-Nabiha and Scapens, 2005). Other researchers have questioned the use of EVA as an independent financial management system by drawing attention to the considerable amount of technical work undertaken to integrate it with other management innovations and render it firmly embedded in organisational control practices (Gleadle and Cornelius, 2008; Woods *et al*., 2012).

Whilst the majority of the research reviewed above is based on organisation-specific experiences of EVA, it is relevant to extend it to the organisational field level. There is some empirical evidence of the broader shareholder value movement failing to gain momentum in specific organisational fields (Fiss and Zajac, 2004; Jurgens *et al.*, 2000; Morgan and Takahashi, 2002). Similar to the emerging literature on EVA implementation, these studies draw attention to how institutional processes are affected by the prevalence of multiple actors with more or less conflicting interests. However, considerable caution is required in theorising a priori about how field characteristics influence institutionalisation since organisational fields are analytical entities whose properties need to be defined empirically (DiMaggio and Powell, 1983). This necessitates an open-ended and largely exploratory research approach to examine which interests come to dominate the process of institutionalisation and how the cohesiveness of organisational fields relates to institutional work. We now turn to describe the research design devised to this end.

Research Context and Design

The notion of organisational fields emerged as an alternative to predominantly technical, or industry-based, classifications to differentiate between societal sectors and was originally conceptualised as a recognised area of social life constituted by actors representing diverse constituency interests (DiMaggio and Powell, 1983). Such generic definitions of organisational fields have subsequently been refined to focus researchers' attention to how the interests clustered around specific *issues* at stake in institutional processes evolve over time (Hoffman. 1999; Wooten and Hoffman, 2008). This has shifted the emphasis from the general configuration of societal sectors to specific innovations constituting the object of institutionalisation and the actors with a direct, vested interest in such processes. Following such an issue-based definition of organisational fields, we examine the interactions between different types of institutional work and the key interests involved in the institutionalisation of EVA as a governance mechanism for Chinese and Thai SOEs. Whilst both fields encompass a large number of SOEs operating across a broad range of industries the emphasis of our analysis is on field-level commonalities rather than industry- or enterprise-specific challenges emerging in the process of institutionalisation. However, we recognise that there may be significant deviations from the general patterns described in our analysis within specific industries or SOEs in the two fields.

Following the issue-based definition of organisational fields outlined above, some pertinent similarities and differences across the two fields are worth noting. In both fields, the main actors in charge of the development of EVA as a governance mechanism are two regulatory agencies established as an integral part of broader governance reforms unfolding since the mid-1990s; the Chinese State Assets Supervision and Administration Committee (SASAC) and the Thai State Enterprise Policy Office (SEPO). Appendix A provides an overview of some regulatory guidelines for key technical aspects of EVA as a performance management system advanced by these agencies. The two agencies are held accountable to the Ministry of Finance in their respective countries and have an over-riding responsibility for the development, maintenance and operation of corporate performance monitoring and incentive systems for individual SOEs. However, the clustering of other interests around EVA as a governance mechanism differs considerably across the two fields as a result of country-specific variations in political systems, the development of capital markets and the varying reliance on private sector consulting firms in the process of institutionalisation. In the PRC, governance reforms have been heavily influenced by the long-standing dominance of the Chinese Communist Party (CCP) whose interests largely overlap with those of central government. This has fostered a cautious approach to the privatisation of SOEs. Even though a number of large SOEs have been listed on Chinese and international stock markets the State retains a controlling stake and has been reluctant to relinquish political control of their operations. The extent of stock-market listings of Thai SOEs has been even more restricted as a result of a lack of stable governments and political majorities in favour of such reforms although EVA originally emerged as part of a reform initiative aimed at large-scale privatisation. The institutionalisation of EVA in the Thai field has also been much more reliant on independent consulting firms than what has been the case in the PRC. Of particular significance in this respect are the Thai branch of Stern Stewart – Stern Stewart Thailand (SST) – and domestic consulting firms such as Thai Rating and Information Services (TRIS) working in close collaboration with the SEPO. Finally, the institutionalisation of EVA in the Thai field entailed more extensive involvement of early adopters of this innovation, such as PTT Public Company Ltd (PTT), as an active partner in the dissemination of knowledge about this innovation.

The data informing our analysis were collected as part of two larger research projects unfolding between 2009 and 2012. These projects entailed extensive data collection at the overall field level as well as case studies within individual SOEs in the two fields. For the purpose of this paper we primarily rely on data collected through interviews and extended discussions with representatives of the key field-level actors identified in the foregoing (see Appendix B). The majority of interviews were conducted within the SASAC and the SEPO as this is where the main responsibility for the development of EVA as a governance mechanism has resided. However, especially in the Thai field it was also necessary to extend interviews to capture the experiences of a broader range of actors, such as independent consulting firms and PTT. Access was facilitated by having two members of the research team of Chinese and Thai origin conducting the interviews in their respective countries. This was especially important to create an open and trusting interview climate and also facilitated interpretation of tacit social cues. An atmosphere of openness was also furthered by letting the interviewees "lead" the interviews as far as possible whilst using a loosely structured interview guide as an unobtrusive prompt to ensure that important themes were covered in sufficient detail. The interviews followed a semi-structured format and targeted such themes as the rationale and consequences of the use of EVA as a governance mechanism, its origin and chronological evolution, specific actions aimed at establishing and developing it as well as its broader role in the governance reforms unfolding in the two fields.In the Thai field, the majority of the interviews were voice recorded and transcribed. However, in the Chinese field we chose not to do so as we expected interviewees to be unaccustomed and possibly uncomfortable with such practices.[3] Instead, notes were taken during the interviews and transcribed into extensive summaries immediately afterwards. In both fields, key informants were interviewed on more than one occasion, which provided ample opportunities for asking follow-up questions and respondent validation. The interviews were complemented with an analysis of policy documents and working material describing the positions and actions of key, field-level actors with respect to the development of EVA and related governance reforms.

The institutional processes underpinning the evolution of EVA in the two fields were first analysed independently of each other following a relatively open-ended, inductive approach. This resulted in two extensive and rich narratives describing how the development of EVA was implicated in unfolding governance reforms. We then contrasted these developments following a comparative case study logic (Eisenhardt, 1989) that sought to refine and extend the theoretical framework informing our analysis (Keating, 1995; Lukka, 2005). In doing so,

[3] Prior research on management accounting practices in the PRC have noted the difficulties in conducting qualitative research due to the lack of organisational familiarity with such research (see Duh *et al*., 2008). Our decision to refrain from voice recording interviews was part of a conscious strategy to lower such barriers.

we re-analysed the data across the two fields by seeking for indicators of different types of institutional work exercised by diverse actors and how they mapped on to each other across different time periods. By comparing the patterns of such accumulation of institutional work over time we arrived at an initial understanding of key field-level differences. We then deepened this analysis by relating different types of institutional work to notions of field cohesiveness by seeking for explanations of how they contributed to create and maintain such cohesiveness. To this end, we found it helpful to distinguish between the economic, political and bureaucratic interests associated with the institutionalisation of EVA and examine the degree of overlap and conflict between such interests conditioning and resulting from institutional work. A limitation of our analysis is that our data provide little direct information about how such work influenced broader, social interests that are potentially disadvantaged by EVA. Although the relative neglect of disadvantaged interests is an increasingly voiced critique of institutional research (e.g., Lawrence and Suddaby, 2006; Modell, 2012b), we partly tried to compensate for it by examining how such interests have shaped over-riding governance reforms and how regulatory agencies mediate between them and the imperatives of EVA.

EVA in the Field of Chinese SOEs

Institutional Reform Context

The emergence of EVA constitutes one of the most recent initiatives in a long sequence of SOE reforms in the PRC that have, in turn, formed a cornerstone of the country's transition towards a socialist market economy since 1978. This process started with the Contract Responsibility System (CRS) in the early 1980s and continued with the Modern Enterprise System (MES) from the mid-1990s. The CRS reform aimed at transforming SOEs from integral parts of the state bureaucracy into independent legal entities and entailed substantial delegation of decision-making rights. However, it largely failed to clarify property rights and led to massive inefficiencies and a general loss of competitiveness which gradually resulted in escalating financial losses (Chen *et al*., 2006; Hassard *et al*., 2007; Hussain and Jian, 1999). The MES reform was intended to rectify this situation and was more explicitly inspired by policy advice from the World Bank and Chinese economists trained in the West (Hassard *et al*., 2007; Steinfeld, 1998). In order to consolidate SOEs into larger and internationally competitive industrial groups, the MES reform entailed an initial phase of divesting smaller

SOEs to private and institutional investors followed by a period of increasing stock-market listings and formation of Sino-foreign joint ventures. Rather than aiming at large-scale privatisation, however, stock-market listings have mainly been pursued to support the country's broader economic reform programme and the State has retained a controlling ownership stake in listed SOEs. Stock market listings have primarily been used as a vehicle of raising capital to finance the aggressive growth strategies pursued by many SOEs (Szamosszegi and Kyle 2011; World Bank, 2012). Over the last decade, central SOEs[4] have increasingly been listed on foreign stock exchanges whilst embarking on state-backed strategies of expansion through international mergers and acquisitions. This has, in turn, formed an important part of the broader economic and geo-political ambitions of the PRC to influence global markets for strategically important resources (McGregor, 2011).

The MES reform also entailed relatively profound governance reforms ostensibly aimed at enhancing the autonomy of boards of directors and their accountability to shareholders whilst reducing the lingering element of state intervention. Such priorities formed key elements of the policy advice initially offered by the World Bank (see e.g., World Bank, 1995, 1997). However, central government and the CCP continued to control the appointment of key personnel and a range of other strategic decisions in order to execute government policies and have proved reluctant to give full sway to capital markets. This has led to allegations that the State is unduly exploiting the interests of minority shareholders in listed SOEs and overlooking the development of efficient capital markets (see Clarke, 2003). Notions of long-term shareholder value have become largely synonymous with the economic and political interests of the State in preserving and enhancing the value of SOEs whilst Chinese stock markets have allegedly remained relatively under-developed and highly speculative (Steinfeld, 1998; Szamosszegi and Kyle 2011; World Bank 2012).

A long-standing concern in the reform of Chinese SOEs has been the need to balance these emerging economic and political interests in developing them into commercially viable and internationally competitive entities with the extensive social welfare obligations vested in this organisational field. Historically, many SOEs have provided a broad range of social welfare services to cater for their work force and local communities "from the cradle to the grave" and have allegedly been heavily over-staffed as a result of the Government's policy of using

[4] Central SOEs are distinct from local SOEs in that the former are centrally controlled and administered whereas the latter are governed by local authorities. The latter have not been affected by the introduction of EVA and are not part of our analysis.

them as vehicles of furthering social and political stability (Hassard *et al*., 2007; Steinfeld, 1998). The MES reform, in particular, has stepped up the pressures on SOEs to scale back such welfare commitments and lay off workers, which has increased the risks of social unrest (Hassard *et al*., 2008). The need to avoid social unrest is, in turn, intimately linked to the political interests of preserving the authority of central government and the hegemony of the CCP as a state-bearing party and has amplified the challenge of balancing between economic and broader, social interests.

The need to maintain such a balance is notably manifest in the systems of corporate oversight and performance monitoring established as part of the MES reform. In 2003, a number of previously dispersed governance functions were vested in the SASAC as a newly formed regulatory agency. Whilst the agency was given a clear mandate to further the economic performance of SOEs it was also entrusted with the task of ensuring that vital social interests were not unduly jeopardised. A centralised system for performance monitoring was established to ensure that SOEs' comply with politically charged performance aspects, such as safety and environmental standards, and control tendencies towards social unrest and instability whilst conforming to the economic reform agenda. Performance monitoring partly came to rely on league tables initially based on the ranking of central SOEs across such indicators as total profits, return on investment and a selection of operating-level measures capturing industry-specific characteristics. However, SOE league tables are only part of a broader and highly complex governance system aimed at ensuring that social stability and political control are not being compromised. Individual SOEs face severe penalties if the pursuit of economic performance aspects is seen as leading to social unrest. Some SOEs are also given "policy allowances" for undertaking government-sanctioned tasks aimed at upholding social stability and executing specific policy initiatives. Moreover, performance evaluation entails a considerable element of subjectivity and enterprises of high political significance often receive favourable treatment in performance evaluation (Du *et al*., 2012). This enables the SASAC to exercise a considerable amount of discretion and even out performance scores such that conflicts between economic and broader social interests can at least be partly accommodated. As explicated in our analysis of the institutionalisation of EVA, however, it also opens up considerable opportunities for individual SOEs to engage in political work aimed at relaxing the regulatory framework underpinning performance evaluation.

The formation of the SASAC and the establishment of governance practices such as those described above may be seen as an attempt to create and maintain a degree of field cohesiveness in a social context historically characterised by strongly conflicting interests. Whilst the MES reform has not resolved the long-standing conflict between the economic and social interests served by SOEs, the role of the SASAC is to ensure that coordinated responses to such conflicts can be initiated such that more over-riding, political interests in preserving social stability are not being jeopardised. However, the strategy of consolidating central SOEs into larger and more autonomous entities has also enhanced their bargaining power in a manner that is not necessarily consistent with the bureaucratic interests of the SASAC in implementing specific governance mechanisms. As explicated in the following sections, this has created particular challenges of maintaining field cohesiveness with an important influence on the institutional work involved in establishing EVA as a legitimate governance mechanism.

The Emergence and Early Institutionalisation of EVA (2003-10)

The consecutive governance reforms in the PRC have fostered a climate where the ability to experiment successfully with various management innovations whilst complying with the broader, political interests in maintaining social stability has become a key career requirement for SOE managers at all levels. The typical career trajectory of SOE managers is to work their way up through the corporate hierarchy to then join the ranks of the state and party bureaucracy and, in many cases, reaching high-level political offices. Similar promotion principles apply to SASAC officials and have reinforced the incentives to comply with the modernising ethos of the MES reform and experiment with "Western" management innovations. However, the adoption of such innovations has often followed a pattern of considerable adjustments, or what Mitter (2004) called "China centrism", to fit the country's cultural and political circumstances. In particular, the Maoist legacy has made it pivotal for the experimenting with such innovations to be aligned with what is widely referred to as "correct thinking" to signal their consistency with the broader belief and value systems underpinning the emerging, socialist market economy. This entails a pronounced propensity to frame allegedly "capitalist" innovations to render them compatible with the collectivist ethos of Maoism. For instance, the very notion of privatisation was long a taboo subject and tended to be couched in the guise of "corporatisation" and "commercialisation". The promotion system in place has also reinforced the bureaucratic interests of regulatory agencies such as the SASAC to adapt and contextualise foreign ideas to fit notions of "correct thinking". As a new government agency filling a highly public role, it has been especially important for it to demonstrate its capacity to oversee SOE reforms on an independent basis without relying too much on external advisors.

The emergence of EVA as a governance mechanism for SOEs reflects this bureaucratic interest in being seen to innovate on an independent basis whilst drawing considerable inspiration from abroad. From its inception, the agency had a strong government mandate to develop novel means of enhancing the value of SOEs. This was notably epitomised by its mission to "safeguard and increase the value of state assets" and can partly be understood against the backdrop of the growing concerns with the often low-yielding investment strategies pursued by many SOEs in the early phases of the MES reform. The reform initially created powerful incentives to pursue growth at any cost and often saw SOEs expanding into unrelated industries in ways that allegedly detracted from the creation of internationally competitive corporations. To reverse this development, the World Bank recommended the use of EVA already in 2002 (World Bank, 2002) and the first Secretary-General of the SASAC took a keen interest in developing it as a governance mechanism. More direct inspiration to this end was sought from the reputedly successful application of EVA in Singaporean SOEs. After a visit to the SASAC's Singaporean counterpart Temasek in 2003, the Secretary-General officially proposed the use of EVA and a board decision was subsequently made to adopt it as a key governance mechanism for central SOEs. The task of developing an EVA system suitable to Chinese SOEs was initially assigned to one of the performance review divisions[5] within the SASAC. Over the following two years, this organisational unit undertook a considerable amount of technical work including the calculation of EVAs for individual SOEs and the development of handbooks and instruction manuals describing how to develop and implement the system. To support this technical work, the SASAC initially sought some assistance from Stern Stewart by organising overseas training activities and dispatching several executive teams to its New York headquarters and Singaporean branch to learn about the application of EVA. Consistent with the bureaucratic interest in being seen to innovate on an independent basis, however, it soon distanced itself from any dependence on foreign consultants. Instead, the technical work largely progressed as an internal project within the SASAC and initially entailed little involvement of SOE managers.

[5] The SASAC is organised into several performance review divisions entrusted with largely similar tasks in monitoring the performance of SOEs across various industrial sectors.

One important reason for the limited involvement of SOE managers in the initial technical work on developing the EVA system was the considerable scepticism harboured by many SOEs. Even though the decision by the SASAC to adopt EVA signalled an intention to embed it in the regulatory framework guiding governance practices, the emphasis on enhanced financial returns underpinning the initiative was often in direct conflict with the far-reaching social welfare obligations burdening many SOEs. For instance, the initial calculations of EVA tended to show negative results partly due to the costs of providing social welfare services and maintaining staff levels. This prompted the SASAC to refrain from officially reporting EVA data for individual SOEs and delay its implementation as a governance mechanism. One of our interviewees recalled:

"The total EVA was a huge negative figure [in 2003]. It was simply out of the question to roll it out. To begin with, the responsible persons would not have it. Besides, back then we had more pressing matters at hand: we had yet to create a regulatory framework from scratch to establish the SASAC as the acting shareholder evaluating the performance of central SOE responsible persons. Since the infrastructure was not there, EVA remained an unofficial experiment." (Interview, Deputy Head of Performance Review Division 2, SASAC, 5-6/11/12)

Moreover, several SOEs arguably saw the introduction of EVA as a novel, financial control mechanism as a potential intrusion into their new-found autonomy, which compelled the SASAC to engage in a considerable amount of political work as a complement to its ongoing technical work. An important part of this political work was the establishment of clearer division of responsibilities and role expectations to crystallise the enhanced emphasis on the State as a shareholder, or as one of our interviewees explained:

"The reform up until 2007 was a matter of establishing necessary rules [for EVA to come to the fore]. Previously there were no norms and the parties involved in SOE administration all had some sort of identity crisis [due to unclear property rights]. The methods were old, bureaucratic, volume-driven and they did not suit a market economy due to the lacking notion of the State as a shareholder. ... It was not until the formation of the SASAC in 2003 that we began to have performance management in a real sense by considering indicators that the shareholders care about the most, such as profit, return on investment and began to link compensation to performance." (Interview, Deputy Head of Performance Review Division 2, SASAC, 5-6/11/12)

On the one hand, the introduction of EVA may thus be seen as an important step in the political work aimed at strengthening the regulatory framework underpinning the governance of SOEs. On the other, this necessitated extensive concessions on the part of the SASAC to ensure SOEs that the reform did not infringe on their autonomy. This led to protracted negotiations aimed at establishing some acceptable balance between the interests of the

SASAC and individual SOEs. Informal negotiations were first initiated with the "responsible persons"[6] of individual SOEs to prepare them for the introduction of EVA and were gradually extended to broader categories of accounting staff. The Head of the Performance Review Division in charge of the initial development of EVA described why such negotiations were an indispensable part of the political work associated with the introduction of EVA:

"Central SOEs are a very unique context where, for EVA or any reform to take root, you need the support of the vast majority [of central SOE responsible persons]. By vast majority I do not mean 80 per cent of the population. I am talking about 95 per cent and higher. These companies are so powerful that even the small minority can be strong enough to topple the reform. That is why we undertook careful and patient preparations." (Interview, Head of Performance Review Division 2, SASAC, 5-6/11/12)

In other words, any attempt to introduce EVA without a considerable element of political work might have threatened the interests of individual SOEs and reduced field cohesiveness. This prompted the SASAC to adopt a cautious approach to its implementation. Between 2003 and the official implementation of EVA as a governance mechanism in 2007, the technical work on developing the system continued on an "unofficial" basis alongside continued political negotiations and was gradually expanded to include accounting executives from individual SOEs in the drafting of instruction manuals. One SASAC official elaborated on how this combination of political and increasingly collaborative, technical work gradually enhanced the acceptability of EVA and facilitated the process of contextualising it to fit Chinese SOEs:

"Our 'tactics' were to consult, consult again and consult more. By involving SOEs in the process, responsible persons came to endorse EVA at the conceptual level. Eventually they became our partners in the design of the EVA reform. Although we initiated a lot of overseas training, our work is firmly grounded in the Chinese context. The senior SOE accounting executives contributed a lot more to the reform than Stern Stewart. In the future we will continue to count on them to sort out remaining implementation issues." (Interview, Head of Performance Review Division 2, SASAC, 5-6/11/12)

By the time EVA was officially launched as a governance mechanism in 2007, the SASAC had built up considerable technical expertise in applying the system. This enhanced its confidence in using it as a governance mechanism and further reduced its dependence on external advisors. Even though Stern Stewart re-opened its Chinese branch around the same time, its influence on the continued evolution of EVA in central SOEs has been limited. Our interviewees attributed this to the technical expertise already available within the SASAC but

[6] "Responsible person" refers to an individual (e.g., Chairman or CEO) who is charged with the overall responsibility for running a central SOE and who is held accountable for its performance.

also to the considerable costs of relying on renowned Western consultants to carry out large-scale change projects. Nevertheless, the agency increasingly mobilised elements of the traditional, shareholder value-focused rhetoric espoused by Stern Stewart as a basis for the cultural work involved in persuading SOEs of the merits of EVA. The introduction of EVA was intimately linked to the government-backed strategy of stimulating so-called "high-quality" (ie. high return as opposed to merely profitable) growth for the benefit of shareholders and overcome the tendencies of SOEs to "over-invest" in low-yielding projects. For instance, the agency's official motivation for the introduction of EVA suggested that:

"Recently, many central SOEs have invested in speculative financial products and real estate markets, rather than focusing on their core competence. This is an important background to the EVA reform. The mission is to reinforce value creation, force managers to think on behalf of the shareholders, focusing on the main activities, avoiding the tendency to go for size, etc." (SASAC, Annual Review of Central SOE Performance, 2006)

To compel SOEs to change their investment strategies and reinforce managerial incentives to take EVA to heart, the SASAC also made extensive appeals to its symbolic significance as an innovation adopted by many leading Western companies and emphasised the need to adopt the same "language" as such companies. Repeated references were made to the use of EVA as a key mechanism for enhancing shareholder value in many Fortune 500 companies and around the time of its official launch the Deputy General-Secretary of the SASAC proclaimed:

"Our global strategy requires SOEs to compare with the West, with multinationals rather than compare with the domestic … Comparing central SOEs with local companies in terms of market share, sales, or profitability is like comparing an adult with an infant for height, body weight and strength. The comparison is not meaningful. A meaningful comparison is against the World's best in terms of key financial indicators adopted by them. Central SOEs need to deepen the reform, create a reasonable value chain, avoid low level repetition and competition, enhance the notion of return on investment, improve the quality of merger and acquisitions, restrain from blind expansion and avoid those loss-making image projects." (Official statement, Deputy Secretary-General of the SASAC, 2007)

However, the SASAC was also at pains to adjust its cultural work of associating EVA with notions of shareholder value and international competitiveness to fit the idea of "correct thinking". Whilst emphasising the primacy of adopting strategies aimed at enhancing shareholder value, the rhetoric mobilised to this end entailed warnings against going down this “scientific” path at the expense of traditional notions of political and social stability. For instance, the Deputy General-Secretary of the SASAC cautioned:

“The Scientific Approach of Development requires central SOEs to establish correct thinking about performance, pay attention to the issues and contradictions arising from the reform … issues such as innovation, safety, quality of growth and the balance between reform, change and stability. …. But at present, there are still some practices that are incompatible with the Scientific Approach of Development, such as lack of innovation and sensitivity to the market, volatile performance results, heavy loss in a small number of SOEs, irrational decision-making, high D/A rate, etc.” (Official statement, Deputy Secretary-General of SASAC 2006)

Such efforts to imbue the introduction of EVA with notions of “correct thinking” were reinforced by the mobilisation of traditional Maoist methods, such as the organisation of periodic “political learning seminars” targeting the “responsible persons” of individual SOEs. These seminars aimed at fostering some consistency in interpretations of EVA as a mechanism supporting the development of the socialist market economy whilst encouraging SOE managers to adapt it to their unique circumstances. The SASAC saw such seminars as an important vehicle of “uniting managers’ thinking” [7] around its reform agenda and reinforcing the efforts of “responsible persons” to disseminate knowledge about EVA and extend training programmes to broader managerial cadres. The cultural work pivoting on efforts to foster “correct thinking” was thus envisaged to support the technical work initiated by the SASAC and nurture field cohesiveness by aligning managerial interests with the emerging reform agenda.

To further such alignment and avoid jeopardising field cohesiveness, the SASAC initially encouraged SOEs to adopt EVA on a voluntary basis and relied extensively on “positive feedback” to enterprises with high EVA results whilst refraining from exposing and punishing underperformers. Adopting SOEs were encouraged to link EVA to internal management processes such as strategy formulation, budgeting, performance management, business process improvement and personnel management. The SASAC also continued to involve SOE staff in collaborative, technical work to refine EVA instruction manuals. However, this work seemed to be insufficient to overcome some pertinent obstacles to implementation. Even though the proportion of SOEs adopting EVA between 2007 and 2009 increased from about 50 per cent to two thirds, its initial use was fraught with technical difficulties related to the translation of notions of cost of capital, insufficient staff training

[7] Quote from official SASAC document from 2009.

and problems of integrating EVA with internal business processes. In 2009, the SASAC officially recognised that:

"Most SOE accounting staff felt that EVA was just another performance measure and failed to see its fundamental significance … in many companies that have joined the experiment, EVA was an isolated process detached from incentives and the business process." (SASAC, Annual Review of Central SOE Performance, 2009)

As explicated below, these difficulties in rendering EVA more firmly embedded persisted throughout the following years despite mounting efforts to make it an integral part of the performance management practices of SOEs.

Continued Development and Institutionalisation of EVA (2010 onwards)

Having secured some initial acceptance of EVA among SOEs, the SASAC stepped up its efforts to turn it into a more dominant governance mechanism from 2010 onwards. The five-year plan for SOEs covering the period 2010-15 signalled the start of the so-called "EVA era" and turned the use of EVA into a compulsory requirement for all central SOEs. EVA replaced return on investment as a key financial performance indicator in the league tables drawn up by the SASAC. The weight attached to EVA in the league tables has been about 40 per cent and SOE managers have been urged to step up their technical work to turn it into an integral part of performance management practices. Between 2010 and 2012, SOEs have been required to not only report EVA at the corporate level but also to increase the weight attached to it in internal league tables from five to 30 per cent. This was combined with an element of political work to render EVA more firmly embedded. The SASAC has continued its extensive informal negotiations with the "responsible persons" and has made their efforts to develop EVA systems an important part of their individual performance assessments. Such political work was supported by continued cultural work relying on high-powered rhetoric hailing EVA as the epitome of improved performance management. For instance, in an official statement the new Secretary-General of the SASAC proclaimed:

"EVA is of signal importance in our [five-year] plan. We expect nothing short of the highest level of political commitment. Taking over from the previous Secretary-General, I feel tremendous personal responsibility. ... The key to our success is that leaders of central SOEs unite in their thinking around the SASAC. Internal training must cover three levels down the managerial ranks. All central SOEs must incorporate EVA for internal performance management in a manner that suggests an appropriate understanding of the spirit of EVA, rather than simply copy-pasting the SASAC instruction. We encourage creative and context-specific solutions to implementation problems. For example, individual SOEs could establish more specific and more challenging cost of capital for internal performance management and link rewards/sanctions to EVA performance." (Secretary-General of the SASAC, speech at Annual Performance Conference, 2011**)**

The SASAC thus set a relatively ambitious official agenda for the further development of EVA as a governance mechanism. Yet our interviews with SASAC staff and other actors with a stake in the reform suggested that a considerable amount of technical work remained to be done to render EVA more firmly embedded as a governance mechanism. The manuals devised by the SASAC instructed individual SOEs to calculate risk-adjusted, weighted average cost of capital (WACC) and undertake some financial accounting adjustments to derive simplified versions of EVA (see Appendix A). However, our interviews with SASAC officials directly involved in the technical work of assisting SOEs to this end revealed how the agency continued to struggle to render such key aspects of EVA meaningful. A junior member of staff with extensive experience in dealing with such problems explained:

"Then there is the issue of the cost of capital. In theory, it is WACC. The debt capital was determined by the company's situation, equity cost needs to reflect the risk factors of the industry, using CAPM. But CAPM involves Beta, which can only be used in listed companies. And our stock market is far from mature, the pricing mechanism does not reflect the company's risk and value." (Interview, Officer, Performance Review Division 1, SASAC, 24/9/11)

In the face of such technical problems, the SASAC specified a uniform but relatively arbitrary WACC rate for the majority of SOEs. Contrary to the ambition to use of EVA to stimulate "high quality" growth, this uniform rate was also kept considerably lower (at 5.5 per cent) than the rate of return required for listed, private sector companies in China (see Stern, 2011). Even though the SASAC recognised this anomaly, our interviewees indicated that this was necessary to avoid resistance from SOEs and keep up the momentum behind the reform. The Head of the Performance Review Division initially developing the EVA system argued that this cautious approach had been rather successful in changing managerial mindsets in favour of notions consistent with the idea of "high quality" growth:

"EVA brought Chinese central SOEs to the world stage. It is reassuring for the international stakeholders that we are using the World's best system to capture SOE performance. It is an important achievement that we are now adopting the same sort of language [as Western multinationals] to describe SOE performance. Internally, the EVA reform re-shaped SOE investment decisions by changing the mindset of the responsible persons from the deep-seated "let us do it" mentality to one that is more cost conscious. The core of the EVA reform is precisely to imbue these people with an understanding of the notion of cost of capital. We can safely say that this aim has been achieved and managerial behaviour has indeed been improved." (Interview, Head of Performance Review Division 2, SASAC, 5-6/11/12)

However, this view was contradicted by other interviewees within and outside the SASAC who suggested that more far-reaching changes would be necessary to alter managerial mindsets to focus on EVA rather than accounting profits. One member of SASAC staff explained:

"EVA poses a significant challenge to existing senior managers. They not only need to accept the importance of EVA, but need to understand the meaning of it. ... Responsible persons need to switch from profit orientation to value orientation. You may think it is easy, some people think it is a matter of SOEs responsible persons talking about EVA day in day out. But I am not very optimistic because profitability has become the mentality, and most responsible persons associate economic performance with profit, so change is not just matter of rhetoric, but involves all-out changes in decision making rules, managerial methods and incentives. EVA needs to be infused in the process of budgeting, routine management, investment approval, etc. - that is what I call real EVA." (Interview, Deputy Head, Performance Review Division 1, SASAC, 5/9/11)

Similarly, an observer within the Ministry of Finance explained how the embedded, profit-orientated mindset detracted from the ambition to turn EVA into an effective tool for internal performance management:

"The SASAC emphasised EVA as a value-based management system, the idea is good, but the SASAC's idea contrasts with the prevailing view among many SOEs that EVA is just a measurement tool. In practice, these SOEs carried on with the old, profit-orientated thinking and action. There has been no change in the managerial behaviour or leadership style. There simply is no space for the notion of value based management to be infused. If the responsible person does not change their understanding, how can you expect the functional department managers to change? The prevailing understanding is very simplistic - EVA is all about financial departments adjusting reports and come up with a new number. That is why I say despite of the [SASAC's] heavy advertising campaign, EVA works at the margins rather than the core of the SASAC's performance management system." (Interview, Senior Fellow of Research Centre, Ministry of Finance, 30/7/12)

With the exception of key champions of EVA, such as the Head of the Performance Review Division primarily in charge of its development, there was a widespread view that most SOEs continued to approach it as little more than a new performance metric evolving in isolation from other management practices. This contrasts sharply with the official SASAC rhetoric hailing it as the backbone of reformed performance management practices.

Our findings thus provide a contradictory picture regarding the achievements of EVA. Although the SASAC officially projected a trajectory whereby EVA would gradually be refined and turned into a firmly embedded management system as part of the five-year plan for 2010-15, there were signs of insufficient technical work being expended to this end. In particular, there were widespread concerns among our interviewees that accounting staff within individual SOEs had not received adequate training and found the calculations required to derive EVA overly complex. Interestingly, however, there are also restrictions to how far SASAC staff can go to assist individual SOEs in resolving such problems without disrupting the role expectations and field cohesiveness emanating from the earlier institutional work associated with EVA. On the one hand, the SASAC has been careful to uphold its more clear-cut role as a shareholder in its dealings with SOEs. On the other, this posture has led it to refrain from taking an overly forceful approach to extending the collaborative, technical work within individual SOEs. One of our interviewees explained:

"The SASAC does not directly control the business operations and it only understands the business to a limited degree. ... In addition, it does not want to be too intervening and wants to keep a certain distance and sense of authority. Thus, it is the central SOEs' responsibility to customise EVA and tailor it to the needs of each enterprise. The unspoken rule of the reform is to draw on the diverse experiences and experiments of each central SOE, then generalise and conclude. ... Some SOEs were unhappy with the SASAC, arguing that [this approach] is no good. This is unfair - the responsibility is not that of the SASAC. ... The SASAC could try to tailor the EVA method, but there is a limit to it, it is not possible to give individualised plans to over 100 central SOEs." (Interview, Deputy Director, Internal Performance Bureau, SASAC, 6/8/10)

The efforts of the SASAC to strengthen the incentives of managers to undertake technical work aimed at refining and implementing EVA systems have also been limited by the continuous need to maintain some balance between the economic and social interests served by SOEs. Several of our interviewees drew attention to how this continues to prompt a considerable amount of political work that effectively relaxes the monitoring of SOEs' ability to meet EVA targets and reduces the pressures on managers to take the reform to heart. Most importantly, the introduction of EVA has not changed the highly subjective performance evaluation practices employed by the SASAC and the concomitant practice of individual SOEs to negotiate for adjustments of performance scores before league table results are published. Many SOEs routinely advance requests for adjustments of performance scores for context-specific circumstances whilst the SASAC is keen on ensuring that wider, political objectives such as the need to prevent social unrest are not jeopardised. One SASAC official described how such political work formed a prerequisite for resolving potential conflicts and maintain a degree of field cohesiveness:

"We have a number of central SOEs specializing in projects concerning national security, we have a number of central SOEs carrying out national strategic agendas, we also have a number of central SOEs struggling with tremendous social and historical burdens. In addition, changes in central policy, the macro-economic environment and even unexpected natural disasters during the evaluation period all call for some sort of re-evaluation of the performance. Before publishing the results we consider all these factors and make standard adjustments for comparable companies. The key is to pre-empt causes of complaints and controversy to our best ability beforehand, as we need to ensure the fairness for all appraisees while maintaining the authority of the SASAC." (Interview, Deputy Head of Performance Review Division 2, SASAC, 5-6/11/12)

The same interviewee also described how the continued reliance on subjective adjustments has weakened the efficacy of EVA as a governance mechanism by rhetorically asking:

"How often do you see SOE responsible persons being fired for missing financial targets? The emphasis on financial performance is yet to create "real" effects on the benefits of managers." (Interview, Deputy Head of Performance Review Division 2, SASAC, 5-6/11/12)

Despite insisting on increasing the weight attached to EVA in internal league tables, the SASAC has also proved reluctant to prompt SOEs to tie it to incentive plans at lower managerial levels for fear of disrupting the balance between economic and social interests. One of our interviewees explained how such deviations from key prescriptions typically offered by EVA advocates such as Stern Stewart were related to political obstacles:

"From the experience abroad it is important to have a reward system in place and link it to EVA performance so that managers are treated as if they were owners of the business. There should be no upper limit of the financial reward, or there will be agency problems. At present, these types of incentives are impossible in central SOEs, as they need to consider issues such as equality and balance between different interest groups." (Interview, Policy Advisor, University of BeiJing, 26/9/11)

The discussion above suggests that the ongoing political work aimed at balancing between competing interests and thus maintain a degree of field cohesiveness has so far over-shadowed the efforts to deepen the collaborative, technical work initiated by the SASAC and individual SOEs to render EVA more firmly embedded in their performance management practices. This is indicative of how a lack of mutually supportive types of institutional work may hamper institutionalisation (cf. Perkmann and Spicer, 2008). The relaxing of the regulatory framework established to monitor SOEs' compliance with the reform presents an instance of political work that has prevented EVA from becoming overly dominant as a performance indicator. Two years into the "EVA era", the SASAC officially acknowledged the lingering problems of rendering the reform more deeply embedded:

"Value based management is not well understood and poorly applied in practice. Value creation ability remains weak and return on investment remains low. Total performance management remains largely rhetorical.

Deputies' evaluation in particular lacks depth and quantification. Boards of directors' experiments are rather uneven and there is a misalignment between the performance management organised by boards of directors and the performance management of the SASAC." (SASAC, Annual Review of Central SOE Performance, 2011)

Despite the compulsory use of EVA as a performance metric and the increasing weight attached to it in league tables it would thus be erroneous to conclude that it has yet become institutionalised at a deeper level of the field of Chinese SOEs. However, it remains a key fixture epitomising the modernising ethos of ongoing governance reforms and it would still seem premature to draw more definite conclusions regarding its fate in this organisational field.

EVA in the Field of Thai SOEs

Institutional Reform Context

In comparison with the PRC, the initial emergence of EVA in Thai SOEs was more intimately linked to privatisation efforts and stock-market listings although it was preceded by a relatively long period of unsuccessful advances to this end. Attempts to privatise SOEs first emerged in 1983 in response to requirements laid down in structural adjustment loans provided by the World Bank but had limited impact (Dempsey, 2000). Between 1983 and 1996, only a few, insignificant SOEs were sold to private investors and three SOEs were part-privatised whilst more far-reaching privatisation plans met with considerable resistance from workers and trade unions due to fear of job losses. The momentum behind privatisation was also reduced by the country's steady economic growth throughout this time period (Dempsey, 2000). Renewed pressures for privatisation arose in the wake of the East-Asian financial crisis in 1997 as donor organisations such as the World Bank and the International Monetary Fund tied their provision of financial aid packages to pledges of industrial restructuring (Yindeepit, 2010). However, these pressures were also warded off relatively quickly as a result of the country's rapid recovery and repayment of international loans. The vast majority of SOEs thus remained under complete state control whilst only a handful developed ownership structures entailing minority shareholders.

Notwithstanding this inertia, the increasing involvement of international donor organisations had a notable impact on the reform of governance structures for Thai SOEs from the mid-1990s. Following the recommendations of the World Bank (see World Bank, 1994), the

Ministry of Finance devised the State Enterprise Performance Evaluation System (SEPES) which included a range of financial and non-financial indicators and replaced a more rudimentary system of performance monitoring mainly based on existing accounting data. The system entailed performance agreements and bonus programmes for each individual SOE and was designed to capture firm-specific performance characteristics. The tasks of monitoring SOE performance and developing systems to this end were vested in the SEPO. In contrast to the approach adopted by the SASAC in the PRC, however, much of the technical work associated with developing and maintaining performance monitoring systems has tended to be delegated to domestic consulting firms such as TRIS. This firm assists the SEPO in drafting performance agreements, defining performance indicators and determining targets and weights attached to individual indicators and thus play an active role in governing SOEs. Working alongside other consulting companies, such as Stern Stewart, it also came to play an active role in developing EVA as an integral part of the extant performance management framework.

The development of performance management in the 1990s was complemented with other governance reforms aimed at enhancing the decision-making discretion and accountability of boards of directors and SOE management. However, it was only after the election of Dr. Thaksin Shinawatra as Prime Minister in 2001 that more forceful efforts to privatise Thai SOEs emerged. The Shinawatra government came to power based on an ambitious programme of public sector reform and liberalisation that was partly inspired by the Prime Minister's experience as the head and majority shareholder of a large business group. Several influential cabinet members shared this experience and had long-standing social ties and business interests in common with the Shinawatra family. They allegedly also had strongly vested, economic interests in pursuing privatisation of SOEs and benefited from initial public offerings. This was notably manifest in the first major privatisation attempt of PTT Public Company Ltd in 2001 where four out of six major shareholders were business interests closely associated with Dr. Shinawatra's political party. This was followed by a number of highly publicised attempts to float other SOEs on the Thai stock exchange over the following years and economic policy decisions with a favourable impact on share prices. Between 2002 and 2006 the Thai stock market index rose by 161 per cent and Dr. Shinawatra's main holding company experienced a surge in shareholder value before it was sold to foreign investors in 2006.

The discussion above is indicative of how specific economic interests gradually became conflated with political interests in privatising SOEs. The privatisation programme was also consistent with the recommendations of international donor organisations and was accompanied by accelerated repayment of loans provided by the International Monetary Fund which further inspired investor confidence. A relatively cohesive network of interests was thus established around the idea of privatisation. As explicated in the following section, this field was further expanded through the institutional work associated with the introduction of EVA as a governance mechanism for Thai SOEs.

The Emergence and Early Institutionalisation of EVA (2001-06)

The emergence and early institutionalisation of EVA as a governance mechanism entailed an initial period of mainly political and cultural work before the technical work required to develop it as a performance management system could be initiated. The idea of using EVA as a governance mechanism originated from a business man affiliated with Dr. Shinawatra who eventually became the Chairman of Stern Stewart Thailand (SST). Having familiarised himself with the concept as a consultant in the US he approached the Government with a proposal to adopt it to support the process of privatisation and make SOEs more shareholder-focused. This led to some negotiations aimed at making EVA a key part of continued governance reforms. To convince the Government of the merits of EVA, particular emphasis was placed on how it might resolve long-standing efficiency problems in SOEs and further the privatisation programme by signalling a commitment to enhancing shareholder value. The average rate of return on assets among Thai SOEs at the time was around four percent and was singled out as a key area for improvement to facilitate stock market listings. However, the amount of political work required to convince the Government of mobilising EVA to this end was reduced by the Prime Minister's readiness to accept the idea and experience of using it in one of his own companies or as the Chairman of SST explained:

"Thaksin told me that he could leave his company to become a politician without worrying, because the EVA system had made [one of his companies'] staff work effectively on behalf of him and Temasek effectively used EVA to monitor Singaporean SOEs. Thus, he strongly supported our EVA project. He talked about EVA many times in cabinet meetings and he also taught the Council of Ministers the fundamentals of EVA. The EVA Challenge book was also included in his list of the books that Thai people should read." (Interview, Chairman of SST, 7/10/10).

The Chairman of SST also described how the political work of building commitment to EVA was supported by an element of cultural work. The Prime Minister explicitly mobilised the normative shareholder value discourse to convince cabinet members and SOEs of the usefulness of EVA. On the Prime Minister's initiative, 60 copies of the book "The EVA Challenge" (Stern *et al*., 2001) were distributed to senior SOE managers and other relevant authorities. In an official statement around the same time he also proclaimed:

"The CFO must truly understand the numbers and be a "co-thinker" with the President. Otherwise, the President will be blind and have a misperception of the organisation. … The CFO must be able to read financial statements and analyse what the Economic Value of the organisation is. If the Economic Value is negative, the organisation will not survive." (Official statement by Thaksin Shinawatra, 21 October 2002, SEPO Office)

This initial political and cultural work led to further expansion of the network of interests clustered around EVA through the invitation of Stern Stewart to Thailand. Its Thai branch – SST – was founded in 2002 with the Chairman owning 51 per cent of the shares and Stern Stewart holding the minority stake. Around the same time, however, some SOEs had begun to experiment with the Balanced Scorecard which fostered some initial competition with EVA and made some additional political work necessary. The Finance Minister, in particular, was initially lukewarm to the notion of EVA as he had recently started to persuade SOEs to adopt the Balanced Scorecard as an alternative governance mechanism. However, his endorsement of the Balanced Scorecard as a superior performance management system was partly undermined by the emergence of serious liquidity problems in a major SOE adopting the system at an early stage. As a close personal affiliate of Dr. Shinawatra[8], the Finance Minister also found it difficult to resist the political pressures to accept the emerging reform agenda and was eventually won over to the idea that EVA provided a superior means of aligning the interests of shareholders and managers. Some of our interviewees described how the political work underpinning this conversion was supported by an element of cultural work pivoting on the shareholder value discourse associated with EVA. In particular, SST staff went to considerable length demonstrating how the Ministry of Finance would gain considerably as a major shareholder from the alignment of managerial interests with those of owners. To overcome resistance, SST staff also engaged in cultural work aimed at negating the proposition that EVA was incompatible with the Balanced Scorecard as a performance management technique. Citing key Balanced Scorecard advocates, such as Robert S. Kaplan, they repeatedly sought to demonstrate how he effectively endorsed EVA:

[8] The Finance Minister used to be a board member of Dr. Shinawatra's holding company.

"We start with the destination. What are we trying to achieve? We feel that what for-profit companies should be delivering is great financial performance.... we're certainly very comfortable with the newer financial metrics like EVA and other shareholder value-based metrics as the overarching objective. If you were just using earnings per share or net income, you'd run into problems of over investment-investing too much in capital to generate earnings or net income." (Extract from SST presentation material; Robert S. Kaplan, quoted in CFO Magazine, February 2001).

The combination of political and cultural work to win over the Finance Minister to the use of EVA was also supported by a visit to Thailand by one of the co-founders of Stern Stewart, Joel M. Stern, who engaged in further, direct negotiations with him. These efforts finally bore fruit in 2003, when the Ministry of Finance officially agreed to use EVA as a key financial performance metric for SOEs and instructed the SEPO to further develop it as an integral part of the extant governance system. The Ministry of Finance and senior SEPO official also started to reproduce much of the cultural work associated with the use of EVA as vehicle of enhanced shareholder value. For instance, the Director of the SEPO officially lauded it as a vehicle of enhancing the efficiency of SOEs by mobilising rhetoric echoing the Government's official, shareholder-focused discourse:

"The Thai Government has foreseen that increased efficiency in SOEs is of vital importance because SOEs is a powerful tool for developing the country's economic system. The current government policy specified that SOEs need to urgently enhance quality of service in response to customers' demand, and increase competitive capability. Importantly, SOEs must create increased economic value for the country's assets. In response to the government policy, SEPO is introducing EVA concepts to SOEs. EVA is a popular management system that has been adopted and successfully used by both business sector and the state enterprise sector in several countries such as Singapore." (Official statement by the Director of SEPO, *Positioning Magazine*, 8 December 2005)

In comparison with the PRC, however, we observed much less cultural work aimed at adapting the shareholder-focused discourse to the specific social context of Thai SOEs. The introduction of EVA was consistently underpinned by a rather uncritical endorsement of the conventional shareholder value rhetoric by the actors propagating its use by SOEs whilst few attempts were initially made to contextualise it.

In contrast to the PRC, the ensuing technical work aimed at developing EVA as a governance mechanism also relied more heavily on close collaboration between the SEPO and independent consultants. The SEPO commissioned SST to conduct a feasibility study which entailed calculation of EVAs for about two thirds of all SOEs and which was followed by the initiation of pilot projects in four of them. Study trips to Singapore were also organised to learn about the use of EVA by Temasek and individual SOEs. Subsequently, EVA adoption and reporting were made compulsory requirements for most SOEs participating in the feasibility study in 2006. Following the standard approach to EVA implementation recommended by Stern Stewart, the SEPO drew up relatively ambitious plans for how individual SOEs should develop the system. This included a first phase of making the system operational and was to be followed by more concerted efforts to disaggregate and cascade corporate-level EVA metrics to individual business units and, ultimately, making them an integral part of corporate decision-making and incentive plans. Nevertheless, the SEPO deviated from the prescription to use EVA as a single, financial management system in lieu of a broader range of financial and non-financial performance indicators by concomitantly making the Balanced Scorecard a compulsory requirement for SOEs. According to the performance agreements drawn up for individual SOEs, the weight attached to EVA was 15 per cent of total performance scores. However, at the time, the SEPO affirmed its commitment to EVA implementation by stating that this weight would increase over the coming years.

Consistent with Perkmann and Spicer (2008), the above analysis shows how the initial institutionalisation of EVA as a governance mechanism hinged on the gradual accumulation of different types of institutional work mobilised by diverse actors. Through the accumulation of political and cultural work a relatively cohesive field was first created out of a set of dispersed economic and political interests represented by the Shinawatra government, members of the Thai business community and Stern Stewart. This field was subsequently expanded to include bureaucratic interests vested in the executive realm of government (through the SEPO) to add momentum to the technical work required to make EVA operational. Taken together, this accumulation of institutional work initially resulted in relatively forced implementation of EVA to spearhead the Government's privatisation programme, or as an ex-country manager of SST recalled:

"I personally did not think that it was a good idea to implement EVA in all SOEs at the same time because I believed that it was easier and more convincing for most SOEs to implement EVA if they have successful examples to learn from. That approach was adopted by Temasek when they introduced EVA to Singaporean SOEs. However, the Finance Minister saw it as more beneficial if all SOEs started to understand their economic values and how to improve them as soon as possible." (Interview, Ex-Country Manager of SST, 29/12/10)."

However, the cohesiveness of the field created around EVA and the plans to privatise SOEs was soon threatened by political work in the form of popular protests supported by trade unions and various non-governmental organisations representing broader social interests such as employment levels and affordable provision of public goods and services. The protests against the Government's privatisation plans were an integral part of the broader popular discontent fuelled by the mounting corruption charges levied at Dr Shinawatra and his associates. Over time, allegations grew that key members of Dr. Shinawatra's political party had benefited substantially from privatisations as a result of securing preferential terms in conjunction with initial public offerings and through other business contacts with individual SOEs. These allegations dated back to the floating of PTT in 2001 and fuelled the development leading up to the "bloodless coup" that ousted the Shinawatra government in 2006 and forced the Prime Minister into exile. Around the same time, a key episode effectively putting a halt to further privatisations occurred as a result of the Government's repeated attempts to float one of the largest public utility companies in the country. This led to massive popular protests culminating in a petition to the Supreme Administrative Court. The Court's subsequent ruling in favour of the petition established a powerful precedent and rendered it difficult for future governments to pursue privatisations of SOEs. Hence at the time of our study, only six out of 58 SOEs were part-privatised and listed on the Thai stock exchange. As explicated below, however, this successful mobilisation of political work to resist privatisation did not mean that the institutional work aimed at maintaining and developing EVA as a governance mechanism dissipated.

Continued Development and Institutionalisation of EVA (2006 onwards)

The demise of the Shinawatra government was followed by a period of political instability that momentarily reduced the pressures for further governance reforms. Instead, it was largely left to the SEPO to continue developing EVA as a governance mechanism. In collaboration with SST, other consulting companies and individual SOEs, the agency launched a number of initiatives mainly geared towards refining the technical aspects of EVA and supporting its implementation and use over the following years. The technical work on developing EVA thus continued despite the reduced political momentum behind the reform. When queried about the reasons for this continued bureaucratic interest in using EVA, a high-ranking SEPO official drew attention to how the earlier political work had established a regulatory framework supporting these efforts:

"The SEPO did not consider disbanding the EVA project because we think it was useful. Even if we would want to cancel the project, our bureaucratic process and regulations will not allow us to do so whenever we want. A cancelation of the project is not that easy because although the project originated from a push from powerful people at higher levels, government officials at various levels need to work out and document sound rationales as well as detailed plans for projects before implementing them" (Interview, Head of SOE Performance Evaluation Division, SEPO, 12/5/12).

Similarly, a senior policy advisor within the Ministry of Finance emphasised how political regulation continued to support the development of EVA as a governance mechanism despite the change in government:

"Although the EVA project was politically pushed by the Thaksin government, it was also in line with the broader government policy agenda of "Thai public sector reforms". In addition, the SEPO's strong support in terms of time and resources spent on the project was not only caused by the policy but also came from our expectations on the benefits that the EVA project seemed to bring to SOEs." (Interview, Senior Executive and Fiscal Advisor, Ministry of Finance, 12/10/10).

The technical work undertaken in the years following the demise of the Shinawatra government relied heavily on feedback from individual SOEs as they began to experiment with the EVA system and led the SEPO's to make considerable adjustments in response to emerging challenges. An important initial step in the continued development of EVA was to organise a series of weekly workshops whereby early adopters, especially PTT[9], were asked to share their experiences with other SOEs. This company also continued to be used as a reference point for "best EVA practice" and was called on to support other initiatives to reinforce EVA implementation over the following years. Several of our interviewees emphasised its usefulness:

"PTT is very helpful for us because they have been using EVA for a long time. So they understand practical problems that are not stated in the textbooks. In addition, as PTT is a SOE, its employees understand other SOEs as well as how EVA should be applied in those SOEs better than consultants. Importantly, PTT's staff can translate difficult concepts into easy language while training other SOEs. We have received very positive feedback about PTT's involvement in EVA implementation from SOEs" (Interview, Deputy Director, SEPO, 10/12/10).

"Actually, it is very difficult to implement EVA to all SOEs at the same time, and this is not a normal approach we have used in other countries. Fortunately, we have PTT which started to develop an EVA system in 1995, and the Managing Director of PTT has an in-depth understanding of EVA. Therefore, the Managing Director and his team can effectively convince other SOEs to realise the benefits of the EVA system, and provide useful suggestions about EVA implementation in SOEs." (Interview, Ex-Country Manager of SST, 29/12/10).

Nevertheless, several SOEs continued to struggle with key, technical aspects of the system. Similar to the PRC, most SOEs found it especially difficult to establish reliable estimates for WACC as a variable, risk-adjusted measure of costs of capital due to the significant problems of identifying adequate market benchmarks. Despite efforts to derive industry-specific

[9] PTT had adopted EVA on a voluntary basis before it became a compulsory requirement for Thai SOEs.

WACC rates this reduced the informativeness of EVA as a performance indicator, or as a consultant to the SEPO explained:

"Calculating WACC for companies in emerging markets like Thailand is really difficult because we do not have sufficient data, and our capital market is not stable. Thus, the SEPO decided to standardise the WACC calculation by announcing key parameters for each industry. Although the SEPO updates such parameters every year, the values are quite stable. So, now, we have relatively fixed charges for capital. The quantitative measurement of EVA is not very different from analysing budget variances. Increases in EVA mainly come from net profit as WACC is frozen." (Interview, Vice Director of TRIS, 17/1/11)."

Individual SOEs also encountered major obstacles to the use of EVA for internal performance management, such as difficulties in creating transfer pricing systems and EVA responsibility centres to enable disaggregation of the metric to organisational sub-units and integrating it with the Balanced Scorecard and internal incentive plans. Following emerging complaints from SOEs over such issues, the SEPO took a number of additional initiatives. Among the more important steps were the establishment of an EVA call centre and a project called the "EVA clinic", which were both aimed at helping SOEs resolving organisation-specific problems. The SEPO also organised best practice and mentoring programmes and singled out a smaller number of SOEs of particular economic importance as targets for intensive staff training. Several of these initiatives were supported by PTT and external consultants hired by the SEPO. Even though SST ceased to operate in 2007 a number of its former employees continued to assist the SEPO in the development of EVA. However, the agency strived to gradually reduce its dependence on consultants in recognition of the substantial costs associated with their services and encouraged individual SOEs to share such services and rely more on PTT. Although this increased the workload of PTT staff, a key member of the team involved in assisting other SOEs with EVA implementation corroborated the view that this had contributed to render the system more context-sensitive:

"Actually, we are happy to assist other SOEs. Those SOEs told us that our support was more practical than that from external consultants because we understood potential difficulties that SOEs might face from implementing EVA. However, we think that the EVA package initiated by SEPO does not fit many SOEs. Some SOEs never make a profit due to their revenue structure. In that case, how can EVA incentivise them to improve performance? In addition, SEPO did not really understand the core of EVA. Some of their evaluation criteria do not make sense for us. For example, we have used EVA for about ten years, and they selected us as the best practice, but they still required us to prepare unnecessary reports according to their checklist for initial stage of implementation." (Interview, Head and Analyst, Business Planning Department, Corporate Business Unit, PTT, 29/9/10).

Consistent with Perkmann and Spicer's (2008) predictions, the sustained technical work based on collaboration between a broad range of actors with diverse expertise appears to have borne some fruit in terms of enhancing SOEs' understanding and acceptance of EVA. A consultant with long-standing experience of working with the SEPO remarked:

"I think the SEPO's approach in governing and supervising the EVA project is very good. The SEPO works very closely with SOEs, providing a lot of services such as the clinic, call centre, and expert consulting. Otherwise, the project might fail because the EVA concepts are quite difficult and create several practical problems for SOEs." (Interview, Vice Director of TRIS, 17/1/11).

However, the collaborative technical work also opened up opportunities for political work on the part of SOEs and eventually led the SEPO to relax the regulatory framework established around EVA. Individual SOEs were particularly concerned that the initial plans to make EVA a more dominant performance metric might conflict with broader social interests vested in their roles as providers of public goods and services and used the continuous solicitation of feedback as a vehicle of negotiating for some alleviation of financial pressures. Several SOEs raised concerns that the plans to gradually increase the weight of EVA in league tables and implement a more aggressive performance management regime might jeopardise their public service ethos and ability to comply with other regulatory requirements (e.g., maintaining regulated prices). As such pressures mounted, the SEPO gradually started to renege on its initial plans to turn EVA into a more dominant means of performance improvement or a senior agency official explained:

"We got a lot of complaints from SOEs about continuous improvement targets. Many SOEs disliked the EVA system because of the ambitious continuous improvement goal. So we reconsidered this and started to recognise that the continuous improvement target is not quite appropriate for most SOEs because their ultimate goals are not to maximise financial value and the operations of some SOEs are regulated. Therefore, we decided to change our approach to setting EVA targets to be based on SOEs business plans as well as budgets." (Interview, Head of SOE Performance Evaluation Division, SEPO, 2/8/11)."

There was widespread agreement among our interviewees that this embedding of EVA in extant systems of budgeting took some of the edge off the system as a vehicle of performance improvement. The SEPO was forced to make similar concessions with respect to the plans to tie EVA more closely to managerial incentives. As the work on developing the EVA system progressed, several SOEs raised concerns that more aggressive incentivisation of staff would conflict with long-standing cultural values such as the Thai tradition of *Krengjai*, which emphasises the need to nurture a harmonious and collaborative work environment and prevent employees from losing face. In contrast to the normative advice of Stern Stewart to couple EVA to essentially uncapped bonus schemes (see Stern *et al*., 2001), this compelled the SEPO to restrict the funds set aside for bonuses and reconsider its initial plans of encouraging SOEs to push incentives down the corporate hierarchy. This reduced the pressures on individual SOEs to develop EVA-based incentive schemes beyond their compulsory inclusion in the compensation packages of Chief Executive Officers. According to a centrally placed informant within the Ministry of Finance:

"We do not want to be too aggressive about internal incentive plans because it can lead to conflicts among individual units. Since SOEs were established, profitable SOEs received fixed bonuses equal to nine per cent of profit but not more than five month's salary. We just changed to pay different corporate bonuses based on nine levels of performance in 1995. Thus, SOE employees still believe that bonuses are part of the salaries that they must receive and most managers dare not change it. Until now, although management has a right to apportion bonuses to their employees based on their individual performance, as far as I know only two SOEs do that." (Interview, Senior Executive and Fiscal Advisor, Ministry of Finance , 12/10/10).

The discussion above illustrates how the extension of the collaborative, technical work to entail an element of political work detracting from more forceful implementation of EVA contributed to balance conflicting interests and thus maintain a degree of field cohesiveness. The adjustment of the regulatory framework around EVA to embedded, cultural values may also be seen as an example of how political work became intertwined with an element of cultural work to maintain such cohesiveness. The overall effect of this complex intertwining of different types of institutional work was a gradual relaxation of the use of EVA as a governance mechanism. In addition to the reduced ambitions to use EVA as a vehicle of aggressive performance improvement, the SEPO refrained from its initial plans to turn it into a more dominant performance metric. Over the time period 2006-09, the average weight attached to EVA in corporate league tables was around ten per cent. A senior SEPO official explained how such adjustments was due to the need to maintain some balance between the economic and broader social interests and avoid jeopardising the broader, societal objectives of SOEs:

"SOEs have several missions to complete. Thus, it is impossible to use EVA as a stand-alone system. Nevertheless, the current weight of 10 percent is not insignificant at all. We normally do not assign a weight higher than 10 percent to any individual performance indicator." (Interview, Head of SOE Performance Evaluation Division, SOE Performance Management and Evaluation Bureau, SEPO, 11/10/10)

The relaxation of the regulatory framework established around EVA is also manifest in the gradual change in performance evaluation practices applied by the SEPO. Rather than focusing on absolute EVA performance in terms of the ability of SOEs to meet quantifiable targets, the agency has shifted its emphasis to a more flexible and qualitative approach where the development of managerial mindsets supporting value creation constitutes an increasingly important criterion. This development was accelerated after 2010 when a new performance monitoring system – the Enterprise Performance Appraisal (SEPA) system – was introduced as a result of unfolding governance reforms. This reform was proposed by an independent policy review committee with representatives from the SEPO, the Thai Quality Institute and private sector consultants and had been introduced in five SOEs at the time of our field work. In contrast to earlier, results-orientated systems of performance monitoring, the SEPA system was modelled on a more process-orientated, total quality management-inspired approach placing considerable emphasis of organisational self assessment. Whilst EVA is still a compulsory performance indicator for the majority of Thai SOEs there were some suggestions that it might require further adjustments to maintain its position as a key governance mechanism. Even though SEPO staff saw no major problems associated with reconciling the use of EVA with the SEPA system, one of them concluded:

"I think our support for the EVA project has reached its saturation point. From now on, we will not force SOEs to do any specific thing about EVA. We just provide some general advice as to how they should consider merging EVA into SEPA. Nevertheless, they cannot abandon EVA because in the SEPA evaluation framework, the use of the EVA system is one criterion. As some SOEs commented that standard criteria cannot match their organisation, and sometimes act as barriers to their performance improvement, I think that this more flexible approach should enable individual SOEs to reach their full potential. However, it will take some time to improve. SOEs might need to learn from their mistakes along the way." (Interview, Head of SOE Performance Evaluation Division, SEPO, 11/10/10).

Hence by the time our field work ended the development of performance management practices in Thai SOEs had entered a new phase posing some challenges to the EVA system although it was not yet questioned as a governance mechanism. This is indicative of EVA having achieved a certain degree of embeddedness in the formal governance system operating at the organisational field level. However, our analysis suggests that such embeddedness was only achieved as a result of considerable concessions and adjustments resulting from the intertwining of especially technical and political work in the years following the demise of the Shinawatra government. An important trigger of such work was the need to balance the economic and social interests served by SOEs to maintain a degree of field cohesiveness. The ambition to maintain some balance between economic and social interests is also evident in the cautious approach adopted by the SEPO to the diffusion of EVA beyond the two thirds of SOEs initially adopting it in 2006. The agency has not forced any additional SOEs to adopt

EVA and has granted special exemptions to SOEs without extensive commercial operations to ensure that vital social performance aspects are not compromised.

Concluding Discussion

We started this paper by questioning the assumption that the relevance of EVA as a governance mechanism primarily resides in its capacity to align managerial interests and incentives with the preferences of dispersed shareholders in a modern and increasingly globalised capital markets context. Our analysis of the institutionalisation of EVA in the fields of Chinese and Thai SOEs underlines the need to expand research on this topic beyond such a narrow, managerialist focus to explore the relevance of this innovation in relation to a wider set of interests in society. Whilst elements of the traditional, shareholder value-based discourse were mobilised as part of the cultural work aimed at legitimising EVA in both fields, its evolution over time reveal how notions of shareholder value may be co-opted by interests other than those represented by the global investment community. In the field of Chinese SOEs, the use of EVA to enhance shareholder value primarily originated in the economic and political interests of the State in increasing the value of state assets and redirect SOE strategies to focus on high-return growth whilst the interests of minority shareholders have arguably been of lesser concern. Similarly, in the field of Thai SOEs, EVA was initially mobilised as a means of facilitating large-scale privatisation by a group of dominant political actors with strongly vested, economic interests in pursuing such a reform programme.

In both countries, the fields created around EVA were also held together by bureaucratic interests vested in the regulatory agencies (ie. the SASAC and the SEPO) in charge of undertaking and coordinating much of the technical work associated with making it operational. In the PRC, such bureaucratic interests are closely aligned with the economic and political interests of the State through the promotion practices in place for SOE managers and SASAC staff. Conversely, in Thailand, the bureaucratic interests in making EVA operational persisted despite the waning of strong political pressures for privatisation after 2006 as it was seen as a potentially useful governance mechanism supported by the regulatory framework established through previous reforms. Regardless of such differences, however, the regulatory agencies in the two countries have also had to engage in a considerable element of political work to maintain field cohesiveness. This was not least evident in the continuous negotiations aimed at balancing between the economic and social interests served by SOEs in response to concerns that overly forceful applications of EVA as a vehicle of performance improvement and incentivisation may skew interests too heavily in favour of the economic. This, in turn, contributed to relax the regulatory framework established around EVA as a governance mechanism in both fields and prevented notions of shareholder value from becoming overly dominant in the governance of SOEs. Yet it would be fallacious to argue that EVA has been inconsequential in the two fields. Even though it has encountered considerable implementation problems and has yet to fully penetrate the performance management practices of many SOEs, it has contributed to transform overriding governance structures in a direction that supports broader reforms aimed at turning them into more commercially orientated entities. As such, the institutional work aimed at establishing EVA as a governance mechanism can be said to have been reasonably successful in both fields.

The discussion above illustrates how management accounting innovations such as EVA become intertwined with diverse interests in the process of assuming broader, societal relevance as vehicles of political regulation and governance. As such, it extends prior, sociologically informed analyses of EVA and the shareholder value movement which have primarily traced variations in their salience to differences in ownership structure and specific managerial characteristics (e.g., Fiss and Zajac, 2004; Jurgens *et al*., 2000; Morgan and Takahashi, 2002), the pervasiveness of consultancy rhetoric (e.g., Froud *et al*., 2000a) and intra-organisational power struggles (e.g., Ezzamel and Burns, 2005; Ezzamel *et al*., 2008; Siti-Nabiha and Scapens, 2005). Whilst our analysis does not negate the influence of such factors on the institutionalisation of EVA, it underscores the need to situate such processes in a somewhat broader, societal context and take a wider range of actors and interests into account. In particular, it underlines the nature of such processes as more politically motivated projects relying on extensive government intervention and the alignment of a multitude of interests for their realisation. The institutionalisation of EVA in the fields of Chinese and Thai SOEs was obviously conditioned by the prevailing dominance of State ownership whilst the influence of independent consultants as mediators of EVA implementation varied considerably across the two fields. However, it also relied heavily on the actions of regulatory agencies and the institutional work that they engaged in vis-a-vis individual SOEs. Moreover, our study provides some insights into the efforts undertaken to safeguard wider, social interests that risk being marginalised by notions of shareholder value (cf. Fligstein and Shin 2007; Froud *et al*., 2000b). Taken together, this draws attention to how the relevance of EVA needs to be understood in much broader terms than the dominant, economics-based conception of it as a means of aligning managerial interests with those of dispersed shareholders (cf. Bouwens and Spekle, 2007).

Our empirical analysis also deepens our understanding of how the interplay between different types of institutional work involved in embedding EVA in extant governance structures varies depending on the structuration of organisational fields. Whilst our findings are broadly consistent with Perkmann and Spicer's (2008) prediction that successful institutional work tends to evolve in a cumulative manner, our findings extend their framework by drawing attention to how the specific types and sequencing of such work varied depending on the challenges of creating and maintaining field cohesiveness. In the field of Chinese SOEs, a fairly limited amount of institutional work was initially required to create a field-level network around EVA and initiate some technical work aimed at making it operational. Indeed, a relatively cohesive field was already in place through the close alignment of the interests of the State and the SASAC in enhancing the value of SOEs. The main challenges of embedding EVA in extant governance structures without disrupting the delicate power balance established through previous reforms and jeopardising field cohesiveness rather arose from the extension of this work to individual SOEs. This led to a cautious and protracted reform path entailing a considerable amount of political and cultural work to support the involvement of SOE managers in the collaborative, technical work aimed at making EVA a more integral part of their performance management practices. However, the political work prompting some relaxation of the regulatory framework established around EVA also reduced the impetus behind such technical work.

The evolution of EVA in the field of Thai SOEs followed a rather different trajectory as a result of the absence of a tightly knit network of actors around this innovation at the outset of this process. In comparison with the PRC, a greater element of political and cultural work was first required to create some cohesiveness among a dispersed set of actors, such as members of the Shinawatra government and the Thai business community and Stern Stewart, before the technical work involving individual SOEs could be initiated. Once this collaborative, technical work was under way, however, it seems to have been less dependent on forceful political support for its realisation. Indeed, it may even be argued that it was this continued, technical work, involving a broad range of actors and expertise, that maintained a degree of field cohesiveness and prevented EVA from being neglected in the years following the demise of the Shinawatra government. This may explain the relative salience of collaborative, technical work aimed at embedding EVA in the performance management practices of individual SOEs. Similar to the PRC, however, this could only be sustained over time as a result of considerable concessions and adjustments mediated through a pronounced element of political work mobilised by SOEs.

This comparison of the relationships between various types of institutional work illustrates how the constellations of such work are contingent on the embeddedness of actors in different field conditions and starts to address the critique of prior research on such work for neglecting notions of embedded agency (e.g., Khagan and Lounsbury, 2011) and subscribing to an overly actor-centric approach to institutionalisation (e.g., Willmott, 2011). In particular, we draw attention to how differences in the initial states of field cohesiveness fostered different patterns of institutional work and how the maintenance of such cohesiveness subsequently required and detracted from different types of institutional work. What would seem to be of particular importance in this regard are the field conditions conducive to collaborative, technical work aimed at embedding EVA in the performance management practices of individual SOEs. Whilst the extent of such work was limited by the considerable political work required to maintain the cohesiveness of the field of Chinese SOEs, it arguably formed a more integral part of the very maintenance of such cohesiveness in the Thai field although it also entailed similar concessions to the political work advanced by SOEs. These findings nuance Perkmann and Spicer's (2008) prediction that institutional work combining multiple actors and expertise into collaborative constellations is a necessary condition for successful institutionalisation. Indeed, in some fields such collaborative work may even be counterproductive as it may be seen as threatening the fragile balance between diverse interests and thus jeopardise field cohesiveness. However, we hasten to add that the maintenance of field cohesiveness is not necessarily a precondition for institutionalisation. Even though our analysis has drawn attention to how diverse actors strived to create and maintain such cohesiveness through different types of institutional work, it is also possible for multiple, competing practices underpinned by conflicting interests to become firmly embedded and continue to co-exist in fragmented organisational fields (see Greenwood *et al*., 2011; Lounsbury, 2008). Further research is required into how such differences in field cohesiveness condition the institutional work implicated in the evolution of management accounting innovations. In doing so, it is worth noting the ongoing nature of institutional work and to avoid the fallacy of viewing institutionalisation as a process with a definite end point. Studying institutional work implies paying close empirical attention to the unfolding efforts of diverse actors to maintain even seemingly firmly institutionalised practices whilst remaining alert to emerging conflicts and struggles as other actors try to disrupt them or create new institutions (cf. Lawrence *et al*., 2009).

To conclude, we hope to have demonstrated how the institutional work approach may enhance our understanding of the processes whereby management accounting innovations assume broader, societal relevance and extend research beyond the largely managerialist concerns dominating much of the debate on the relevance of management accounting (cf. Tucker and Parker, in press). The main contribution of this approach is that it draws attention to the broader range of interests and actors implicated in the evolution of such innovations whilst tapping into an established theoretical body of knowledge concerning how institutional processes operate in organisational fields. Whilst institutional theory has been highly influential in research on management accounting change over the past decade, much of it has been relatively silent about broader, field-level processes such as those described in our analysis (but see e.g., Dillard *et al*., 2004; Hopper and Major, 2007; Modell, 2003; Modell *et al*., 2007). This may have reinforced an unduly narrow emphasis on the responses of individual organisations to largely "given", or exogenous, institutional pressures (cf. Oliver, 1991). However, we also believe that there is scope for extending the quest for the broader, societal relevance of management accounting innovations across multiple levels of analysis to explore the complex, recursive dynamics unfolding as institutional processes bridge organisations, fields and wider spheres of society (see e.g., Dillard *et al*., 2004; Hopper and Major, 2007). This may shed further light on how such innovations become implicated in everyday organisational practices as well as broader societal processes with potentially far-reaching implications for a wide range of constituencies.

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Appendix A: Key regulatory guidelines for EVA

The calculation of EVA follows the following basic formula:

EVA = Net Operating Profit after Taxes – Capital Charge

Where Capital Charge is determined as:

Capital Charge = Capital Employed x Weighted Average Cost of Capital (WACC)

The following table summarises the regulatory guidelines for Chinese and Thai SOEs, respectively, across some key, technical elements of EVA as a performance management system.

	SASAC guidelines	SEPO guidelines
Capital charges.	Based on uniform WACC of 5.5% for majority of SOEs Exceptions are made for highly policy relevant (4.1%) highly leveraged SOEs (6%).	Based on variable WACCs across SOEs depending on industry-specific risk profiles.
Financial accounting adjustments.	Some compulsory adjustments (e.g., R&D expenses, non-operating income, projects in construction).	SOEs may choose between twelve recommended adjustments (e.g., construction in progress,provisions, extra-ordinary items, non-interest-bearing liabilities).
Weight of EVA in corporate performance league tables.	40% (from 2010).	Initially 15%. Thereafter around 10% (after 2006).
Requirements to disaggregate EVA across hierarchical levels.	Compulsory from 2010. Weight of EVA in internal league tables increasing from 5 to 30%.	No requirement, but SOEs may choose to do so if they deem it suitable.
Linking of incentives to EVA metrics.	Compulsory for "responsible persons". Optional though recommended at lower managerial echelons.	Compulsory for Chief Executive Officer of SOEs. Optional at lower managerial echelons.
Role of EVA in target setting.	In principle, EVA targets should be no less than the average EVA result of the preceding three years. In practice, this is often breached as a result of subjective adjustments.	Part of annual budgetary negotiations and varying target levels across SOEs. No objective benchmarks.

Appendix B: Overview of interviews

Interviews in the field of Chinese SOEs

Interviewee	Duration (min.)	Date			
		2009	2010	2011	2012
Deputy Minister, Ministry of Finance	120	4/09			
	30		5/08		
	90			23/09	
	20			28/09	
Policy advisor, University of Beijing	Full day			26/9	
Senior fellow, Research centre, Ministry of Finance	60 (phone)				30/7
Deputy Head of Performance Review Division 1 , SASAC	60	11/08			
	45	4/09			
	45		6/08		
	60			5/09	
	60			24/09	
Officer, Performance Review Division 1, SASAC,	30			24/9	
Head of Performance Review Division 2, SASAC	Full day (interview/ observations)				5/11 6/11
Deputy Head of Performance Review Division 2, SASAC	Full day (interview/ observations)				5/11 6/11
Officer, Performance Review Division 2, SASAC	Full day (interview/ observations)				5/11 6/11
Officer, Performance Review Division 2, SASAC	Full day (interview/ observations)				5/11 6/11
Officer, Performance Review Division 2, SASAC	Full day (interview/ observations)				5/11 6/11
Deputy Director, Internal Performance Bureau., SASAC	20		6/08		
	30			5/09	
Head of, Supervision Bureau, SASAC	90				1/11
Deputy Chairman, Supervision Bureau, SASAC	30				1/11
Secretary, General Office, SASAC	20				5/11

Total number of interviews		**3**	**3**	**7**	**9**

Interviews in the field of Thai SOEs

Interviewee	**Duration (min.)**	**Date**			
		2009	**2010**	**2011**	**2012**
Senior Executive and Fiscal Advisor, Ministry of Finance	120		12/10		
Deputy Director, SEPO	60		10/12		
Head of SOE Performance Evaluation Division, SOE Performance Management and Evaluation Bureau, SEPO	85		14/09		
	40		11/10		
	85			02/08	
	35				12/05
Fiscal Analyst (Professional Level), SOE Performance Management and Evaluation Bureau, SEPO	60		11/10		
Analyst, SOE Performance Management and Evaluation Bureau, SEPO	30			22/08	
Fiscal Analyst (Professional Level), Policy and Planning Bureau, SEPO	60			16/09	
Account Officer, State Securities Management Bureau, SEPO	30			16/09	
Vice Director, Thai Rating and Information Services Co., Ltd. (TRIS)	60			17/01	
Chairman, Stern Stewart Thailand (SST)	60		07/10		
Ex-Country Manager, SST	45		29/12		
Ex-Associate Consultant, SST	40			27/12	
Head and Analyst, Business Planning Department, Corporate Business Unit, PTT Ltd	120		29/09		
Vice President, Business Planning Department, Oil Business Unit, PTT Ltd	80		19/11		
Analyst, Business Planning Department, Oil Business Unit, PTT Ltd	60		19/11		
Senior Analyst, Research and Development Department, Corporate Business Unit, PTT Ltd	90		24/12		

Planner, Strategic Planning Department, PTT Ltd	45		01/12		
Total number of interviews		**0**	**12**	**6**	**1**