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IPOs, Institutional Complexity, and Management Accounting in Hybrid Organisations:

A Field Study in a State-Owned Enterprise in China

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Abstract

An initial public offering (IPO) is an important milestone for an organisation. In addition to pressures from capital markets unavoidably imposed onto newly listed firms, other beliefs, rationales, and prescriptions deriving from the institutional environment where they operate may prevail and guide organisational practices. Drawing on the perspective of institutional logics, this paper investigates the implementation of management accounting (MA) within firms that face multiple institutional demands following an IPO. By studying a Chinese state-owned enterprise (SOE) that was recently listed, this paper demonstrates that the interplay of multiple logics, including State, corporate, and capital market logics, shapes the manner in which MA operates. This study also reveals that different MA practices tend to encompass institutional demands in diverse ways and to varying degrees. However, regardless of whether MA practices are implemented to simply respond to plural institutional expectations, connect different organising principles, or balance elements of multiple logics, they function as hybrid practices, helping to maintain the hybrid nature of the firm as a 'listed SOE'. This study makes two main contributions. First, it extends the literature on IPOs by providing an in-depth analysis of how MA is implemented and why it functions in particular ways in firms following an IPO, and by exploring the influences of a wider set of beliefs, rationales, and expectations on the MA practices of newly listed companies. Second, by drawing on the perspective of institutional logics, this paper extends prior research addressing the dynamics between institutional complexity and MA adoption by individual organisations and enriches our understanding of how hybrid organisations may maintain their hybridity through the deployment of MA practices.

1. Introduction

An initial public offering (IPO) is an important milestone for an organisation. A substantial amount of research has revealed that IPOs may trigger significant changes to the ownership structure, corporate governance, and financial reporting practices of newly listed firms (Aharony et al., 2000; Burton et al., 2004; Ernst & Young, 2008; Hung et al., 2012; Lee, 2001; Teoh et al., 1998). However, despite the close linkages between management accounting, financial accounting, and corporate governance (Bhimani, 2009; Hemmer and Labro, 2008; Merchant and Van der Stede, 2012), research into the effect of IPOs on the management accounting (MA) practices of newly listed firms is relatively limited and the findings generated so far appear inconclusive and partial. First, there is evidence that IPOs may facilitate changes in the planning and control, performance measurement, and capital budgeting of newly listed companies (Kraus and Strömsten, 2012; Von Eije et al., 2004). Conversely, IPOs have also been reported to fail to change the control systems of small, young, and growing firms into more formal ones (Davila, 2005). These inconclusive findings warrant further investigation into how MA is reconfigured in firms following their IPOs. Second, prior research tends to consider the implementation of MA in newly listed companies to be influenced purely by pressures from capital markets (Kraus and Strömsten, 2012). It neglects pressures resulting from other institutional demands, which may also guide the MA practices of newly listed firms. Accordingly, there is a need to explore why MA operates in ways it does in these organisations.

To address these problems in the literature on IPOs, this study seeks to examine the implementation of MA in listed State-Owned Enterprises (SOEs) in China following the IPO. Though the private sector has grown rapidly in China over the last few decades, SOEs remain a very significant sector of the Chinese economy. An increasing number of the largest Chinese SOEs have acquired a stock exchange listing status as a result of enterprise reforms promoting corporatisation and marketisation. Though these SOEs are listed, their controlling shareholder is still the government, i.e., they are still state-owned. The influence of capital markets may interact with State ownership and other institutional forces to guide MA practices. Therefore, Chinese SOEs constitute a novel organisational setting for us to investigate how multiple institutional demands, and their associated organising principles, may jointly condition the reconfiguration of MA practices following the IPO.

To understand how diverse pressures and expectations imposed on listed SOEs in China by the institutional environment in which they operate may shape MA practices following the IPO, we draw on the perspective of institutional logics. Institutional logics are broad cultural templates serving as organising principles to guide the behaviour and actions of organisations (Friedland and Alford, 1991; Thornton and Ocasio, 2008; Thornton et al., 2012). Organisations often are required to deal with considerable institutional complexity (Greenwood et al., 2011). This means that various logics co-exist, jointly shaping organisational life.² Organisations incorporating elements of different institutional logics are termed ‘hybrid organisations’ (Battilana and Dorado, 2010; Battilana and Lee, 2014; Greenwood et al., 2011; Pache and Santos, 2013).³ They respond to plural

² There are numerous examples documented in the literature of multiple logics coexisting and guiding organisational actions. For instance, mid-tier accounting firms in the Netherlands changed their strategy and organisational structure to deal with changes in their institutional environment, resulting in a shift in emphasis from trustee logic to commercial logic (Lander et al., 2013). Ezzamel et al. (2012) attend to the tensions between business logic, professional logic, and governance logic in the education field in England and Wales, and examine the various ways in which these competing logics shaped the budgeting practices of different schools.

³ ‘Hybridity’ is a broad concept in organisation studies. Following Pache and Santos (2013), we consider hybrid organisations as organisations incorporating elements from different institutional logics. In the accounting literature, Miller et al. (2008) emphasise hybrid practices, processes, and expertise. We endorse this emphasis and examine how

institutional demands by adopting hybrid practices which may help to sustain their hybrid nature (Goodrick and Reay, 2011; Smets and Jarzabkowski, 2013; Smets et al., 2012; see also Miller et al., 2008). We find the institutional logics perspective useful for our empirical analysis, and it allows us to address issues in the literature on IPOs. First, this perspective alerts us that following the IPO, listed SOEs in China not only may be subject to pressures from financial markets, but may also continue being influenced by other beliefs and rationales deriving from the institutional environment in which they operate. To analyse the implementation of MA in these firms, a focus on multiple logics and their influence is essential (Amans et al., 2015; Ezzamel et al., 2012). Second, in light of the institutional logics perspective, listed SOEs in China may be viewed as a particular type of hybrid organisation. This perspective shows the importance of exploring how MA is reconfigured within these firms so that their status as ‘listed SOEs’ may be maintained at least at the early stage of listing.

We argue that listed SOEs in China face three salient institutional logics: State, corporate, and capital market logics. Traditionally, Chinese SOEs have been guided by ‘State logic’, in which implementing government policies, maintaining social stability, and protecting State assets have been the main responsibilities of SOEs. Over the past thirty years or so, Chinese SOEs have undergone a reform process, termed ‘corporatisation’ (McNally and Lee, 1998; Morris et al., 2002; Zhang, 2008), introducing ‘corporate logic’ into Chinese SOEs. According to this logic, an SOE is an independent business entity, which has a responsibility to grow in size, develop advanced management practices, manage its performance, and compete in the marketplace (Zhang, 2008; Zhang and Freestone, 2013). More recently, a central platform for further SOE reforms has been the listing of these firms in stock exchanges (O’Connor et al., 2004; Zhang, 2008). SOEs once listed unavoidably face the influence of ‘capital market logic’ (Kraus and Strömsten, 2012: 187). This logic has prompted them to focus on shareholder value and share price and deal with pressures from capital markets. We do not suggest that these three logics are the only institutional logics listed SOEs in China face. However, they were the ones that arose most frequently in the interviews we conducted with key personnel from our case firm. They also correspond to the salient logics we identified through an analysis of the Chinese SOE reform process based on both academic and practitioner sources.

Methodologically, this study adopts a single-case qualitative field study approach (Ahrens and Chapman, 2006; Yin, 2003). Superhydro, a Chinese SOE which was listed in 2011, is our case firm. This paper focuses on the short time period after the IPO of Superhydro was implemented. This allows us to explore explicitly how the interplay of emerging pressures from capital markets and extant beliefs and expectations may lead Superhydro to reshape its mission, goal, orientation, and priorities, and reconfigure its MA practices in the immediate aftermath of becoming a listed SOE. Following Chenhall (2003: 129; see also Malmi and Brown, 2008: 289), we see MA as a ‘collection of practices such as budgeting or product costing’ deployed ‘to achieve some goal’. We focus on budgeting, performance evaluation based on key performance indicators (KPIs), and investment appraisal, which are the building blocks of the MA practices in place at Superhydro. Specifically, for budgeting, we look into budget target setting and the overall budgeting procedure. For performance evaluation based on KPIs, we focus on issues related to the selection of KPIs for assessing financial performance. For investment appraisal, we examine the selection of criteria used for evaluating investments and the overall investment appraisal procedure. The focus on these three MA practices and the specific aspects of each practice was informed by our fieldwork at Superhydro. In particular, our fieldwork indicated that these MA practices have all been shaped

hybrid MA is implemented in firms facing multiple institutional demands. Boland et al. (2008) explore the design of management control in hybrid organisations. However, the hybrid organisations they investigate are joint ventures, which is only one type of hybrid organisational form.

by multiple organising principles following the IPO of Superhydro, and hence deserve our close attention and investigation.

This study aims to make two primary contributions to the literature. First, this paper builds on and extends the literature on IPOs by providing an in-depth analysis of the implementation of MA in firms following an IPO. Prior research has touched upon this issue tangentially and generated inconclusive and partial results. This paper echoes prior research indicating that IPOs prompt newly listed firms to reconfigure their MA practices (Kraus and Strömsten, 2012; O'Connor, et al. 2004; O'Connor et al., 2006; Von Eije et al., 2004). It also provides detailed field-based evidence on how MA is implemented in these firms, even though some of this evidence appears dissimilar to that documented in prior research. For example, in contrast to Kraus and Strömsten (2012) and Davila (2005), we find that following an IPO, firms may still use budgets to set targets and MA practices can become more formalised. To go one step further, this paper explores why MA operates in particular ways in newly listed firms and casts light on the conditions under which MA practices are implemented in these organisations. Specifically, by looking at a recently listed SOE in China, we find that pressures from capital markets, which are inevitably imposed on firms following their IPOs, interact with other beliefs, rationales, and expectations to guide MA practices. This paper hence goes beyond the existing literature on IPOs and accounts for the influences of a broader set of organising principles on the MA practices of newly listed firms.

Second, by using the lens of institutional logics, this paper extends prior research addressing the dynamics between institutional complexity and MA adoption by individual organisations and enhances our understanding of how to maintain the hybrid nature of hybrid organisations through MA implementation. Prior research (Amans et al., 2015; Ezzamel et al., 2012) has focused mainly on the various ways in which institutional complexity is dealt with across organisations. This paper demonstrates that different MA practices may embody institutional demands in diverse ways and to varying degrees in a single firm. For instance, at Superhydro, some aspects of budgeting practices appear to connect multiple logics together, leading to logic blending (Greenwood et al., 2011). Performance evaluation practices are partitioned and compartmentalised, however, responding to separate institutional demands (ibid.). While prior studies focus mostly on inter-organisational practice variation resulting from institutional complexity, this study draws attention to intra-organisational practice variation. In addition, this paper focuses on Chinese listed SOEs, a particular type of hybrid firm that has been neglected in the institutional logic literature so far. Using the case of Superhydro, this paper demonstrates that to maintain the firm's hybrid status as a 'listed SOE', MA has been required to connect and mediate elements of different logics. The MA practices adopted by listed SOEs in China may be viewed as hybrid practices (Amans et al., 2005; Goodrick and Reay, 2011; Miller et al., 2008; Smets and Jarzabkowski, 2013; Smets et al., 2012), helping to achieve a balance, or even compromise, between the various beliefs, rationales, and expectations they face following the IPO. Prior research has pointed to certain activities, structures, and processes, termed 'hybrid organising' (Battilana and Lee, 2014), that may sustain the hybrid nature of hybrid organisations. This paper adds to this particular line of research and provides further insights into how a firm's hybrid nature may be maintained through the deployment of different MA practices.

The rest of this paper is structured as follows. Section 2 introduces and unpacks the literature this study seeks to build on. This is followed by a discussion of the case-study research design and how data was collected and analysed. Section 4 provides an overview of SOE reforms in China and highlights the salient institutional logics present in the field of Chinese SOEs. Section 5 investigates how these logics played out at Superhydro, shaping its mission, goal, orientation, and priorities. Section 6 demonstrates how the three MA practices of Superhydro mentioned above

have been guided by multiple institutional demands following its IPO. We analyse how MA has been implemented so that the status of Superhydro as a ‘listed SOE’ may be maintained. Section 7 reflects upon the case findings and the contributions of this paper. The last section discusses the implications of this study for future research.

2. IPOs, management accounting, and institutional complexity

This paper aims to examine how MA is implemented in Chinese listed SOEs exposed to multiple institutional demands following the IPO. It seeks to build on two sets of literature. First, empirically, this paper adds to the literature examining the effect of IPOs on organisational practices, particularly MA practices. Second, this paper draws on the perspective of institutional logics and is informed theoretically by the literature on institutional complexity, particularly its insight into how multiple logics may shape MA practices in hybrid organisations.

2.1 IPOs and management accounting

An IPO is a highly significant event for an organisation. Research into IPOs is diverse and spans multiple disciplines. One key insight is that following the IPO, firms fall under public scrutiny (Reuer and Shen, 2003) and become subject to pressures imposed by capital market participants, such as financial analysts, fund managers, equity brokers, and business journalists (Fogarty and Rogers, 2005; Kraus and Strömsten, 2012; Roberts et al., 2006; Tan, 2014). Specifically, top managers in listed companies are expected to be more focused on short-term financial performance, particularly quarterly earnings, than they were prior to stock market listing. The share price as valued in stock markets becomes the ultimate ‘acid test’ of the performance of top managers (Ezzamel et al., 2008). Ultimately, it is the notion of ‘shareholder value’ that is central to a listed firm (Froud et al., 2000; Froud et al., 2006). A listed company is expected to maximise the return on the capital of its owners and increase share prices (Bromwich and Walker, 1998; Froud et al., 2000). Recently, Kraus and Strömsten (2012) have analysed the process through which the notion of shareholder value and an emphasis on short-term financial results have been introduced into Swedish firms preparing for IPOs.

One particular strand of research into IPOs has focused on how stock market listing may affect the accounting and governance practices of newly listed firms. This research appears to have a specific focus on financial accounting and corporate governance issues and been traditionally conducted within the context of developed economies.⁴ Extant research has examined topics such as earnings management in the context of IPOs (Aharony et al., 1993; Friedlan, 1994; Teoh et al., 1998), change in corporate governance practices triggered by IPOs (Burton et al., 2004), issues related to disclosure in IPO prospectuses (Clarkson et al., 1992; Mather, et al., 2000; Shi et al., 2013), and the effects of IPOs on the financial performance of listed companies (Jain and Kini, 1994). However, studies examining how IPOs influence the MA practices of newly listed firms are relatively rare, despite the close linkages between management accounting, financial accounting, and corporate governance (Bhimani, 2009; Hemmer and Labro, 2008; Merchant and Van der Stede, 2012).

⁴ Research in IPOs conducted within the context of emerging economies is emerging, but has a similar topic focus. For instance, see Gioielli et al. (2013) and Yong (2007).

One exception is the research undertaken by Von Eije et al. (2004), who have conducted a survey to investigate IPO-related organisational change in Dutch listed firms. They find that one of the most relevant IPO-related changes concerned financial management, including planning and control and capital budgeting, though how and why these changes occurred has not been examined in-depth. By contrast, Davila (2005) reports that IPOs did not lead to the adoption of formal management control systems in small, young, and growing firms in Silicon Valley.⁵ This finding, however, may not be applicable to established firms such as Chinese SOEs, many of which have been in existence for many years and subject to reforms in recent decades. Recently, Kraus and Strömsten (2012) have shed light on how the short-term financial focus of newly listed firms in Sweden had implications for their internal operations. They find that short-term financial measures (e.g., sales growth, operating cash flow, profit margin, earnings per share, and return on equity) became important performance measures used for corporate control, and that incentive systems were also based on those measures. Furthermore, they show that the Swedish firms under investigation gave up using budgets to set targets after IPOs. Instead, the financial goals set out in the IPO prospectus, modified to incorporate the performance of the previous quarter, became the targets against which future performance was compared. However, Kraus and Strömsten (2012) attend only to the influence of capital markets on MA practices. They ignore other institutional forces that may also exist and interact with pressures from capital markets to shape MA implementation in newly listed firms.

Similar to studies conducted within the context of developed economies, research in IPO performed within the Chinese context has focused more on financial reporting and governance issues. Existing research attends mostly to Chinese SOEs (but see Chen et al., 2011). Scholars have examined pre- and post-IPO earnings patterns (Aharony et al., 2000), the effects of IPOs on financial performance (Chan et al., 2003; Wang, 2005), and the relationships between corporate governance, post-IPO financial performance of newly partly corporatised firms, and government intervention (Fan et al., 2007). Research has also shed light on the determinants and consequences of the governance structure and financial accounting quality of listed SOEs given the special features of the Chinese capital market (Aharony et al., 2010; Chen and Yuan, 2004; Hung et al., 2012; Liu and Lu, 2007; Yang, 2013).

Only two survey-based studies have considered tangentially the influence of stock exchange listing on the MA practices of Chinese SOEs (O'Connor, et al. 2004; O'Connor et al., 2006). They reveal that stock market listing may influence listed SOEs in China to adopt 'Western' MA practices which are considered capable of enhancing transparency, efficiency, productivity, and competitiveness. These studies, however, fail to provide in-depth analyses of how these 'Western' MA practices actually operate in Chinese SOEs following their IPOs and how they interact with practices more traditionally implemented by Chinese firms. Recently, drawing on the social movement literature, Yang and Modell (2015) have explored how the framing of management control practices in a listed SOE in China has been influenced over a ten-year period by the interaction between an emerging shareholder-focused ideology and the extant Maoist ideology and broader cultural system of Confucianism. That study, however, does not explicitly and directly investigate how the IPO as a significant corporate event may trigger a Chinese SOE to re-evaluate its orientation and priorities following the IPO and to reconfigure its MA to maintain its status as a listed SOE.

The present study aims to generate more in-depth insights into the implementation of MA within firms following an IPO. It not only provides a detailed field-based analysis of how MA is

⁵ See footnote 12 of Davila (2005: 229).

implemented in newly listed firms, but also seeks to shed light on why MA operates in particular ways in these organisations. In particular, we focus on listed SOEs in China and analyse how the multiple institutional demands they face may jointly condition the reconfiguration of their MA practices following an IPO.

2.2 Institutional logics, institutional complexity, and hybrid organisations

‘Institutional logics’ are defined by Thornton and Ocasio (1999: 804) as ‘the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality’. They are broad cultural templates serving as organising principles to guide the behaviour and actions of organisations and individuals (Friedland and Alford, 1991; Thornton and Ocasio, 2008; Thornton et al., 2012). Institutional logics operate at multiple levels. At the societal level, several distinct institutional orders and associated logics have been identified: family, community, religion, state, market, profession, and corporation (Thornton et al., 2012). Organisational fields, industries, and inter-organisational networks have their own logics nested within societal-level institutional orders (Besharov and Smith, 2014; Goodrick and Reay, 2011; Greenwood et al., 2011; Thornton et al., 2012). This paper concerns the institutional logics present in the field of Chinese SOEs (cf. Chiwamit et al., 2014). Chinese SOEs are exposed to institutional demands which specify the goals they need to accomplish and guide their actions and practices. For instance, the logic associated with the State may prompt SOEs to fulfil social welfare obligations and maintain social and political stability in China.

Society is an inter-institutional system in which various logics are manifested (Friedland and Alford, 1991). Accordingly, different institutional forces may coexist at the field level, such as in the field of Chinese SOEs. Nevertheless, earlier studies have tended to view a field as being dominated by a single logic and analyse the processes by which the field moves from one dominant logic to another over time (Greenwood et al., 2011; Lounsbury, 2008). This view is problematic, because even when a logic loses its dominance, its influence on organisations in a field may still remain. For instance, while listed SOEs in China face the influence of capital markets, they still confront other institutional demands. This implies that firms often contend with multiple logics that may coexist in a field over a long period of time. Kraatz and Block (2008) term this co-existence of multiple logics ‘institutional pluralism’. Similarly, the term ‘institutional complexity’ has been proposed by Greenwood et al. (2011: 357) to refer to ‘situations where organisations experience a multiplexity of different pressures from a plurality of institutional logics’. Recognising these ‘multiple logics, and thus multiple forms of institutionally-based rationality’ (Lounsbury, 2008: 354) may help us develop important insights into the dynamics of organisational practices, including MA practices.

The logics coexisting in a field are assumed conventionally to be inconsistent, competing, or contradictory (Pache and Santos, 2010; Reay and Hinings, 2009). Organisations may face conflicting institutional demands (Battilana and Dorado, 2010; Besharov and Smith, 2014; Pache and Santos, 2013). Nevertheless, Greenwood et al. (2011) have suggested that the assumption of incompatibility between logics needs to be challenged. Instead, logics initially seen as contradictory may be re-interpreted to be compatible: that is, they are ‘not fully aligned with the ‘other’ but can accommodate it’ (Smets and Jarzabkowski, 2013: 301). Goodrick and Reay (2011) also suggest that the relationships between logics can either be competitive or cooperative. When competing logics exist, different organisational practices are segmented and enacted by different logics. Conversely, for a cooperative relationship, an increase in one logic may not necessarily

lead to a corresponding decrease in the strength of another. This implies that logics can be either ‘facilitative’, so that change consistent with one logic may support change consistent with the other, or ‘additive’, in which organisations simply need to satisfy an increased number of institutional demands that are not necessarily competing (ibid: 405). These insights are useful for understanding the nature of relationships between multiple logics faced by listed SOEs in China.

Multiple logics can manifest themselves in individual organisations. Research has sought to explore how plural institutional demands influence organisations and how organisations respond to them (Besharov and Smith, 2014; Greenwood et al., 2011). Reay and Hinings (2009), for instance, find that localised structures and systems were developed within Canadian health care organisations to manage the rivalry of competing logics and enable day-to-day work. Recently, some research has focused more explicitly on how multiple logics are reflected in organisational practices, structures, and procedures and sought to understand the functioning of hybrid organisations (Greenwood et al., 2011). Here, ‘hybrid organisations’ refers to organisations incorporating elements from different institutional logics (Battilana and Dorado, 2010; Battilana and Lee, 2014; Pache and Santos, 2013). These organisations are sustained by hybrid practices, which are enacted and guided by multiple logics (Battilana and Lee, 2014; Smets and Jarzabkowski, 2013; Smets et al., 2012; see also Miller et al., 2008). For instance, core organisational activities, hiring and socialisation processes, organisational structure, incentive systems, governance systems, inter-organisational relationships, and culture can make hybrid firms sustainable (Battilana and Lee, 2014). Furthermore, hybrid practices take shape in various ways. Practices enacted by different logics can be combined into one single organisation, a process called ‘blended hybridisation’ (Greenwood et al., 2011: 352). By contrast, in a ‘structurally differentiated hybrid’, practices are partitioned and compartmentalised, responding to separate logics (ibid.: 354). These insights provide us with important conceptual underpinnings to explore how different institutional logics are reflected in the MA practices of listed SOEs in China, which are a particular type of hybrid organisation.

Accounting has been viewed as ‘a variable bearer of potential institutional logics, providing the mechanisms for their realization and expression at the organizational level’ (Miller and Power, 2013: 592). Research examining the dynamics between institutional complexity and the accounting practices of individual organisations is emerging (Lounsbury, 2008). Ezzamel et al. (2012), for instance, attend to the tensions between business logic, professional logic, and governance logic in the education field in England and Wales. They examine the various ways in which these competing logics shaped the budgeting practices of different schools. Amans et al. (2015) examine the budgeting practices of two French performing arts organisations (PAOs) facing political, artistic, and managerial logics that were perceived to be in conflict. They find that budgets were used in various ways within those PAOs. They further conceptualise budgeting as a hybrid practice and talk of ‘hybrid budgeting’ (ibid.: 62). More recently, instead of studying how compromises between incompatible logics can be designed into performance measurement systems (PMS) (cf. Chenhall et al., 2013; Sundin et al., 2010), Carlsson-Wall et al. (forthcoming) examine how managers used the information from a PMS to compromise between sports and business logics within a Swedish football organisation. They find that the compatibility of the two logics varied between situations, and that situation-specific compromises were made based on PMS.

By examining how multiple logics are designed into the MA practices of Chinese listed SOEs following their IPOs, this study aims to generate further insights into the dynamics between institutional complexity and MA adoption, especially within hybrid organisations. Ezzamel et al. (2012) and Amans et al. (2015) focus on the diverse ways in which institutional complexity is

dealt with through budgeting across organisations. This study focuses on the variation in the ways in which and the varying degrees to which different MA practices are guided by multiple logics in a listed SOE in China. While existing research tends to focus mostly on inter-organisational practice variation resulting from institutional complexity (Lounsbury, 2008), we provide evidence of variation in intra-organisational practice.⁶ Furthermore, this paper examines Chinese listed SOEs, a particular form of hybrid firm that the literature on institutional logics has so far neglected. It provides further insights into how a firm's hybrid nature may be maintained through the deployment of different MA practices (cf. Battilana and Lee, 2014).

3. Research setting, data, and methods

We adopt a single-case qualitative field study approach for two main reasons. First, a qualitative field approach is often considered appropriate to develop an understanding of a phenomenon that is complex and deeply embedded in its context and to allow researchers to explore the richness of the research setting (Ahrens and Chapman, 2004, 2006; Chua and Mahama, 2007; Yin, 2003). Our study seeks to investigate the dynamics between institutional complexity and the adoption of MA practices by organisations in the context of IPOs, bridging analyses of macro-level logics and micro-level actions (Thornton et al., 2012), and we find the field-based approach suitable. Second, we choose a single case study research design, differing from Amans et al. (2015) and Ezzamel et al. (2012). These scholars are mainly concerned with the varied ways in which institutional complexity is dealt with through budgeting across firms. We instead focus on the various ways in which different MA practices are guided by the interplay of multiple logics. Exploring these complex issues within a particular organisation allows our empirical work to be conducted in a feasible and manageable manner.

A theoretical sampling approach was adopted in selecting our case firm. The company was chosen based on its suitability 'for illuminating and extending theoretical relationships' (Eisenhardt and Graebner, 2007: 27). This study examines how MA can be implemented in a way that newly listed firms facing institutional complexity can sustain their hybrid nature. The case firm chosen to address this issue is Superhydro, one of the largest companies in the hydropower engineering and construction sector in China. Founded in the early 1950s, Superhydro has operated in diverse industries, including hydropower construction, infrastructure construction, project financing, mining, and real estate. This firm has 12 holding companies and 20 wholly-owned subsidiaries based in China. It currently operates in 69 countries with 91 overseas offices. Being a traditional Chinese SOE, Superhydro was originally 100% owned by the central government. Following its IPO on the Shanghai Stock Exchange in 2011, Superhydro has had to deal with pressures from capital markets, while still being strongly influenced by the State and other governmental agencies. Meanwhile, Superhydro has been in the process of corporatisation since the early 1990s as part of the wider SOE reforms. Superhydro's exposure to multiple institutional demands following its IPO makes it a suitable case firm to address our research concern.

This study focuses on the short time period after the IPO of Superhydro was implemented. This allows us to directly explore the immediate effect of pressures from capital markets and how they interacted with other institutional demands to shape the MA practices of Superhydro immediately

⁶ Carlsson-Wall et al. (forthcoming) also examine practice variation *within* organisations. They analyse how the same set of logics may create tensions in some situations but not others, and how managers use PMS to make situation-specific compromises between logics. We focus on a different type of intra-organisational practice variation, in which different MA practices of a firm encompass multiple logics in different ways and to varying degrees.

after becoming a listed SOE. In other words, given the short time period after the IPO was implemented, the immediate effect of an IPO on MA may be explored feasibly within the setting of Superhydro.⁷ This study was conducted *ex post* the IPO of Superhydro (Liguori and Steccolini, 2012). The implementation of MA in this firm was partially observed as it developed after the IPO, and partially reconstructed retrospectively through interviews with key personnel from Superhydro. As Greenwood et al. (2011: 342) suggest, institutional complexity is ‘interpreted, given meaning [...] by occupants in structural positions’. This means that interviewing those directly involved in and familiar with the IPO process is particularly important for understanding the influence of multiple logics on the MA practices of Superhydro following its IPO.

To construct the case study, semi-structured interviews were conducted with a total of eighteen interviewees from Superhydro over four stages between 2012 and 2016. First, we conducted an interview with the Chief Financial Officer to gain an overall understanding of the MA practices implemented pre- and post-IPO and how the mission, goal, orientation, and priorities of Superhydro have been shaped by its listed status. This interview revealed that budgeting, performance evaluation based on KPIs, and investment appraisal are the three building blocks of the MA practices of Superhydro, and that they have all been shaped by multiple organising principles following the IPO. This interview indicated the need to focus on these three MA practices at later stages of data collection. Second, we conducted interviews with six senior and middle managers of related departments, including Finance, Strategy, Investment, and Human Resources, at Superhydro’s headquarters. These managers were all directly involved in preparing for the IPO. They have extensive knowledge about how Superhydro has handled multiple institutional demands following its IPO. They provided highly insightful information on how some specific aspects of the three MA practices identified above have been guided by the interplay of multiple logics. Third, to better understand how MA practices are shaped by multiple organising principles at different levels of the firm, we conducted interviews with eleven managers at both headquarters and two subsidiaries (Alpha and Beta). This allowed us to triangulate the findings obtained from headquarters with those obtained from the subsidiaries. Finally, we conducted follow-up interviews with some previously interviewed subjects to obtain clarification and further information on certain issues. Table 1 provides information about the interviewees. Interviews were conducted in Chinese, and lasted on average one and a half hours. The interviews were audio recorded and later transcribed. Interview transcripts were translated into English by the research team for analysis.

<Insert Table 1 about here>

Identifying the key institutional logics and characterising their effects requires empirical justification in the particular case under investigation (Carlsson-Wall et al., forthcoming; McPherson and Sauder, 2013; Thornton et al., 2012). Similar to Amans et al. (2015), we tried to identify the key logics and grasp their effects on Superhydro and its MA practices by means of the discourses of our interviewees, without directly asking about these logics in the interviews. During the interviews, we asked our interviewees to describe how the mission, goal, orientation, and priorities of Superhydro have been shaped by its listed status. We attended to different sets of rationales, significance, and meaning attached to MA that were articulated by the interviewees. These were indicative of the multiple logics faced by Superhydro in its early life as a listed SOE. For instance, our interviewees frequently spoke of the interests and expectations of private investors, indicating the influence of capital market logic. Also, our interviewees always

⁷ If an IPO occurred a long time ago, additional factors, such as reorganisation and mergers and acquisitions, may have shaped MA practices. We are more interested in exploring the direct and immediate effect of an IPO on MA practices.

emphasised the necessity for Superhydro to facilitate the achievement of national goals, despite its listed status, reflecting the continuing importance of State logic. Furthermore, the need for Superhydro to hold responsibility for its financial performance, grow in size, and succeed in product market competition was often stressed, indicating the relevance of corporate logic. Following this approach, we identified State, corporate, and capital market logics as the three most salient logics faced by Superhydro since it was listed. These three key logics revealed from our interviews correspond to those exhibited in the broader field of Chinese SOEs that we identified through an analysis of the Chinese SOE reform process based on both academic and practitioner sources.⁸

Following Amans et al. (2015), interview data was analysed in light of a thematic scheme that we developed to grasp the potential effects of multiple logics on Superhydro. Under this thematic scheme, State logic is related to the belief that the economic and political interests of the nation should be given priority. This logic is associated with objectives of meeting the requirements of the government and governmental agencies, complying with national regulations, protecting State assets, and achieving national goals. Corporate logic corresponds to the belief that an SOE is an independent business entity, having the responsibility to manage its performance and the imperative to grow in size. This logic is linked to aspirations of developing advanced management practices and succeeding in competitive product markets. Capital market logic is related to the belief that the interests of private investors always come first. It is attached to goals of enhancing shareholder value, increasing share price, and meeting the expectations of financial market participants, such as institutional investors, fund managers, and the stock exchange (Kraus and Strömsten, 2012).

Our interview data analysis was conducted in three stages. First, interview transcripts related to the mission, goal, orientation, and priorities of Superhydro were identified and categorised according to the thematic scheme discussed above. This gave us evidence for the manifestation of multiple logics at the firm level at Superhydro. Second, interview transcripts related specifically to the MA practices of Superhydro were organised into inductively coded categories including ‘target setting in budgets’, ‘budgeting procedure’, ‘divisional performance evaluation’, ‘individual level performance evaluation’, ‘investment appraisal procedure’, and ‘investment decision-making criteria’. These codes corresponded to the different aspects of budgeting, performance evaluation based on KPIs, and investment appraisal that have been affected by the listed status of Superhydro and that deserved particular attention. Third, the codes developed in the previous stage were grouped according to the thematic scheme. This procedure enabled us to identify how different aspects of each MA practice under investigation are guided by the interplay of multiple logics. This allowed us to analyse the various ways that different MA practices embody institutional demands and help Superhydro maintain its status as a listed SOE. In particular, we focused on how MA practices either combine and blend multiple logics, or are partitioned and compartmentalised, responding to separate institutional demands. Table 2 illustrates the operationalisation of the thematic scheme and presents exemplary quotes indicating the influence of multiple logics on Superhydro and its MA practices following the IPO. Additionally, we made sense of our interview data in the context of other information collected from the IPO prospectus, annual reports, company website, and internal documents, such as performance evaluation checklists.

<Insert Table 2 about here>

⁸ This institutional logics perspective informed analysis of the Chinese SOE reform process is presented in section 4.

4. SOE reforms and multiple institutional logics in the field of Chinese SOEs

SOEs are often seen as the backbone of the Chinese economy. Traditionally, control over Chinese SOEs has resided with government authorities at various administrative levels. Over the past thirty years or so, however, dramatic changes have taken place in the field of Chinese SOEs. There has been a long sequence of SOE reforms that are part of the broader programme of transforming China into a socialist market economy. In the reform process, while continuing to serve as an important vehicle for the State to advance economic stability and development at the national level (Wang, 2012: 488), Chinese SOEs have started facing the challenges and expectations of the marketplace. They have gradually come to be subject to the influence of multiple institutional demands.

Prior to reforms, Chinese SOEs were integral parts of the State bureaucracy. Key personnel were typically appointed by the State or the Chinese Communist Party. The government ran SOEs directly and gave them little autonomy to make commercial decisions (Zhang and Freestone, 2013). SOEs had no say in what to produce, whom to sell to, where to invest, and where to obtain financing. Any surplus generated had to be returned to the government. Acting as mini-societies, SOEs provided employees with life-long employment and basic social services, such as health care, education, and pension (*ibid.*). As a result, pre-reform Chinese SOEs were inefficient and their financial performance was poor (Wang, 2012; Zhang, 2008; Zhang and Freestone, 2013). After all, SOEs had multiple responsibilities: to implement government policies, fulfil social welfare obligations, and maintain social and political stability. One may argue that a ‘State logic’ dominated in the field of Chinese SOEs prior to reforms. All activities, practices, and operations of SOEs were organised around this State logic.

SOE reforms in China commenced officially in 1978. In the first stage, between 1978 and 1992, the reform ideology featured the ‘retention of the dominance of the planning mechanism while trying to establish a balance between planning and market’ (Yang and Temple, 2000: 26). Guided by the principle of ‘separating government from enterprise’, early reforms aimed to provide SOEs with some degree of managerial autonomy and enable commercially motivated decision making (Lin, 2001: 8; Zhang, 2008: 32). As the planning mechanism started to slightly decline, Chinese SOEs faced increased competitive pressure and their activities gradually changed course towards the marketplace (Lin and Zhu, 2001: 309). Chinese SOEs began to be increasingly influenced by ‘corporate logic’. To some extent, they became more independent from the State bureaucracy and were transformed into semi-independent business entities. Nevertheless, early reforms failed to improve the fortunes of Chinese SOEs. Massive inefficiencies still occurred, and there was a significant deterioration in their performance and a loss of competitiveness. These failures were attributed to unclear property rights and the lack of separation between government and enterprise (Chen et al., 2006; Hassard et al., 2007; Lin and Zhu, 2001). The behaviour of SOEs remained fundamentally unchanged (Zhang, 2008: 32). State logic persisted and continued to dominate in the field of Chinese SOEs, despite the co-existence of an emerging corporate logic introduced by the government under its SOE reforms.

The second stage of SOE reforms started in 1992, and was characterised by the aim of establishing a ‘modern enterprise system’ (MES) within a socialist market economy (Chiwamit et al., 2014; Zhang, 2008; Zhang and Freestone, 2013). The key objective of establishing the MES was to introduce a broad programme of ‘corporatisation’ among Chinese SOEs (McNally and Lee, 1998; Morris et al., 2002). The core of corporatisation was ownership restructuring. The principal goals

of restructuring the ownership of Chinese SOEs were to clarify the ambiguities in their property rights, offer more autonomy to management, and improve corporate governance. Through ownership restructuring, it was hoped that SOEs could be converted from entities controlled solely by the State into modern business enterprises. They were meant to enjoy privileges such as independent decision making and diverse ownership, without diminishing the dominance of State ownership (Lin and Zhu, 2001: 305). In other words, corporatised SOEs would be subject to greater market discipline, required to engage in market competition, and more responsible for their performance (Zhang, 2008). Accordingly, in a corporatisation process that has itself been guided by the government, Chinese SOEs have been increasingly subject to the influence of corporate logic.

Chinese SOEs have continued to undergo corporatisation. Nevertheless, a central platform for the most recent round of SOE reforms has been the listing of Chinese SOEs in stock markets (O'Connor et al., 2004; Zhang, 2008; Zhang and Freestone, 2013). Stock market listing has functioned primarily as a mechanism to raise capital to finance the aggressive growth of many Chinese SOEs (Chiwamit et al., 2014; Szamosszegi and Kyle, 2011; World Bank, 2012). Meanwhile, the Chinese stock market has been organised by the government as a vehicle to accelerate SOE reforms, improve their performance, and enhance their international competitiveness (Green, 2003). Over the past twenty years or so, an increasing number of Chinese SOEs have listed their core businesses or subsidiaries on stock exchanges. The number of listed SOEs in China was 615 in 1998, jumping to 1,044 in 2006, and reaching 1,208 in 2013.⁹ Listed SOEs now account for over 60 percent of the total revenues of Chinese SOEs and over 80 percent of their total profits (Zhang and Freestone, 2013: 6). A typical listed SOE in China has a mixed ownership structure, with governments, governmental agencies, other State enterprises, institutional investors, and individual investors all having stakes in it (Xu and Wang, 1999).

Chinese SOEs are still subject to the influence of State and corporate logics. However, given the increasing trend towards listing SOEs in financial markets, a 'capital market logic' has been introduced into the field of Chinese SOEs. Only those SOEs that are listed face pressures from capital markets. In particular, listed SOEs in China undergo increased public scrutiny upon entering a space populated by financial analysts, fund managers, equity brokers, and business journalists. Top managers of listed SOEs may now focus more on short-term financial performance, particularly quarterly earnings, than before stock market listing. The performance of these managers may also now be evaluated at least in part based on share prices. However, it is the notion of 'shareholder value' that has become a major focus of listed SOEs. As a recent article from *The Wall Street Journal* reveals, Chinese SOEs such as Minmetals Resources indeed recognise the importance of shareholder value.¹⁰ The notion of shareholder value is conventionally based on the idea that a listed firm should maximise the return on the capital of its owners and increase share prices (Bromwich and Walker, 1998; Froud et al., 2000; Kraus and Strömsten, 2012).

As a combined 'shareholder' and regulator, the State has retained considerable influence over listed SOEs in China. For instance, the government and the Chinese Communist Party have continued to appoint key personnel, such as board directors and chief executives, for listed SOEs, and made key strategic decisions for them (Chiwamit et al., 2014; Wang, 2012: 489; Zhang and Freestone, 2013: 12). The government has also continued to issue guidance on the implementation of macroeconomic and industrial policies and set out compliance requirements for SOEs regarding business regulations, licensing, and bank lending (Zhang and Freestone, 2013: 12). Furthermore,

⁹ These statistics were extracted from the China Securities Market and Accounting Research database by the authors.

¹⁰ See <http://cn.wsj.com/gb/20120404/dlj093949.asp>. Both Chinese and English versions of this article can be accessed through <http://www.cuyoo.com/article-12124-1.html> (access on 28 March 2015).

approval for the flotation of SOEs on stock exchanges is not decided entirely on commercial merit. Instead, the government selects firms to fill quotas set for the provincial and ministerial levels (Tam, 2002: 305; Zhang, 2008: 40). Given its power to influence listed SOEs, the State is likely to exploit the interests of minority shareholders and hinder the development of efficient capital markets (Clarke, 2003). As Chiwamit et al. (2014: 10) suggest, 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’. This implies that while listed SOEs are subject to pressures from capital markets, the influence of the State has not faded away. The State has continued to shape the actions of SOEs in significant ways.

Since 2003, the State-owned Assets Supervision and Administration Commission (SASAC) has represented the government in its role as a major shareholder of Chinese SOEs. SASAC was established by and reports to the State Council of China, the highest administrative authority of the State. It controls the publicly traded subsidiaries of firms through its ownership of their parent holding SOEs (Aguilar et al., 2007). SASAC controls 113 central SOEs and 98,554 SOEs owned at the provincial and ministerial levels (Wildau, 2014).¹¹ The primary objective of SASAC is to protect, supervise, and enhance the value of state assets, and optimise their sectoral allocation.¹² Toward this end, it drives reforms in the firms it controls, i.e., Chinese SOEs (Aguilar et al., 2007; Zhang and Freestone, 2013: 5). SASAC is highly supportive of the IPOs of SOEs. As the Chinese capital market has gradually matured, SASAC has encouraged SOEs to take the entire entity public.¹³ Recently, SASAC has announced that, in the next 10 to 15 years, all central SOEs will be fully listed.¹⁴ However, SASAC has continued to be involved in the day-to-day operation of SOEs, including matters related to human resources and budget approval (Aguilar et al., 2007; Boston Consulting Group, 2014). It is entrusted with the task of ensuring that social interests are not jeopardised (Chiwamit et al., 2014: 10). Given that SASAC acts as an agent for the State and may be seen as a key carrier of State logic, managerial decisions are less likely to be guided only by the principle of shareholder value maximisation in Chinese listed SOEs in which SASAC has retained a large stake.¹⁵

In summary, Chinese SOEs have traditionally been exposed to State logic. In the process of being corporatised over the past thirty years or so, corporate logic has been articulated in Chinese SOEs. Recently, to continue the reform of Chinese SOEs, an increasing number of these firms have been listed on stock exchanges. They now are forced to deal with the influence of capital market logic. The key features of these logics are summarised in Table 3. Clearly, listed SOEs in China operate in a complex institutional environment. The distinction between the various logics they face may not always be clear-cut. For instance, as influenced by corporate logic, Chinese SOEs might compete not only in product markets, but also in the capital and labour markets. An overlap exists between State and capital market logics, in the sense that the government is the controlling shareholder of listed SOEs. Also, the exposure of listed SOEs to multiple logics is largely driven by the Chinese government. The corporatisation of SOEs is directed by the government, which also subsequently approves their IPOs. However, we distinguish between State, corporate, and capital market logics for analytical purposes and draw on this categorisation to guide our empirical analysis accordingly.

¹¹ Central SOEs are centrally controlled and administered by SASAC. SOEs at the provincial and ministerial levels are governed by local authorities, such as local SASACs.

¹² See <http://en.sasac.gov.cn/n1408028/n1408521/index.html> (access on 28 March 2015).

¹³ See <http://www.sasac.gov.cn/n1180/n1271/n20515/n2697175/15403589.html> (access on 28 March 2015) and <http://www.sasac.gov.cn/n1180/n15066072/n15066091/n15067411/15067548.html> (access on 28 March 2015).

¹⁴ See <http://finance.ifeng.com/money/roll/20110224/3478533.shtml> (access on 28 March 2015).

¹⁵ There are other avenues for State logic, such as the Chinese Ministry of Finance. However, as can be seen in later sections of this paper, among all the State agencies, SASAC exerts the strongest influence on our case firm.

<Insert Table 3 about here>

The paper will now turn to analysing how multiple logics play out and interconnect at the firm level at Superhydro. We will examine how MA has been implemented in a way allowing Superhydro to maintain its status as a ‘listed SOE’ following its IPO.

5. Superhydro: The IPO and exposure to multiple logics

Superhydro is a Chinese central SOE. Before it was listed on the Shanghai Stock Exchange in 2011, the firm was 100% owned by the central government via SASAC. Afterwards, though it continued to be guided by the State and State agencies, Superhydro was no longer an integral part of the State bureaucracy. Since the early 1990s, like a lot of other SOEs in China, Superhydro has been in the process of corporatisation and transformation into an independent business entity and modern enterprise. It has been given more autonomy to make decisions, subject to greater market discipline, forced to engage in competition with its competitors in the marketplace, and made more responsible for its performance. In particular, Superhydro has aimed to become larger and stronger through increasing its market share, revenue, and profit (Interviewee 2). It has had a goal of becoming one of the Fortune Global 500 corporations. In short, over the past twenty years or so, corporate logic has come to influence Superhydro.

The IPO of Superhydro changed its ownership structure significantly. Subsequent to the IPO, SASAC still holds 65.63% of its shares. Individual private investors own 31.25%, while the remaining 3.12% are owned by the National Council for Social Security Fund.¹⁶ According to the Chief Financial Officer (Interviewee 1) and a Senior Manager of the Finance Department at company headquarters (Interviewee 2), the IPO was driven in large part by the need to further corporatise Superhydro itself. First, its debt ratio was high and approaching the limit allowed by SASAC. An IPO was seen to be able to diversify the channels through which Superhydro might obtain financing and optimise its capital structure. Second, most firms included in the Fortune Global 500 are listed companies. Led by the Chinese slogan of ‘becoming large and becoming strong’, Superhydro was determined to become a listed company. Third, some SOEs operating in the same industry as Superhydro had already been listed, which prompted Superhydro to do the same. Fourth, it was believed that a listed company differs significantly from an unlisted firm. For Superhydro to develop formal management practices and become a modern business enterprise, stock market listing was considered essential.

As can be seen, corporate logic has played a crucial role in pushing Superhydro to further transform itself through an IPO. Specifically, for Superhydro, stock market listing was meant to provide it with the necessary financial resources to further develop its business. The IPO also served as a catalyst to press Superhydro to make positive changes to its management practices. As the Chief Financial Officer of Subsidiary Beta commented:

“The IPO did shape how we run our business. We have used the IPO as a catalyst to push for formalisation of our management practices. We also educate our employees that after the IPO we cannot do things in the old way.” (Interviewee 15)

¹⁶ This is a supplementary fund controlled by the Chinese government which is used for supporting social security.

Meanwhile, the central government, via SASAC, also played an essential part in driving the IPO of Superhydro. As mentioned previously, a central platform for the most recent round of SOE reforms has been the listing of SOEs in stock markets. The IPO of Superhydro was part of the central government's attempts to further reform the Chinese economy. According to the Chief Financial Officer, SASAC intended to use the IPOs of Superhydro and other SOEs to achieve 'socialisation of State-owned assets through capital markets' (Interviewee 1). Accordingly, SASAC strongly supported the IPO of Superhydro. Overall, the IPO fulfilled the aspirations of both SASAC and Superhydro. SASAC intended to use the IPO as a means to stimulate further corporatisation of Superhydro, while Superhydro found it financially desirable to transform itself by being listed in stock markets. As the Chief Financial Officer commented:

"SASAC fully supports our IPO. [...] First, our IPO was consistent with SASAC's agenda of formalising the management systems of central SOEs. Following the IPO, [...] our decision making process and management have become more transparent. This change would make SASAC's job of administering SOEs easier. Second, historically, our cash flow was very tight. Following the IPO, we have been injected with abundant cash. The IPO can enhance our confidence and propel future development. This is what SASAC wants to see." (Interview 1)

Since it was listed, however, Superhydro has been subject to the influence of the capital market. The firm can hardly avoid pressures imposed by participants in financial markets, including institutional investors and fund managers. As suggested by a Vice Manager of the Finance Department at company headquarters:

"If our stock price drops, institutional investors would be very concerned. They will press for reasons and continuously focus on the matter. [...] Meanwhile, as the representatives of institutional investors, fund managers, who are themselves under great pressure to perform well, also closely attend to our performance." (Interviewee 3)

At the core of capital market logic is the belief that listed companies are supposed to create and enhance value for investors. Economic Value Added (EVATM) is commonly considered an important measure of shareholder value in Western countries (Chiwamit et al., 2014; Ezzamel and Burns, 2005; Froud et al., 2000; Gleadle and Cornelius, 2008). As will be discussed later, due to SASAC's mandate to measure the value created by SOEs for the State shareholder, the EVATM of an entire SOE needs to be calculated and assessed by SASAC (Chiwamit et al., 2014; Li et al., 2012; Stern, 2011). Accordingly, as a Chinese SOE, Superhydro has to calculate its EVATM. However, when assessing its ability to create wealth for its private shareholders, it is share price and earnings per share (EPS) that Superhydro has mainly focused on. As the Vice Manager of the Finance Department at headquarters remarked:

"A mentality to create shareholder value has now been established. We all very much concern shareholder value creation. [...] and] the key indicator our executive managers attend to the most is growth in EPS. [...] We have to ensure that there is a certain level of growth in EPS every year. If there is no growth in EPS, it means that we do not create value for our shareholders." (Interviewee 3)

Once a belief in creating shareholder value had taken root in Superhydro, its organisational missions embraced not only protecting state assets, but also acting in the interests of all shareholders. This implies that, instead of being accountable only towards SASAC, Superhydro is

now also accountable to the interests of its private investors. As a Senior Manager of the Strategy Department at headquarters explained:

“Previously, our firm was supposed to answer to SASAC only. Following the IPO, [...] we are] obliged to create value for our shareholders and feel that we are responsible to augment their interests. For example, if you buy our stocks in the market today, I am responsible for your interests.” (Interviewee 8)

Capital market logic has indeed influenced Superhydro since it was listed on the stock exchange. Nevertheless, following its IPO, Superhydro is neither a listed private firm, nor a pure Chinese SOE, but a ‘listed SOE’ still in the process of corporatisation. The firm faces multiple institutional demands and functions as a hybrid organisation (Battilana and Dorado, 2010; Battilana and Lee, 2014; Greenwood et al., 2010; Pache and Santos, 2013). The mission, goal, orientation, and priorities of Superhydro may be guided by multiple organising principles that are not always consistent with each other. Ambiguities may arise as to how the firm should respond to multiple institutional demands. For instance, SASAC has continued to guide and influence Superhydro. SASAC is the controlling State ‘shareholder’ of Superhydro, holding 65.63% of its shares following its IPO. However, for Superhydro, SASAC functions primarily as a governmental agency and a State representative that carries State logic and whose interests may diverge from those of private shareholders in capital markets. There may be conflicts between what SASAC requires and what private investors prefer, leading to potentially undesirable consequences from the perspective of Superhydro. As revealed by a Senior Manager of the Strategy Department at Subsidiary Alpha:

“[...] private investors focus mainly on a firm’s potential to create value. [...] SASAC attends to an SOE’s stability and its risk control over State assets. [...] SASAC’s concern with the risk management of SOEs would lead to more effective prevention of risk on the one hand, but inevitably lower operational efficiency on the other. [...] For instance, when we seek to acquire another company, we have to jump through tons of red tapes to get approval from SASAC. Once we have got approval from SASAC, we might have already lost the market opportunity.” (Interviewee 14)

However, these institutional demands are not always incompatible. Instead, they are often seen as aligned at Superhydro. This is clearly the case for the relationship between State and capital market logics. As the Chief Financial Officer of Subsidiary Beta explained clearly:

“SASAC’s focus differs from the notion of shareholder value. Since SASAC represents the state, we have to take their concern seriously. However, shareholder value cannot be ignored. The concerns of SASAC and of shareholders are equally important to us. We have to address both of them. [...] SASAC and our private investors actually have a common goal – they both want us to become successful and stronger. [...] In this sense, the expectations of SASAC and those of our private shareholders are consistent. I think maximising shareholder value is not that different from meeting the expectations of SASAC.” (Interviewee 15)

Indeed, SASAC and private shareholders have their respective agendas, concerns, and interests. However, when the rationales associated with the State and those deriving from capital markets play out at the organisational level at Superhydro, which is a ‘listed SOE’, a common goal tends to be sought and a balancing act undertaken. The relationship between State and capital market logics appears to be reconfigured at Superhydro as compatible rather than competing. In the words

of Goodrick and Reay (2011: 405), State and capital market logics appear to be ‘additive’. This means that, following the IPO, Superhydro needs to satisfy a greater number of institutional demands that are not strictly conflicting. These two logics may even be considered ‘facilitative’. This implies that Superhydro’s orientation and actions may be simultaneously guided by capital market and State logics in a way that is mutually supportive. As a Vice Manager of the Finance Department at headquarters stated:

“From the perspective of SASAC, we only need to keep pace with the growth of national GDP. [...] Shareholders demand for a certain level of return, so our EPS has to grow. Basically, if we could meet the requirements of private shareholders, we could also satisfy SASAC. [...] there is little conflict between the requirements of SASAC and those of private shareholders, as the former are usually lower. [...] As an SOE, [...] we] have to find a balance between our social responsibility and our responsibility to protect our shareholders.” (Interviewee 3)

The perceived compatibility between State and capital market logics is evident from another perspective. There is a stipulation by the China Securities Regulatory Commission (CSRC) that a listed firm reporting a loss in two consecutive years will be designated as a ‘special treatment’ case and may face delisting.¹⁷ This means that to maintain its status as a listed SOE, Superhydro needs to be profitable. On the one hand, Superhydro needs to achieve growth in EPS and create value for private shareholders. On the other hand, State and governmental agencies also attend to the financial performance of Superhydro, particularly its profitability. Therefore, the requirements of State and governmental agencies and the interests of private investors can be reconciled, especially in light of Superhydro’s status as a ‘listed SOE’.

In addition, at first sight, the current emphasis on EPS, guided by capital market logic, does not seem to be fully consistent with the aspiration of Superhydro to simply grow in size. This is because increasing the level of revenue, market share, or even profit does not always translate into a higher EPS. However, as previously mentioned, Superhydro has been in the process of corporatisation since the early 1990s. As it has become increasingly influenced by corporate logic, the firm has been exposed to greater competition in the marketplace and forced to become more responsible for its financial performance. At present, Superhydro has continued the process of corporatisation by means of stock market listing. The goal of becoming larger and stronger, or at least of performing well financially, could still contribute to the creation of shareholder value by the firm (Interviewee 2). This means Superhydro has been guided jointly by corporate and capital market logics, but not in completely diverging directions. Instead, these two sources of institutional demands can work together at Superhydro (cf. Goodrick and Reay, 2011). As the Chief Financial Officer of Subsidiary Beta commented:

“[...] we are under the pressures imposed by private shareholders to improve our performance. But, we are intrinsically driven to excel ourselves.” (Interviewee 15)

Since Superhydro obtained ‘listed SOE’ status, corporate logic has further pushed it to perform better and differentiate itself from non-listed SOEs. As a Senior Manager of the Finance Department at Subsidiary Beta remarked:

¹⁷ The CSRC is a ministerial-level public institution directly under the State Council of China. It is the main regulator of the securities industry in China (http://www.csrc.gov.cn/pub/csrc_en/about/).

“Following the IPO, we have raised the standard ourselves. Even without the requirements of SASAC and private shareholders, as a listed SOE, we simply want to do our job better.” (Interviewee 16)

To summarise, the salient institutional logics manifesting themselves in the field of Chinese SOE, namely, State, corporate, and capital market logics, are played out at Superhydro, a listed SOE in China. They have jointly shaped the mission, goal, orientation, and priorities of this firm. Since becoming a ‘listed SOE’, Superhydro has been trying to balance and reconcile multiple institutional demands, which are reconfigured in this firm to be relatively compatible with each other. As we will demonstrate next, following the IPO, MA at Superhydro has been implemented in a way that encompasses multiple logics and helps to maintain the status of the firm as a newly listed SOE.

6. Sustaining a ‘listed SOE’: Management accounting practices at Superhydro

Following the IPO, the MA practices of Superhydro have been hybrid practices (Goodrick and Reay, 2011; Miller et al., 2008; Smets and Jarzabkowski, 2013; Smets et al., 2012). We focus on budgeting, performance evaluation based on KPIs, and investment appraisal, the three building blocks of the MA practices implemented at Superhydro. While these MA practices embody multiple logics in different ways and to varying degrees, together they all help to maintain the hybrid status of Superhydro as a ‘listed SOE’. The empirical findings discussed in this section are summarised in Table 4.

<Insert Table 4 about here>

6.1 Budgeting

Budgeting has long been an important component of the MA practices of Superhydro. Budgets are used as a planning tool at Superhydro, and target setting is an important step in preparing budgets. Superhydro has remained a Chinese SOE following the IPO, despite its listed status, and the State and State agencies continue to influence the setting of targets for its budgets. Currently, Superhydro still determines the targets for its master budget in light of the twelfth Five-Year Plan issued by the Chinese central government.¹⁸ Specifically, these targets are meant to be set in a way that they align with the planned growth rate of the national GDP set out in the Five-Year Plan (Interviewees 2 and 17).

At first sight, the influence of the State on target-setting for the budgets prepared at Superhydro differs from that of the capital market. Nevertheless, as previously discussed, what SASAC expects the firm to do and what private shareholders demand are not always in conflict, and may even be relatively compatible. As a Vice Manager of the Finance Department at Subsidiary Beta made clear:

¹⁸ China’s Five-Year Plans are a series of social and economic initiatives set out by the central government and the Chinese Communist Party. The twelfth Five-Year Plan was released in March 2011, setting out the targets to be achieved between 2011 and 2015. For the English translation of the twelfth Five-Year Plan, see <http://www.britishchamber.cn/content/chinas-twelfth-five-year-plan-2011-2015-full-english-version> (access on 3 September 2015).

“SASAC now expects us to achieve a certain growth rate every year. [...] This growth rate [...] is consistent with the planned growth rate of the national GDP. Private shareholders, however, [...] do not normally impose any requirement directly. They concern whether their own interests are protected. They are more focused on assessing whether we have achieved whatever we have promised in the budgets.” (Interviewee 17)

The attention to ‘growth’ in the process of setting targets for budgets may also be guided by the corporate logic that has been articulated in Superhydro since its corporatisation took place some twenty years ago. As previously mentioned, since the 1990s, Superhydro has developed an aspiration to grow in size and become one of the Fortune Global 500 companies. Corporate logic has guided the firm to seek to become financially successful, outdistance its competitors in product markets where it operates, and ultimately ‘become large and become strong’ (Interviewees 1 and 2). This logic has clearly been incorporated into the budgeting practice of Superhydro. As the Chief Financial Officer of Subsidiary Beta emphasised:

“[...] we are intrinsically driven to do our job well. [...] If budgets are not properly prepared, we may end up with severe problems in capital management and run the risk of becoming insolvent. Sometimes, we see this pressure to be even greater than that imposed by SASAC and the capital market.” (Interviewee 15)

To achieve the goal of ‘becoming large and becoming strong’, Superhydro has inevitably adopted a corporate strategy focusing on ‘growth’ (Interviewees 1 and 2). Following the IPO, according to a Manager of the Control Division of the Finance Department at headquarters (Interviewee 4), the budgets of Superhydro aim to facilitate implementation of the ‘growth’ strategy. This is clearly not because budgeting techniques have been improved. Instead, following its IPO, Superhydro is obliged to disclose its strategy to private shareholders, who often seek to assess the extent to which the strategy is being successfully implemented. Using the budget as a strategy implementation tool, Superhydro tries to ensure that the growth targets set within budgets are met. In other words, targets set within budgets may be more successfully achieved and the ‘growth’ strategy better executed now that Superhydro is listed in capital markets. This implies that the institutional demands deriving from capital markets may facilitate actions originally linked to corporate logic (cf. Goodrick and Reay, 2011). As a Senior Manager of the Strategy Department at headquarters commented:

“Following the IPO [...] we have to disclose our strategy to our shareholders. We accordingly break our overall objective into targets for each business unit and division. The budgets are then made to facilitate the achievement of these targets.” (Interviewee 8)

Certainly, the IPO has attached new significance to the budgeting practices of Superhydro, while technically, the way in which budgets are prepared has remained the same, i.e., a rolling budget. Previously, a budget simply set out an internal goal for the firm. However, it has now become more externally oriented. As suggested by a Senior Manager of the Finance Department at headquarters (Interviewee 2), a budget now serves as ‘a promise for investors’. This clearly indicates that the budgets prepared at Superhydro embody and operationalise the capital market logic. In particular, to meet the expectations of private shareholders, the targets set within budgets have been made more challenging following the IPO. As a Vice Manager of the Finance Department at headquarters stated:

“We always set targets within our budgets every year. [...] Previously, if we set an ambitious target, SASAC might feel that we were doing well and not in need of their support. We tended to set a less ambitious one and continued to gain its support. Following the IPO, we are competing with other listed firms in capital markets. [...] As a listed firm, we cannot say to the investing public that we are incapable [...]. We have to make sure that the capital market will not lose confidence in us. Accordingly, our targets are now set to be higher and more challenging.” (Interviewee 3)

The targets set within the budgets of Superhydro’s subsidiaries have also been guided by the organising principle associated with the capital market, and naturally taken into consideration the expectations of private shareholders, though in a relatively indirect manner. As the Chief Financial Officer of Subsidiary Beta said:

“We are under pressure to meet the requirements of private shareholders which are transmitted through those of company headquarters. If we cannot meet the targets set in our budgets, our shareholders certainly cannot be satisfied.” (Interviewee 15)

A Senior Manager of the Finance Department at Subsidiary Alpha echoed:

“We do not seem to explicitly talk about shareholder value very often in our daily operation. This is clearly not because shareholder value is not important. Instead, shareholder value has already been translated into the targets included in our budgets.” (Interviewee 12)

Not surprisingly, pressures imposed by capital markets to achieve the targets set within budgets have accordingly been strong following the IPO of Superhydro. As explained by a Senior Manager of the Finance Department at headquarters:

“It is the same rolling budget that we have been using. However, the pressure to achieve the targets set within budgets is much higher [...] the targets are set, as we have attempted, in a more precise and thorough manner.” (Interviewee 2)

A Vice Manager of the Finance Department at headquarters expressed a similar view:

“[...] everyone would see the targets set within budgets as binding in nature. For the targets that we promised to our shareholders at the beginning of the year, we have to achieve a proportion of those in each quarter. The progress is documented stringently in our variance analysis reports. We would become very concerned if there is any deviation from our budgets. [...] If we do worse than expected in one business segment, we would have to look for opportunities in the others to meet the targets.” (Interviewee 3)

As the quote above indicates, whether the targets set within budgets are achieved is continuously checked, investigated, and followed up on. Essentially, at Superhydro, these targets serve as one of the benchmarks against which the performance of divisions, business units, and subsidiaries is assessed and monitored. Following the IPO, ensuring their performance is in line with the targets set within budgets may allow the firm to keep its ‘promise to investors’ (Interviewee 2). As a Manager of the Control Division of the Finance Department at headquarters suggested:

“Following the IPO, we have emphasised more strongly the assessment of the performance of divisions and business units [...] in order to meet the targets set in the budgets approved at the shareholders’ meeting.” (Interviewee 4)

In addition, the overall budgeting procedure put in place at Superhydro also embodies multiple institutional demands. Specifically, following the IPO, more personnel have become involved in the process through which budgets are approved. Currently, budgets are overseen and approved by the Budget Management Committee, the Executive Management Committee, the Board of Directors, and finally by shareholders at the Annual General Meeting (AGM). In this way, the voices of private shareholders are heard and their concerns expressed in the budgeting process. Nevertheless, it is not only the influence of the capital market that is in play here. As long as Superhydro remains a Chinese SOE, its budgets cannot be finalised without being reviewed and approved by SASAC. As a Senior Manager of the Finance Department at Subsidiary Alpha revealed, the budgets of individual subsidiaries are incorporated comprehensively into the master budget of the entire organisation and reviewed by SASAC:

“SASAC certainly influences our budgeting process. We first submit our budget to company headquarters. It then incorporates our budget into the budget of the entire firm and submits it to SASAC.” (Interviewee 12)

Given that various parties are involved in the budgeting process and numerous steps have to be followed before a budget can be finalised, budgeting at Superhydro has become a more formal management practice. This increased formalisation of budgeting practices can clearly be attributed to the firm’s listed status. From the perspective of private shareholders, this formalisation offers them the opportunity to provide input into the budgeting process of Superhydro. SASAC would welcome greater formalisation; as discussed previously, the IPO of Superhydro was aligned with SASAC’s agenda of ‘formalising the management systems of central SOEs’ (Interviewee 1). For Superhydro, which is currently in the process of being further corporatised, the IPO was ‘a catalyst to push for the formalisation of management practices within the firm’ (Interviewee 5) and allowed the firm to ‘create a ‘formal management’ corporate image’ (Interviewees 1 and 2). Therefore, the expectations of private shareholders, SASAC, and Superhydro itself appear to be aligned, and more importantly, enmeshed in the firm’s budgeting procedure.

To sum up, budgeting at Superhydro can be thought of as ‘hybrid practice’ that connects and mediates State, corporate, and capital market logics. Like Amans et al. (2015), we may talk of ‘hybrid budgeting’ in the context of Superhydro, which is a listed SOE functioning as a hybrid organisation. Though the different aspects of budgeting practices, including target setting and overall budgeting procedure, are guided by multiple organising principles, they are combined and layered into one single organisation, Superhydro. This resembles so-called ‘blended hybridisation’ (Greenwood et al., 2011: 352), which is one way through which hybrid practice can take shape, maintaining Superhydro’s hybrid nature.

6.2 *Performance evaluation based on KPIs*

At Superhydro, as previously discussed, the targets set within budgets serve as the benchmarks against which performance is assessed. However, certain key performance indicators (KPIs) have also been chosen by the firm to assess the financial performance of its divisions, business units, and subsidiaries. The selection of these KPIs has been guided by the multiple logics evident in Superhydro following its IPO.

Since its establishment in 2003, SASAC, acting as an agent of the government, has set out certain key measures to assess the overall financial performance of individual SOEs. SOEs may in turn use these measures internally to evaluate the performance of their divisions, business units, and subsidiaries. In this way, SASAC has guided and influenced the internal performance evaluation of Chinese SOEs. Initially, annual profit was a key measure used by SASAC (Li et al., 2012). The choice of this measure was driven largely by the ‘growth’ mission set out for Chinese SOEs in the eleventh Five-Year Plan (2006-2010) and the corresponding ‘scale-oriented’ strategy (ibid.). Indeed, SOEs have always been expected to fulfil certain social and political obligations. Nevertheless, when evaluating their financial performance, SASAC paid special attention to the annual profit generated by SOEs.

Since the release of the twelfth Five-Year Plan (2011-2015), however, the original ‘scale-oriented’ growth mission has been replaced with a ‘value-oriented’ one. The government has aimed to further reform Chinese SOEs by improving their efficiency in deploying capital, in a manner similar to private companies (Stern, 2011). Accordingly, SASAC has included Economic Value Added (EVATM) as a measure into its framework for evaluating the overall financial performance of individual SOEs.¹⁹ Generating returns above cost of capital has now become a major criterion in evaluating the financial performance of SOEs, in addition to annual profit (Li et al., 2012). The decision by SASAC to adopt EVATM was clearly not fortuitous.²⁰ EVATM focuses on value creation and can be used to operationalise the ‘value’ orientation set out in the twelfth Five-Year Plan. In particular, the introduction of EVATM was linked to the government strategy of stimulating ‘high quality’ growth, i.e., high returns, as opposed to simply being profitable, for the benefit of shareholders and to overcome the tendency of Chinese SOEs to over-invest in low-yield projects (Chiwamit et al., 2014: 13). In addition, by promoting EVATM, SASAC adheres to the same language of ‘shareholder value maximisation’ that successful global companies also employ. SASAC can better persuade SOEs to switch from a ‘scale’ orientation to a ‘value’ orientation and indicate to the public, the government, and domestic and overseas financial markets that Chinese SOEs are market-oriented (Chiwamit et al., 2014; Li et al., 2012).

Currently, calculating and reporting EVATM for the entire firm is mandatory for Chinese SOEs. Given the strong influence exerted by SASAC, an increasing number of Chinese SOEs have attempted to integrate EVATM into their internal performance management systems (ibid.). This is clearly the case for Superhydro. However, the version of EVATM introduced by SASAC has been considered problematic at Superhydro. Instead, this firm has incorporated other KPIs into its internal system for evaluating the performance of divisions, business units, and subsidiaries. As a Vice Manager of the Finance Department at headquarters said:

“[...] we are required by SASAC to measure the performance of the whole firm based on EVATM. EVATM, accordingly, has become an indicator that we use internally to evaluate the performance of business units and divisions [...]. But SASAC’s EVATM system is not entirely appropriate. It does not take into consideration the variation among different SOEs. [...] To apply the same system to all SOEs may not be inappropriate. Besides EVATM, we have also included other measures in our performance evaluation system such as profit, profit margin, and return on investment.” (Interviewee 3)

¹⁹ It is beyond the scope of this paper to discuss in detail the EVATM equation used by SASAC and how it is operationalised. For these matters, see Li et al. (2012).

²⁰ The reasons why SASAC decided to use EVATM to evaluate the financial performance of individual SOEs have been analysed by Chiwamit et al. (2014) and Li et al. (2012).

Despite the introduction of EVATM, annual profit has remained a criterion used by SASAC to evaluate the financial performance of individual SOEs. Accordingly, at Superhydro, the level of annual profit is also used as a measure for evaluating divisional performance. Indeed, profitability has always been a concern for Superhydro. Traditionally, the firm has focused mainly on absolute profit level, or net profit. Following the IPO, other profitability-related KPIs, such as profit margin and return on investment, have been incorporated into the system for evaluating divisional performance. The inclusion of these profitability-related measures appears to be influenced more directly by pressures from capital markets. As discussed previously, the notion of ‘shareholder value’ has been embedded in the management practices of Superhydro. In particular, the firm has focused primarily on EPS to assess its capacity to contribute towards the wealth of private shareholders. To operationalise this specific notion of shareholder value articulated within Superhydro, achieving a high profit margin has been considered crucial. As the Senior Manager of the Strategy Department at headquarters commented:

“[...] as private shareholders are seriously focused on profit, maintaining a high profit margin has become one of our objectives.” (Interviewee 8)

Nevertheless, the notion of ‘shareholder value’ understood at Superhydro differs from that incorporated into the EVATM system of SASAC. These are even seen to be somewhat in conflict. As the Vice Manager of the Finance Department at headquarters commented:

“There is certainly some inconsistency between the version of EVATM instructed by SASAC and our understanding of shareholder value maximisation. Based on EVATM-based evaluation, a certain business unit whose profit margin is lower than the cost of capital will be considered underperforming. But from the perspective of private shareholders, a division that can generate a positive return on investment would potentially contribute to shareholder value enhancement. In this respect, EVATM-based evaluation is in conflict with our goal of maximising shareholder value. But we are trying our best to balance these two measures.” (Interviewee 3)

This is perhaps the main reason behind the joint use of EVATM and profitability-related measures in the internal performance evaluation system of Superhydro. Certainly, the term ‘shareholder value’ as understood within Superhydro deserves further investigation. However, the notion of shareholder value underlying the EVATM system introduced by SASAC differs from that articulated in the original version of EVATM in a Western context. As claimed by SASAC, for Chinese SOEs, the main objective of EVATM implementation is to increase their return on State assets and strengthen risk control in the interest of the State as a shareholder, rather than that of private investors (Li et al., 2012: 2). As Chiwamit et al. (2014: 10) also argue, the notion of shareholder value has ‘become largely synonymous with the economic and political interests of the State in preserving and enhancing the value of SOEs’. Consequently, the adoption by Superhydro of EVATM as a measure for evaluating divisional performance is linked directly to the influence of SASAC, while the use of profitability-related measures is driven primarily by capital markets.

Of course, this does not mean that the selection of KPIs for divisional performance evaluation has not been shaped by corporate logic. During its corporatisation process, as discussed previously, Superhydro has aimed to become larger and stronger by growing its market share, revenue, and profit (Interviewee 2). Therefore, using annual profit as a criterion in evaluating divisional performance by Superhydro does not violate the organising principle associated with corporate

logic. Furthermore, Superhydro has included several ‘scale oriented’ measures into its divisional performance evaluation system, such as sales revenue, revenue growth rate, monetary amount of newly signed contracts, and newly signed contract growth rate. These ‘scale oriented’ KPIs are meant to assess and monitor how successful different divisions, business units, and subsidiaries at Superhydro are in helping the firm to increase its revenue and market share, and in contributing to overall growth.

Similarly, corporate logic has led Superhydro to implement systems and practices that could make the firm more competitive and more likely to achieve satisfactory financial performance. There is no exception for systems and practices related to performance assessment, rewards, human resources, and staff training at the individual employee level. For instance, Superhydro has been working on developing a more advanced human resource management system to optimise staff structure and enhance the quality of its employees. Under this system, Superhydro has already started investing in staff training. Superhydro also plans to improve the KPIs used to measure and evaluate the performance of individual employees. With this improved system, the position and responsibility taken by an employee and his or her performance can be better linked to reward. As the Senior Manager of the Human Resource Department at headquarters remarked:

“There may be no direct supervisory requests from the stock exchange, but we do feel the pressure to become more competitive. We have been focusing on staff training to improve the quality of our workforce, which hopefully will meet the need of our development. [...] We are also in the process of developing a more refined and advanced compensation scheme.” (Interviewee 9)

However, for Superhydro, there is no obvious connection between the wages received by employees and the stock market listing of the firm. Instead, SASAC has continued to exert a strong influence on the determination of employees’ salary levels at Superhydro. As an Assistant Manager of the Human Resource Department at headquarters mentioned:

“Our salary level is influenced more by government policies than our listed status. [...] Our salaries were a bit low before the IPO compared to the industry average. [...] we had a five-year plan to aim to reach the industry average level. However, this year, our salary growth rate would drop, because SASAC is exerting control over labour costs.” (Interviewee 10)

Furthermore, at Superhydro, practices related to performance management, such as compensation, human resources, and staff training, at the individual employee level have been overseen by the Personnel, Remuneration and Performance Evaluation Committee. This Committee already existed before Superhydro was listed, and its function has remained the same since then. Nevertheless, following the IPO, this Committee has been subject to tighter and more explicit regulatory requirements imposed by the stock exchange to disclose its decisions in a timely and transparent manner. In other words, pressures from capital markets have come to shape how this Committee works and how issues related to personnel, remuneration, and performance evaluation are administered. As a Senior Manager of the Human Resource Department at headquarters explained:

“There has been a change in the control over executives hiring and remuneration following the IPO. In the past, these were more administrative matters. But now, the whole procedure has to be in compliance with legal requirements. The hiring and

remuneration of executives need to be approved by the Board of Directors. We have to issue announcements on these matters to notify our shareholders.” (Interviewee 9)

In short, KPI-based performance evaluation incorporates the multiple institutional demands and expectations that Superhydro has faced following its IPO. It appears that different aspects of performance evaluation are guided by and linked to different institutional forces. This suggests a so-called ‘structurally differentiated hybrid’, in which organisational practices are partitioned and compartmentalised, responding to separate logics (Greenwood et al., 2011: 354). However, it is through this segmentation that multiple institutional demands are embodied in different aspects of Superhydro’s performance evaluation practices, allowing its status as a ‘listed SOE’ to be maintained.

6.3 *Investment appraisal*

Investment appraisal is another building block of Superhydro’s MA practices that has become a bearer of multiple institutional demands. In the past, investment projects were appraised only by the Investment Appraisal Committee and the Executive Management Committee (Interviewees 2 and 6). As a Vice Manager of the Finance Department at headquarters put it, investment appraisal was ‘only an internal matter’ (Interviewee 3). Following the IPO, however, investment projects have been evaluated and reviewed not only by those two Committees, but also by the Board of Directors and by shareholders at the AGM. In this way, the voices of private shareholders are heard and their concerns expressed in the investment decision making process. Private shareholders have now been given the opportunity to ask questions about and vote on investment decisions, and their interests and expectations need to be taken into account. This investment decision making procedure and the personnel involved have been clearly guided by the capital market logic evident at Superhydro following its IPO.

Meanwhile, this investment decision making procedure has had consequences for the quantity and nature of information about proposed investment projects communicated within the firm. More specifically, there has been an increase in the amount and quality of this information. A Senior Manager of the Strategy Department at headquarters commented:

“[...] now, every investment decision has to be approved at the Board meetings and at the AGM. The possibility of disapproval is high. We have to prepare our investment appraisal reports in great detail and provide the Board and investors with supplementary or additional information when required.” (Interviewee 8)

If an investment is not initially approved by the Board, more information about the project must be shown to the Board at a later stage, if it is to be reconsidered. As a Senior Manager of the Investment Department at headquarters made clear:

“Now, investment appraisal is conducted in a more careful manner. Once we have submitted the appraisal reports, we expect that the Board would reject our proposals and require more information anytime. (Interviewee 6)

A similar view was expressed by a Vice Manager of the Finance Department at headquarters. This manager also revealed that Superhydro is prepared to seek advice from consulting firms to conduct better quality investment analyses:

“Now, the requirement regarding the preparation of documents for investment appraisal has become stricter. [...] when the documents are submitted to the Board, we cannot afford to make any mistakes. [...] if an investment is in an area where we are not familiar with or have little expertise in, we would hire a consulting firm to [provide us with opinion]. This is costly, but we need it to improve the quality of our analyses and to convince the Board and our investors.” (Interviewee 3)

At subsidiaries of Superhydro, investment decisions made following the IPO have also taken the expectations of private shareholders into consideration, in response to the influence of the capital market. Certainly, making investment decisions that benefit private investors and enhance shareholder value is considered essential at subsidiaries. As a Senior Manager of the Investment Department at Subsidiary Alpha explained:

“We are a subsidiary of our parent company that is listed and meant to be accountable towards investors in capital markets. [...] We make investment decisions in accordance with the firm-wide investment project evaluation system. We follow the required procedure and submit all necessary documents to our parent company. This is our way of being responsible for shareholders.” (Interviewee 13)

Furthermore, because information about proposed investment projects is prepared and compiled systematically following the IPO, Superhydro can easily satisfy the requirement of China’s Securities Law and the Rules governing listing of stocks on Shanghai Stock Exchange that decisions on material investments must be publicly disclosed on a timely basis.²¹ As a Manager of the Control Division of the Finance Department at headquarters remarked:

“Originally, there was some flexibility in terms of the deadline imposed by SASAC to submit our financial figures. But now, we have to stick to strict regulatory requirements of the stock exchange regarding disclosure.” (Interviewee 3)

While the capital market has clearly guided the investment appraisal procedure put in place at Superhydro, the State, via SASAC, has continued to exert a strong influence. Normally, SASAC does not specify that Superhydro has to invest in particular projects. More often, it is Superhydro that takes the initiative in approaching SASAC to seek approval for certain projects. Obtaining approval from SASAC, however, is not always straightforward. As explicated by a Vice Manager of the Finance Department at headquarters:

“We have to go back and forth to get final approval from SASAC. They may have many concerns which we need to address one by one. They will give us final approval only when all their concerns have been addressed. [...] If a project requires a substantial amount of investment up front, we need to go through several rounds of discussion with SASAC.” (Interviewee 3)

In other words, Superhydro needs to get through a lot of red tape before obtaining final approval from SASAC for an investment project. This can delay a project or even lead the firm to lose desirable investment opportunities (Interviewee 14). Nevertheless, Superhydro is still a Chinese SOE and hence obliged to comply with the requirements set by SASAC, despite its listed status. As a Senior Manager of the Investment Department at Subsidiary Alpha made clear:

²¹ See http://english.sse.com.cn/aboutsse/support/law/c/en_sserule20090408.pdf (access on 3 September 2015).

“SASAC has imposed on us certain requirements for procedural compliance with laws and regulations. It takes longer for us to make any decisions than average listed companies. After all, we are an SOE.” (Interviewee 13)

In some ways, the influence exerted by SASAC on the investment decision making process at Superhydro prevails over the influence of capital markets. As discussed previously, Superhydro indeed takes into account the opinion of the Board and private shareholders. However, it is SASAC that normally has the final say on which investment to go ahead. As a Vice Manager of the Finance Department at headquarters explained:

“If we plan to make a capital investment, we have to get approval at the AGM. We also need to separately make an application to SASAC and seek its approval. If SASAC does not approve it, we cannot make that investment even though the Board may consider the project promising. [...] SASAC’s approval is the prerequisite for any investment. We would put a stop on an investment if SASAC does not approve it.” (Interviewee 3)

A Senior Manager of the Finance Department at headquarters echoed:

“[...] we have to prioritise the requirements of SASAC. If an investment is outside the main operating areas permitted by SASAC, no matter how profitable it is, or how beneficial it is to our shareholders, we will not consider it. [...] After all, we are an SOE, and we first have to maintain the stability of the society and fulfil our social responsibilities. [...] Then, we have to consider the needs of shareholders. We need to maintain our status as a listed company and fully safeguard the interests of shareholders.” (Interviewee 2)

As can be seen, multiple organising principles have shaped the way in which investment decisions are made at Superhydro. The particular procedure of making investment decisions at the firm is conditioned upon the fact that Superhydro is neither a private listed company, nor a pure Chinese SOE, but a ‘listed SOE’. Accordingly, Superhydro has sought to balance the demands and expectations of private shareholders and those of SASAC in the investment decision making process. As the Vice Manager of the Finance Department at headquarters commented:

“[...] we often explain to private shareholders that since we are both a listed firm and an SOE, we have to play by the book of both sides. [...] We follow such a process to avoid conflicts of interest as far as possible.” (Interviewee 3)

Ultimately, following the IPO, given that various parties are involved in the investment decision making process and numerous steps have to be taken before an investment project can be approved, investment appraisal at Superhydro has become ‘more formal and rigorous’ (Interviewee 2). From the perspective of private shareholders, this formalisation allows them to participate more directly in the investment activities of the firm. SASAC welcomes this increase in formalisation, since the IPO of Superhydro was consistent with the government agenda of ‘formalising the management systems of central SOEs’ (Interviewee 1). This increased formalisation, according to a Senior Manager of the Finance Department at headquarters, is actually a ‘positive sign’ for Superhydro itself (Interviewee 2). Indeed, Superhydro is still being corporatised. Its IPO has been a crucial step forward for the firm in developing formal management practices and becoming a modern business enterprise (Interviewee 5). Now that investment appraisal has had some ‘positive’ changes and become more formalised, Superhydro appears better equipped to compete in the

marketplace, achieve its growth ambition, and become financially successful. In this sense, the increased formalisation of the investment decision making procedure appears to align the interests of private shareholders, SASAC, and Superhydro itself.

In addition, the selection of the criteria used to evaluate investment projects has been guided by multiple organising principles following the IPO of Superhydro. The institutional demands faced by the firm after it was listed have triggered some ambiguities and confusions regarding the most appropriate decision criterion. The indicators included in the feasibility reports for investment projects appear to be guided by capital market logic, particularly the notion of shareholder value. They clearly emphasise the expectations and interests of private shareholders. As a Senior Manager of the Strategy Department at Subsidiary Alpha stated:

“Being responsible for our shareholders is the bottom line. [...] We seek to enhance the accuracy of our forecast prior to making an investment. We do not allow any adjustment to be made once the project has been approved by the Board and shareholders. The indicators in the feasibility report are promises made to them.”
(Interviewee 14)

Accordingly, following the IPO of Superhydro, there has been an emphasis on investing in projects that may increase ‘profitability’ from the perspective of private shareholders, i.e., projects with positive returns. The firm has aimed to avoid investing in projects that would have a negative effect on its profitability, measured by profit margin and return on investment, which private shareholders mainly focus on. To ensure that a project is profitable as perceived by private shareholders, there has been a corresponding emphasis on risk management of investment projects. Any risk associated with a project that may harm the profitability of Superhydro or destroy shareholder value is assessed, monitored, and managed closely. As a Senior Manager of the Investment Department at Subsidiary Alpha explained:

“[...] our private shareholders care more about how profitable we are [and] focus their attention on our profitability indicators. [...] we have to try to avoid any potential risk associated with a project that might have a negative effect on our profitability.”
(Interviewee 13)

However, according to a Manager of the Control Division of the Finance Department at headquarters (Interviewee 4), even though an investment is predicted to generate a positive return, this is not always enough to be accepted. Instead, an investment whose return is predicted to exceed a particular rate of return is preferred. This criterion is linked closely to the EVATM indicator adopted by SASAC. As discussed before, generating a return above the cost of capital is a major criterion used by SASAC to evaluate the financial performance of an SOE. In this way, SASAC has clearly influenced the decision criteria used by Superhydro to evaluate its investment projects. Nevertheless, an investment that generates a return exceeding the cost of capital would also potentially benefit private shareholders, who tend to focus merely on earning positive returns, and give them greater rewards than asked for. Investment appraisal based on EVATM-related criteria hence may not contradict the notion of shareholder value understood at Superhydro. Furthermore, Superhydro only makes investments ‘within the areas of its main operations’ (Interviewee 4). This is mainly because the returns from areas outside the main operations of the firm would be halved when the EVATM of the whole firm is calculated and assessed by SASAC (Li et al., 2012).

Within the areas that fit Superhydro’s investment criteria, investment decisions ‘have to be made in line with the development plan of the firm’ (Interviewee 13). This implies that any investment

made by Superhydro needs to help the firm to ‘become large and become strong’ and to fulfil its ambition of becoming one of the Fortune Global 500 corporations. Corporate logic, which has been evident at Superhydro since its corporatisation started in the early 1990s, does not seem associated with any specific financial criterion for evaluating investments. However, this logic points towards the strategic aspect of investment projects and hence has guided the investment appraisal practices of Superhydro from a different perspective. In some way, such a strategic focus is considered more important than the financial criteria attended to by SASAC or private investors. Investing in projects consistent with the strategic goals of Superhydro may eventually satisfy collective interests and meet common expectations. As a Senior Manager of the Finance Department at headquarters explained:

“[...] we need to act in accordance with the long-term strategic plan of the company as a whole. Even if a project involves a high initial outlay and is estimated to generate a low short-term return, jeopardising short-term profitability or EVA, we would still make that investment as long as it facilitates the achievement of the firm’s long-term strategic goal. This is for the long-term development of the firm. Our shareholders would benefit eventually. I think this is one of the advantages of being an SOE. We could trade off short-term benefits to obtain more substantial long-term benefits.”
(Interviewee 2)

To summarise, to maintain its status as a ‘listed SOE’, investment appraisal at Superhydro is implemented in a way that encompasses the multiple institutional demands that the firm has faced following its IPO. The organising principles associated with these logics appear to be enmeshed in some aspects of the investment appraisal practices of the firm. This appears to exemplify so-called ‘blended hybridisation’ (Greenwood et al., 2011: 352). Meanwhile, some degree of inconsistency between multiple logics is reflected in other aspects of these investment appraisal practices, such as the choice of decision criterion, resulting in a ‘structurally differentiated hybrid’ (ibid.: 354). The different ways in which multiple organising principles guide investment appraisal practices support the hybrid nature of Superhydro.

7. Discussion

In this study, we have set out to investigate the reconfiguration of MA practices in newly listed firms that face multiple institutional demands following an IPO. By looking at a Chinese SOE that was listed recently, namely Superhydro, we have demonstrated that the interplay of multiple logics, including State, corporate, and capital market logics, guides MA implementation. This paper has also shown that different MA practices encompass institutional demands in diverse ways and to varying degrees. Altogether, MA functions as a hybrid practice, helping to maintain the hybrid status of Superhydro as a ‘listed SOE’. This paper has made two main contributions. First, it extends the literature on IPOs by providing an in-depth analysis of how MA is implemented and why it functions in particular ways in firms following an IPO, and by exploring the influences of a broader set of beliefs, rationales, and expectations on the MA practices of newly listed firms. Second, by drawing on the perspective of institutional logics, this paper extends prior research addressing the dynamics between institutional complexity and MA adoption by individual organisations and enriches our understanding of how the hybrid nature of hybrid organisations may be sustained through the deployment of MA practices.

7.1 *IPOs and management accounting practices*

An IPO is a significant corporate event. The influence of IPOs on the ownership structure, corporate governance, and financial reporting of newly listed firms has been documented extensively in the literature. However, studies addressing whether, how, and why IPOs shape the MA practices of newly listed firms are relatively limited, and the findings generated so far are inconclusive and partial. Some research has suggested that IPOs may prompt newly listed firms to change their MA practices (Kraus and Strömsten, 2012; O'Connor et al., 2004; O'Connor et al., 2006; Von Eije et al., 2004). However, Davila (2005) finds that IPOs did not lead small, young, and growing firms in Silicon Valley to change their control systems into more formal ones. Hence, there is a need to further explore how IPOs trigger changes in the MA practices of firms following their IPOs. In addition, some research has revealed that pressures from capital markets tend to push newly listed firms to deploy short-term financial indicators as performance measures and as bases for incentive systems (Kraus and Strömsten, 2012). These firms may even give up using budgets for the purpose of target setting. Instead, the financial goals contained in the IPO prospectus may become the target against which future performance is measured (ibid.). However, these insights are from research that considers only the influence of pressures from financial markets on MA practices. Prior research has mainly attributed changes to MA in newly listed firms to the influence of capital markets. It has failed to consider circumstances where pressures from capital markets interact with other institutional demands to guide MA implementation.

This study has not only confirmed existing research reporting that IPOs may cause newly listed firms to reconfigure their MA practices. It has also provided detailed field-based evidence on how MA is implemented in a Chinese SOE following its IPO. Some of this evidence, however, appears to disagree with prior research, owing in part to the specific nature of our chosen case firm. For instance, following its IPO, Superhydro has indeed employed some short-term financial indicators as measures of performance, such as profit margin, return on investment, and earnings per share. Due to the strong influence of SASAC, EVATM has also been a key criterion in its performance evaluation system. Furthermore, unlike the Swedish companies that Kraus and Strömsten (2012) examine, Superhydro has continued to use budgets as a target setting tool following its IPO. Whether the targets set within budgets are achieved is an important issue that private investors, SASAC, and Superhydro all pay attention to. In addition, differing from Davila (2005), we have found that both the budgeting procedure and the investment decision making process of Superhydro have become more formalised following its IPO. Multiple parties are now officially involved in the budgeting and investment decision making processes and numerous steps have to be closely followed before a budget can be finalised and an investment decision made. In short, while our findings might be specific to the type of organisations that we have examined, namely listed SOEs in China, we have provided important insights into the possible ways in which MA may be implemented in firms following an IPO.

To go one step further, this paper has investigated why MA operates in particular ways within Superhydro and hence shed more general light on the conditions under which MA is implemented in newly listed firms. We have demonstrated that pressures from capital markets, which are typically imposed on newly listed firms, may interact with other institutional demands to shape their MA practices. A listed SOE in China, such as Superhydro, provides us with a suitable setting to examine how the implementation of MA is guided by the interplay of different beliefs, rationales, and expectations deriving from the institutional environment following the IPO. Specifically, following its IPO, the MA practices of Superhydro have clearly been influenced by pressures from capital markets. The notion of shareholder value and the belief that satisfying the interests of private investors is an imperative have driven the adoption of certain MA practices by the firm,

such as the use of profitability-related measures for divisional performance evaluation. However, the State has continued to exert a strong influence, requiring Superhydro to meet government requirements, protect State assets, and achieve national goals; such requirements have led Superhydro, for instance, to devise budget targets in line with the planned growth rate of the national GDP. Furthermore, Superhydro has been in the process of corporatisation since the early 1990s. The belief that an SOE is an independent business entity having the responsibility to grow in size, manage its performance, and become successful in product market competition has been introduced. This belief, for example, has pushed Superhydro to make investments that align with its strategic plans focusing on ‘growth’. With these important insights, this paper has gone beyond the existing literature on IPOs and accounted for the influences of a wider set of organising principles on the MA practices of newly listed firms. It has demonstrated that emerging and extant institutional forces may interact with each other and jointly affect the ways in which MA operates.

7.2 *Management accounting, institutional logics, and hybrid organisations*

For this study, to make sense of our empirical data, we have drawn upon the perspective of institutional logics (Besharov and Smith, 2014; Greenwood et al., 2011; Thornton et al., 2012). This perspective has been used by accounting scholars to examine the dynamics between institutional complexity and MA adoption by organisations along two main dimensions. First, some scholars have explored the use of MA to make compromises between different logics faced by organisations (Carlsson-Wall et al., forthcoming; cf. Reay and Hinings, 2009). Second, others have focused on how multiple logics and any conflict or compromise between them are reflected in MA practices (Amans et al., 2015; Ezzamel et al., 2012). By examining the ways in which MA operates to respond to the multiple institutional demands faced by newly listed firms following an IPO, this paper aligns with the latter body of scholarship. However, prior studies in this area have focused mostly on one MA practice at a time (mainly budgeting) and examined how budgeting responds to plural institutional pressures. They have mainly emphasised the ways institutional complexity is handled across different firms. Accordingly, prior research has neglected the circumstances in which different MA practices embody institutional logics in diverse ways and to varying degrees even within a particular organisation.

In this paper, we have shown that Superhydro has faced three salient institutional logics following its IPO, i.e., State, corporate, and capital market logics. At first sight, these logics seem to correspond to different organising principles guiding organisational practices towards different directions. However, our fieldwork has revealed that they are actually perceived as somewhat compatible within Superhydro. This means that one logic is ‘not fully aligned with the ‘other’ but can accommodate it’ (Smets and Jarzabkowski, 2013: 301). This is the case even for the relationship between State logic, which Superhydro is attached to naturally as an SOE, and capital market logic, which has recently been imposed onto the firm following its IPO. For example, at Superhydro, maximising shareholder value is considered to be ‘not that different from meeting the targets set by SASAC’ (Interviewee 15). Ultimately, the relative compatibility of these logics is conditioned upon the status of Superhydro as a ‘listed SOE’. With this particular status established, the firm has sought to balance and reconcile the influences of different beliefs, rationales, and expectations deriving from its institutional environment. Of course, the exposure of Superhydro to multiple logics is in large part driven by the State. Superhydro is an SOE and its corporatisation has been guided by the government. The IPO of this firm was approved and supported by the State, which has been guiding the development of the Chinese stock market as a way to further reform the Chinese economy (Green, 2003). We argue that within this particular institutional context in China, where the State dominates many aspects of economic life, firms with the status of ‘listed

SOEs' may see the multiple logics they face as compatible. While these insights might be specific to the empirical setting under investigation, our study echoes Greenwood et al. (2011: 332; cf. Amans et al., 2015) and provides further evidence that logics are not always incompatible, but may reinforce each other.

The various institutional logics faced by Superhydro following its IPO, as this paper has demonstrated, are indeed reflected in the MA practices of this firm. We have focused on three key MA practices: budgeting, performance evaluation based on KPIs, and investment appraisal. We have shown how compatibilities and compromises between multiple logics are built into these MA practices, but in different ways and to varying degrees. For budgeting, target setting and the overall budgeting procedure that we have examined bind multiple logics together, leading to logic blending (Besharov and Smith, 2014; Binder, 2007; Greenwood et al., 2011). In contrast, practices related to performance evaluation based on KPIs are partitioned and compartmentalised, responding to separate and different institutional demands (Goodrick and Reay, 2011; Greenwood et al., 2011). This implies that while the different institutional forces are still seen to be compatible with each other, they may not be enmeshed fully into one particular aspect of performance evaluation practices, such as the selection of performance indicators. For investment appraisal practices, while some inconsistency between the logics is reflected in certain aspects (e.g., the choice of investment decision making criterion), others tend to link the logics together. Overall, there is no uniform way in which MA is reconfigured in the context of institutional complexity. How the interplay of different beliefs and prescriptions guides MA implementation depends on the particular aspect of MA practices under investigation. MA tends to respond to, connect, and mediate elements of multiple logics to fit the particularities of a specific problem or dimension of organisational life (cf. Lander et al., 2013; Thornton, 2004). While the existing literature on institutional logics tends to focus on inter-organisational practice variation (Lounsbury, 2008), this paper extends this literature by revealing that institutional complexity may also lead to intra-organisational variation in practice.

By encompassing elements of multiple logics, as we have demonstrated, MA practices have helped Superhydro to sustain its status as a 'listed SOE' following its IPO. A listed SOE, in this paper, is viewed as a 'hybrid organisation' (Battilana and Dorado, 2010; Battilana and Lee, 2014; Greenwood et al., 2011; Pache and Santos, 2013). To maintain its hybrid nature, Superhydro has sought to strike a balance between the various beliefs, rationales, and expectations that it faces. In particular, one important way that Superhydro has chosen to maintain its hybrid nature is the reconfiguration and implementation of different MA practices, which function as 'hybrid practices' (Amans et al. 2015; Goodrick and Reay, 2011; Miller et al., 2008; Smets and Jarzabkowski, 2013; Smets et al., 2012). In its early life as a listed SOE, regardless of whether MA was implemented to respond to plural institutional demands, mediate different organising principles, or balance elements of multiple logics, MA rendered the hybrid status of Superhydro as a 'listed SOE' stable. The hybrid status of the firm, we argue, conditions the hybrid form that its MA takes. In turn, MA functions in a hybridising fashion to help Superhydro in its early stages as a listed SOE to maintain its hybrid nature. What our paper has reported differs from the situation in Canadian health care organisations that Reay and Hinings (2009) have examined. In such organisations, the logics of medical professionalism and business-like health care were seen to be in competition; as a result, localised structures and systems were developed to manage the rivalry of competing logics. For Superhydro, the various logics it has faced following its IPO have often been perceived as compatible. MA reflects and reinforces the compatibility between multiple institutional demands and ensures the hybrid nature of the firm is maintained. Overall, this paper has looked at listed SOEs in China, a particular type of hybrid firm that the literature on institutional logics has neglected so far. Prior research has pointed towards certain activities,

structures, and processes, termed ‘hybrid organising’ (Battilana and Lee, 2014), that can render the hybrid nature of hybrid organisations sustainable. This paper has added to this particular line of research and further developed our understanding of how a hybrid nature may be maintained through the deployment of MA practices.

8. Conclusion

This paper has focused on the implementation of MA practices in newly listed firms following an IPO. We have shown that in addition to the pressures from capital markets that newly listed firms are unavoidably exposed to, they may also be subject to the influences of other beliefs, rationales, and prescriptions deriving from their institutional environment. By investigating Superhydro, a Chinese SOE that was recently listed, this paper has revealed that the co-existence of multiple institutional demands may create the need for sense making about their implications for the status, mission, goal, orientation, and priorities of newly listed firms. The interplay of plural institutional logics also conditions how different MA practices are reconfigured in firms following their IPO.

For analytical purposes, we have defined and distinguished between State, corporate, and capital market logics, though this distinction in practice might not be clear-cut within the Chinese context. Our empirical analysis has revealed that these logics are interpreted within Superhydro, our case firm and a listed SOE, as compatible and able to accommodate each other. However, at the current stage, the influence of corporate logic on Superhydro may not be as strong as that of the other two. For instance, corporate logic is often overruled by State logic, reflecting the nature of State ownership, and indicating Superhydro’s lack of full autonomy and the need for further corporatisation.²² As time goes by, the effect of corporate logic may become stronger, and the relative compatibility of the logics and the nature of their interaction may alter. A possible shift in the balance of multiple logics and a change in the interplay of different institutional demands may create new ambiguities and tensions, posing a threat to the hybrid nature of the firm in the long term. For future research, one may investigate how MA is redesigned to respond to shifts in the ‘constellation’ of logics (Goodrick and Reay, 2011) and the extent to which it can still help to maintain the hybrid nature of a listed SOE. Additionally, the existing logics might become less compatible in the long term, perhaps due to an environmental disturbance. Future research may analyse how MA can manage conflicts between multiple institutional forces (cf. Carlsson-Wall et al., forthcoming; Reay and Hinings, 2009).

For this study, listed SOEs in China have constituted a novel organisational setting for us to examine how MA is shaped not only by pressures from capital markets, but also by other institutional demands, following an IPO. The identification of three key institutional logics, i.e., State, corporate, and capital market, and the discussion of their effects were grounded in empirical evidence from the particular case firm under investigation. We do not claim that these three logics are the only ones faced by listed SOEs in China. By focusing on them, however, we have thrown light on the dynamics between institutional complexity and MA adoption by firms. For future research, one may discover whether any other salient logic is evident in the field of Chinese SOEs and analyse how it interacts with State, corporate, and capital market logics to guide MA implementation. In particular, Chinese SOEs listed in overseas stock markets may be influenced by more complex institutional pressures. The ways in which MA is reconfigured in these firms may be more sophisticated. Meanwhile, one can interpret our findings relating to MA

²² It has been suggested that, after almost 40 years of corporate reforms, SOEs in China need to be further corporatised. See: http://news.xinhuanet.com/english/2015-09/13/c_134620127.htm (access on 16 May 2016).

implementation in a newly listed firm facing institutional complexity to have special ‘Chinese characteristics’ (Ezzamel and Xiao, 2015). To formulate a more general theory addressing how and why MA operates in particular ways in firms following an IPO, future research might examine a listed SOE operating in a different emerging country. One could also investigate a firm that used to be a public service organisation and is now listed on the stock exchange, such as Royal Mail in Britain. Beliefs and rationales associated with public service may not entirely fade away in such an organisation after its IPO is implemented. They may interact or even collide with capital market logic to shape organisational practices, including MA.

In summary, while the future research identified above is needed, the present paper, which is informed theoretically by the perspective of institutional logics, has demonstrated with in-depth field-based empirical evidence that the interplay of multiple institutional pressures and expectations guides and shapes MA implementation in newly listed firms following an IPO. This paper has also revealed that different MA practices encompass institutional demands in diverse ways and to varying degrees, yet as hybrid practices that help to maintain the hybrid nature of newly listed firms.

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Table 1 Information about interviewees

Superhydro	Interviewees	No. of Interviews
Headquarters	Chief Financial Officer (Interviewee 1)	1
	Senior Manager of the Finance Department (Interviewee 2)	2
	Vice Manager of the Finance Department (Interviewee 3)	1
	Manager of the Control Division of the Finance Department(Interviewee 4)	1
	Manager of the Plan Division of the Finance Department (Interviewee 5)	1
	Senior Manager of the Investment Department (Interviewee 6)	1
	Assistant Manager of the Investment Department (Interviewee 7)	1
	Senior Manager of the Strategy Department (Interviewee 8)	3
	Senior Manager of the Human Resource Department (Interviewee 9)	1
	Assistant Manager of the Human Resource Department (Interviewee 10)	1
Subsidiary Alpha	Chief Financial Officer (Interviewee 11)	1
	Senior Manager of the Finance Department (Interviewee 12)	1
	Senior Manager of the Investment Department (Interviewee13)	1
	Senior Manager of the Strategy Department (Interviewee 14)	1
Subsidiary Beta	Chief Financial Officer (Interviewee 15)	1
	Senior Manager of the Finance Department (Interviewee 16)	1
	Vice Manager of the Finance Department (Interviewee 17)	1
	Senior Manager of the Investment Department (Interviewee 18)	1

Table 2 Illustration of the thematic scheme

Theme	Exemplary Interview Quotations
<p>State logic: is related to the belief that the economic and political interests of the nation should be given priority; is associated with objectives of meeting the requirements of the government and governmental agencies, complying with national regulations, protecting State assets, and achieving national goals.</p>	<p><i>“SASAC will not press us to invest in any project which we have no interest in. More often, it is us who approach SASAC to seek approval for certain projects. If a project requires a substantial amount of investment up front, we need to go through several rounds of discussion with SASAC.” (Interviewee 3)</i></p> <p><i>“[...] we are required by SASAC to measure the performance of the whole firm based on EVATM. EVATM, accordingly, has become an indicator that we use internally to evaluate the performance of business units and divisions [...]. (Interviewee 3)</i></p>
<p>Capital market logic: is related to the belief that the interests of private investors always come first; is associated with goals of enhancing shareholder value, increasing share price, and meeting the expectations of financial market participants, such as institutional investors, fund managers, and the stock exchange.</p>	<p><i>“Following the IPO, we do feel the pressure from the capital market. We have now started to emphasise operating efficiency and focus on profitability. [...] We have also aimed to decrease our operating costs [...]. Hopefully, these can ultimately be translated into enhanced shareholder value” (Interviewee 14)</i></p> <p><i>“We always set targets within our budgets every year. [...] Previously, if we set an ambitious target, SASAC might feel that we were doing well and not in need of their support. We tended to set a less ambitious one and continued to gain its support. Following the IPO, we are competing with other listed firms in capital markets. [...] As a listed firm, we cannot say to the investing public that we are incapable [...]. We have to make sure that the capital market will not lose confidence in us. Accordingly, our targets are now set to be higher and more challenging.” (Interviewee 3)</i></p>
<p>Corporate logic: is related to the belief that an SOE is an independent business entity, having the responsibility to manage its performance and the imperative to grow in size; is linked to aspirations of succeeding in product market competition and developing advanced management practices.</p>	<p><i>“[...] due to severe product market competition, we are increasingly imposing a higher standard on ourselves. For instance, the real estate sector is becoming more important to our firm. Since the real estate market is getting more competitive, we are aiming higher accordingly.” (Interviewee 12)</i></p> <p><i>“[...] we are intrinsically driven to do our job well. [...] If budgets are not properly prepared, we may end up with severe problems in capital management and run the risk of becoming insolvent. Sometimes, we see this pressure to be even greater than that imposed by SASAC and the capital market.” (Interviewee 15)</i></p>

<i>Alignment of multiple logics</i>	<p><i>“From the perspective of SASAC, we only need to keep pace with the growth of national GDP. [...] Shareholders demand for a certain level of return, so our EPS has to grow. Basically, if we could meet the requirements of private shareholders, we could also satisfy SASAC. [...] there is little conflict between the requirements of SASAC and those of private shareholders, as the former are usually lower. (Interviewee 3)</i></p> <p><i>“Our listed parent company is always trying to balance between SASAC’s requirements and those of private shareholders in capital market. As a subsidiary of a listed firm, we do not face the investors directly. [...] We are accountable towards our listed parent company, which transmits pressures from the capital market to us with a lag.” (Interviewee 14)</i></p>
<i>Mis-alignment of multiple logics</i>	<p><i>“[...] private investors focus mainly on a firm’s potential to create value. [...] SASAC attends to the stability of an SOE and its risk control over State assets. [...] This concern by SASAC with the risk management of SOEs would lead to more effective prevention of risk on one hand, but inevitably lower operational efficiency on the other. [...] For investors, they can analyse a firm’s financial ratios and decide whether to take the risk themselves. SASAC, however, has to take control over the risk of state-owned assets.” (Interviewee 14)</i></p> <p><i>“SASAC now expects us to achieve a certain growth rate every year. [...] This growth rate [...] is consistent with the planned growth rate of the national GDP. Private shareholders, however, [...] do not normally impose any requirement directly. They concern whether their own interests are protected. They are more focused on assessing whether we have achieved whatever we have promised in the budgets.” (Interviewee 17)</i></p>

Table 3 Key institutional logics in the field of Chinese SOEs (table categories adapted from Thornton et al., 2005)

Feature	State logic	Corporate logic	Capital market logic
Sources of identity	SOE as an integral part of the State bureaucracy	SOE as an independent legal business entity	SOE as an investment object
Sources of legitimacy	Economic and political interests of the State	Position of firm in product markets; scale of firm	Position of firm in capital markets; share price
Sources of authority	Government regulations and policies	Management team; government policies	Shareholder activism; capital market regulations
Basis of mission	Achieve economic and social goals of the nation	Build status position through growth; succeed in product market competition	Enhance shareholder value
Basis of attention	Value of State assets	Products sold in product markets; sales revenue and market share; profit level	Interests of (institutional and individual) investors
Basis of strategy	Follow guidelines and policies set by the State and State agencies	Increase scale; develop advanced management practices	Maximise return on equity and increase share price

Table 4 Summary of how management accounting is guided by multiple institutional logics in Superhydro

MA Practice	Institutional Logic	Summary of Findings with Illustrative Interview Quotes
Budgeting	Capital market logic	<p>A budget serves as ‘<i>a promise for investors</i>’. Budget targets are set to be higher and more challenging and are developed in a more precise and thorough manner to meet the expectations of private investors and to promote shareholder value. The binding power of budgets has greatly enhanced as it is crucial for Superhydro to be able to keep its ‘<i>promise for investors</i>’.</p> <p><i>“We have to make sure that the capital market will not lose confidence in us. Accordingly, our targets are now set to be higher and more challenging [...].” (Interviewee 3)</i></p> <p><i>“It is the same rolling budget that we have been using. However, the pressure to achieve the targets set within budgets is much higher [...] the targets are set, as we have attempted, in a more precise and thorough manner.” (Interviewee 2)</i></p>
	State logic	<p>Budget targets are set in light of the planned growth rate of the national GDP set out in the Five-Year Plan. Budgets need to be reviewed and approved by SASAC before being finalised.</p> <p><i>“SASAC now expects us to achieve a certain growth rate every year. [...] This growth rate [...] is consistent with the planned growth rate of the national GDP.” (Interviewee 17)</i></p> <p><i>“SASAC certainly influences our budgeting process. We first submit our budget to company headquarters. It then incorporates our budget into the budget of the entire firm and submits it to SASAC.” (Interviewee 12)</i></p>
	Corporate logic	<p>The attention to ‘growth’ when setting budget targets is guided by the corporate logic, which directs Superhydro to seek to become financially successful, win over competitors in product markets, and ultimately ‘<i>become large and become strong</i>’.</p> <p><i>“[...] we are intrinsically driven to do our job well. [...] If budgets are not properly prepared, we may end up with severe problems in capital management and run the risk of becoming insolvent. Sometimes, we see this pressure to be even greater than those from SASAC and the capital market.” (Interviewee 15)</i></p>
	Nature of hybrid practices	<p>Budgeting at Superhydro has become a more formal management practice. This formalisation offers private investors the opportunity to provide input into the budgeting process, aligns with SASAC’s agenda of formalising the management systems of central SOEs, and allows Superhydro to create a ‘formal management’ corporate image. The interests of private shareholders, SASAC, and Superhydro are enmeshed in the budgeting process. This resembles so-called ‘blended hybridisation’ leading the hybrid nature of Superhydro to be maintained.</p>

Performance evaluation based on KPIs	Capital market logic	<p>Profitability-related indicators, including EPS, profit margin, and return on investment, have been incorporated into the system for evaluating divisional performance. The inclusion of profitability-related measures is essential to operationalise the notion of shareholder value.</p> <p><i>"[...] as private shareholders are seriously focused on profit, maintaining a high profit margin has become one of our objectives." (Interviewee 8)</i></p> <p>The Personnel, Remuneration and Performance Evaluation Committee has been subject to tighter and more explicit regulatory requirements imposed by the stock exchange.</p> <p><i>"There has been a change in the control over executives hiring and remuneration following the IPO. In the past, these were more administrative matters. But now, the whole procedure has to be in compliance with legal requirements. The hiring and remuneration of executives need to be approved by the Board of Directors. We have to issue announcements on these matters to notify our shareholders." (Interviewee 9)</i></p>
	State logic	<p>SASAC has mainly used annual profit and EVATM to assess the overall financial performance of individual SOEs. Accordingly, these two measures are drawn upon to evaluate divisional performance at Superhydro.</p> <p><i>"[...] we are required by SASAC to measure the performance of the whole firm based on EVATM. EVATM, accordingly, has become an indicator that we use internally to evaluate the performance of business units and divisions [...]. (Interviewee 3)</i></p> <p>SASAC has continued to exert a strong influence on the level of remuneration of employees.</p> <p><i>"Our salary level is influenced more by government policies than our listed status. [...] this year, our salary growth rate would drop, because SASAC is exerting control over labour costs." (Interviewee 10)</i></p>
	Corporate logic	<p>Driven by the aim to grow in size, Superhydro has included certain 'scale oriented' measures into its system for evaluating divisional performance: sales revenue, revenue growth rate, monetary amount of newly signed contracts, and newly signed contract growth rate. They facilitate the assessment of how different divisions succeed in helping Superhydro increase its revenue and market share, and in contributing to overall growth in size.</p> <p>Corporate logic has led Superhydro to engage in an initiative to develop a more advanced human resource management system to optimise staff structure and enhance the quality of employees.</p> <p><i>"There may be no direct supervisory requests from the stock exchange, but we do feel the pressure to become more competitive. We have been focusing on staff training to improve the quality of our workforce, which hopefully will meet the need of our development. [...] We are also in the process of developing a more refined and advanced compensation scheme." (Interviewee 9)</i></p>

	Nature of hybrid practices	Different aspects of performance evaluation practices are guided by different logics. This seems to resemble ‘structurally differentiated hybrid’ where performance evaluation practices are partitioned and compartmentalised, responding to multiple institutional demands. This segmentation still allows the status of Superhydro as a ‘listed SOE’ to be maintained.
Investment Appraisal	Capital market logic	<p>Investment projects are evaluated and reviewed by the Board of Directors and shareholders at the AGM. In this way, the voices of private shareholders are heard and their interests considered in the investment decision making process. There has been an increase in the amount of information about proposed investments communicated within the firm and the information has become more detailed. This information, according to financial market regulations, is publicly disclosed on a timely basis. Also, criteria used for evaluating investment projects are linked to expectations of capital markets and to the notion of shareholder value.</p> <p><i>“Being responsible for our shareholders is the bottom line. [...] We seek to enhance the accuracy of our forecast prior to making an investment. We do not allow any adjustment to be made once the project has been approved by the Board and shareholders. The indicators in the feasibility report are promises made to them.” (Interviewee 14)</i></p>
	State logic	<p>Investments need to be approved by SASAC, although SASAC does not push Superhydro to invest in a project that the firm has no interest in. The influence exerted by SASAC on the investment decision making process tends to dominate. It is SASAC that normally has the final say on which investment to go ahead and specify which areas the firm can invest in.</p> <p><i>“We have to go back and forth to get final approval from SASAC. They may have many concerns which we need to address one by one. They will give us final approval only when all their concerns have been addressed. [...] If a project requires a substantial amount of investment up front, we need to go through several rounds of discussion with SASAC.” (Interviewee 3)</i></p> <p>Consistent with the emphasis by SASAC on EVATM, an investment is only made when its return is predicted to exceed a required rate of return. In this way, SASAC influences the selection of decision criterion by Superhydro to evaluate its investment projects.</p>
	Corporate logic	<p>Within the areas where Superhydro finds legitimate to invest under the guidance of SASAC, investment decisions ‘<i>have to be made in line with the development plan of the firm</i>’. Corporate logic points to the strategic aspect of investment projects and has guided the investment appraisal practices from a different perspective.</p> <p><i>“[...] we need to act in accordance with the long-term strategic plan of the company as a whole. Even if a project involves a high initial outlay and is estimated to generate a low short-term return, jeopardising short-term profitability or EVA, we would still make that investment as long as it facilitates the achievement of the firm’s long-term strategic goal. This is for the long-term development of the firm. Our shareholders would benefit eventually. I think this is one of the advantages of being an SOE. We could trade off short-term benefits to obtain more substantial long-term benefits.” (Interviewee 2)</i></p>

	Nature of hybrid practices	<p>Investment appraisal at Superhydro has become a more formal practice. This formalisation offers private investors the opportunity to provide input into the decision making process, aligns with SASAC's agenda of formalising the management systems of central SOEs, and allows Superhydro to become better equipped to compete in product markets and achieve its growth ambition. The interests of private shareholders, SASAC, and Superhydro are enmeshed in some aspects of the investment decision making process. This resembles so-called 'blended hybridisation'. Meanwhile, some degree of inconsistency between multiple logics is reflected in other aspects, such as the choice of decision criterion, resulting in a 'structurally differentiated hybrid'. The different ways in which multiple logics guide the investment appraisal practices of Superhydro support the hybrid nature of the firm.</p>
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