

**Deinstitutionalisation from the perspective of
sensemaking: an empirical investigation of the
Electricity of Vietnam Corporation**

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ABSTRACT

This thesis is a study of deinstitutionalisation seeking to understand the evolvement of deinstitutionalisation process via the lens of sensemaking. It does so by conducting an in-depth qualitative, case study-based empirical study of the processual nature of deinstitutionalisation and the significance of organisational sensemaking during the deinstitutionalisation process. An interdisciplinary approach is adopted drawing insights from various literatures including institutional theory, sensemaking and social psychology. The need for greater understanding of the deinstitutionalisation phenomenon, especially its process is acknowledged after relevant literatures are reviewed. The potential of using microanalysis in examining the deinstitutionalisation process is demonstrated. The sensemaking perspective is thus used to facilitate this processual research.

The findings emerged from this thesis have important implications for the theoretical development of institutional changes, sensemaking and especially deinstitutionalisation. First of all, the model and evidence sheds some light on the nature and development of the deinstitutionalisation process. Secondly, the analytic capacity of the institutional theory especially its descriptive and predictive contents are tested in the context of evolving institutions. The relative strengths of regulative, cognitive and normative influences in non-conventional cultural and institutional contexts extend our knowledge of institutional change and effects. Using sensemaking perspective, the findings also demonstrate the role and power of resistance during institutional processes and explain the possibility of multiple paces and outcomes within a single deinstitutionalisation process. As for sensemaking, crisis sensemaking will be examined in a new context: disaster-struck but not life-

threatening. In practical terms, this study is carried out in an organisational context therefore it has relevant managerial implications. Knowledge gathered here should offer useful insights for businesses, especially managers.

ABBREVIATION

ASEAN	Association of Southeast Asian Nations
BOTs	Build Operate Transfer
CEO	Chief Executive Officer
EVN	Electricity of Vietnam
ERAV	Electricity Regulatory Authority of Vietnam
FDI	Foreign Direct Investment
IPPs	Independent Power Producers
MOI	Ministry of Industry
PECC	Power Engineering Consulting Companies
PCs	Power Companies
PGS	Party General Secretary
SOEs	State-owned Enterprises
VCP	Vietnamese Communist Party
WTO	World Trade Organisation

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CHAPTER 1

Introduction

Our knowledge of deinstitutionalisation is limited, mostly because deinstitutionalisation has been deemed only a by-product of institutional change (Maguire and Hardy, 2009) and not recognised as a proper subject matter. Is it true that deinstitutionalisation is merely a consequence of institutional change like previously thought or is it a significant, complex phenomenon that requires greater attention in its own right? Deinstitutionalisation indicates the breakdown of deep-rooted institutions, which is gravely destructive, potentially more so than institutional change is (Oliver, 1992). If they are two separate phenomena indeed, our current understanding of deinstitutionalisation has barely scratched the surface.

In seeking to enhance our knowledge of institutional processes and organisational behaviours, the use of theoretical perspectives and analytic tools examining microdynamics has been popular among social science researchers. Sensemaking is one of such approaches. According to (Weick, 1995), sensemaking is a vital individual and organisational activity taken in response to unexpected and confusing events. Sensemaking is particularly critical in challenging situations where the need to create consistent shared understandings and mental framework to enable collective action holds the key to survival (Weick, 1993). Organisational sensemaking is therefore as much enlightening about how we react to organisational crises (Gephart, 1993) as it is about identity construction (Pratt, 2000). Given its focus on microprocesses and its ability to explain organisational and individual behaviours under disruptive and stressful situations, the employment of sensemaking perspective in the investigation of deinstitutionalisation might present the missing part of the puzzle as it helps unveil the rationales behind organisational responses, the course of

action as well as explain the diversity of outcomes of institutional and organisational restructuring undertaken when old institutions collapse.

To examine deinstitutionalisation dynamics, I will investigate the national Vietnamese power company. Besides the wealth of information this case has to offer regarding its transformation from central planning mechanism to the new system, this thesis was motivated by my personal interest in research about Vietnam. As one of the ‘children’ of the country, as we Vietnamese often refer to ourselves, I have always wanted to explore its rich history and cultural heritage and to play a part in introducing my homeland to the world. As a management student, I want to use my knowledge to understand the Vietnamese economy and businesses. During my education, one of the questions I often asked myself was ‘What makes us different from other economies?’ Thinking back, Vietnam is always at the back of my mind, the one reference I keep coming back to. My decision to do this PhD project all came down to this curiosity. When I first started thinking about the Vietnamese economy and its history to the present day, I was immediately drawn to institutional theory by its advocacy of broad institutional contexts. For me, it is always about the “Whys” - why people are compelled to behave in certain ways, why Vietnam chose to be a socialist country and why market socialism, not capitalism was chosen to be the new ideal. Institutional theory gave me some but not all of the answers. I found that models of institutional change could not quite depict the depth of the problems, the intense pressures within the Vietnamese economy on the eve of its fall in 1985, or the extent of struggle for solutions and recovery. I needed a model capable of explaining phenomena like the Vietnamese economic reform in 1986 and today’s financial crisis in the West - catastrophe-motivated transformation and to-the-core-deep problems.

In this chapter, I will discuss the research focus, its relevance and contributions to management studies, followed by the conceptualisation of deinstitutionalisation. Research questions will then be formulated based on current gaps of the literature and research methodology will be presented. Finally, an overview of the thesis concludes the chapter.

1.1 Research focus

This thesis is a study of deinstitutionalisation as a distinctive phenomenon, which is motivated by the view that deinstitutionalisation, in fact, is different from institutional change. This is a promising area of investigation partly because it has been subjected to little enquiry in the past. Existing studies on deinstitutionalisation include such empirical domains as permanent employment in Japan (Ahmadjian & Robinson, 2001); American marriage (Cherlin, 2004); beer consumption (Hiaat, Shin and Tolbert, 2009); the decline in the use of DDT (Maguire and Hardy, 2009). This study contributes to the literature by developing a sensemaking perspective on deinstitutionalisation in organisational settings. In particular, the focus is on the process triggered by destabilising conditions or crisis and shaped by the interaction between external environments and firm characteristics. A disaster-driven concept of deinstitutionalisation is particularly relevant nowadays for we are witnessing organisations and even large fields like the financial sector struggle to deal with the crumbling of long-standing institutions. Understanding the discourse of deinstitutionalisation, not just the outcomes, gives better indications of where the recovery plan might go wrong and possible solutions to set it right.

The approach adopted here is an interdisciplinary one. In order to understand the link between institutional processes and sensemaking, a new theoretical framework is

needed, which integrates theoretical foundations from management studies and social psychology of organisations. Notwithstanding, this is ultimately a study of organisations, their management institutions and the thoughts and behaviours of their people. It therefore strongly relates to studies of organisational behaviours and strategic management.

By definition, deinstitutionalisation starts where existing institutions in core organisational areas fail to provide meanings, schema (mental framework) and guidance to behaviours in daily routines, leading to the abandonment of these institutions. Deinstitutionalisation is caused by ill-timed, insufficient actions when old institutions have become obsolete with surrounding environments to the extent that mere institutional change would not resolve the problems. This failure beckons the emergence of new ones, the ones endowed with brand new appropriate logics hence capable of bringing orders back into the out-of-shape system. Deinstitutionalisation process is the transitional period where it (often but not necessarily always) starts off with some kind of upheaval associated with a possibility of major disruption. There are various degrees of deinstitutionalisation. Indicators of deinstitutionalisation can range from mere weakening of old beliefs to the complete abandonment of existing practices (Oliver, 1992). Examples of deinstitutionalisation can be found in many aspects of both organisational life and normal circumstances. They are parts of evaluation exercises that we all do, consciously or unconsciously, where we find existing ways of thinking, doing things are no longer appropriate and we actively seek for more competent replacements. In modern day history, phenomena like the departure of socialism and the closed market system in many Eastern European and Asian economies or more recently, the crisis of financial system in Europe are among the best exemplars of deinstitutionalisation.

In every case, it starts with a disaster (in case of European financial market) or a major disruption (in the form of performance crisis in socialist markets).

Deinstitutionalisation is an organisational process worthy of interests and investigation in its own right because the deinstitutionalisation process is marked with an unknown, unstable and often dangerous situation with a sense of emergency that warrants close and immediate attention. Dramatic measures are often required in order to repair problems of such magnitude. Needless to say, failure to make sense of the situations at hand inevitably results in catastrophic breakdown of the entire organisational system. The manner by which this event is handled hence determines the survival of the whole organisation. The mere recognition of the need for alternatives marks the beginning of deinstitutionalisation process even though signs of deinstitutionalisation might not yet be visible. Later on, new philosophies and practices are substituted for old ones, signalling a more advanced stage of deinstitutionalisation.

The pivotal role sensemaking plays during the whole deinstitutionalisation process is unquestionable; but perhaps, further elaboration is needed as to the particular kind of sensemaking undertaken at different points in the deinstitutionalisation process. In a nutshell, sensemaking is an ongoing mental activity undergone with or without the agent's awareness. This notion emphasises the distinction between conscious or sub-conscious sensemaking (Weick, 1995). The fact that deinstitutionalisation might get underway the very moment individuals start to question the credibility of the ideals they hold so dear, yet have the initiative to take action illustrates the ability of sub-conscious sensemaking to isolate the inconsistencies hidden in the taken-for-granted institutions. On the contrary, conscious sensemaking is activated by tangible disruptions whereby some problematic events directly call for action. These events

signify the moment that individuals switch from sub-conscious to conscious sensemaking in a bid to restore the lost orders and to create a more competent alternative. These events are therefore referred to as 'switching events' applied to the sensemaking process during deinstitutionalisation.

The crisis-driven conceptualisation of deinstitutionalisation bears some similarities with the notion of "critical period", which is defined as *the period of the unfolding of a disaster*, (Stein, 2004, p.1244). The critical period follows the incubation period and begins with precipitating events caused by disasters (Stein, 2004). Although both institutional changes and deinstitutionalisation are motivated by changes in the surrounding environments (social, political and functional factors discussed by Oliver, 1992), institutional changes are incremental in nature whereas deinstitutionalisation should be viewed as radical transformation. Moreover, while both processes are driven by institutional failures, institutional change occurs when problems lie in non-core areas of institutions and these problems are acknowledged and dealt with in a timely manner and accurately. In other words, core aspects of the institutions in question must remain relevant in the present environments and to organisational performance. On the contrary, deinstitutionalisation commences when no adjustment has been made to poorly performed but pivotal aspects of institutions leading to disastrous situations and a replacement of the obsolete old system eventually. From this perspective, incremental institutional change welcomes a mixture of old and new institutions whilst for deinstitutionalisation, the most signature aspects of the old institutions are no longer desired for they are the cause of devastating institution failures. The expected outcomes of deinstitutionalisation are rightly the desertion of old institutions replaced with brand new alternatives or the return of previously successful institutions.

In this respect, conceptualisation of deinstitutionalisation in this study follows the same argument proposed by Weber and Glynn (2006). Here, the way events associated with institutions initiate deinstitutionalisation thus providing occasions for conscious sensemaking is also the triggering mechanism institutions have on sensemaking discussed in Weber and Glynn (2006). The authors offer three mechanisms (priming, editing, triggering) that institutions might influence sensemaking, apart from exerting constraints. My study of deinstitutionalisation, however, focuses on the triggering and constraining effect i.e. how institutional inconsistencies pave the way for events that set off deinstitutionalisation and how institutions provoke resistance or impetus for the deinstitutionalisation process. Though priming and editing mechanisms do not explicitly feature, their presence can be noticed during the “social negotiation” stage of the deinstitutionalisation process. My study augments Weber and Glynn’s paper by elaborating the interrelationship among these mechanisms and its role in shaping the sensemaking process. Initiated by the triggering effect, sensemaking facilitates institution transformation, yet is still constrained by old institutional traits. This constraining effect continues to work alongside priming and editing mechanisms throughout the whole discourse of deinstitutionalisation. On the one hand, old institutions limit which cues get noticed to agents (against those highlighted by institutional entrepreneurs) and hinder their acceptance of new ideas. On the other hand, institutions edit sensemaking at the organisational level via the process of social negotiation and justification. And lastly, priming enables agents to accept and adapt to new identities created by new institutions by highlighting the prominent aspects of new identity within the current situational context. These mechanisms work together and sometimes against one another (constraining and triggering effects) in shaping the sensemaking process hence the pace and outcome of deinstitutionalisation.

The use of sensemaking insights to explain deinstitutionalisation in this study, rather than any other cognitive approach is partly motivated by the limited capability of cognitive factors (such as perception and interpretation) to explain an unprecedented phenomenon full of unknown elements like deinstitutionalisation. By “interpretation”, the act is meant as an attempt to understand the meanings and relationship of data that is already in comprehensible and logical forms. Interpretation is therefore an allocation act of putting data into categories so they can be accessed at a later stage. On the contrary, sensemaking is the act of exploration and discovery where the unknown, illogical and incomprehensible at first can be given some meanings and connection to the pre-existing mental framework. This is exactly the reason why cognitive factors like perceptions are not able to grasp the nature of deinstitutionalisation because for an unprecedented events filled with uncertainty, ambiguity and anxiety, old perceptions are no longer useful and there is no readily accessible data for new perceptions to form. Before data become interpretable and useful, they must be recognised as relevant and important. This is the act of making sense. In addition, cognitive approaches view individuals largely as information processors and do not conceptualise them to have feelings, emotions, faith and motives. In contrast, sensemaking offers more useful insights by digging deep down to the utmost motive of why sensemaking and interpretation is made in the first place. The answer is identity construction; in other words, the threat to identity individuals experience when challenged by uncertain and threatening events. Generally, sensemaking is able to accommodate phenomena with disruptions and disaster in nature because the simplest way to describe sensemaking is order, interruption and recovery (Weick, 2005). The process of deinstitutionalisation is very much similar, with old institutions in place (orders), switching events followed antecedents to deinstitutionalisation (interruption) and then restoration of orders and

replacement of alternative institutions (recovery). Finally, while the cognitive process can be solitary and individualistic activities, sensemaking is not. Sensemaking is conceptualised by Weick as a social process that captures the reality and complexity of real organisation life where power and personal motives play a crucial role, not just cognitive capacity. For all these reasons, the sensemaking perspective with a more psycho-sociological approach is indeed more useful and appropriate for the research into deinstitutionalisation than cognitive approaches. Weick's theory of sensemaking provides a useful starting point; however, it needs to be developed to enclose emotions, appreciation of institutional context and power variables to offer more sophisticated understandings of individual and organisational sensemaking and for the study of deinstitutionalisation.

1.2 Research aims and questions

Given the lack of theoretical and empirical work on deinstitutionalisation, this research aims to use sensemaking insights to investigate deinstitutionalisation processes. In addition to considering the antecedents of deinstitutionalisation, my study intends to elaborate the whole discourse starting from the manner in which old institutions are disrupted, the switching events that prompt radical transformation, the course of restoration and alternative institutional creation. Secondly, in an attempt to augment our understanding of institutional effects and organisational behaviours, this study draws on sensemaking theory to document how deinstitutionalisation is influenced by both initiators and recipients of deinstitutionalisation. It is suggested that the ways leaders (sensegivers) and employees (sensetakers) make sense of the need for abandonment of old institutions and the acceptance of new orders play decisive roles in the outcome and pace of

deinstitutionalisation. Accordingly, this study is guided and shaped by two specific research questions as follows:

Question 1: *How does the deinstitutionalisation process unfold?*

Question 1 focuses on a broad picture of the deinstitutionalisation process, which is the process where old and stable institutions are challenged or delegitimated, resulting in the breakdown of daily routines that instigates the search for lost meanings (via sensemaking) and this restoration of order paves the way for new institutions. Deinstitutionalisation is not voluntarily welcomed but rather forced upon organisations that have failed to resolve problems in core areas of institutions. Antecedents to transformation are problems that exist for a considerable period of time but remain unsolved or even unidentified. Functional, political and social actors such as performance problems, change of leadership, workforce diversity, change of social expectations and styles can be expected to play a significant role. As deinstitutionalisation sets in motion, the pace and outcome of the process depend on both internal and external factors. Among others, governments and societal factors might be as influential as internal organisational factors such as cognitive capacity, institutional agents (leadership), emotions (anxiety tolerance and emotional intelligence), the organisational power structure and communication style. These variables interact with one another; their complex and far-reaching interrelationship has a significant impact on sensemaking at both individual and organisational levels.

Question 2: What impact does organisational sensemaking have on the pace and outcome of the deinstitutionalisation process?

Question 2 plans to explore the sensemaking mechanisms underlying organisational response to deinstitutionalisation challenges, which are assumed to significantly influence the rate of institutional transformation (i.e. the pace of deinstitutionalisation) and the final outcome of deinstitutionalisation. Faced with unprecedented and uncertain times, sensemaking insights enlighten how individuals are affected by confusion towards the nature and consequences of unexpected events or by emotions (likely negative) evoked from these disturbances. Accordingly, sensemaking might enable or hinder the process of deinstitutionalisation (via resistance), depending on the length of the sensemaking process and in which direction selected cues and social negotiation take sensemaking. For instance, deinstitutionalisation is said to proceed at a low pace (or even comes to complete stop) if the sensemaking process takes longer to complete due to low anxiety tolerance (or preference for certainty), lack of cues, failure to reach consensus among alternative interpretations, disagreement with leaders and high degree of embeddedness of old institutions.

1.3 Research setting and methodology

The empirical setting is set in the context of a state-owned enterprise of the Vietnamese power sector. In the last few decades, this company has undergone significant changes. Since the intensive economic reform in 1986, the new philosophy 'market socialism' has completely transformed the country endorsing new management practices and organisational forms. It has been nearly thirty years since the company was granted the autonomy over operations, long enough for new business know-how to be institutionalised and new institutions to take shape. This

case particularly suits the purpose of my study for the transition to the new institutions is well on its way yet unfinished. This means that the significance of sensemaking can be captured while the deinstitutionalisation process unfolds. Besides, the new institutions have become reasonably well-established providing rich information for analysis.

The empirical investigation is directed by a combination of approaches. Firstly, this thesis is designed as a longitudinal study (Poole, Van de Ven, Dooley and Holmes, 2000) of a processual research (Dawson, 1997; Hinings, 1997; Pettigrew, 1990). Secondly, the research aims are facilitated by the narrative approach (Elliot, 2005) and case study (Cassell and Symon, 2010; Yin, 2009) where data collection utilises multiple sources including documentaries and semi-structured, in-depth interviews triangulated with observations (Marshall and Rossman, 2011; Dawson, 1997). Participant selection is guided by purposive, theoretical and networking sampling methods (Silverman, 2010; Denzin and Lincoln, 2005; Saunders *et al*, 2007). Multi-level analysis (Yin, 2009; Scott, 2001) is carried out at institutional, organisational and individual levels using the content analysis method (Krippendorff, 2004; Belreson, 1952; Holsti, 1969; Babbie, 2010). And finally, between-unit and within-unit methods of analysis (Pettigrew, 1997) are used in combination with temporal bracketing (Langley, 1999) to comprehend the depth of data.

1.4 Contributions of the thesis

This thesis proposes to make five main contributions to the literatures of institutional theory, sensemaking and organisational studies in general. The first and most important contribution of the thesis is its conceptualisation and theoretical framework of deinstitutionalisation process. It aims to articulate the development of

events/factors that directly set off, progress and conclude deinstitutionalisation process. At the very least, this model enhances our knowledge of deinstitutionalisation as a subject and at best it allows us to make predictions for similar phenomenon elsewhere.

Traditionally, institutional and sensemaking theories have been situated at opposite ends of research spectrum - one focused on macrostates, the other privileging micro organisational dynamics. This study argues that these theories need not be mutually exclusive and their marriage can be the ideal one. Institutional theory has been mostly criticised for its neglect of microfoundations just like sensemaking faulted for the lack of appreciation for broader perspectives. I suggest that each can offer what the other cannot. For this reason, I draw on the two bodies of literature to build the model of deinstitutionalisation process. Sensemaking accounts and sensemaking process, especially at organisational level shed light on the interactions between the initiators and receivers of deinstitutionalisation and their negotiations of new social orders. The study also focuses on the results of negotiations in respect to deinstitutionalisation outcomes. As such, the second contribution this thesis makes is to the stream researching the collaboration of sensemaking and institutional theory, which is also rare with (Weber and Glynn, 2006) as one of a very few. Here, the process of organisational sensemaking is a means to an end employed to explain the diversity of deinstitutionalisation process.

As for empirical contribution, the thesis investigates the transitional process of old Confucian and central planning institutions into the scientific management of contemporary organisations in Vietnam. In doing so, this study contributes to the literature on institutional change as an exploration of institutional process in a

different setting and to the literature on international organisation studies where research on Vietnam is presently rare.

Judged on its other merits, this study additionally portrays organisational sensemaking as the platform for emotions, political interests, cognition and social communication to come together. The model assesses the relative importance of these factors, individually and collectively during the process of organisational sensemaking and provides a different interpretation of sensemaking during critical situations (not life-threatening but catastrophic all the same). This is the fourth contribution, one particularly pertaining to the sensemaking literature.

The last contribution this thesis intends to offer is a different view on crisis sensemaking – urgent and critical but not life-threatening. Understanding of the differences in collective sensemaking process and conflicts resolution should offer new insights and augment existing work on crisis sensemaking.

1.5 Chapter outline

Having set out the focus of the thesis, which is guided by two research questions, this introductory chapter ends with the outline of the structure and content of the subsequent chapters.

In chapter 2, the basic foundations and mainstream research of sensemaking and institutional theory together with important areas of each literature are critically reviewed. Strengths and weaknesses, existing gaps and directions for further research are examined. Taking the interdisciplinary approach, the chapter argues that there are sufficient grounds to support the collaboration of the two bodies of literature, especially in the investigation of deinstitutionalisation, which is an under-developed area of institutional theory.

The research questions are developed theoretically in chapter 3. Here, the view of deinstitutionalisation as a process, rather than a one-off phenomenon, is articulated by a model explaining the origins, progression of events and their aftermath with internal and external moderating factors implicitly presented. The focus of study is narrowed further by putting deinstitutionalisation in the context of organisations and the transformation of their management practices. The interrelations between institutions and organisations are made central to the picture via the examination of factors deemed to impinge upon the whole process. The process of crisis-triggered active organisational sensemaking during deinstitutionalisation is then described. This process displays an overall picture of the discourse of reshaping lost orders. In doing so, it also reveals the impediments and accelerators therein and explicitly recognises them in the categorisation of collective sensemaking, collective response and deinstitutionalisation outcomes.

Chapter 4 presents the research design and process that drive empirical investigation. It explains why for the topic of the deinstitutionalisation process, the overall approach (processual as opposed to content) is deemed appropriate, how a qualitative, longitudinal and single-cased design has more to offer than cross-sectional design, why interviews triangulated with observations is chosen as the main method to gather operational data and why multi-level content analysis is helpful to the purposes at hand. The reasons behind the selection of this particular case study are discussed and details on sampling, data collection and management procedures are also given. Especially designed to examine the interplay between sensemaking and institutions, the strategies used for data analysis – temporal bracketing and within-case comparison are rationalised. Indirectly, the chapter shows that the benefits of the merger between institutional theory and sensemaking extend beyond

conceptual and theoretical grounds. In the study of deinstitutionalisation augmented by insights from sensemaking, the two stances are methodologically compatible. The chapter concludes with discussion of limitations and methodological reflections.

Chapters 5-8 deal with the findings of empirical work; each has its own individual objective but in combination they add to our understanding of the deinstitutionalisation process and organisational sensemaking in the following ways. Chapter 5 primarily focuses on setting the background of the entire study where the historical context and institutional evolution are discussed. The path dependency approach helps pinpoint the origins of the management institutions of modern-day organisations. Also here, intrinsic features of old institutions are examined and their inconsistencies identified as the antecedents of subsequent transformation. Chapter 6 examines the nature of switching events, their effects and the extent of their consequences. The second half of the chapter marks the beginning of the institutional transformation process with the birth of a new sensemaking account and the resultant organisational restructuring to accommodate its logics. Notwithstanding the same focus of institutional transformation, chapters 6 and 7 differ in their approaches, which look at the higher level of industrial/organisational makeover and microfoundations of sensemaking adjustment respectively. At the end of chapter 7, the progress of deinstitutionalisation is assessed and features of new institutions are established based on the sensemaking accounts previously discussed. Chapter 8 offers another view of organisational sensemaking but with a different focal point. Unlike chapter 7 which is more concerned with the content of sensemaking accounts, chapter 8 is given over to describing the process of making sense in organisational context. In other words, it elaborates the dynamics of the organisational sensemaking process and scrutinises all the decisions and negotiations taken for those collective

sensemaking accounts to be agreed upon. The last part of chapter 8 concludes the empirical section by contributing each type of organisational sensemaking to specific deinstitutionalisation outcome.

In the final chapter, chapter 9, the main findings are summarised concentrating on giving answers to the two research questions, namely the evolvement of deinstitutionalisation and the link between organisational sensemaking and deinstitutionalisation outcomes. The primary model proposed early on in the thesis is revised to incorporate insights from empirical work. The discussion goes beyond the two questions and provides an in-depth examination of the implications for theoretical development of institutional theory and deinstitutionalisation as well as managerial implications for businesses, especially managers. The chapter also discusses directions for further research and ends with a summary of its main contributions and some concluding remarks.

CHAPTER 2

Institutions and Sensemaking: An overview

2.1 Introduction

Despite its potential contribution, research on deinstitutionalisation is exceptionally limited (Maguire and Hardy, 2009; Ahmadjian and Robinson, 2001). In some rare cases, it was indirectly studied as “a by-product of research on the adoption of new practices” (Maguire and Hardy, 2009). Deinstitutionalisation deserves its share of attention because institutional change is hardly feasible without the disintegration of existing institutions. The study of the deinstitutionalisation process hence offers details of the dynamics of the transitional phase that studies of institutional effects alone cannot.

Sensemaking and institutional theory have been known as alternative explanations of organisational behaviours. While the central theme of sensemaking is microdynamics of organisations advocating meanings as the foundation of organisation identity and behaviours, institutional theory sees institutionalised and taken-for-granted contexts as the constraints on organisational actions. With differences running deeper than just the level of analysis, these two schools of thought appear to have little connection with one another (Weber and Glynn, 2006) but will be shown to be compatible with each other in due course.

The rest of the chapter starts with previous research on deinstitutionalisation. The following sections will critically review two bodies of literature the insights of which are extensively drawn upon to facilitate the investigation of the deinstitutionalisation

process: institutional theory and sensemaking. Given the broad range of topics covered by these two major theories, only those deemed directly relevant will be examined. For institutional theory, these include the cognitive dimension of institutionalisation; concepts highlighting the role and behaviours of institutional agents, such as agency and legitimacy, as well as the microprocesses of institutional transformation. Here, the individuals receive as much attention as do institutions since the thesis seeks to understand the discourse and consequences of the interaction between the two parties. For sensemaking literature, Weick's properties and occasions for sensemaking are considered which provide the substances for the analysis of the sensemaking process during deinstitutionalisation. Other areas of sensemaking are then reviewed – crisis sensemaking, sensemaking as a social and political process, sensemaking and emotions and finally sensemaking and institutions. Insights from these are valuable because, conceptually, this thesis proposes that deinstitutionalisation (as a cognitive, social, political and emotional process) is essentially caused by crisis, which evokes profound emotions. The section on sensemaking and institutions aims to illustrate the move towards macro elements of sensemaking in recent years. Finally, developments in the two literatures are brought together to explain the rationale for the integration of the two in investigating deinstitutionalisation. In doing so, it shows that insights from sensemaking, which takes place in an institutionalised environment, facilitates understanding of deinstitutionalisation and contributes to linguistic development of institutional theory. The unity of the two theories not only satisfies our curiosity about a poorly researched phenomenon – deinstitutionalisation – but it also conveniently addresses the weaknesses of each branch of the literature; namely the lack of appreciation for institutional context and agency in sensemaking and institutional theory correspondingly.

2.2 Deinstitutionalisation

Early studies were more concerned with the construction and the convergence process of institutions e.g. institution creation (Teece, 1981; Moe, 1990) and institution maintenance and diffusion (Greenwood and Hinings, 1996; chapter by Jepperson and Meyer in Powell and DiMaggio, 1991) than they were with the antecedences of institutional change. Not until the last decade have researchers begun to study the pre-conditions that precipitate institutional change and deinstitutionalisation. Scott (2001) recognises the significant contribution, but less-developed framework of deinstitutionalisation in saying that *“it is useful to place studies of deinstitutionalisation in a broader context of institutional change, since the weakening and disappearance of one set of beliefs and practices is likely to be associated with the arrival of new beliefs and practices”* (p. 184). It is argued that the dynamic nature of the institutionalisation process has been ignored, leaving theorists struggling to explain organisational behaviour and institutional change in some situations. How will the shared social meanings and legitimacy of actions explain the abandonment of industry standards resulting from the failure of organisations to share understanding and approval? Without the knowledge on conditions precipitating deinstitutionalisation and institutional change, traditional literature failed to explain changes in the status quo where habits and norms become obsolete in the face of deteriorating common beliefs. Secondly, if institutions are not expected to exercise the same power, with the same degree across situations, then how can early literature judge the extent of manipulation institutional pressures have upon organisations? Theoretical development of deinstitutionalisation seeks to answer these puzzles, suggesting that under various conditions, institutionalised practices will be vulnerable to resistance.

Surprisingly, there is a huge gap in the current literature in terms of research on deinstitutionalisation. One possible explanation is that deinstitutionalisation is often seen as by-product to institutional change as changes are inevitable consequences once old institutions deinstitutionalise (Maguire and Hardy, 2009). Despite this similarity, deinstitutionalisation is qualitatively different from institutional change. While both processes are driven by institutional failures, institutional change occurs when these problems are acknowledged and dealt with accurately and in a timely manner. In other words, the institutions in question must remain relevant in present environments and to organisational performance. Deinstitutionalisation takes place when no adjustment has been made to poorly performing institutions leading to disastrous situations which in turn trigger replacement of these obsolete and irrelevant institutions. Insights on antecedents, process, outcome, characters and indicators of deinstitutionalisation can shed some light on how institutions are created as the abandon of one institution is likely to be associated with the arrival of new one. Given its importance and potential in augmenting our knowledge of institutional artefacts, deinstitutionalisation as a phenomenon in its own right deserves much more attention than it presently receives.

Among others, Oliver (1992) gives one of the most comprehensive theoretical backgrounds on deinstitutionalisation. She identifies three major (external and organisational) sources of pressure on mature institutionalised practices: functional, political and social. Functional pressures can be performance-driven or be traced back to variations in derived utility resulting from conflicts between organisational effectiveness and requirements of institutional rules. A collection of studies in 2002 by various authors, such as Thornton, Lounsbury, Lee and Pennings and Kraatz and Moore, investigate a wide set of factors that challenge the functional capacity of

institutionalised activities, including resource competition and market acquisitions and shifts in institutional logics and performance pressures. In these cases, demand for efficiency contradicts institutional logics and/or destabilised events lead to re-evaluation of established rules and practices.

The second category Oliver (1992) noted is the political pressures which jeopardise the legitimacy of its holders. This set of pressures can be endogenous or exogenous (environmental factors). The former consists of changes in power distribution and growing power of representatives whose interests are incompatible with the status quo whilst the latter can be caused by external demand to adopt innovative measures or lessening dependence on outside funding. Townley (2002) and Greenwood and Suddaby (2006) elaborate how external forces, such as professional associations and government intervention, can alter institutions that were thought to be stable.

Both functional and political pressures are assumed to be known and can be acted upon by organisations. Nevertheless, organisations are not only influenced by factors they are consciously aware of. There are sets of social pressures precipitating deinstitutionalisation that are subtle and might not be obvious yet are truly influential. These conditions include disruptions to organisational practices (high turnover, increasing workforce diversity) and changes in societal norms and values. The resultant transformations might not be transparent to agents because these changes might not require immediate adaptations. Only after a certain period of constant conflict between the old and the new do mounting pressures eventually trigger deinstitutionalisation. Findings by Zilber (2002) confirm Oliver's theory: the entrance of new participants modifies interpretative frameworks of organisational behaviour. These three initiatives of change originating from both within and outside organisation's sphere of influence exert dissimilar power in different situations but

state and societal forces are among the most critical sources (Powell and DiMaggio, 1991). Several of these factors can interact as well as compete with one other.

The theoretical paper on deinstitutionalisation by Oliver (1992) is a rare example of empirical study of deinstitutionalisation. Other such studies include Ahmadjian and Robinson (2001) on permanent employment in Japan; Cherlin (2004) on American marriage; Hiaat, Shin and Tolbert (2009) on beer consumption; and Maguire and Hardy (2009) on the use of DDT. These papers examine the reform of practices in various fields, as the result of economic pressures, social and institutional constraints or social movements, which in turn transform normative, cognitive and regulative environments of that particular field or sector. Maguire and Hardy (2009) are the first to examine the microprocesses of the phenomenon in detail. The authors focus on the process of outsider-driven deinstitutionalisation via the discourse of texts that delegitimize old practices. Similarly to institutionalisation, outsider-driven deinstitutionalisation is suggested to work via the three pillars: cognitive, normative and regulative. Deinstitutionalisation is feasible when outsiders are able to normalise problematisations of existing practices and this is done via the dissemination of texts that emphasise the failure of existing practices and rationalise alternatives (new subject positions), proving the foundation for the abandonment of such activities. The paper is refreshing not only because it is the first empirical study of an interesting but under-researched phenomenon like deinstitutionalisation, but because it represents the new development of organisational research and institutional theory, in particular the application of microprocesses in seeking the explanation of changes of macrostates. Not only does it elaborate the process of deinstitutionalisation thus revealing the 'black box' linking antecedents and outcomes of institutional change, but the authors have done so by explaining how meanings are modified (via texts)

before new discourse and institutions are approved and by highlighting the power of agents and their defensive work against forces trying to undermine the old institutions.

Oliver (1992) and Maguire and Hardy (2009), each in their own way, raise our attention to various areas of interest. Oliver (1992) breaks the normal consensus that institutions are stable and immune to attacks once institutionalised. Instead, the author points out social, political and functional factors that might destabilise or even cause the abandonment of well-matured institutions. Insightful as it is, Oliver's theoretical paper focuses only on the antecedents or the content of institutional artefacts. There still remains a 'black box' between the antecedences and outcomes of deinstitutionalisation. Maguire and Hardy's study (2009) is the first answer, among many to come, which takes process as its focal point. In addition, the authors link discourse and translation with the process of deinstitutionalisation in explaining the loss of legitimacy of stable institutions as well as the methods and instruments used for their replacement by new ones. Although incredibly insightful, Maguire and Hardy's study (2009) pictures deinstitutionalisation merely as a social and cognitive process. Provided that deinstitutionalisation is related to some kind of upheaval or disruption to old practices, the process of deinstitutionalisation is likely to cause emotional outburst. Insights from psychology are therefore vital to the understanding of recipients' feelings towards deinstitutionalisation and the motivation behind their responses. In addition, Maguire and Hardy (2009) concentrate only on outsider-driven deinstitutionalisation where meanings and texts are already in accessible forms for later translation. This might not always be the case. In the real world, many organisational environments are filled with uncertainty and ambiguity where there is no interpretable data or there is too much information. In such circumstances, the

cognition approach alone might not be able to explain the phenomenon. Sensemaking, on the contrary, is a useful choice since sensemaking is born out of uncertainty and is the most effective instrument to deal with disruptions. Sensemaking does not work on existing data in interpretable forms; it works by plausibility wherein it is essential to keep on acting to know whether the decision is right or wrong. Understanding of the current state is revised continuously and is driven by possible explanations. Moreover, the sensemaking approach allows for the role of emotions, politics and social factors to be considered. From this standpoint, the process of deinstitutionalisation becomes more than just the practice of cognition but is now a social process where emotions and politics play a part in determining the outcome of deinstitutionalisation. The indeterminate nature of sensemaking also provides more realistic explanations of the outcomes of deinstitutionalisation as there is no guarantee that recipients of deinstitutionalisation are able to make sense in the same manner as initiators of change or even able to make sense at all. The inability to make sense might slow down deinstitutionalisation or even prevent the whole process occurring. Indeed, insights from sensemaking can help to account for various outcomes and paces of the deinstitutionalisation process.

2.3 Institutional theory

Institutional theory has risen to become a powerful explanation of both individual and organisational behaviours. The study of institutions covers a wide range of disciplines: economics, political science, history, organisational analysis and sociology; each has its own sets of assumptions and goals. Despite divergent conceptualisations and approaches, the central underlying theme of all versions of institutionalism is the advocacy of the analytic capacity of institutions rather than individuals (Peters, 1999) in providing the answer for questions on firm existence,

boundary, maturity and development. It is argued that by creating regularities in human behaviour, institutions mitigate uncertainties generated by multifaceted interactions among social actors (Meyer and Rowan, 1977; DiMaggio and Powell, 1991). In this study, the focus is only one branch: the sociological version of institutionalism (Scott, 2001). During the past few decades, a resurgence of interest in institutions – referred to as neo-institutionalism – places greater emphasis upon the cognitive aspect of the institutionalisation process than does the efficiency (economics) version. This movement is inspired by the popularity of the sociological theme within the literature. Significant progress was made when the concept of institution was developed to integrate the cultural-cognitive element, not just a technical principle (regulative) and an objective criterion (normative). It is now recognised that organisations do not merely function as technical systems but also act as platforms for cultures to flourish (chapter by Scott in Powell and DiMaggio, 1991). Further progress was made by acknowledging the existence of multiple institutions, not just *the one*. Understanding of institutional effects hence becomes more comprehensive, being able to embrace the reality that institutions' logics are derived from more than one source of rationalities including governmental requirements, professions, the educational system and personal ideologies (Meyer and Rowan, 1977). The interactive nature of multiple institutions is entitled to greater attention, given its capacity to generate various alternative formulations and prescriptions (Scott, 2001).

2.3.1 The promotion of the cognitive dimension, agency and legitimacy

The sociological literature on institutions is very rich, thereby conceptualisations can be confounding. Theorists in the field hold opposing views of how institutional terms should be defined making finding the comprehensible and united conceptualisation

of institution difficult. Amid this conceptual intricacy, institutions are seen by most theorists to possess certain qualities: resilience (resistance to change), reproducing ability (Zucker, 1977) and ability to constrain behaviour. Scott (2001) and Jepperson (chapter in Powell and DiMaggio, 1991) gave us some useful examples – among a vast number of treatments – of the concept of institutions. Some define institutions in the most general terms, such as “*social structures*” or “*social order*”, which is attained at a certain state or degree of stability. Other conceptualisations, in contrast, pay greater attention to micro features, such as Scott (2001). In his work, *institutions consist of normative, regulative and cognitive elements*, which are transmitted via “*various types of carriers (symbolic systems, relational systems, routines and artefacts)* and operate at *different levels of jurisdiction (from the world system to interpersonal relationships)*” (p. 48). Using three pillars of institutions, Scott (2001) accommodates an insightful and comprehensive statement which largely captures the broad range of institutional terms and mechanisms. The regulative pillar is the most widely accepted aspect of institutions and is closely related to the conceptualisation of the economic version (North, 1991) in its emphasis of rules and controls. Force, monitoring and punishment are central ingredients of the regulatory pillar. The normative pillar primarily originates in the work of March and Olsen (1989); it relies on normative systems, such as values and norms, to introduce evaluative and obligatory dimensions to behaviour. Those beliefs, heavily grounded in existing structures or ‘ways of doing things’, internalised by individuals themselves or imposed by others, dictate behaviours of actors in certain situations. Last but not least, the cognitive pillar advocates the shared conceptions of social reality and the frameworks of how meanings of this reality are constructed. In doing so, the cognitive dimension concentrates on the mediation of symbolic interpretation of the world and the interactions through which such sensemaking is transmitted and

maintained among individuals.

The promotion of the cognitive element augments sociological literature on institutionalism by arguing that even under the constraints of institutions, behaviours do not simply encompass objective conditions (advocated by old and new institutionalism) but also subjective interpretation of actors. Taking the sociological approach, cognitive capacity enables individuals to consciously and actively respond to institutional pressures via the process of sensemaking, interpretation and adaptation. Such reactions combine with institutional designs to determine the outcome and discourse of institutionalisation. The interaction and possibly conflict among these rationalities emphasises the importance of the cognitive pillar in providing a more complete knowledge of institutionalisation processes.

The promotion of the cognitive side of the institutionalisation process not only offers a more complete set of institutional pressures, it also highlights attempts by researchers to discover more in-depth microanalysis thus reinforcing the role of agency in the institutional process. Originally, sociological theorists are criticised for their narrowly defined conceptualisations, concerned only with regulative and normative components of institutions and also for their ignorance of agency and interests (Powell and DiMaggio, 1991). Taking this perspective, the restricted one-way mechanism of institutionalisation process ensures that individuals are constrained and bounded by rules, values and norms, whose response at best is to conform to such controls to gain legitimacy. In this sense, early literature has treated institutions as exogenous variables and institutions are only supposed to affect superficial components of organisations like structures and practices. By endorsing the notion of agency, theorists move away from considering individuals as passive, powerless agents to posing them as an active, integral part of the institutionalisation

process instead. Taking one step further, agents are deemed capable of initiating changes hence able to influence key elements of an organisation – its logics, culture and identity. On these occasions, agency is at its most powerful.

Accompanying the rising popularity of the agency concept is the emergence of an altered view on legitimacy and its role. Legitimacy refers to the common perception that actions are desirable, appropriate and materialised upon only if it is transparent to others. As Giddens (1984) argued, social structures, even with their power to restrain behaviours, will not be able to deliver such authority without the existence of power and legitimacy for those who possess it. By furnishing individuals with rewards for conforming to institutional pressures, legitimacy hence is crucial for the creation, diffusion and transformation of institutions (Dacin *et al*, 2002). While early work largely viewed legitimacy as antecedent and an outcome of the institutionalisation process, in neo-institutionalism, legitimacy becomes a component of the institutionalisation process itself, for legitimacy of key actors partly governs how organisations respond to institutional change. It is the fact that in some circumstances, agents with great power, whose interests and goals contradict (or correspond) with institutionalisation or deinstitutionalisation, can generate a wave of resistance (or support) so strong that it can either delay/terminate (or initiate/accelerate) the whole process of institutionalisation. In other words, the legitimacy of key actors can either be an inhibitor or an accelerator of institutionalisation. Evidence shows that not only legitimacy but several other types of entropy and dissipation factors, interacting with one another or competing in some cases, can help to explain why the same institutions create dissimilar impacts under different settings (countries, regions, professions and organisations).

Weaknesses of previous work explain why institutional theory did not provide satisfactory answers to the question of 'why the same institutions generate different impacts for different groups of actors, whose shared meanings and frameworks supposedly lead to analogous sensemaking'. The promotion of agency and legitimacy in the cultural-cognitive pillar should fill the gap between old and new institutionalism, as well as providing a more thorough understanding of institutions and their participating actors allowing explanations of variations in institutional effects and outcomes. The concept of agency in a controlled institutional context is paradoxical nevertheless. The paradox of embedded agency in institutional theory is often referred to as the tension between structure and agency (Garud *et al*, 2007). On the one hand, the cohesive nature of institutional constraints makes it difficult for actors to escape from them; it is this solid structure that embeds actors in pre-existing regulative, formative and cognitive frameworks. Here, institutions create stability and reduce human action to merely a responsive processor of given information. It is then difficult, if not impossible, to contemplate where the need and motivation for change come from given the commitment to existing ways of doing things, or where agents find the power to implement changes even if they are justified. On the other hand, agency literature considers the disruptions associated with changes as opportunities for 'autonomous agency' to break from current norms (Shane and Venkataraman, 2000). It is not unusual to see actors unwillingly embrace change as directed as agents are swayed by two major conflicting forces: one imposed by institutions calling for stability and conformation while the other provides the impetus to deviate from norms when opportunities are present. One possible resolution to this paradox lies in a different conceptualisation of agency: institutional entrepreneurship.

The term institutional entrepreneurship refers to *“the activities of agents with interests in particular institutional arrangements, who seek legitimacy and resources to transform existing institutions or promote new ones”* (Maguire and Hardy, 2004, p. 657). This concept directs our attention to agency, legitimacy, interest and power hence enables us to explore how different meanings are borne out of the same institutional pressures leading to different types of behaviour. Contrary to previous conceptualisation of agency, agency now is defined as being inherent within structures that actors themselves construct (Garud and Karnoe, 2003). Following this, institutions do not simply constrain actors but endow them with the foundations for future entrepreneurial activities. Institution therefore is as much a constraint as it is a facilitator for agency. This role of institutions can only materialise if actors are able to reflect and improvise with social rules and institutional processes. These qualities (reflection and improvisation) permit actors to envisage alternative options to conforming and also give them the necessary means to legitimate such rule breaking. In addition, institutional entrepreneurship is an intense political process (Seo and Creed, 2002) whereby institutional entrepreneurs endowed with skills and credibility seek to unify collective actions. By recognising that institutional meanings are socially constructed and negotiated among actors, it challenges the traditional view that institutional shared meanings and frameworks are transmitted without contestation. The collaboration of such comprehensive institutional microdynamics with macro analysis promises a more complete view of institutional phenomena.

2.3.2 The acknowledgement of institutional microprocesses

The cognitive channel in institutionalisation process and institutional change, as well as the role of agency and legitimacy, has featured more appreciably in theoretical

frameworks. Early scholars such as Meyer and Rowan (1977) and DiMaggio and Powell (1983) tended to focus on the ways in which institutional mechanisms confine organisational structures and behaviour. Recent work has given more weight to how individuals perceive, act strategically and therefore contribute to institutional changes (Oliver, 1991; Goodstein, 1994) and the role of institutional entrepreneurship during institutional change processes (Garud and Karnoe, 2003). The underlying point of giving such role to agency and cognitive content is to reveal and to justify the significance of interpreting actors, who stand between institutional initiatives and outcomes. Papers such as Lounsbury and Crumley (2007) and Child, Lu and Tsai (2007) address issues associated with institutional entrepreneurship such as 'where do new practices come from?' and 'what is the role of powerful actors in bringing about changes?' Notwithstanding, powerful actors mentioned in these studies are mainly macro institutions like states, governments and professions. Micro analysis of institutional entrepreneurship is just as important to our understanding of social production of shared meanings and mental frameworks (Hardy and Phillips, 1999) as these micro analyses focus on how coalition of diverse interests to generate collective actions is powerful enough to overcome contestation and struggle to secure support and acceptance during institutional change processes (Fligstein, 2001; Wijen and Ansari, 2007).

Related to this stream is the research employing discourse analysis to specifically examine how texts are generated i.e. inscribed, spoken or written in material and accessible forms (Phillips *et al*, 2004; Taylor, Cooren, Giroux, and Robichaud, 1996). Texts in various forms including written or verbal reports, pictures, and symbols etc. is the medium via which organisational shared meanings and knowledge are formed. Researchers have investigated the significance of different

forms of texts in organisational knowledge creation process and institutional change processes. Lanzara and Patriotta (2001) used videocassette recording (VCR) as the method to investigate and conclude that the knowledge creation process is an ongoing transformation resulted from controversies and debates and are subject to local disputes, experiments and reassembling. Munir and Phillips (2005) explored how the management of meanings involved in institutional change at Kodak altered the way people understood photography. Using one of Fiat factories as case study, Lanzara and Patriotta (2007) recreated the process of institutional transformation and the creation of institutional and cognitive order using 'templates' as the medium.

One of the most influential works on discourse though, is the paper by Phillips, Lawrence and Hardy (2004) on "Discourse and institutions". The authors introduce a new exciting development of institutions research: the so called linguistic revolution of institutional theory wherein institutional controls are believed to be transferred via discourse and texts embedded in actions instead of actions *per se* (Phillips *et al*, 2004, p. 635). Here, the deepest source of institutions does not feature in *patterns of actions* but it is texts that disseminate information about actions and restrict others' actions. "*Institutions therefore can be understood as the products of discursive activity that influence actions*" (Phillips *et al*, 2004, p. 635). The refreshment that discourse analysis brings to institutional theory can be described as the missing piece of mainstream research, which favours effects over processes of institutionalisation (and deinstitutionalisation). By emphasising linguistic processes, the microdynamics of how institutions are constituted are revealed. Specifically, the authors propose that discursive processes of institutions elaborate how social reality is constructed by identifying the mechanisms of how actions generate texts, how meanings embedded in texts are transformed into discourses and how discourses produce institutions. Not

only does it offer a fresh method to study institutional phenomena as discourse analysis, the appreciation of the link between language study and institutions study helps shed some light on the hidden reality of social construction and also aids the growing area of institutional entrepreneurship. The conditions that allow certain actions to turn into texts and texts into discourses are partly dictated by the power relations within organisations. For example, texts generated and disseminated by leaders with legitimacy and power are more likely to get accepted and institutionalised. The issue of power and legitimacy bears a close connection to the notion of institutional entrepreneurship thus insights from discourse analysis can certainly discover the mechanisms of how institutional entrepreneurship is created and how it works. This is because *institutions cannot be modified directly but only via production of influential texts. Institutional entrepreneurship is therefore a discursive activity and it requires entrepreneurs to engage directly in the processes of social construction that underlie institutions* (Phillips et al, 2004, p. 648).

Another noted exemplar is the paper by Zilber (2007) in which the author uses stories to unveil the mechanism of how institutional entrepreneurship corrects the paradox of embedded agency in bringing about new practices. The author discusses the microprocesses of institutional entrepreneurship whereby “*institutional entrepreneurs frame, justify and legitimate new or renewed institutional orders through telling stories*”, (p. 1050). In doing so, the paper contributes to the literature by exploring how meanings are constructed and manipulated and which process has not been paid sufficient attention in the past (Suddaby and Greenwood, 2005).

Significant attention on discourse analysis and institutional entrepreneurship undoubtedly shows that microdynamics of institutional phenomena have featured more prominently in frameworks of institutional theory alongside macro aspects.

Moreover, the role of social construction and power within the institutionalisation process is re-emphasised. Language study with focus on texts and discourse also opens a new window for further organisational research. Lastly, it is a noteworthy achievement that by promoting microprocesses of institutions and the insights from language study, institutional theory has taken a step closer towards sensemaking and might well benefit from sensemaking literature. The rationale for combining sensemaking and institutional theory will be discussed in section 2.5.

2.3.3 Research gaps

Indeed, the literature has concentrated more on the role of agency, legitimacy and microdynamics of institutional process. The assumption that institutions, once stabilised, will stay unchallenged is no longer popular. In its place, a growing branch of research has started to explore the conditions surrounding institutional change, its discourse and outcomes. Institutional entrepreneurship has been hailed as the answer to the paradox of embedded agency by emphasising that individuals seek their own interpretations and initiate their own responses to institutional pressures.

Admittedly, the field of institutional theory, especially sociological institutionalism, has come a long way with regard to conceptualisation and theoretical refinements. Nevertheless, there is room for improvement. Although the notion of agency has been more widely accepted, theorists mainly stayed on the theme viewing agents as merely participants in the institutional change process. As a consequence, theorists are at great risk of underestimating the role of leadership and ignoring the possibility that agents are facilitators of change. Recent development in institutional entrepreneurship literature has begun to shed some light on these issues but a more sophisticated concept of institutional entrepreneurship and a framework of how

leadership influences the course of institutional change and deinstitutionalisation are needed.

Actor's sensemaking and interpretations are indeed crucial for the legitimisation of new institutions hence analysis of institutional change and deinstitutionalisation could not be complete without the knowledge of cognitive adaptation of agents. As discussed by Phillips *et al* (2004) and Maguire and Hardy (2009), discourse analysis with the focus on how institutions are created and disseminated via texts, discourse and actions will reveal the microprocesses underlying the institutionalisation process and institutional entrepreneurship. Together with discourse analysis, insights from sensemaking offer great value in this matter because only actions associated with conscious sensemaking can produce interpretable texts and coherent discourse thus stable and legitimate institutions. For this reason, institutional studies should integrate literatures on microdynamics of organisations and behaviours to gain more sophisticated understanding of institutional phenomena, especially deinstitutionalisation.

2.4 Sensemaking literature

The work by Weick (1979, 1995, and 2005) on sensemaking has been recognised as the most celebrated contribution to sensemaking literature. Weick's concept of sensemaking has been refined over time but its roots can be traced back to his dissatisfaction with traditional analysis of organisations, which are seen as rational, goal-oriented structures (Corman and Poole, 2000). Borrowing insights from the social psychology of organising, his treatment of organisations as loosely coupled systems offers a more sophisticated understanding of organisational behaviours. And for it, he rightly owns one of the most influential views in modern organisational

theory. In fact, sensemaking theory has been deemed revolutionary thinking since first introduced. According to Weick, meanings, not just goal-orientated practices, are the materials (language, talk, conversation) that shape organisational identity and hinder actions (Mills, 2003 as quoted by Weick, 2005). As an alternative to traditional orthodoxies, Weick insists that organisations should not be viewed as outcomes of deliberate planning. Instead, he stresses the concept of organising as a process within a socially constructed context wherein a sequence of events is ordered to rationalise actions. The rest of the section critically reviews areas of the literature deemed relevant to the thesis, which are properties and occasions for sensemaking, sensemaking during crises and disasters, sensemaking and emotions, sensegiving and power and finally sensemaking and institutions.

2.4.1 Properties of sensemaking

Underlying the majority of Weick's work are various ideas from social constructionism and interpretivism, based on which he develops seven properties of sensemaking. Although the focus of my study is not the content but the process of sensemaking, all properties of sensemaking – grounded in identity construction, retrospective, enactive of sensible environments, social, ongoing, focused on and by extracted cues and lastly driven by plausibility rather than accuracy (Weick, 1995) – are implicitly present. According to this, sensemaking is first and foremost an attempt to develop or regain a sense of self. By infusing oneself into the environment and observing the reactions, one satisfies the need for self-enhancement, self-efficacy and self-consistency. Active and controlled sensemaking is therefore the direct result of failing to confirm oneself or is caused by the anxiety triggered by ambiguity in the environment impeding the creation of order in mental frameworks. The importance of retrospection in sensemaking refers to the idea that past events obstruct current

and future decision making by proffering one form of causal reasoning over another. The environment in which sensemaking occurs is inseparable from the act of making sense itself. The word 'enactment' means that people are not only constrained by the surroundings but they jointly create their own environment. Sensemaking is ongoing, social and focused on extracted cues because during the continual process of socialisation and in the midst of events, people are disturbed by unexpected signs which do not fit with the existing framework. The act of noticing, bracketing and labelling enables people to place fluxes into categories, generating meanings and institutionalising them into rules. Finally, sensemaking is about the plausibility that drives people forward. By seeking social approval of their actions, which are stimulated by plausibility, the underlying faith for actions is justified and that alone provides ample justification for sensemaking.

2.4.2 Occasions for sensemaking

Although sensemaking is an ongoing and autonomous process, there are situations that trigger active sensemaking (Weick, 1995, chapter 4) and actions. These occasions for sensemaking are caused by a number of disruptions to ongoing flows. These occasions do not always materialise as threats (negative arousal) but sometimes as opportunities (positive arousal) and necessity. Notwithstanding all requires repair. For these interruptions to be noticeable, credible and potent cues for sensemaking, there must be a persistent and difficult-to-close gap which is of interest to agents (Smith, 1988). The perception of how things were hence became irrelevant. These gaps are created by discrepancy or contradiction between the current and expected states of the world which should be recognised by agents.

According to Smith (1988), as quoted in Weick (1995), “*a problem is a relationship of disharmony between reality and one’s preferences, being a relationship, it has no physical existence. Rather, problems are conceptual entities or constructs*” (p. 1491). As conceptual entities, the way problems are constructed is contingent upon one’s capability for reflective thoughts which is limited by contextual boundaries. The existence of abnormal disparity alone does not automatically make it noticeable. Rather, it is noticeable because personal experience increases one’s sensitivity to the environment and encourages their *deliberate initiative* (Louis and Sutton, 1991). The cognitive capacity for noticing and labelling undesired situations is crucial to the ability to register problems in the intellectual system by selecting potential cues from ongoing flows of events. In this aspect, Smith’s conceptualisation of problems advances our understanding of sensemaking as it elaborates the early stage of sensemaking and it alerts our attention to the cognitively constructed nature of occasions for sensemaking. This conceptualisation, however, is not without fault. As Weick pointed out, simply classifying an unwanted state as a problem does not verify the purpose of sensemaking. To label something ‘problematic’ is a *consequential act* (Weick, 1995, p. 90) as it calls for further elaboration of deliberate solutions and actions. “*Once something is labelled a problem that is when the problem starts*” (Weick, 1979, p. 48).

There are two common occasions for sensemaking in the organisational context: ambiguity and uncertainty. Though both of these can instigate conscious sensemaking, their mechanisms differ. Ambiguity provokes sensemaking by the shock of confusion while uncertainty does so by one of ignorance (Weick, 1995, chapter 4). Ambiguity can be defined as *lack of clarity, high complexity or a paradox that make multiple explanations plausible* (Martin, 1992, p. 134). Here, whether

understood as a lack of distinctive categories (lack of clarity), difficulty of singling out elements (high complexity) or existence of two or more interpretations, ambiguity in these situations deprives one of essential suppositions for effective sensemaking. Ambiguous situations are mainly found in organisations with unclear goals, vague rules and responsibilities, lack of success measurement, poor understanding of cause-effect relationships and multiple, conflicting interpretations (McCaskey, 1982 as quoted in Weick, 1995).

Uncertainty is as omnipresent as ambiguity in terms of interruptive power to ongoing flows. Milliken (1987, 1990) defines uncertainty as inability to predict something with accuracy due to the lack of knowledge of changes in the surrounding environment (state uncertainty), of the impacts changes have on organisations (effect uncertainty) or of the subsequent reactions (response uncertainty). Stinchcombe (1990) augments Milliken's concept of uncertainty *by adding that uncertainty evolves over the course of action* (as quoted by Weick, 1995, p. 96). This conceptualisation sits well with sensemaking analysis as it indicates that deliberation from sensemaking alters the state of uncertainty as the sensemaking process continues. Information at each step signals how things are unravelling, confirming sensemaking outcomes at the previous stage and turning uncertainty into risk. In a nutshell, uncertainty is an occasion for sensemaking due to the inability to project current situations into the future with foreseeable consequences. Agents overlook interpretations capable of assisting extrapolation (Weick, 1995). Despite having the same disruptive nature to ongoing flows, ambiguity and uncertainty requires a different solution. To remove confusion from ambiguity, agents need clarified information (via social interaction) while simply more information is needed to eliminate ignorance in uncertainty.

Viewed as an instrument to deal with uncertainty and ambiguity, it is no surprise that sensemaking studies have largely focused on incidents involving a sudden loss of meanings and orders. In his 1993 paper about the Mann Gulch disaster, Weick referred to this as a “*cosmology episode*” – the moment when people feel “*the universe is no longer a rational, orderly system*” (Weick, 1993, p. 633). These occurrences initiate sensemaking because individuals get confused and often frightened by the prospect of long-held beliefs and perceptions becoming invalid. Diverse as they might be, research on occasions for sensemaking like Patriotta (2003) on breakdown, Orlikowski and Gash (1994) on discrepancy and Weick and Sutcliffe (2001) on disconfirmation share a similar context, that is when there is too much (ambiguity) or too little information (uncertainty). Either way, as the world at present is not the same as the world in expectation, significant efforts must be spent to bring order back otherwise people will lose touch with who they are. This sensemaking act therefore is part of individuals’ identity construction (or reconstruction if challenged). Cues are extracted, connections are made with past occurrence, led by plausibility in the hope of restoring self-identity, sensemaking rationalises previous actions, in turn acting as foundations for further sensemaking.

2.4.3 Sensemaking during disasters and crises

A closely related genre to occasions for sensemaking, namely ‘disaster sensemaking’ has received great attention in recent years. These incidents instigate conscious sensemaking in extreme circumstances involving a greater degree of confusion, threat or danger. Noted examples include Weick (1988 and 1993) on the Mann Gulch disaster; Gephart (1997) on the 1977–1978 Lodgepole ‘sour gas well’ blow-out; Kayes (2004) on the 1996 Mount Everest mountaineering disaster and Stein (2004) on the stories of *Apollo 13* and Three Mile Island nuclear plant. Most of these studies

offer some interesting and useful insights on factors influencing the ability of individuals to make sense under such extreme circumstances. For instance, Stein (2004) highlighted the importance of anxiety tolerance; Mullen *et al* (2006) stressed the role of power and individual responsibility; Kayes (2004) blamed directive leadership and ill-defined problems whereas for Weick (1993) it is visual role systems, intergroup relations and attitudes towards wisdom that make all the difference.

Disaster sensemaking has several features that make it distinct from sensemaking under normal situations. Due to the nature of events, crises often impose on individuals a sense of emergency that demands immediate and full attention (Weick, 1988). This is because failure to make sense can lead to devastating consequences, in many cases even death. If the normal sensemaking process is already emotion-laden, the level of stress experienced in disaster sensemaking is considerably higher, sometimes to an extent that prevents sensemaking altogether. Sensemaking during these critical periods matters not only to sensemakers but also to the unfolding of the crisis itself (Weick, 1988). Together with providing the substance for sensemaking, the actions of agents play an important part in resolving or worsening the initial disaster. If incorrect actions are taken, disaster will be exacerbated making it even harder for subsequent sensemaking. For this reason, individuals might hesitate to act for *“there is a delicate trade-off between dangerous action which produces understanding and safe inaction which produces confusion”* (Weick, 1988, p. 305). The fact that individuals are aware of the consequences of their actions means that sensemaking takes greater effort and a long time to deliberate. Disaster sensemaking also differs from normal organisational sensemaking in that the essential collective

consensus required during crises is not compulsory in the mundane organisational world (Maitlis, 2005).

Understanding of disaster sensemaking is very helpful for the study of deinstitutionalisation as crisis-triggered deinstitutionalisation is also marked with an unstable and threatening episode. Hence, factors influencing disaster sensemaking are also likely to be relevant for deinstitutionalisation. Having said that, disaster sensemaking takes place in life-endangering special settings where agents' sensemaking and actions have direct and visible effects and consequences while for organisations, outcomes and impacts of sensemaking might not be as easily observed or traced due to a large number of stakeholders and issues. During deinstitutionalisation, there is an urge to act quickly but the demand on time is not as severe; less pressure is imposed on the participants for timely and good quality stories. In brief, if normal sensemaking and disaster sensemaking represent two extremities then sensemaking during deinstitutionalisation is situated in the middle since the environments for sensemaking during deinstitutionalisation are not as dangerous and urgent; and the consequences of actions are not as critical as those of disasters but there is still greater tension than that of normal organisational sensemaking. Moreover, capacity and instruments for sensemaking are limited during crisis making sensemaking more difficult and prone to failure. Investigation into the sensemaking process and relevant factors during deinstitutionalisation might shed light on individualistic features of crisis sensemaking.

The theory of sensemaking fills an important gap in organisational theory by providing '*a micro mechanism that produces macro change over time; one means by which agency alters institutions and environments (enactment); reinterpretation of breakdowns as occasions for learning...*' (Weick, 2005, p. 419), yet it is able to

construct even more comprehensive understanding by taking into account not just cognitive but also socio-psychological, political and institutional dimensions of organisational behaviours. Putting it differently, Weick's work is a useful starting point for research into organisational practices and changes but would be more insightful if broader institutional context, power and emotions were brought into the picture. Investigations of incidents where the sensemaking process breaks down or is disturbed shed lights on the process of how sensemaking is restored in the mist of turbulence and the consequences of a failure to do so.

2.4.4 Sensemaking and emotions

The important role of emotions in the process of sensemaking is briefly mentioned but is not developed fully in Weick's analysis of occasions for sensemaking. Interruptions to ongoing flows are believed to inflict emotional arousal which might hinder the subsequent effort to make sense. This is the motivational function of emotions (George and Jones, 2001). Their theory of resistance to change emphasising the interconnection between cognition and affection implicitly stresses the significance of emotions. The authors argue that emotion is not only a trigger of conscious sensemaking but also has influence on the whole process of making sense. Emotional reaction is intense therefore tends to be short-lived. However, emotions will turn into *less intense states called moods at subsequent stages* (George and Jones, 2001, p. 430). Moods are less affecting but have persistent effects on behaviours and thinking processes without disturbing them (Brandy, 1970; Clark and Isen, 1982; Morris and Reilly, 1987; Nowlis, 1970; Thayer, 1989 as quoted by George and Jones, 2001, p. 430). Consequently, positive emotions provoked by discrepancies are often associated with positive moods and negative emotions are likely to be the cause of later negative moods. Moods work on information

processing through the process of priming (directing people's attention to information, memories, judgements that are consistent with current mood) and thinking styles. George and Jones (2001) advocate that "*positive moods result in creative and expansive thinking to uncover opportunities for gains while negative moods induce deductive reasoning, systematic and critical thinking to uncover the source of difficulties*" (p. 432). In this sense, emotional reactions are indeed vital to sensemaking, acting as dissipation or entropy of the sensemaking effort. The analysis of the sensemaking process therefore cannot be completed without the consideration of emotions.

Despite its potential in elaborating sensemaking instigated by discrepancies or uncertainties, little is known about how different stakeholders think or feel about change initiatives (Bartunek *et al*, 2006; George and Jones, 2001). In recent years, greater interest has been given to emotions in the workplace (e.g. Seo, Barrett and Bartunek, 2004; Fisher and Ashkanasy, 2000) and emotional response of participants during organisational change (e.g. Huy, 1999, 2002, Bartunek *et al*, 2006). These studies redirect our attention to the psychological aspect of both individual and organisational life when resistance might conceal deeper motivations. Individuals whose work-life is severely disturbed have to find a way to defend their beliefs in order to cope. Hiding behind seemingly straightforward resistance to new things, there is more urgent need to reconnect with the purpose of their existence. Emotions are a large part of the social sensemaking process and especially so during crises. The inability to make sense is not attributed to limited cognitive ability alone; it is partly explained by the inability to cope with emotions, referred to as emotional intelligence by Huy (1999, 2002). Individuals wanting to adapt to stressful situations need not do so in isolation. Social interaction, especially among people with similar

feelings, can certainly be a powerful defence mechanism. Emotional contagion (Bartunek *et al*, 2006) and emotion empathy provide individuals with emotional support and tend to form sensemaking accounts of people in the same 'emotion' group which are more persuasive than those of outsiders. This emotional capacity of organisation, together with its cognitive capacity and the intensiveness of core rigidity all have impacts on the sensemaking process.

2.4.5 Sensemaking as a social and political process: the role of power and the notion of sensegiving

Weick's sensemaking appears incomplete to some people in his treatment of power relations and political activities in organisations. Basically, Weick indicates majority voting is the basis of collective sensemaking therefore downplays the fact that sensemaking, like any other organisational activity, is a political process. If an organisational hierarchy is put in place to ensure that people do not share the same positions and power, then naturally their influence in a socially constructed reality will also be unevenly distributed. Managers and individuals with authority are in a better position to get their stories noticed, enacted and disseminated. Mills (2003) gave a thorough critical evaluation of Weick's work and points out that failure to consider power is one of the greatest weaknesses in Weick's model. The author assesses two properties of sensemaking: focus on extracted cues and the social process of sensemaking and argued that by taking into account power, these notions will be better equipped for the analysis of change. This is because in a realistic organisational setting, cues are not single-handedly picked up by individuals but rather selected by and then highlighted to individuals by more powerful actors. Likewise, sensemaking is a social process as individuals are open to influences from social collective and powerful individuals. This issue of power raises the question of

social-psychological control that unifies different meanings from shared experiences. Weick himself acknowledges this in saying that *enhancement to sensemaking will tackle questions such as how power gets expressed, increased, decreased and influenced others. – Through things like control over cues, who talks to whom, proffered identities, criteria for plausible stories, actions permitted and disallowed, and histories and retrospect that are singled out* (Weick, 2005, p. 418). In this sense, political sensemaking with negotiation power as a central theme share the same stance with the literature of institutional entrepreneurship whereby powerful agents are the creators and facilitators of institutional change or deinstitutionalisation.

Indeed, organisational sensemaking is a social and political process where unequal distribution of power might have a significant impact on the discourse of meanings. Some individuals are in a better position than others due to their access to information and some have motivations to disseminate their stories by drawing the attention of others to the signs of problems and plausible storylines that explain them. This activity is what Gioia and Chittipeddi (1991) called sensegiving, which refers to the *process of attempting to influence the sensemaking and meaning construction of others toward a preferred redefinition of organisational reality* (p.442). The notion of sensegiving is derived in the context of strategic change commonly found in organisational life. Plans are initiated by the top management team (institutional entrepreneurs), which has power, visions and willpower. These insights will then be interpreted by and implemented at lower levels. The sensegiving of radical changes associated with deinstitutionalisation might range from the promotion of certain plausible stories with positive consequences to the favouring of rules, values and positions that are legitimated by these stories. In other words, what institutional agents are trying to do is to convey the nature of his vision, the values

underlying it and the actual changes that he wishes to achieve (Gioia and Chittipeddi, 1991). The implicit assumption is that institutional entrepreneurs must already be able to make sense of the situations before or better than sense takers (the targets of institutional entrepreneurs' sensegiving) if sensegiving is ever attempted. The presumption that institutional agents are more competent at making sense compared to the rest of workforce is reasonable as managers often have better access to information and are in a better position to form a holistic view of the challenges faced by organisations.

The importance of sensegiving in the social process of sensemaking is well-appreciated in previous studies. For example, Maitlis (2005) explains how the extent of stakeholders and leaders' involvement in sensegiving activities determines the outcomes of the social sensemaking process. Each of these outcomes details interaction characteristics and the sensemaking accounts result. Gioia and Thomas (1996), on the other hand, suggest that leaders might use sensegiving strategies differently depending on the political or strategic nature of the problem.

Most studies on social sensemaking and sensegiving concentrate on how sensegiving activities are conducted but less attention is paid to how recipients respond or the outcome of such a process. Maitlis (2005) is one of the first to examine the process of interaction between leaders and stakeholders. More such study is needed to fully understand the dynamics of the social and political process of sensemaking.

2.4.6 Sensemaking and institutions

Weick's conceptualisation of sensemaking seems to overstate agency and neglect the role of institutional contexts in which sensemaking is constructed (Weber and Glynn, 2006). This limited role of institutions in sensemaking theory stems from the fact that

sensemaking largely concerns the microdynamics of cognition. However, the broader institutional context of sensemaking should not be overlooked because organisational environments within which sensemaking activities are conducted can hardly be considered as context-free. Human behaviours are bounded by the constraints embedded in existing institutions and, by enacting, individuals engage in a continuous dialogue with the environment, each playing a part in shaping the other. The notion of enactment in this sense should be viewed as a two-way relationship. Moreover, Weick (1995) stressed that sensemaking is a social process whereby meanings are socialised into existence but he does seem to forget that socialisation is itself prearranged by institutions. Distinctive interpersonal interaction patterns in each organisation are indeed the reflection of the culture that very organisation institutionalised. The concept of social sensemaking, therefore, should also be altered to account for the influence of institutions. Not only do the old traits of institutions partly determine which types of cues are more prominent by directing attention to discrepancies, institutions also affect how sensemaking is shaped and edited. Here, institutions dictate the characteristics of interrelationship among members i.e. how organisational members prefer to socialise (face-to-face or any other types), who should communicate with who and about which matters. All of these have significant bearing on both individual and organisational sensemaking. For institutions valuing close and interconnected contact with a high degree of interdependence, individuals are more likely to integrate sensemaking of others with their own; and organisational sensemaking is likely to be united and coherent since there is little or no contestation among alternative sensemaking accounts. In contrast, for institutions with a culture of high dependence and diverse backgrounds, individuals tend to form their own version of the story and are less likely to be influenced by others. Organisational

sensemaking in this case might not be as unitary but is more comprehensive having covered various aspects of reality.

Despite these potential insights, research on the link between sensemaking and institutions is extremely rare. Weber and Glynn (2006) provide the first theoretical paper that considers various mechanisms via which institutions impinge on sensemaking. The authors suggest that sensemaking is constrained by values and beliefs embedded in institutions, edited via the socialisation process shaped by institutions, primed by different situations and triggered by discrepancies in institutions. This paper clarifies the impacts of institutions on the process of sensemaking and, at the same time, shows exactly how much organisational analysis benefits by incorporating sensemaking and institutional theory. Not only is empirical work studying the connection between sensemaking and institutional theory needed, future research must test the mechanisms outlined in the study by Weber and Glynn (2006) in different settings. The interrelationship among these mechanisms and their relative strengths can reveal great insights about intangible yet crucial institutions that govern organisational behaviours.

To sum up, as competent and useful starting point as it is, Weick's theory of sensemaking can be strengthened by embracing broader institutional and social contexts as well as the significance of power and emotions. In Weick's words, future conceptualisation and analysis of sensemaking should be "*...more macro..., more infused with emotion and with issues of sensegiving and persuasion*" (Weick, 2005, abstract). With these new insights, sensemaking theory should provide a more sophisticated and realistic sociological approach to how sensemaking is formed under the facilitation and restriction of emotions, politics and institutionalised orders. The mediating conditions, especially, give fruitful implications for the practices and

management of changes when ambiguity, uncertainty and rigidity of bad old habits demand significant emotional capacity and initiatives from organisational members and vision, leadership and interpersonal skills from leaders. These are the key to a smooth and successful change process.

The next sections will explain the motivation for the merger of sensemaking and institutional theory in the study of deinstitutionalisation.

2.5 Understanding deinstitutionalisation: institutional theory and sensemaking in collaboration

The incorporation of the sensemaking perspective corrects the lack of appreciation for micro influences during institutional change and deinstitutionalisation. If agents bear the direct impacts of and improvise with institutional pressures and if institutions are transforming, why is sensemaking not taken into account? Agents' sensemaking and interpretations are essential if the need for deinstitutionalisation is to be recognised, if the explanation of the inertia tendency is to be attained and if the legitimation of new institutions is to reach its goal. For this reason, analysis of institutional phenomena must integrate the insights of cognitive adaptation of agents, who must be equipped with brand new logics and normative rationality to accommodate institutional change (Dacin *et al*, 2002). Microanalysis provided by the sensemaking perspective can link macrostates across time (Weick, 2005) by showing how macro influences are made sense of in different ways leading to different behaviours and facilitating changes later on (Hedstrom and Swedberg, 1998).

This weakness of institutional theory, in fact, provides the justification for the consolidation of sensemaking and institutional theory. The *juxtaposition of institutional theory and sensemaking has been very rare* (Weick *et al*, 2005, p. 17)

but there is clear justification for combining the two. First and foremost, the sensemaking perspective can address the criticism that institutional theory fails to explain and, in some cases, does not even consider the role of agency in the process of institutionalisation. The limited role of sensemaking in the investigation of institutional process stems from the view that meanings, scripts, norms and values are taken-for-granted carriers of institutionalised cognitive constraints to which agents have no other choice but to internalise such demands. No consideration is paid for nonconformity strategies. In this view, sensemaking provides the feedstock for institutionalisation (Weick, 1995) therefore provides the answer for variation in institutional effects in different contextual settings where agents are confronted by different societal and relational demands and the implications these findings have on strategic management of institutional processes. On the other hand, the current theory of sensemaking neglects the significance of broader institutional contexts, in which sensemaking is embedded (Weber and Glynn, 2006). Hiding behind the relationship between sensemaking and institutional context is the relationship between persons and their environments. Unilateral influence is hardly conceivable for environment and individuals are inseparable; one leaves a lasting impression on the other. The moment agents make an attempt to separate cues from flows of activities, interpret them according to the existing framework then turn them into actions, the environment is modified by agent reactions accordingly. This interaction is a reciprocal, continuous dialogue which deserves further attention. In sensemaking, institutions are continually re-interpreted and re-constructed. In order to understand the link between institutional process and sensemaking, a new theoretical framework is needed, which does not entirely belong to management research or social psychology of organisations. This is interdisciplinary research.

The conjoining of sensemaking and institutions should not be limited to recognising that institutions impose constraints on sensemaking. Weber and Glynn's study (2006) is one among a few rare efforts to address this issue. The authors propose a theory of how institutions, via mechanisms other than constraining such as triggering, priming and editing can help clarify the process of sensemaking. First, institutions are said to prime sensemaking due to the fact that individuals possess more than one identity, all are institutionalised, and the selection of one identity and associated frames is determined by certain situations. Tangible situations entail particular roles and scripts which act as primers for appropriate identity and norms to follow. Priming thus augments institutional enactment by emphasising the role of situational context over taken-for-granted macro institutional contexts. With traditional constraint-inflicted mechanisms, institutions restrict behaviours from outside by imposing accepted norms rather than from inside individuals. However, without effectively bounded rules, actors might find a way to deviate. Institutions in Weber and Glynn's theory edit sensemaking via social feedback and expectations, which is a more reliable mechanism. In this perspective, sensemaking starts with concerns and extracted cues but socially monitored through evaluation and modifications and socially negotiated based on power differences. This explains why there might be different plausible meanings attached to one problem, some enactments of some meanings end up more successful than others. Finally, institutional inconsistencies can also create the occasions for sensemaking (Weick, 1995, chapter 4) by creating contradictions, ambiguities and uncertainty inherent between or within institutions. In short, institutions do not only provide regularities in sensemaking through cognitive constraint but also prime, edit and trigger sensemaking. These mechanisms enrich both institutional theory and Weick's sensemaking perspective.

Inspired by the lack of interest on deinstitutionalisation phenomenon that it so deserves, my study attempts to gather insights from sensemaking and institutional theory together in the examination of deinstitutionalisation process. The combination of sensemaking and institutional theory perspectives offers a more comprehensive picture of deinstitutionalisation because, on the one hand, sensemaking reveals the transformation at an individual level, which is essential for the legitimation of deinstitutionalisation, and on the other transformation at an institutional level in terms of values and practices endorsed. The sensemaking perspective is appropriate for the study of deinstitutionalisation not only because it discloses the micro foundations underlying institutions, it does so while taking into account the socio-psychological aspects of individual and organisational life and by emphasising the importance of emotional as well as cognitive response at the receiving end of deinstitutionalisation. Equally importantly, the sensemaking process during deinstitutionalisation is constrained by existing institutionalised beliefs, values and practices therefore the institutional theory perspective not only describes a larger picture of the whole process, i.e. transformation of macro states, but also highlights the impacts of institutions on sensemaking.

This study of the deinstitutionalisation process aims to reconcile the two important bodies of literature: sensemaking and institutional theory, at the same time filling gaps in each literature. Its purpose and place is represented in the diagram below (Figure 2.1). On the one hand, sensemaking theory, building on Weick's work as the milestone, extends its scope of analysis to encompass emotions, power, disasters and crises as occasions for sensemaking and especially macro aspects of sensemaking – institutions. On the other hand, institutional theory, starting with the promotion of cognitive pillar and agency, followed by the acknowledgement of institutional

microprocesses, has shown signs of appreciation for the micro foundations of organisational behaviours. With weakness in each literature addressed by the other's perspective, it is no surprise that the gap between sensemaking and institutional theory can be perfectly filled by studies that incorporate both standpoints. "Deinstitutionalisation process via the lens of sensemaking" is one such study.

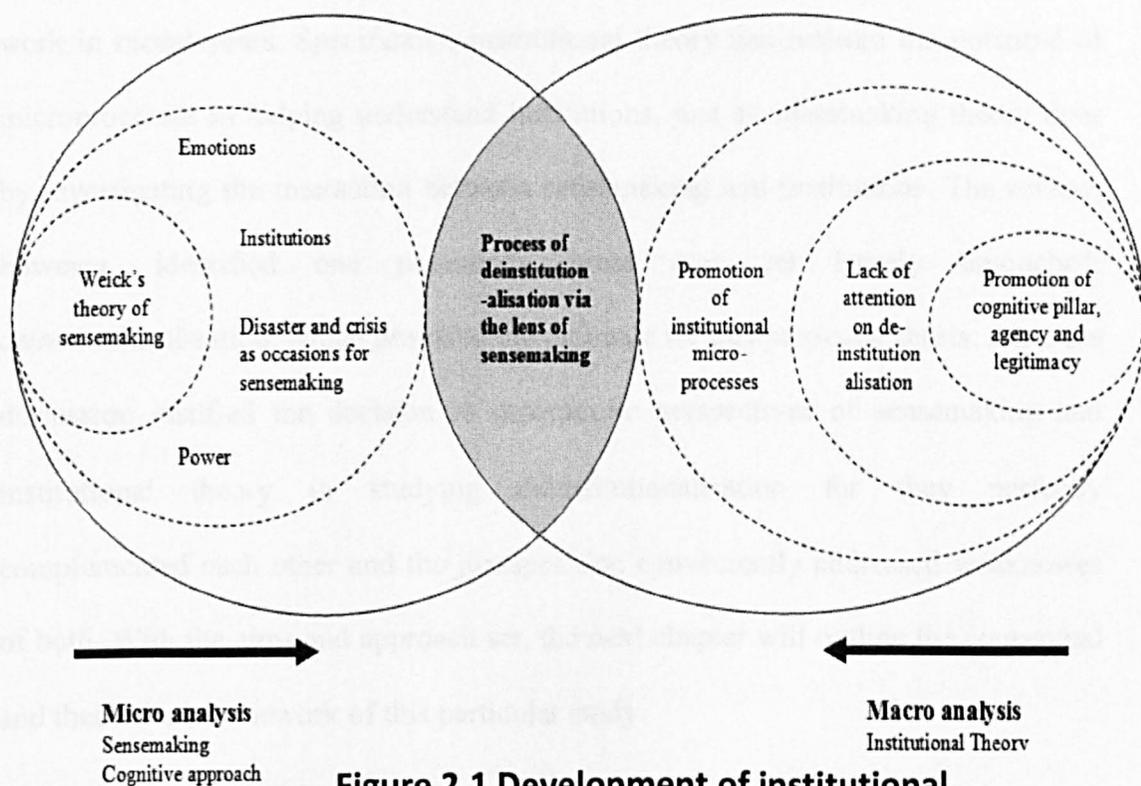


Figure 2.1 Development of institutional theory and sensemaking literatures

2.6 Conclusion

In this chapter, the basic foundations of sensemaking and institutional theory together with important areas of each literature were critically reviewed. Directly relevant to the topic of deinstitutionalisation, reviews of institutional theory include institutional entrepreneurship and the cognitive dimension, the recognition of microprocesses and of course the lack of interest in deinstitutionalisation. As for

sensemaking, it assesses the most influential and acknowledged work in sensemaking – ‘Sensemaking in organisations’ by Karl Weick – and covers areas such as properties of and occasions for sensemaking, crisis sensemaking, sensemaking and emotions, sensemaking as social and political process and finally sensemaking and institutions. Following this review, it was argued that the two bodies of literature have come to appreciate the views of one another, evidenced in the chosen lines of work in recent years. Specifically, institutional theory has realised the potential of microprocesses in helping understand institutions, just as sensemaking theory does by investigating the interaction between sensemaking and institutions. The review, however, identified one potentially great area yet largely untouched: deinstitutionalisation, which provided the rationale for this particular thesis. Also, the discussion justified the decision to incorporate perspectives of sensemaking and institutional theory in studying deinstitutionalisation for they perfectly complemented each other and the juxtaposition conveniently addressed weaknesses of both. With the aims and approach set, the next chapter will outline the conceptual and theoretical framework of this particular study.

CHAPTER 3

Theoretical framework

3.1 Introduction

Having discussed the main research streams, strengths and limitations of sensemaking and institutional theory literature in previous chapter, identifying the gaps for further research and the rationale of this study, this chapter sets out to construct the guiding theoretical framework. The more specific aims are to develop a model of the deinstitutionalisation process and to explore the role of organisational sensemaking during deinstitutionalisation.

3.2 Theoretical model

To approach the case and to guide interpretation and analysis, sensemaking and institutional theory perspectives are particularly relevant. Sensemaking insights enlighten the process of coping with the uncertainty and ambiguity inherent in the deinstitutionalisation process. Properties of the sensemaking process, such as extracted cues, identity construction and social negotiation combined with emotions and power variables will provide a broad picture of how transformations at the micro level lead to transformations at the macro state under the influence of institutional entrepreneurs and their sensegiving efforts. On the other hand, institutional theory offers some useful insights into the relationship between broader institutional environments and firm strategic reactions at both individual and collective levels. An institutional perspective reveals how institutions provide substance and occasions for sensemaking. Not only can agents draw meanings from institutional artefacts to guide their behaviour but contradictions within and between institutions can also act

as motivators for conscious sensemaking in attempts to restore identity. Analytic tools from the institutional perspective are used in the description and explanation of antecedents of deinstitutionalisation, which lead to radical change in organisation form, rules, practices and philosophies.

In this regard, the role of institutional entrepreneurs is appreciated by stressing transformations at individual level (managers and employees), rather than assuming that institutional forces manifest themselves in action. In fact, the “*interplay between actors, actions and meanings*” (Zilber, 2002) decides to a great extent how institutional entrepreneurs make sense of the situations at hand, which in turn shape the course of their actions and organisational reactions. This is because not only acting as interpreters, organisational members are also the carriers of institutional meanings. Although institutional theorists acknowledge the impacts that cultures and social structures have upon people, fundamentally, structures are constructed and cultures are interpreted by people. Without meanings attached to social orders by cohorts of such rules, culture is no more than a collection of traits, used as description of a spiritual phenomenon rather than a list of orders that guide behaviours. The act of agency, which represents the connection between institutional artefacts and actors, is then the transformation of meanings into actions. With the focus on cognitive discourse, institutional theory from the sensemaking perspective makes institutional phenomenon more explicit and at the same time opens a new path for understanding the dialogue between institutions and agents.

3.2.1 Deinstitutionalisation process

Based on the work of Oliver (1992), Weick (1995), Garud *et al* (2007) and George and Jones (2001), a theoretical framework for the deinstitutionalisation process is proposed (Figure 3.1 below).

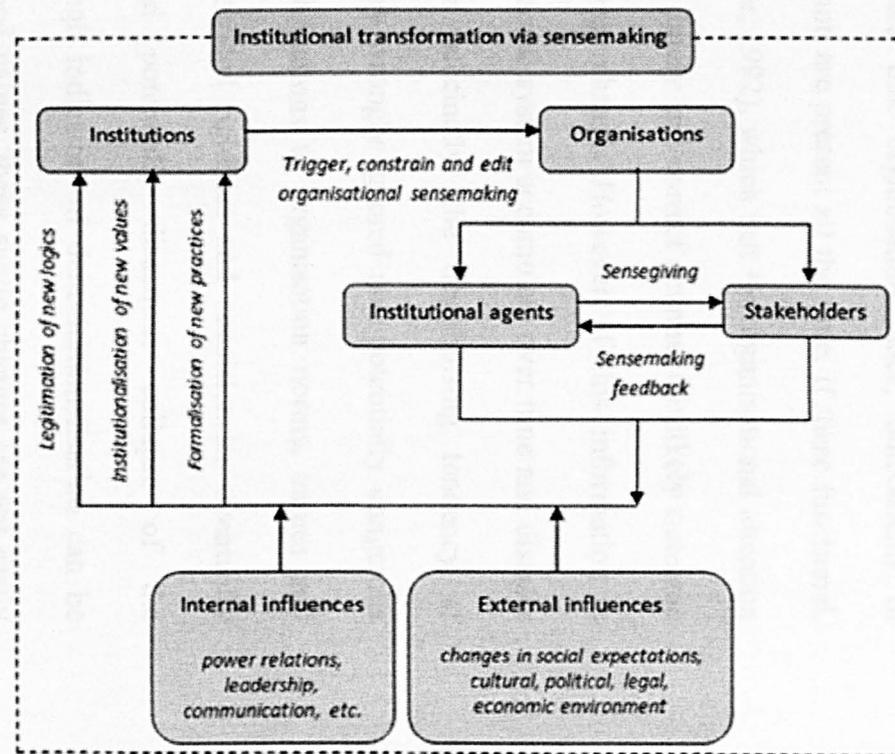
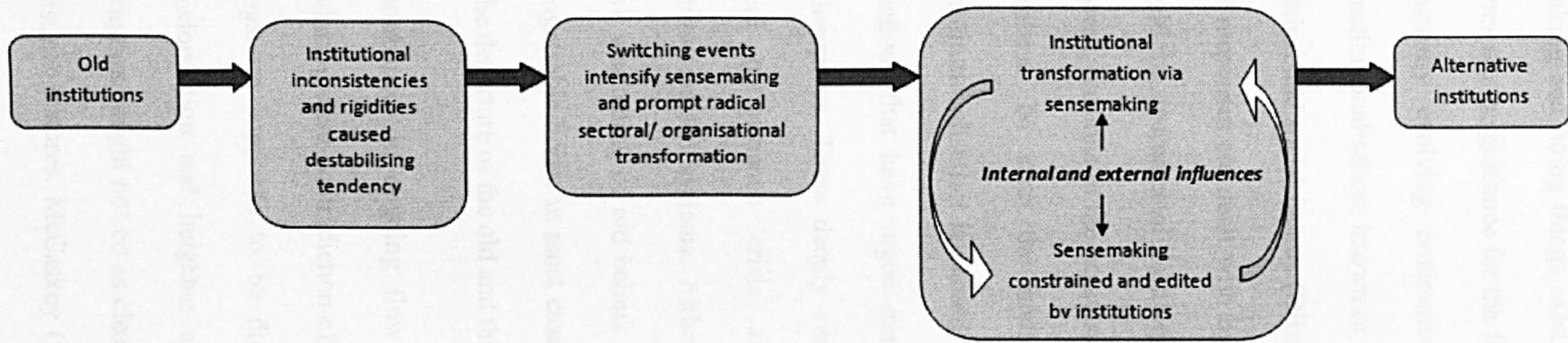


Figure 3.1
Deinstitutionalisation process

At the beginning (of Figure 3.1 and deinstitutionalisation), there are old institutions in place which are stable and mature. Institutionalised ways of thinking and doing things exist in any organisations where routines, rules and norms are the guidance for the functioning of organisational activities. Given the constantly evolving environments that organisations face, antecedents of deinstitutionalisation, known or not, are present all the time. If these functional, political and social factors (Oliver, 1992), which call for organisational attention and responses are dealt with by timely and correct actions, the likely outcome would be incremental institutional change. However, if this information is ignored, tensions in the organisational system accumulate over time and disaster threatens. To state the matter succinctly, the destabilising tendency of deinstitutionalisation is caused by wrongly ignored and potentially dangerous situations that have urged modifications to organisation norms, values and philosophies. These deeply embedded rigidities and consistencies eventually entail performance crisis and potentially disastrous collapse of the institutionalised systems. Although indicators of deinstitutionalisation can be mere weakening of old beliefs and values, these subtle changes are not easily recognisable hence in most cases, the clearest indicator of deinstitutionalisation is the departure of the old and the replacement of alternative institutions.

Disturbances to ongoing flow of activities arise where switching event(s) producing clear contradiction of how things have been done in the past and how things are supposed to be done at present essentially prompt institutional transformation and heighten active sensemaking in response. Occasionally, disruptions might not be as clear cut with obvious consequences, but ones with indistinct features. McCaskey (1982) summarises characteristics of ambiguous changing situations as having an unsure nature, problematic information,

multiple and conflicting interpretations, different value orientations, unclear or multiple goals, vague roles and responsibilities, lack of success measures, poor cause-effect link. The problem caused by ambiguity inherent in these cases is not about the inability to obtain correct understanding of situations or lack of information but rather about the quality of information, which can be resolved by social construction and clarification of meanings. Uncertainty, on the other hand, is caused by ignorance. While more information cannot discard ambiguity, ignorance in uncertainty can be solved simply by attainment of essential information. One important point to mention is that both ambiguity and uncertainty are subjectively perceived, interpreted and felt (Martin, 1992), which means that the level of ambiguity and uncertainty will change through the course of sensemaking, which is exactly the reason why sensemaking is set in motion, to alleviate these uncomfortable feelings.

As opposed to the ongoing sensemaking that enables individuals to take notice of the inconsistencies and rigidities inflicted by taken-for-granted yet troublesome institutions, conscious sensemaking is activated to cope with the unknown and unstable disturbances unfolding when a period of incubation (Stein, 2004) has reached its peak, i.e. at the moment switching event(s) occur. The incubation period is the time preceding the switching events, during which time signs of distress, unidentified or wrongly interpreted, have not been acted upon. This stage of the deinstitutionalisation process might be the most distressing of all stages for it is marked with strong emotions such as confusion, anxiety and uncertainty. Although these emotions still play an important part in the aftermath of the switching events, their intensity might subside as time passes.

The subsequent stage of deinstitutionalisation demands a sensemaking attempt to restore the loss of meaning which occurs when the world's order has been violated. Faced with unknown situations, people need to look for cues that might have been missed and to incorporate them into a new framework that is able to account for current discrepancies. Order must be restored for the world to make sense. The success and duration of this stage depends on many factors including institutional entrepreneurship, political structures, emotions, and the social as well as cognitive capacity of those involved. The tangled interrelationship among moderating variables (power, emotions, leadership, cognition and social factors) is complicated. The box 'institutional transformation via sensemaking' in Figure 3.1 clarifies the dynamics involved in institutional transformation via sensemaking, which essentially denotes the interactions between institutions and organisations at the institutional level and between institutional agents and stakeholders at the organisational level. All the channels and the sorts of influence exerted by different parties are illustrated by the directions of the arrows. For instance, institutions are to trigger, constrain and edit the sensemaking of organisations (Weber and Glynn, 2006), which is made up of institutional agents and stakeholders. The social negotiation processes between these two parties determine the outcome of organisational sensemaking and response, which in turn shape institutional makeover by legitimising new logics, institutionalising new values and formalising new practices. This interactive process is ongoing and is contingent upon internal and external factors such as organisational characteristics and changes in surrounding external environments.

The deinstitutionalisation process (and Figure 3.1) is complete when new orders are found and alternative institutions are put in place. The outcome of deinstitutionalisation varies from case to case as influencing factors (both

internal and external) and idiosyncrasies of each institution and switching events differ. Here, although all deinstitutionalisation processes progress through these five stages, each process is qualitatively distinctive with its own pace and destination. However, it is possible to group outcomes of deinstitutionalisation into two main categories: one with the substitute of new institutions and one with the return of previously successful institutions.

3.2.2 Active sensemaking intensified by switching events during deinstitutionalisation

Deinstitutionalisation is often associated with the introduction of new practices and, at the extreme, transformation in organisational form and management. Changes, however, do not manifest themselves in action without resistance. Individuals who are comfortable with and guided by schema inherent in habits of existing institutions, who dislike insecurity and uncertainty, are unlikely to welcome changes, at least in the first stage of the change process. Understanding of factors that prevent change, i.e. inertia or resistance to change, is therefore crucial for any analysis of the change process. This resistance tendency might deteriorate or exaggerate over time but in order for deinstitutionalisation to move on to the next stage, effort at mapping out plausible stories and responses is challenged by the urge to resist. Resistance takes different forms at different stages of deinstitutionalisation and its impact on sensemaking will vary accordingly. At the beginning, dislike of insecurity and anxiety might be the strongest source of resistance. As time goes on, the need for change might be recognised and justified, resistance then takes the form of negative moods and then old habits. More details on sources of resistance at each stage of sensemaking will be discussed later. The process of sensemaking during

deinstitutionalisation in this study takes into account not only the cognitive element but also social, political and emotive facets of sensemaking. Emotions, power, individual, social and organisational factors intertwine to style features of sensemaking and the discourse of deinstitutionalisation. The crisis-intensified active sensemaking process during deinstitutionalisation is illustrated in Figure 3.2 below.

The changes associated with deinstitutionalisation are often so pervasive, unexpected and lie deeply at the core of organisation philosophies and traditions, that their occurrence generates immense disturbance and arousal to the autonomic nervous system (Berscheid and Ammazzalorso, 2003). Disturbances created by catastrophic switching events and from these radical changes alike impose momentous challenges to both personal self-image and collective identity. There is a close link between an individual's self concept and an organisation's image because by practising the culture the organisation embraces, individuals identify themselves with and act on behalf of the organisation. If there is a threat to the organisation's identity, individuals with close identification to the organisation treat this as a threat and activate sensemaking to restore their self-image. The motivational function of identity construction, although not visible in the framework, plays a central part in sensemaking activities. All effort at making sense of flux stems from the need for self-enhancement, self-efficacy and self-consistency therefore a problem must be directly relevant to personal goals and purposes to activate conscious sensemaking.

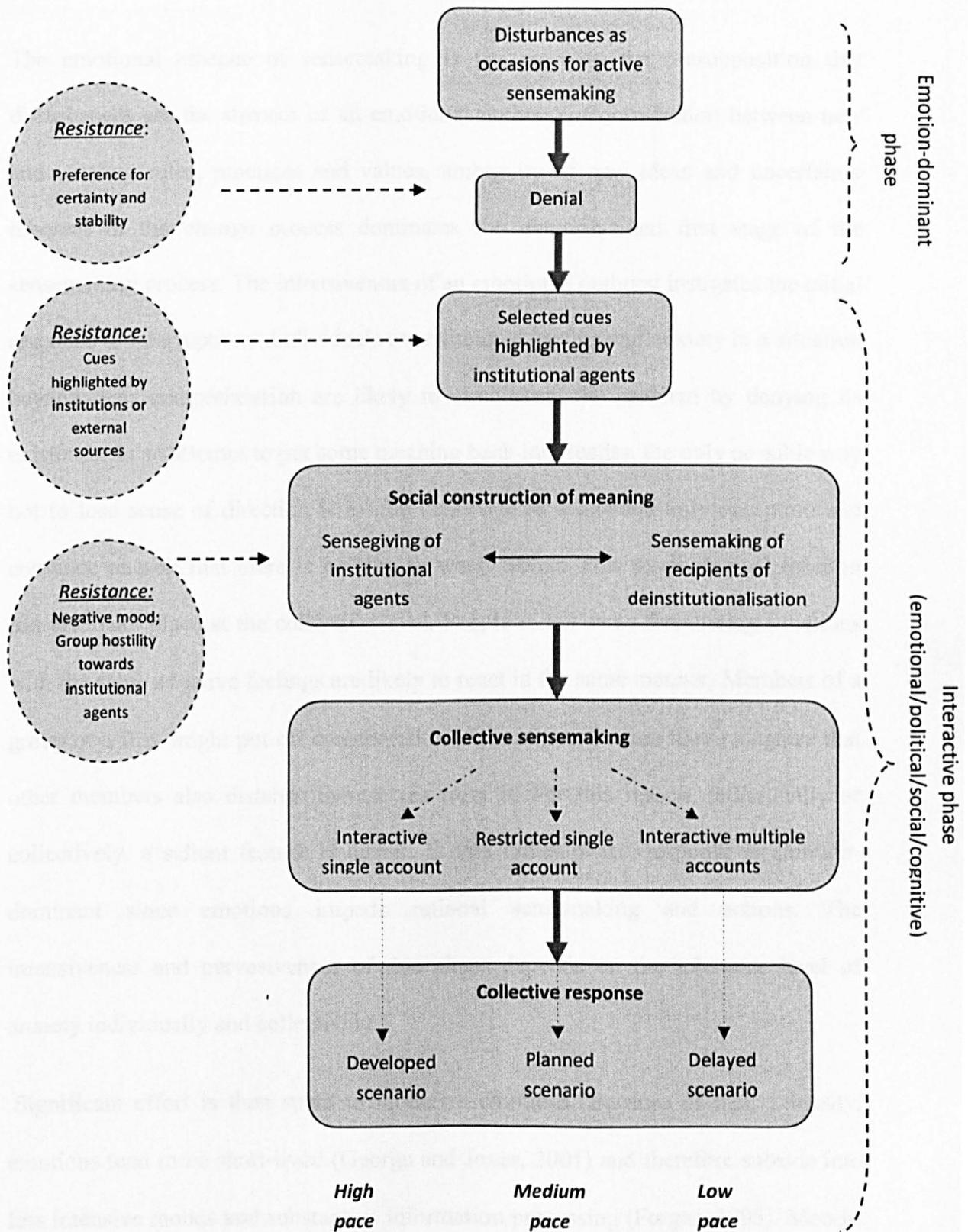


Figure 3.2 Crisis-intensified active sensemaking process during deinstitutionalisation

The emotional essence of sensemaking is premised on the presupposition that disturbances are the stressor of an emotional outbreak. Contradiction between new and existing rules, practices and values, ambiguity of new ideas and uncertainty inherent in the change process dominates the emotion-filled first stage of the sensemaking process. The intensiveness of an emotional outburst instigates the initial response to interruptions. Individuals overwhelmed by fear and anxiety in a situation beyond their comprehension are likely to circumvent the problem by denying its existence. In an attempt to put some meaning back into reality, the only possible way not to lose sense of direction is to dub challenge as a one-and-only exception and convince oneself that there is nothing to worry about. This psychological reaction can also take place at the collective level. People in the same threatening situations with the same negative feelings are likely to react in the same manner. Members of a group or a firm might put off consideration of discrepancy when they recognise that other members also distance themselves from it. For this reason, individually or collectively, a salient feature is denial. In this initial phase, response is emotion-dominant since emotions impede rational sensemaking and actions. The intensiveness and pervasiveness of this phase depends on the tolerance level of anxiety individually and collectively.

Significant effort is then spent to moderate emotions. Because of their intensity, emotions tend to be short-lived (George and Jones, 2001) and therefore subside into less intensive moods and substantive information processing (Forgas, 1995). Moods, although being less intensive, have long-lasting influence on thought and behaviour without disrupting them (George and Jones, 2001). When emotions are under control, transformation moves on to the next phase which is social, political and emotional as well as cognitive in nature.

When denial takes place at the collective level and change is brought to a halt, institutional entrepreneurs (managers, team leaders) who are creators and initiators of change express their insights and exercise power in bringing about change. This is the moment the political aspect of organisation sensemaking comes into play. The nature of activities undertaken by institutional entrepreneurs and the skills associated with them are central to the consequences of deinstitutionalisation because whether outcomes are what institutional agents wish for depends on whether they can eliminate resistance. Not only must institutional entrepreneurs be able to conceive of new ideas for change, they also need to deliver those sensible, workable ideas in the intended way. This requires cognitive capability, interactional and leadership skills. The purposes of deinstitutionalisation can only be recognised, accepted and supported if institutional agents are able to control collective actions by guidance, encouragement and imposition if necessary. Hence, the responsibility institutional entrepreneurs hold in facilitating transformation is sustained throughout the discourse of deinstitutionalisation. By emphasising this point, this framework can explain the source and outcomes of deinstitutionalisation and how the deinstitutionalisation process is all about the negotiation between institutional entrepreneurs and ones who have the urge to resist.

Having discussed the first two stages of the deinstitutionalisation process, it is clear by now that the first phase is mostly coloured with emotions whereby rational sensemaking and actions are hindered by fear, anxiety and insecurity elicited from disturbance of deinstitutionalisation. As emotion moderation sets in, political and cognitive factors feature more prominently alongside emotion. Sensemaking starts with the noticing of cues selected and proffered by institutional agents and the contestation between those with cues highlighted by institutions. These salient cues

stand out because they represent the peculiar, the unexceptional which violates existing scripts. These cues, however, are not picked up single-handedly by individuals but rather highlighted to them by institutional entrepreneurs. The controlling of cues is an exercise of power and it is a part of political sensemaking. Resistance at this stage stems from the contradiction between cues selected by institutional agents that orient towards positive features of change and cues underlined by institutions. These cues are likely to be uncomfortable issues in the change process and challenges to existing institutions. The more individuals are committed to old habits and identified with organisational image, the more salient the cues stressed by institutions hence greater effort is needed to modify resistance.

The next phase of the sensemaking process is social construction of meanings which is the negotiation between institutional entrepreneurs and organisational members. Powerful as they are, however, the outcome of deinstitutionalisation is not entirely in the hands of institutional agents. Individuals, who bear the direct consequences of deinstitutionalisation and identify with old institutions, might or might not take the stories notified to them willingly. Institutional agents then try to construct and propagate their visions to organisational members in the attempt to re-orient existing interpretive schemes. Drawing attention of individuals to the signs of problems instigates their sensemaking effort but needs to be followed swiftly by infusing some meaning into them. This activity is what Gioia and Chittipeddi (1991, p. 442) called sensegiving, which refers to the *“process of attempting to influencing the sensemaking and meaning construction of others toward a preferred redefinition of organisational reality”*. The notion of sensegiving is derived in the context of strategic change commonly found in organisational life. Plans are initiated by the top management team (institutional entrepreneurs), who have power, vision and

willpower and these insights will then be interpreted by and implemented at lower levels. The sensegiving of radical changes associated with deinstitutionalisation might range from the promotion of certain plausible stories with positive consequences to the favouring of rules, values, positions legitimated by these stories. In other words, what institutional agents are trying to do is to convey the nature of their vision, the value underlying it and the actual changes that they wish to achieve (Gioia and Chittipeddi, 1991). The assumption made implicitly in this phase of organisational sensemaking is that institutional entrepreneurs must already be able to make sense of the situations before or better than sensetakers (the targets of institutional entrepreneurs' sensegiving) if sensegiving is ever attempted. The presumption that institutional agents are more competent at making sense compared to the rest of the workforce might not be difficult to comprehend as managers often have better access to information and are in a better position to form a holistic view of the challenges faced by organisations. Resistance to deinstitutionalisation at this stage is the impact negative moods have upon information processing. George and Jones (2001) and Forgas (1995) both discussed the significance of mood congruence in evaluative judgements. Their advocacy has been supported by numerous studies that when in negative moods caused by negative emotions, individuals pay more attention to negative information, have difficulty at learning such details, and make more negative interpretations of ambiguous information. Therefore the main style of thinking in these situations is critical thinking as compared to creative, expansive thinking in positive moods. As a consequence, whether persuasion of positive consequences associated with deinstitutionalisation is successful depends on whether institutional agents can win over the impacts of negative moods at the information processing stage.

The other half of social construction of meaning is the response that recipients of change have upon institutional initiatives. The outcome of this process, whether it is unitary or multiple interpretations, is the direct result of negotiation power and the willingness of both parties to participate. Visibly in direct communication or hidden in silent resistance, feedback from organisational members is delivered to institutional agents who will then revise their propositions and respond accordingly. Resistance at this stage arises from the distress caused by the need to abolish old institutions if deinstitutionalised practices are to be accepted. Insecurity related to changes and commitment to old habits are the most rigid organisational elements to transform. Whether individuals see the opportunity presented by deinstitutionalisation is more attractive than the cost of abandoning old beliefs determines the outcome of deinstitutionalisation. The negotiation process is one of political nature in the sense that more powerful actors (management team) have the upper hand of the bargain and can use rules to coerce organisational members. However, the extent to which the response is the target they wish for depends on whether they can align their interests with those of the mass.

Having said that negotiation is a political process, group interaction involves emotions and (collective) identity construction is as much an emotional reaction as cognitive activity. Humphreys and Brown (2002, p. 424) argue that: “...because work organisations offer meaningful explanations for anxiety-provoking experiences that reduce dissonance, at a deeper psychological level, in defining the social identity component of their self-concepts, individuals tend to draw on salient images they associate with their work organisation”. Taking this view, there is a close link between self identity and collective identity; and by defending organisational identity, individuals preserve their own image. Vogler (2000) draws on the work by

Bion (1961) on emotional intersubjectivity and group processes to suggest that collective identity also has an emotional dimension that coexists with a cognitive one. The orthodox cognitive view of social actors overlooks the role of emotions and defence mechanisms in identity construction. Hence, analysis of conflicts must take into account psychological processes and strong feelings occurring within groups. The authors advocate that under certain circumstances, when challenged by stressful social conflicts, group relations are associated with unreality, hostility and suspicion as group members unite to respond to outsiders or even members of the group (Vogler, 2000). What happens is that they split good feeling (sense of belonging to the group) from bad feeling (anger and frustration) and project a disliked feeling towards the enemy to preserve the purpose of the group. In terms of anxiety and conflicts caused by deinstitutionalisation, organisational members, who share the same feelings, might collide with each other and view actors who initiate changes causing disturbance as enemies. They will be sceptical rather than understanding of leaders. This emotional dimension of an already complicated political process exaggerates the conflicts and makes it more difficult to resolve. Consequently, the solution depends as much on the ability to relieve the group's anxiety (e.g. by aligning with their emotions) as it does on the politically correct answer.

The outcome of organisational sensemaking is determined by the level of interaction between institutional agents and recipients of deinstitutionalisation and also by the ability of institutional agents to shape collective sensemaking in the direction they intend. There are three possible scenarios: Interactive single account, Restricted single account and Interactive multiple account. Interactive single account results from a high degree of sensemaking from recipients in response to sensegiving attempts of institutional agents. However, the difference between Interactive single

account and Interactive multiple account is the ability to reach an unitary collective account when organisations are able to harmonise alternative sensemaking into one interpretable, accessible and legitimate account. On the other hand, Restricted single account differs in terms of its high degree of control therefore limited interaction among organisation members. In short, the outcome of deinstitutionalisation therefore largely depends on the ability of institutional entrepreneurs to moralise their stories, which in turn depends on their ability to align emotions with sensetakers and organisational emotional capability. In more detail, these factors are emotional alliance (which is believed to help institutional agents to earn recipients' support), leadership style (whether the sensemaking account is the product of fair negotiation or of power) and the willingness of other members to participate in the process.

Each case of collective sensemaking corresponds with one particular type of collective action. In case of Interactive single account, the unity of organisational sensemaking allows the deinstitutionalisation process to develop at high pace. The difference is when organisational sensemaking is born out of interactive negotiation; deinstitutionalisation is often associated with some emergent but consistent features, which leads to more stable, non-contestable institutions. This is the Developed Scenario. Meanwhile for Restricted single account, deinstitutionalisation advances as intended and at medium pace (Planned scenario) because although there is only one legitimate account, it is the one promoted by institutional agents. Here, due to high control from leaders, the collective sensemaking process ends up with unitary account despite the fact that there might still be alternative, unwelcomed sensemaking. This sensemaking is likely to cause disagreement among organisational members and to be the origin of resistance. This is the reason why deinstitutionalisation is not able to achieve high speed like Developed scenario does;

and also, institutions that linked with Planned scenario are incoherent and contestable.

In case of Delayed scenario, the low pace of deinstitutionalisation is caused by the failure to unify alternative sensemaking. Further negotiation (interaction) is needed to turn multiple accounts into one unitary account in order for deinstitutionalisation to advance. Meanwhile, deinstitutionalisation is halted since in Interactive multiple accounts case, there is no control exerted by institutional agents to restrict fair negotiation or to drive deinstitutionalisation forward. However, if consensus is finally reached, the new institutions are likely to be stable and coherent like the ones in Developed scenario as new institutions are the product of cooperation and negotiation of the entire organisation.

3.3 Conclusion

In this chapter, I have proposed the conceptualisation and the model of deinstitutionalisation process. In doing so, the chapter emphasises the following points:

1. The crisis-driven deinstitutionalisation differs from institutional change in its view that the breakdown of well-established institutions occurs because organisations underestimate or ignore the distress calls of these problematic systems. If the opportunities are identified and dealt with in time, less devastating changes would suffice. But if organisations are unresponsive to external environments, when troubles reach breaking point, only the reconfiguration of the entire system will do.

2. Institutional inconsistencies have destabilising effects as they create mounting pressures leading to disastrous situations and prompt institutional transformation.
3. Switching events initiate conscious sensemaking – the best defence mechanism against chaos, uncertainty, ambiguity and contradiction.
4. Institutional transformation facilitated by sensemaking is a process which is influenced by internal and external environments.
5. The deinstitutionalisation process is complete when new institutions are formed, the features of which are shaped by organisational sensemaking.
6. Organisational sensemaking is a social negotiation process in which success is contingent upon emotional, political, cognitive and social factors.
7. The nature of crisis-driven deinstitutionalisation means that the immediate phase after switching events is emotion-dominated. Other factors come into effect later on.
8. Each step of organisational sensemaking has its own kind of resistance.
9. Organisational sensemaking outcomes depend on conditions such as leadership, emotional interaction and opportunities for multi-stakeholder participation.
10. The pace and outcome of deinstitutionalisation is determined by organisational sensemaking. Next chapter will present the methodological approach and design employed to seek answers to the research questions and to operationalise the ideas and theoretical model of this chapter.

CHAPTER 4

On the quest for knowledge – Perspectives and methods in researching institutions and sensemaking

4.1. Introduction

The previous chapters review literature on deinstitutionalisation (chapter 2) and demonstrate the conceptual and theoretical foundations (chapter 3) for this study of deinstitutionalisation. This chapter describes the methodological underpinnings and operational process of data gathering and analysis.

Therefore this chapter has the following aims:

- to elaborate on research aims and objectives, and expand the two research questions,
- to describe the research design,
- to explain the reason for the case selection and describe the institutional contexts surrounding the research site,
- to elaborate on the data collection,
- to discuss the levels of analysis, the tools used, the procedure of data analysis and management, and
- to discuss issues of validity and generalisability, limitations and methodological reflections.

4.2 Research questions and aims

The main goal of this study is to understand the process of deinstitutionalisation and the role of sensemaking therein. The fundamental task hence is to capture the idiosyncratic dynamics of institutions ranging from the origins of deterioration to the consequences and manner of changes. In addition, this research emphasises the significance of actors' sensemaking in explaining the reciprocity between agents and contexts during the deinstitutionalisation process. By definition, deinstitutionalisation is the deterioration or discontinuity of well-established institutions. The occurrence of deinstitutionalisation generates interruption to ongoing flows of thoughts and actions. These abnormalities call for immediate attention to reinstate order and sensemaking is the response. In other words, deinstitutionalisation can be seen as an institutional process where old institutions lose legitimacy then are rebuilt but an important part of the transition involves the micro-level coping progress of groups of individuals experiencing analogous threat to their identities. In order to fully appreciate the mutual relationship between institutions and agents during the deinstitutionalisation process, it is therefore essential to understand the process of sensemaking therein.

For the sake of clarification and as guidance for analysis, two research questions were formed. The first question, "*How does the deinstitutionalisation process unfold?*" highlights the trajectory and progression of deinstitutionalisation by focusing on a sequence of critical turning points and by assessing internal and external settings that drive the transformation of outdated institutions. If the aim of the first question is an overall picture at the macro level, the second one, "*What impact does organisational sensemaking have on the pace and outcome of the deinstitutionalisation process?*" turns our attention to microprocesses underlying

those institutional movements. Although institutional and sensemaking processes are different, there is an important connection between them as sensemaking occurs within the boundary of institutional and social contexts whilst cognition and sensemaking at individual level is one of the three mechanisms (together with normative and regulative) that created and reinforced institutions (Scott, 2001). The second research question targets this reciprocal link. The deinstitutionalisation process might be instigated and driven by institutional agents; however, the influence of other stakeholders such as employees and third parties should not be underestimated. Whether institutional agents and other stakeholders are in agreement or conflict, deinstitutionalisation is eventually the product of resistance, negotiation and alliance. In other words, organisations experience deinstitutionalisation as a collective, therefore group and organisational sensemaking are as important as individual sensemaking.

In detail, to comprehend key elements of the deinstitutionalisation process, the more specific objective was to investigate the historical and institutional circumstances leading to deinstitutionalisation, the process of tension build-up, the critical events that intensify sensemaking and the social construction (or rather reconstruction) of lost meanings, through which individuals and organisations learn to adapt to new logics and practices. Likewise, the impact of institutional agents on organisational sensemaking and factors intervening in the sensemaking process were considered. Several related questions were developed to elaborate the two main research questions (based on Pettigrew, 1997). These questions acted as focal points of my investigation; on the one hand, they defined the boundary of my study while ensuring that all important information on internal and external factors was incorporated and was sufficient for the most comprehensive examination possible. For the first

research question, concerning the deinstitutionalisation process, the supplementary questions were:

- What are the key sequences of events?
- What and who are the critical events and actors? And what are their main movements?
- What events or contextual factors impact on this core stream of activity?
- Is there evidence of path dependency?
- Who are the winners and losers, supporters and disengaged of the deinstitutionalisation process?
- Are there different paces of deinstitutionalisation for different parts of organisation?
- What are the intended and unintended consequences of deinstitutionalisation?

For the second research question, covering stakeholders and organisational sensemaking, the guiding questions were:

- Who are the most powerful actors and what are their activities?
- What are the influences these key actors have on the rest of the employees and organisational sensemaking process? And by what means are these influences executed?
- What are the factors that shape individual and group sensemaking?
- Are there different styles of sensemaking for different groups?

- What are the outcomes of group sensemaking for each unit?

Since the subject of this study is the deinstitutionalisation – so called the transitional process of institutions, the processual approach is deemed the most suitable strategy. Van de Ven (1992) defines process as “*a sequence of events that describe how things change over time*” (p. 169). As such, processual analysis allows us to observe changes in action to offer description and explanation of what, how and why individuals and social interactions engage in the sequence of particular events i.e. deinstitutionalisation. In order to do so, it is important to recognise that historical and institutional contexts are a large part of processual research since path dependency provides causality or antecedent conditions of subsequent events and actions (Pettigrew, 1997). As a processual study, this thesis was hence designed to capture the reciprocity between agents and contexts as changes in contexts stimulate alternative behaviours, which in turn reshape contexts. The other purpose was to unearth generative mechanisms controlling processes while taking into account factors affecting surrounding environments.

4.3 Research design

Processual research seeking to understand organisational changes over a long period of time suits the type of design with the capacity to explicate the unfolding temporality element of change (Dawson, 1997). In this study, I used longitudinal single-cased study to capture a deep, rich and holistic picture of social settings and interactions among actors and variables inherent in deinstitutionalisation as well as to follow the trails of developing processes.

By definition, processes are dynamic, evolving, complex with many different sets of factors manipulating their course, and understandably lengthy, easily lasting for

years or even decades (Hinings, 1997). Deinstitutionalisation process is no exception. Therefore, to trace the conditional path of processes over a long period of time, the longitudinal approach is regarded as the most appropriate for this study (Poole, Dooley and Holmes, 2000). Moreover, as the majority of information is about past events commenced long before the research begins, a crucial aspect of this longitudinal study is retrospective (Dawson, 1997). Accordingly, in combination with data gathered at the present time, I paid special attention to backdated data concerning the time of occurrence or perhaps even before that if antecedent conditions are needed.

Understanding of deinstitutionalisation is not confined to descriptions of the phenomenon, however. It necessitates careful elaboration of causal conditions and intervening factors to explicate the origin, direction and destination of events and to seize the evolution and to extricate webs of interconnected forces. In light of this approach, aiming to investigate the process of deinstitutionalisation dating back to the 1990s, this study examined the process by considering historical, economic and social reasons underlying such development. Put differently, the target change process was not studied independently but was put in context to explain its existence, pace and trajectory. Although the focus was on deinstitutionalisation of organisational practices, the source of change might be the asymmetries between levels of contexts (Pettigrew, 1990) i.e. deinstitutionalisation happens because organisations are unable or unwilling to adapt to changes in the industry or economy. Alongside external environments, it was realised that movements from within the organisation play an equally important role. Since the process started in the 1990s, retrospective data was gathered (via interviews) from the same group of participants on one or more occasions about their sensemaking of past events, their initial

responses to those incidents and the measures they took in the adaptation process. In addition, historical and retrospective data were supplemented by current conditions at national and organisational levels making the connection between the past, present and future. Briefly, in an attempt to reconstruct the progress of deinstitutionalisation, a contextual approach was selected where the interconnectedness between structures and actions was evaluated over time. Deinstitutionalisation, then, was taken as the consequence of a mixture of conditions that led to switching events and a combination of external factors and actions within the organisations that encouraged transition to take a certain route. The unfolding of deinstitutionalisation was also traced back to previous periods by constructing retrospective accounts of recipients' sensemaking at that time. The collection of sensemaking accounts about the past as well as the present time not only resolved the issue of time in longitudinal study, it also helped reveal the reciprocity between contexts and agents i.e. to explore how structures were the products of sensemaking and actions and vice versa.

Among several strategies of enquiry, the case study approach is the most appropriate for my purpose. In-depth case studies are described as a "*research strategy where contexts are parts of the designs. Within this, a number of methods may be used, either qualitative or quantitative or both*" (Cassell and Symon, 2010, p. 323). Due to their designs, case studies can provide rich and detailed information, which can be used for either theory-building or providing description. Certain kinds of research questions are more suitable for case study research, such as 'how' and 'why' questions or when a theory is at its formative stage and/or research is in areas where a phenomenon is dynamic and not yet mature. For these reasons, my research questions lend themselves comfortably to the case study approach as the framework

of deinstitutionalisation is under-developed and the nature of factors precipitating or enabling deinstitutionalisation is little studied.

Moreover, the case study approach taking contexts as a major component provided a holistic picture of organisations (Yin, 2009) and it captured the temporal essence of processual research. The descriptive representation of the deinstitutionalisation case was done chronologically where subsequent events were interpreted as the direct consequence of previous incidents. For interpretive studies emphasising process rather than structure or content, such as this study, the storyline with a sense of continuity was a powerful constructive tool. The interpretive analysis method used for the most part in this study was focused on content as opposed to structure. The evaluative content-orientation demonstrated holistic insights of a single, complete account, which obviously did not preclude socio-psychological contexts i.e. individuals are not isolated but rather are individuals within society. The collected accounts of sensemaking of deinstitutionalisation therefore concentrated on how meanings inherent in extracted cues and meanings drawn out of them were constructed to comprehend current actions or events.

4.4 Case selection

The case investigated in this thesis was a state-owned enterprise operated in Vietnam. The focus of analysis is the transformation of institutions and there is no doubt that such transition has occurred in Vietnam. The country abandoned the communist central-planning system, which was once the core of war and economic survival, for a more efficient market-oriented alternative (Ashwill and Thai, 2003; Griffin, 1998; Melling and Roper, 1991; Litvack and Rondinelli, 1999; Román, 1999). Given my interest in the role of sensemaking during deinstitutionalisation and

other factors that might stand in the way of a smooth and quick transition, I chose a large, important state-owned company as a single case for investigation. It was sensible to anticipate that complicated connections between the company, society (represented by the media) and the government, its pivotal position in the Vietnamese economy and the fact that old institutions had been maintained for a long time might pose tremendously challenging obstacles if deinstitutionalisation manages to reach the finishing line. In short, this case was chosen for its rich content and high level of experience of the deinstitutionalisation process.

Vietnam is an interesting case as the country has struggled for thousands of years against wars and instability that few other countries had experienced (Gainsborough, 2002a). As with other former socialist Eastern European and Southeast Asian countries, the Vietnamese government has played a central role in national domestic activities. The socialist system was very successful once during wars and in stabilising the broken economy in the post-war period but in today's rapidly changing and competitive world economy, it no longer works. After many years of protection and control from the government, state-owned enterprises, the main engine of growth, were inefficient, over-manned and becoming a burden for the state budget. For survival, Vietnam restructured state-owned companies and redefined the relationship with the government and between public and private businesses (Wolff, 1999). Decentralisation was one of the most important features of economic and social reforms that occurred throughout the area. Although each journey has its own characters reflecting national idiosyncrasies, deinstitutionalisation processes (of central-planning regime) in all these cases or other contexts share significant similarities in terms of antecedent conditions, progression and outcomes.

Since the 1980s, the Vietnamese government has focused its attention on large-scale reform to accelerate the transition to a market-oriented economy. Decentralisation of key state-owned enterprises in conjunction with modernisation and industrialisation in many pivotal industries has brought Vietnam closer to truly joining the global economy. These transformations cover a wide range of cultural, economic, social, political and institutional issues and extend the impact to every part of the country and its people. It is expected that the adoption of many key elements of the open market (e.g. the launch of a stock market and more open trading laws) means the desertion of signature elements of a closed economy and Confucian culture. Deinstitutionalisation in cases like Vietnam, whereby some (if not all) of the most fundamental values and manners are questioned and abandoned, demands more than just simple adaptation to new things. Here, what is asked of the country and the people is an extensive transformation of their identities and behaviours. This process of deinstitutionalisation demands more than just economic or political alterations; it is a socio-psychological process that is uncertain in nature. The ability to cope in this situation depends not only on cognitive capacity but also on emotional competence, political and social ties. Unsurprisingly, deinstitutionalisation in Vietnam at societal, economic or business level alike is qualitatively different from that of developed countries or other organisational episodes where deinstitutionalisation only entails the abandonment of business practices.

The actual research site, a formerly state-owned, bureaucratic company called Electricity of Vietnam (EVN hereafter) resembles the process of deinstitutionalisation at national level since EVN, like many other state-owned companies, has taken over control (from government) on operational and production activities and been renovating many organisational aspects (ownership style,

corporate governance, management style and work-related values) (Master Plan VI, 2006). In addition, given its complicated web of institutional linkages (with government, society, media, employees and business partners), the process of deinstitutionalisation in EVN offers many fruitful insights because of the large number of actors involved, the interrelations among different forces and the uncertain future that puts many individuals in doubt. Due to its connection with the government and its pivotal position for the economy, deinstitutionalisation in the case of EVN takes place both at organisational level (in terms of practices and beliefs within the organisation) and at institutional level (in terms of the relationship with the government). It can be said that deinstitutionalisation in the case of EVN has two equally significant momentums: one is driven by outsiders i.e. the effort of the government and the people (via media) to alter the behaviours of key actors of the power sector; the other lies within EVN i.e. the will to become more competitive in the face of undeniable performance crisis and upcoming competition once the free market for electricity is open. Examination of the deinstitutionalisation process in EVN considering both internal as well as external factors that push and pull the process in different directions will disclose relative strengths of different forces and the nature of their relationship. Moreover, in the face of the current global and domestic economic crisis, external environments surrounding EVN become more intricate and uncertain thus exacerbate judgements and the sensemaking process. Conditions influencing sensemaking abilities in this context might enlighten our understanding about how difficulties obstructing sensemaking might slow down the deinstitutionalisation process.

In contrast to the situation where the aim of the case study is to test existing theory, for the generation of new theory random selection is not essential (Eisenhardt, 1989).

So how was the case in this study chosen? Site selection in this study was led mainly by the highly visible or intense experience of the phenomenon under study (Pettigrew, 1990). It started with the deinstitutionalisation and sensemaking processes set out in the previous chapter. Given the emphasis on disruptions to ongoing institutions and how organisational sensemaking as a social, emotional and political process either paves the way or stalls deinstitutionalisation, the case with well-established institutions in place and significant disparity between old and new institutions might offer more insights. Since vast distortions are more likely to provoke intense emotions during sensemaking, resistance movements to protect previous institutions tend to be more widespread and powerful. Undoubtedly, they all influence how fast old institutions transform and what characteristics new institutions possess. Apart from the interest in bottom-up reactions, the role and influence of institutional agents as the drive behind deinstitutionalisation was highlighted in the theoretical framework (chapter 3). The case selected for this study indicates this point of reference as although deinstitutionalisation was initiated and directed by institutional agents, the pace and outcome was a product of collective interactions. The second consideration concerns the impact of sensemaking and the transition of the deinstitutionalisation process. The word 'transition' implies the act of passing from one state to the next and to capture sensemaking at that crucial moment, the case chosen should still be in the process of changing but ideally near the end of its course where institutions to some degree take its new form. It permits a holistic comparison of two states without sacrificing present sensemaking. Having said that, to trace deinstitutionalisation in its initial stage, collection of retrospective sensemaking must be feasible. The final decision of case selection, however, was also influenced by ability to negotiate access. For this reason, there might be other

cases qualified for the categorisation above; the actual case in this study was chosen due to the available connection between the researcher and the company.

4.5 Data collection

Data was primarily qualitative and collection was intensive over five years and divided into two periods (2006 – 2007 and 2008 – 2011). Given the amount of data required in longitudinal single-cased study, I used multiple sources from both primary and secondary categories. Two main sources were documentation and semi-structured in-depth interviews with the aid of observations. I will give more detail on these after the sampling methods section.

4.5.1 Purposive, theoretical and networking sampling

To increase the validity and reliability of research, it is crucial to ensure that a valid method of sampling was used. Since case studies are sometimes criticised for their lack of generalisability and single cases come in for particularly strong criticism, researchers solve this generalisability issue by making comparative analysis between chosen units. This is known as purposive and theoretical sampling techniques (Silverman, 2010). In contrast with research that relies completely on random sampling, randomness is not the main concern of theoretical sampling. Such sampling procedures are used to ensure samples make good representatives of the whole population with the intention that broader inferences are gained. Apart from quick and easy access, participants and groups are chosen where the process being studied is most likely to occur and to demonstrate the robustness of theoretical propositions across different settings (Denzin and Lincoln, 2010). This way, although only one single case is examined, greater insight can be gained by considering various types of unit reactions. Each of these units represents a type of background

that is most likely to incur in particular activities. In the organisational context, units can be departments, teams or groups of people sharing a view, attitude or behaviour (leaders versus normal employees). These units are selected to make sure they represent as wide as possible a collection of settings.

Participant selection was done prior to the second field trip in March 2010. In keeping with the theoretical framework, two main categories were taken as the focal point: sensegivers/institutional agents and sensemakers/receivers of institutional change where managers and heads of departments played both roles and employees as sensemakers/receivers only. Since generalisability increases with larger sample size, my intention was to interview as many sensegivers as I possibly could. To acquire consent, letters were then sent and calls were made to all five managers, 34 heads and deputy heads of 17 departments. As a result, three managers and 15 heads agreed to take part, the majority of who were senior and experienced persons.

With the rest of the employees, besides a group of five employees whom I had personal contact with from a previous project, networking was used as the strategy to increase the size of my sample. This is the technique where researchers ask participants for recommendations of other appropriate individuals (Saunders *et al*, 2007). As a result, 50 additional contact names were acquired and contacted for involvement in this study. Of 50 names that were contacted, 15 agreed to be interviewed. Snowball sampling was discontinued at interview ten when the next ten interviews had been scheduled, totalling 20. Although networking might be biased to a certain extent in case participants only recommend people with similar points of view, this technique still has credit in demonstrating the pervasiveness of the process under study. Moreover, recommendation bias was possibly minimised as initial participants were deliberately asked to suggest people with similar views as well as

those who might think otherwise. The duration each participant had stayed with the company varied, however, the threshold was set at 16 (years) for the sake of comparison between seniors who personally experienced deinstitutionalisation at critical point and those did not.

Table 1 Summary of participant background

Categories	Total	Work history (years)	
		< 16	>16
Managers	3	0	3
Team leaders (Head and Deputy)	15	2	13
Employees	20	5	15

Additionally, purposive sampling techniques were applied to department selection. Out of all nine departments that participants came from, I chose to examine in more detail three departments: International Corporation, Emulation and Propaganda and Corporate Planning, which had the most members taking part in this study or had recently undergone big changes. This decision was motivated by the amount of data provided by the large number of participants in each case, enough to alleviate within-units analysis (within department) as well as between-units (between departments). Put differently, sensemaking of the leader versus the workers of the same department and sensemaking of leaders and non-leaders across the three departments were compared and contrasted. This choice of departments was also theoretically oriented since it was expected that different communication and leadership styles might affect collective sensemaking and behaviours hence deinstitutionalisation in different departments.

4.5.2 Documentations and historical analysis

Documentations and historical analysis discover what happened in the past and provide prior knowledge for interviews and observations (Marshall and Rossman, 2011). Historical analysis is especially useful for under-developed topics for it fosters relationship establishment among variables and causal linkages among events. It also provides a chronological order of events that helps in the reconstruction of the whole process of deinstitutionalisation from start to end. A list of all information sources is included in Appendix A.

To ensure the reliability of analysis, I used a variety of sources including government websites, published reports by independent organisations (e.g. World Bank), archival data of public sources and company resources. Similar to participant sampling, documentation is also a selective process. Out of all available documents related to the case study and its external conditions, attention was paid to critical events (restructuring) and their implications for institutions of management practices, not financial or developmental aspects of these changes. Also, only documents regarding conditions that might directly contribute to the deinstitutionalisation process in the case were considered. From sources such as government websites and social and cultural literatures, information was gathered on the economic and social conditions of Vietnam, government schemes for the electricity industry as well as public and media opinions about the restructuring. Documents about the case consisted of company annual reports, websites, newsletters, sector magazines, codes of conduct, guidelines for implementation of responsibilities and changes specifying the chain of command and sphere of communication.

At preparation stage, before data collection and analysis were conducted, extensive documentary data was collected providing information on existing institutions and

sources of deinstitutionalisation (disruptions to sensemaking flows) and sources of influencing factors (government intervention, impacts of media, social expectation and so on). This collection and analysis of historical documents was crucial as it helped me identify key actors and critical events in the deinstitutionalisation process. These individuals and events were the focus of my subsequent interviews and further data collection. Therefore, this step defined units of analysis, levels of contexts (external and internal) and the time frame for this study. As the process went on, documentations were replaced by interviews and observations as the main sources for materials. However, news and policy updates were continued to be collected, interpreted and incorporated into the analysis if relevant.

4.5.3 Semi-structured in-depth interviews triangulated with observations

In-depth interviews are the most suitable methodology to get participants' point of view while observations can verify the accuracy of such claims and allow researchers to reflect on their role as an insider. Semi-structured interviews give researchers the flexibility to manage an unexpected turn of responses while still ensuring that interviews focus on a series of chosen topics. Meanwhile, observations of organisational activities and group communication offer information about particular settings and interaction between subjects (Marshall and Rossman, 2011).

Combining interviews and observation facilitates the cross-variation of data and the integration of contextual observations with attitudinal data from interviews (Dawson, 1997). This is a crucial step in ensuring validity of longitudinal data and study. Observations of organisation practices should be verified in interviews or vice versa. Disconfirmation can be used as guidance for further interviews and theory testing.

These two techniques also provide backup for one another when data collection on a particular issue appears to be difficult.

After the research questions were formulated and adequate knowledge was gained on past and present institutional and organisational contexts, I moved on to collect information from participants. Primary data were collected directly through interviews and indirectly via observations of company activities. Interviews were recorded when allowed by interviewees and then transcribed. In total, there were two visits (in 2009 and 2010), 33 internet conversations, 42 face-to-face interviews and 10 email exchanges. Some participants were interviewed more than once. The first round of collection of documentations and internet conversations was first carried out in 2007 (when I researched my MA thesis which was about the same topic as this PhD thesis). The second round of data collection took place from 2009 until 2011. In March 2009, five interviews were done with one manager, one head of department, two senior and one junior employee, lasting between 30 minutes and 1 hour. At this time, theoretical and conceptual frameworks were mostly completed and these five interviews aimed to test initial theory. The findings of these data were incorporated into theory development and were mainly exploratory. The main collection was carried out in March 2010. This time, I did 37 face-to-face in-depth interviews, the majority of which were individual interviews with one focus group of two participants. The duration of face-to-face interviews varied considerably, ranging from 20-30 minutes with young employees to approximately 2 hours with managers and heads of department. Much data from young employees were necessarily thin and were about present state since they did not experience transformation when it first started. It was scheduled that participants from the same department were interviewed consecutively and heads of department were last. This was aimed to take

issues raised by the previous participant into discussion in the next interviews. In addition, questions were checked constantly to incorporate emerging themes and to set aside saturated issues. Interviews with managers took place when all interviews with employees finished and questions were carefully reviewed beforehand because I neither had a second chance nor a great amount of time with managers as I had with employees. I could come back for more information with employees if needed. Interviews were conducted in an empty meeting room and were recorded. When recording was not possible, extensive notes were made and subsequently typed up.

For this study, semi-structured interviews mainly aimed to put together participant accounts of the events that triggered the deinstitutionalisation process and its impact on organisational practices and philosophy. Semi-structured interviews centred around important past events and current issues, focusing on different ways by which meanings were socially constructed such as negotiation, coercion or persuasion. Participants were encouraged to recall their emotional response to the anxiety caused by disruptions of routines and delegitimacy of well-established values as well as the progression of any group or individual coping therapy. Special attention was also paid to the ways these emotions affected sensemaking and the course of behavioural alteration. Seeking to integrate the political side of organisational sensemaking, participants were asked to rank the credibility of different sources of information from which they might collect cues and possible explanations including government, managers, heads of department, colleagues and the media. These were mutually exclusive sources of sensegiving if they differed and the winner played a crucial part in shaping organisational sensemaking and deinstitutionalisation outcomes. With the anticipation that deinstitutionalisation processes in different departments might have their own momentum and trajectory, further details were collected on how

departmental characteristics (communication and leadership) influenced sensemaking and motivations for changed behaviour. This comparative analysis helped understand how leadership, communication and group coping patterns of different departments with diverse accounts of sensemaking might alter the pace and outcome of the deinstitutionalisation process in different areas of the same organisations despite the fact that they experienced the same pressure to deinstitutionalise.

Since interviews were semi-structured, these questions were guidance only; participants were encouraged to mention any issues they deemed important to the subject under study. Further questions were also raised to find out why this was the case and how this affected sensemaking and deinstitutionalisation. Initial interviews were more exploratory in nature to aid theory-building but became increasingly focused over time to test the robustness of the theoretical framework. Repetition in response from further participants was taken as a sign of saturation and at that point the interview process ended. Interview questions are included in Appendix B.

Observations were intended to supplement or to validate interview data. Observations lasted between 30 minutes and 2 hours depending on the type of activities and the time available. Overall, I observed 27 group processes and formal meetings/discussions, of which 21 were informal and six formal. During observations, I paid special attention to the ways members of the same departments interacted, between different departments and between leaders and employees in addition to how meanings of concepts were constructed and shared. Any emotional or relational influence and the means to exercise them were also recorded.

Table 2 Summary of data sources

Interviews	Formal	Informal
Managers	6	3
Heads and Deputies	25	5
Employees	30	15

Email exchanges / internet conversations		
Heads and Deputies	3	
Employees	25	15

Observations		
Formal team meeting / discussions	2	14
Group processes	4	7

4.6 Data analysis

4.6.1 Multi-level analysis

A clear definition of unit(s) of analysis helps set the boundaries of the research but identifying the contexts in which the phenomenon of interest occurs is equally important. Indeed, the ability to deal with contextual conditions is the advantage of the case study method (Yin, 2009). The main unit of analysis in this study is the deinstitutionalisation of organisational management. This process can be found in cognitive, regulative or normative aspects of the organisational institutions therefore sensemaking accounts, regulations and rules, norms and values were defined as subunits of analysis and required data collection and analysis at corresponding levels. Because each of these subunits is individualistic and interpersonal activity at the same time, multi levels of contexts were studied. In other words, analysis was

performed at two levels: organisational and individual. A single study can investigate more than one level of analysis, using either the top-down or bottom-up approach (Scott, 2001). However, these two approaches can be complementary to one another and the combination of both approaches should be beneficial. By using the top-down and bottom-up approaches simultaneously like this, the collected data in this study provided a holistic view of institutional impacts as well as interpretations and responses from both initiators and receivers of deinstitutionalisation. The investigation of the complex interactions among institution-creating factors or the resolve of conflicts and institutional pressure will be more fruitful considering both sides of the coin.

4.6.2 Content analysis

Content analysis is a technique that allows researchers to analyse unstructured data in terms of their meanings, symbolic expression or expressive role and attitudes (Krippendorff, 2004). Krippendorff (2004) suggested six analytical constructs of content analysis in terms of their uses and inferences made from them. The categories are extrapolations, standards, indices and symptoms, linguistic representation, conversations and institutional processes.

One of the most straightforward uses of content analysis is the extrapolation of patterns and differences. The pattern/difference that was the focus of this study is the way participants make sense of deinstitutionalisation, their subsequent behavioural changes and impacts on the deinstitutionalisation process. Patterns of sensemaking were inferred from the recurrence of particular themes found in the majority of responses and differences were identified from characteristics of deviant cases.

Other relevant uses of content analysis for this thesis are standards and indices of institutional processes. The application of standards for identifying and evaluating the existence and extent of deinstitutionalisation involved comparing changes in rules, values, norms and sensemaking of EVN at employee and organisational levels against previous institutions. These changes were also used as Indices and Symptoms describing transitional institutions or associating two variables such as sensemaking and outcomes and paces of deinstitutionalisation. For example, I used the presence of a reference as an indicator of a participant's awareness or knowledge (e.g. the deinstitutionalisation rationale, the role of managers or the new concepts that deinstitutionalisation introduced); the frequency of occurrence as an indicator of importance (e.g. the role of different agents in collective sensemaking); the use of favourable or unfavourable adjectives as indicators of attitudes; and frequency of co-occurrence as indicator of strength of association between two variables e.g. between sensemaking and deinstitutionalisation outcomes and paces (Krippendorff, 2004).

4.6.3 Data analysis procedure

For better clarification, data analysis was separated into four stages.

Stage 1: Constructing narratives of the deinstitutionalisation process

During this initial stage, I first developed an account that chronicled the process of deinstitutionalisation in EVN. The narrative was reconstructed using five episodes (old institutions, antecedents, switching events, institutional transformation and alternative institutions) of the deinstitutionalisation as the core categories. Using both documentaries and interviews, data were collected accordingly to elaborate the dynamics of these categories. Critical (switching) events were identified by analysing external sources such as the government's master plans for equitisation and the

development schedule of the competitive electricity market or they were directly inquired about in interview questions. These included internal issues such as performance problems, changes in political agenda, business objectives, human resource management or managerial practices, or changes in conditions of external environments that had direct impact on the company. These events were crucial for the understanding of the deinstitutionalisation process because they represented sensegiving opportunities for institutional agents (about the existing problematic institutions and the benefits gained from deinstitutionalisation) and sensemaking occasions for those involved in the deinstitutionalisation process.

The aim of this stage is to answer question 1, "*How does the deinstitutionalisation process unfold?*" which focuses on the description of sequences of events. The sequential patterns were vital to the explanation of the phenomenon because narratives also created a picture of the underlying causal linkages, generative mechanism and evaluative contexts by creating a chain linking events together (Elliott, 2005). In particular, this narrative described "who did what and when" (Maguire and Hardy, 2009) and how their accumulating actions led to deinstitutionalisation in EVN. In addition, a cross-sectional analysis highlighted the progressive nature of deinstitutionalisation. Comparative analysis of two consecutive periods (pre-1994 and post-1994) helped evaluate the pervasiveness of deinstitutionalisation and reveal characteristics of the new management institutions. The temporal classification of two periods was based on the historical event that marked the inception of the Electricity of Vietnam Corporation and the end of the bureaucratic era.

Stage 2: Constructing sensemaking accounts and emotional responses of participants

First, sensemaking accounts were constructed about how participants viewed major events that led to deinstitutionalisation at EVN and the subsequent change process. This step started with listing of switching events, all changes in rules, values and practices or organisational issues arising since those events took place. Organisational issues were defined as having broad consequences to the organisation as a whole, not subgroups of its members. The list was then shortened by eliminating those matters only available from a limited source or not considered of great significance by participants and was modified on the basis of interviews with participants.

For each event, issue or change, the participants were asked about their opinions and/or adapting mechanisms during interviews. These points of discussion were the transformations of cognition (the discourse of shared meanings of new norms, rules and practices), the main sources of information used for sensemaking (external sources vs. leaders vs. colleagues) and most importantly, the social negotiation of new orders. Attention was also directed at the role and activities of institutional agents who keenly promoted deinstitutionalisation by proffering associated benefits with successful outcomes and emphasising the costs of retaining old inefficient institutions. During interviews, participants were asked to evaluate the credibility and effectiveness of these activities. The issue of trust and leader credibility played a crucial role in determining whether participants took the views of institutional agents and supported the deinstitutionalisation process. Failure to execute efficient sensegiving might jeopardise the whole process. In terms of sensemaking at organisational level, participants were asked to describe communication in general and in their departments in particular. Negotiating order and scope for employee

involvement was underlined. Overall, sensemaking accounts represented individual views on organisational coping strategy. Their evaluations on sensegiving activities, leader credibility, communication and participation opportunities determined how and which sensemaking account(s) were more attractive to them.

Cognitive adaptation is not the only coping strategy that organisations use to deal with changes; it has been proven that emotional sympathy and emotional contagion help organisations unify differentiated sensemaking accounts (Bartunek *et al*, 2006). Hence, in addition to sensemaking, *emotional responses* are the other important elements. Recognising that resistance to change phenomena has as much to do with psychological need as people's dislike of uncertainty and the exploration of emotions provides more complete understanding of organisational changes and deinstitutionalisation (Mossholder *et al*, 2001; Baruch and Lambert, 2006; Vakola *et al*, 2003). I therefore sought to construct accounts of initial emotional response and processes of emotional coping. *Emotional response* is a story that describes the provocative nature of emotions and its background which helps explain subsequent actions and how they turn out (Lazarus, 1994). Just as emotions play a part in understanding behaviours, coping strategy encompasses emotional-focused as well as relational- and informational-focused processes. These mechanisms intertwine and impact upon one another as individuals move from one emotional and relational context to the next. In the context of deinstitutionalisation, for which massive transformation is required, intense feelings will be provoked, especially negative emotions caused by unfavourable conditions such as anxiety, hostility, anger and depression. In the construction of emotion responses, relational and institutional background cannot be overlooked as they provide antecedent conditions explaining the origins of such emotions and therapy possibilities. To put these insights into

practice, participants were asked to talk about their personal goals, to comment on past events and processes of change. In particular, they were encouraged to express personal feelings and how they dealt with them.

Stage 3: Identifying patterns and themes

The next stage of the analysis involved identifying the main narrative themes, patterns and dissimilarities among narrative accounts. By searching for patterns and themes, this analysis moves from *surface levels to deeper levels* (Pentland, 1999, p.719) thereby offers causal description and explanation (Elliot, 2005) between variables at a later stage. Without categorisation, accounts simply appear as alternative stories of the same deinstitutionalisation process; deeper meanings about causality and generative mechanisms underlying different sensemaking accounts would have been overlooked (Elliot, 2005) and explanations of variations in response to deinstitutionalisation initiatives would not have been possible.

The case study was organised around four meta-themes: a) loss of efficiency and effectiveness; b) loss of value and meaning; c) loss of legitimacy and d) loss of trust (in leaders and sensegivers). The loss of efficiency and effectiveness was meant to be supported by evidence like apparent performance and functional problems, bottlenecks, impractical goals and routines. In comparison, the loss of value and meaning was more subtle and less visible to the naked eyes. Evidence pointed to the deterioration of shared values would be the presence or in more serious case, the promotions of new values. These values must gain sufficient influences among organisational members to be considered as alternatives. The loss of legitimacy could range from mere expression of doubt to the direct confrontation of the old ways. Evidence of which form the loss of legitimacy took signified the extent to which

replacement was likely and perhaps also the moment when this would occur. Finally, the loss of trust in leaders and sensegivers would be reflected in the fact that employees sought another source of sensegiving or gave outspoken expression of distrust. These four themes were the underlying guide in the construction of this narrative case.

In searching for patterns of organisational sensemaking, I focused on the consistencies in the ways by which leaders (institutional agents) disseminated their opinions and orders, how other stakeholders communicated to each other and to leaders as well as the origin of the main sources of information that subsequently formed their sensemaking. Additionally, I was looking for evidence, or the lack of it, of emotional bonding as a way of self-defence towards hostile situations. If these bonds existed, the evidence would be indicated by harmonious cognition and mutual communication. Otherwise, lack of empathy and sympathy would result in conflicts or disagreements.

Given the amount of information sought in case studies, multi-case design is believed by some researchers to be best able to accommodate high demand of data. However, sophisticated and well-designed, single-case can also offer rich information. To deal with single case constraint, I built a comparative element into the design to allow for better exploitation of data. This is known as *between-units and within-unit analysis*. For between-units analysis, data were categorised into departments for comparison whereas within-unit analysis required contrasting leaders against employees within same department. Comparative analysis revealed more dimensions of the same sets of data than when no comparative element was employed. In doing this, the role of contexts was highlighted as within-case comparative analysis allowed “*the possibility to explain how and why variations in contexts and process shape variability in the*

observed outcome” (Pettigrew, 1997, p. 342). Within case comparative analysis not only examined different angles of data, hence a more comprehensive understanding, categorisation of data into groups linked analysis to variation in outcomes of the deinstitutionalisation process. This is one of the most important purposes of processual research since it would be pointless to analyse a process without discussing its consequence or impacts, which acts as a focal point for the whole investigation (Pettigrew, 1997).

Stage 4: Identifying causal linkages and generative mechanisms

During this final stage, I identified causal linkages between sensemaking and deinstitutionalisation outcomes as well as underlying mechanisms (which is the manner in which a cause generates its effect (Elliott, 2005) that drove the deinstitutionalisation process. This last stage of analysis aimed to provide an explanation, not just a description, for the generative structures enabling and constraining the process of deinstitutionalisation. In order to understand the relationship between sensemaking and deinstitutionalisation, I also took into consideration the contexts in which this causal relationship held (or failed) and a complex set of internal and external factors that manipulated the connection.

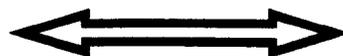
Handling the combination of multi-level, past and present data might be a heavy task since it is difficult to disentangle the complicated process into interpretable units for description and explanation. Moreover, to explain the role of sensemaking during the deinstitutionalisation process, a link between sensemaking narratives and deinstitutionalisation outcomes must be established. To deal with these, researchers use the strategy described in Langley (1999) as *Temporal Bracketing* for theory building and data analysis. As Langley suggested, “*with this strategy, a shapeless*

mass of process data is transformed into a series of more discrete but connected blocks” (1999, p. 703). Applying this technique, the deinstitutionalisation process was separated into periods or phases (if there is a sense of continuity between periods), which acted as units of analysis for further data sensemaking and theoretical testing. This approach was especially useful since reciprocity was expected between agents and contexts and when the interacting mechanism was integrated into theories. The breakdown of data into continual periods enabled the investigation of how actions in one period affected contexts which in turn changed actions in the following periods (Langley, 1999). A comparison between periods also revealed distinctive features of each period and the pervasiveness of change in the present. The analysis looks like this:

Phase 1: Deinstitutionalisation initiated

- Antecedent conditions
- Switching events
- Reaction strategies
- Intervening conditions
- Consequences

Phase 2: Deinstitutionalisation continues



- Antecedent conditions
- Switching events
- Reaction strategies
- Intervening conditions
- Consequences

Based on historical accounts of the case, I identified critical events to deinstitutionalisation and decomposed the time span into two main parts: pre-1994 and post-1994. Comparison of the two periods enabled the evaluation of factors and critical events that set off deinstitutionalisation, described features of old institutions (pre-1994) and the course of deinstitutionalisation that followed (post-1994). The examination of antecedent conditions, the stimulating events occurring in 1994 and their impacts on institutional contexts at that time helped to explain the change in behaviours and organisational practices led to change in institutional contexts in subsequent periods (deinstitutionalisation).

4.6.4 Data management

Field notes are an important part of research (Toren, 1996; Mintzberg, 1979; Van Maanen, 1979) as they provide a detailed and complete view of the interviewing process to improve validity/reliability and are an opportunity for self-reflection which is also a critical part of the interpretive process of analysis (Van Maanen, 1979). It is essential, however, to ensure that more accurate recording of events is clearly separated from the researcher's own impressions and interpretations although both of these types of data are vital for analysis.

Spradley (1979) suggested making four types of notes to ensure good data management: short notes at the time, expanded notes as soon as possible after each field session, a research diary with problems and ideas and a record of analysis and interpretation. These notes form the basis for further analysis hence data must be managed properly for easy retrieval. Strategies to create these are explained in Table 3 below.

Table 3 Data Management based on Note-taking Guidelines by Spradley (1979) and Data Management Practices by Richards (2005)

Note-taking guidelines	Note-taking strategies – Interviews	Note-taking strategies – Case
Short notes at the time	<ul style="list-style-type: none"> • Take notes and record interviews • Take breaks to record and think over significant events • Notes taken during interviews on points of interests to refer back to at a later point or during interviews 	
Expanded notes as soon as possible after each fieldwork session	<ul style="list-style-type: none"> • Immediately after each interview, record descriptions of events for the day and impressions of the participant and interview process • At the end of field week, record a description of the week as it proceeded and changed over the week 	
Research diary with problems and ideas coming out of the fieldwork		<ul style="list-style-type: none"> • At the end of each field week, record interpretations of events as separate from descriptions. • Record ideas and issues resulting from reflection over the course of field work • Keep a list of interesting ideas and themes coming out of interviews and introduce it in the next interview
Record of analysis and interpretation		<ul style="list-style-type: none"> • Keep a record of significant or interesting ideas as well as problems as they occur • Make one memo for each document and its relevance

4.7 Validity and generalisability

4.7.1 Problem of social desirability bias

One of the problems with the validity of qualitative and process research is social desirability bias (Weaver *et al*, 1999). This is where the subjects of the investigation are individuals who have the need to demonstrate that they fit in with social expectations, regardless of their true points of view. This problem might distort interview data as participants might not reveal true stories or might alter behaviours to suit expectations, or to match the behaviours that managers or other employees consider desirable. The triangulation of interviews with observation enables me to partly address this 'truthful or politically corrected answers' issue. Additionally, in the introduction prior to interviews, confidentiality was assured and the purpose of the interview was emphasised, i.e. that information would only be used for this research and would not be viewed by any third party without the participants' permission. Although this does not guarantee that the data is unbiased, all necessary measures have been taken to ensure the research meets all the criteria for sound research.

4.7.2 Internal validity of processual research

First and foremost, this study is a processual research study, longitudinal, single-cased with the application of multiple methods. The design is complicated to enable comprehensive and holistic description and explanation of the deinstitutionalisation process. But how do we judge the quality of processual research? According to Pettigrew (1997), if a processual research study has the following features then it is internally consistent:

1. Embeddedness, studying processes across a number of levels of analysis
2. Temporal interconnectedness, studying processes in past, present and future time
3. A role in explanation for context and action
4. A search for holistic rather than linear explanations of process
5. A need to link process analysis to the location and explanation of outcomes

The first condition, embeddedness, indicates that social and organisational processes are surrounded by contexts, therefore studies of processes should include analysis of environments outside and within the organisational sphere. The relationship between processes and contexts is reciprocal as one produces and is produced by the other. Accordingly, my study of deinstitutionalisation, which is the changing of organisational institutions, is linked with higher level analysis (changes in economical, social and political structures at national level) and lower level analysis (cognition and emotions at individual level). The sources of deinstitutionalisation are the “*asymmetries between levels of contexts, each with their own momentum, pace and trajectory*” (Pettigrew, 1997, p. 341). Hence, if the pace of organisational adjustment is slower than the pace of sectoral and/or national changes, outdated organisations eventually must deinstitutionalise. For this reason, in my design I drew on multiple levels of analysis: institutional, organisational and individual.

The second condition, temporal interconnectedness, highlights the importance of path dependency in processual research. To understand the sequence of events is to search for

underlying logics and mechanisms which make the past a crucial component of the present and future. Antecedent conditions of change not only offer cause-effect linkages, they might provide insights on outcomes of process. Appreciating the history of a case, I designed this thesis as a longitudinal, single-cased study which used documentations and historical analysis among other methods.

If the first condition emphasises the connection between levels of contexts, the third condition is about duality between context and agency. This duality (Giddens, 1979) implies that structures do not simply constrain actions but rather are involved in its production. Therefore, it is theoretically and empirically possible to examine how changes in contexts affect agency and how agents utilise their power to restructure contexts. To capture this duality, I used Temporal Bracketing Strategy (Langley, 1999) which comprises comparative analysis between two consecutive periods to learn how changes in actions caused by erosion of institutions in the previous period answer for the condition of the institutional context in the subsequent period. The nature and pace of deinstitutionalisation is the direct consequence of this duality between structure and agency.

The fourth condition, holistic explanation of process, recognises the multifaceted nature of social and organisational processes. To explain the deinstitutionalisation process, it is not sufficient to only identify key influencing features; the real task is to understand how they interact in a particular organisational setting. In other words, the search is for the conditions that connect features of contexts and process to variation in outcomes (Pettigrew, 1997). To utilise case details to their maximum and to account for variation, I introduced comparative indicators of deinstitutionalisation pace and forms of collective

sensemaking. Differences in contexts were also explored by comparison between departments, between different organisational aspects and between sensemaking of supporters and the disengaged from the deinstitutionalisation process.

The final condition obliges process researchers to set boundaries by having outcomes and is a natural requirement if processual research aims to explain why and how outcomes are shaped by different process features.

4.7.3 Generalisability

Generalisability is one of the most important requirements of research and case studies in particular concerning the usefulness of research findings to other settings. This condition stems from the fact that most research studies were carried out using a sample instead of the whole population. This task is crucial if single cases wish to make a substantial theoretical contribution. This study employed purposive and networking sampling techniques to ensure that the sample of participants represented a wide range of settings, illustrating the robustness of theoretical propositions. In addition, comparative analysis also increases the exploitation of data across different units thus taking into account variation of consequences of the same process.

4.8 Limitations and methodological reflections

There is no perfect method, only one that is the most appropriate and well-applied for a certain topic. It is thus important to be reflective and explicit in terms of potentially problematic areas of study. For this reason, this section will discuss the main limitations of this study, which will then form the basis for further research directions in the next section.

For this research, interviews and transcripts were done in Vietnamese and translated into English when needed. Due to the language barrier, it was sometimes difficult to find the perfect English connotation for specific Vietnamese terms and expressions. Although I made every attempt to make the translation as close to its original meaning as possible, it cannot help losing something in translation. To compensate for this, I always provided the original versions of idioms and old sayings, which were particularly hard to translate, alongside my interpretations. Secondly, the Vietnamese language tends to favour the use of discreet, subtle and indirect words to avoid losing face or making someone lose face. It can be misleading if researchers are not familiar with this custom. Fortunately, being raised in Eastern traditions and having undertaken education in England since the age of seventeen, I was able to comprehend many idioms and expressions interviewees often used to describe their opinions and feelings, as well as able to find suitable analogies to communicate with an English-speaking audience.

Another drawback of doing research in Vietnam was the difficulty of applying general rules to interviewing situations in Vietnam. A large number of interviewees felt more comfortable if interviews were treated as friendly talks rather than formal research therefore the most valuable information was gathered from informal conversations in out-of-work environments, which were recorded by notes rather than on tape.

Various measures have been taken to ensure the reliability and validity of retrospective sensemaking accounts offered by the participants in this case. To improve fact-checking capacity, oral narratives (from interviews) were triangulated with narratives from documentaries such as national and international newspapers, academic journals and reports written more recently as well as at the time of the events in questions. By

analysing such a large and diversified collection, the reconstruction of past history could be trusted to offer a rich yet consistent reflection of reality.

As a qualitative research, this study cannot avoid the common criticism against all qualitative methods where the data is dubbed 'subjective' hence unreliable. One might have even more reason to doubt the reliability of retrospective sensemaking as the key method for gathering data about the past, especially in this case when participants were asked to recall perceptions, motivations and emotions towards events occurred nearly three decades ago. At first glance, any attempt to recreate such an account seemed questionable at best. Fortunately, the retrospective sensemaking element in this case should not have to share such a dire fate. Towards events filled with powerful emotions and life-changing consequences like those of this case, it came as no surprise if the human brain was able to recall details with precision like they happened just yesterday. Besides, the subjects under question (opinions, emotions and reactions before, during and after the economic reform in 1986) were not of sensitive nature (at the time of this study) and offered no personal or political gains. Neither threat nor motivation was presented for participants to conceal their most truthful thoughts. I had every reason to believe the accounts were legitimate but as a precaution, I kept in mind a series of questions: *Does the participant have any motivation to not answer honestly? How close was the participant to the event? How informed was the participant about the event?* If yes was given to any of these questions, I would proceed the interpretation of the data with caution.

Historical revisionism is the reinterpretation of orthodox views on evidence, motivations and decision-making processes surrounding a historical event (Miller, Vandome and

McBrewster, 2010). Revisionist approach to research thus entails a refinement of existing knowledge about a historical event (Gall, Borg and Gall, 1996). This study adopted this revisionist approach in the attempt to create a more elaborate view of the impacts the economic reform exerted on organisations and their employees. By using new information (interviews) and the new concept of crisis-triggered deinstitutionalisation to reinterpret the transitional journey, this thesis aimed to reconstruct and portrait a different side of the process whereby the emphasis was not on the controversies of political struggle or economic endeavours but on the transformation of management institutions within organisational setting instead.

One of the most fundamental problems with historical revisionist approach is its heavy reliance on secondary historical materials. For historical subjects of great significance, large literature is commonplace, which in many cases might be wide enough to support contradicting interpretations. Hence, the reliability of such data collection and the authenticity of conclusion might be called into doubt. To counteract this problem, two procedures were employed. Firstly, the sources used for analysis (independent journals, public speeches, national newspapers, company reports, and websites) were clearly and overtly stated. In doing so, I made explicit in the context of study the potential source of biases should they arise. This, however, was unlikely since the triangulation of various archival sources should provide ample evidence for the authenticity of such data. Secondly, it was intended that some effort would be committed to explain inconsistencies within the historical record, such as it appeared. Proceeding from this standpoint, I would then place significance on common threads of reconstructed

narratives. The whole purpose was to ascertain regularities in the data were recognised while not overlooking points of contradiction.

The final limitation of this research was the limited time and resources available for data collection, which was carried out at the Northern Headquarters of EVN (which has three headquarters in the Northern, Middle and Southern parts of the country). This was an inevitable setback of choosing a case study abroad but the merits offered by the case in this particular topic outweighed this issue in my opinion (the rationale for case selection was discussed in detail in section 4.4). Moreover, I had taken extra caution in my interpretation and presentation of analysis so that data were developed as abstractions hence open to generalisation. One might question the credibility of the sample used; however, there was no apparent reason to suggest a marked regional difference because the historical, institutional and cultural backgrounds were the same. Replicate studies in the other two regions should easily be able to confirm this.

4.9 Conclusion

In summary, this investigation of deinstitutionalisation using the sensemaking perspective adopts a qualitative approach using longitudinal and single-cased study strategy, multiple methods of data collection including interviews, observation and documentation, and Temporal Bracketing and narrative approaches for data analysis. I have used five principles for quality evaluation (Pettigrew, 1997) to demonstrate that this thesis is theoretically and methodologically sound as it meets all the criteria of a sound processual and qualitative research.

In providing a detailed discussion on research design, data collection and analysis, this chapter highlights six points:

- 1. Processual research is suitable for research objectives of investigating the under-studied topic of the deinstitutionalisation process via sensemaking.**
- 2. A multi-method approach is appropriate for gathering operational data in this topic.**
- 3. The design which has longitudinal and single-cased elements is well-suited.**
- 4. The research site is suitable for this topic.**
- 5. Activities were selected to ensure validity and generalisability of theory, data collection, management and analysis.**
- 6. Analysis is systematic, holistic and detailed to ensure the most comprehensive understanding possible.**

CHAPTER 5

Contexts, logics, features and inconsistencies of old institutions

5.1 Introduction

Previously in methodology chapter, the strategies, methods and procedures used to deal with the two research questions were explained. The empirical evidence, presented in four chapters, rested on the settings of a country with Confucian heritage and destined encounter with Socialism. The organisation under study, a state-owned electricity enterprise, established during the war primarily to facilitate resistance campaigns and evolved into a pivotal growth engine under peaceful Socialist regime still held Confucian traits close to the heart. The exploration of these well-established, deep-rooted institutions, one could be traced back thousands of years and their deinstitutionalisation journey promised intriguing and rich discoveries. In particular, this chapter began to address the first question developed at the end of chapter two and repeated below:

Research question 1: How does the deinstitutionalisation process evolve?

Regarding the entire discourse of deinstitutionalisation, this chapter, first and foremost, is concerned with providing broader cultural and institutional contexts, which lay out the foundation for old institutions (pre 1975); secondly, it seeks to understand the underlying problems that openly or insidiously instigate institutional makeover. Chapter 6 uncovers switching events, institutional agent sensemaking and their implications on

industry and organisational restructuring during deinstitutionalisation process. Chapter 7 focuses on analysing organisational sensemaking transformation, which inevitably leads to the arrival of new management institutions. The final part of analysis, chapter 8 looks at the process of social sensemaking and the ways it exerts influence on deinstitutionalisation, in terms of outcomes and pace.

Analysis in his chapter drew mostly from documentations but interviews assisted in identifying crucial milestones in the flow of events. The chapter begins with the discussion of evolution of institutional logics through time, up to the point of independence in 1975, which institutions were taken as Old Institutions. Tracing the traits, the analysis pinpoints indigenous agricultural traditions augmented by Confucian values as the core of the original national identity. The strand of analysis in this chapter do not overly focus on the impacts left behind by wars against France and the US, but mainly on how these wars directly contributed to the arrival of Communism, which provided underlying principles, beliefs and operational system (central planning) necessitate for the fights and economic development in peace time. The interactions between agricultural/Confucian institutions with those of Socialist/central planning institutions were also considered, which led to the complete description of Old Institutions at the end of 1975. Whether it was amalgamation or elimination of old ones, the outcome stemmed from the level of comparability of their institutional logics and core values. The analysis then examined the implication of these broad institutional contexts in organisational setting, as represented by management institutions at EVN.

The second element of this chapter involves the analysis of inconsistencies inherent in the existing institutional logics and value system which are prone to challenges. The

interplays of various antecedent conditions (political, economic and social) eventually led to deinstitutionalisation were traced over time. In doing so, the effects of critical events, placed in a chronological order, on the delicate balance of these conditions at each interval were emphasised. The purpose of this part of analysis was also to discover hints of changes in institutional logics. Whether manifest at this stage or not, these subtle changes originated subsequent institutional transformation hence deserved attention. The chapter ends with discussion of moderating factors that likely to impact on the whole transition, which leaves chapter 6 to examine deinstitutionalisation in detail, starting with switching event of economic reform in 1986 and the aftermaths.

5.2 The evolution of old institutions (up to 1975)

Although historical and cultural analyses are not the main purpose of this thesis¹, nevertheless traditions and institutions of logical thinking give valuable insights into the past, direction and goals intended for the country and state-owned enterprises like EVN. The traits discussed below have been national quintessence since ancient time and many were symbolised during war and difficult times to inspire nationalism. As time passed, outdated values were replaced with new ones; some were altered to accommodate modern world thinking and some remain mostly the same but after all, they represent the evolution of Vietnamese traditions and most importantly the foundations of Vietnamese society.

Vietnam has a wide variety of traditions and beliefs. These traditions are a mixture of those brought from the outside and those of several native groups. Overall, there are two

¹ A brief discussion of Vietnamese history and economic development can be found in appendix E

major kinds: indigenous and Chinese-influenced. This is not surprising in any way since Vietnam was under Chinese domination for a thousand years, followed with a century of French colonisation and American invasion. Despite being in power for so long, however, imported foreign religions failed to exterminate local folk beliefs. Instead, they intermingled and new traditions emerged with the best features of both sides. Localising foreign logics was a deliberately selective process to enhance national identity because Vietnamese society and people remain true to their native agricultural traditions to present days.

5.2.1 Prior-to-20th-century institutional contexts: the dominance of agricultural - Confucian institutions

Vietnamese traditions and beliefs come from a wide variety of origins. Over the years, these rich traditions converge and create a unified national ideology and philosophy. The oldest-established of all is indigenous institutions of agricultural society. Closely related to natural phenomena and originates from agricultural practices with the preference of stillness over movement, Vietnamese philosophy embraces relations (described by doctrine of *yin* and *yang*), illustrated by harmony-enduring and consensus-building lifestyle (Lich Su Viet Nam, 1971). Individuals are believed to be born into the world as part of society therefore must not disregard their responsibilities towards others. This is why community is supreme over individual interests and respect and opinion of the community is crucial to the life of each individual (Chapter by Pham, D. N. in Gillespie and Nicholson, 2005).

Another distinguished quality of traditional Vietnamese is the thoughts of dualism - a way of thinking that tied to emotional experiences rather than rationalism (Chapter 5, Ashwill and Thai, 2005). In terms of logical thinking, Vietnamese style in general can be described as holistic and experience-based, which are analogous to what Haley and Haley (2006) suggested about the Chinese. Vietnamese people always look for relationships with surrounding problems before generating solutions; and they accept multiple realities and truth. There is no predominant reality to limit strategic decisions thus enabling flexible thinking and tailored solutions to environments. On the other hand, by emphasising experience and analytical preference, Vietnamese philosophy lacks rigorous decision rules based on formal explanatory models.

Generally speaking, dualism is a flexible, adaptable, and peace-making way of thinking and living, that highly values emotional ties and attachment to family and community. This relations-based bonds smooth settlement of conflicts and facilitate versatile reactions. It might well be one of the reasons why Vietnamese (and Asian in general) behaviours are strongly sensitive to emotions, especially ones that are group-related (Berrell *et al*, 1999). Evidences of emotional impacts and relations are in abundance, ranging from emotional dependence among family/group members to organisational institutions such as face-to-face, personal communication and relation-embedded management and working style. Vietnamese people are more comfortable with personal communication (Vuong and Tran, 2009) since it is believed that notion of trust can only be formed and sustained by social or personal interactions.

Exogenous religions like Confucianism did not arrive until Chinese millenary domination (206 B.C. - A.D. 938) (Slote and De Vos (1998). The main aim of this thesis

is neither to analyse the implications of all religions nor to debate which religion has greater influence in the country's development. All religions contributed to the development of Vietnamese traditions and society (McLeod and Nguyen, 2001) but only Confucianism offered clear, articulate political system and social orders. This is why Vietnamese elites adopted Confucian court system in the 11th century (McHale, 2004) and Confucianism continued to exert influence in political, social and business matters to present days.

Vietnamese people did not stick blindly to Confucianism. Instead, it fused with the spirit of Buddhism and Taoism to make their ideology more open, closer to the people and more harmonious with nature (McLeod and Nguyen, 2001). Confucianism gradually conquered all aspects of social life and widespread practices of Confucian beliefs were evident in political structure and the system of education and examinations since eleventh century. However, Confucianism was only accepted to Vietnam in selected elements, particularly on politics and morality, rather than its entire system (Reading, 1990). It can be said that Confucianism had great bearing on Vietnamese traditions but the influence was not as profound compared to Japan (Rainey, 2010) or the original Chinese version (McHale, 2004). So, why Confucianism has been broadly accepted into Vietnamese society? The answer lies in similarities between norms of agricultural life and Confucian values. While collectivism – a sense of belonging in a group whether it is family, village or country, harmony and consensus-keeping are the bonds making agricultural community a cohesive society, Confucianism offers analogous key notions like Five Virtues (Honesty, Benevolence, Wisdom, Loyalty and Propriety) (Warner, 2000). This is how a gentleman distinguishes himself from an uneducated man, by being

truthful, kind to others as opposed to violence, with good manners, knowledge and loyalty. In Vietnamese interpretation, "Benevolence" - normally referred to as a respectable virtue, is thought highly of and has acted as guideline for rulings as well as saving the country (Jamieson, 1993) whereas Loyalty meant being loyal to the nation, not just to the ruler. In a nutshell, according to Confucianism, individualisation and socialisation are two interconnected parts of the same process. Also stated in Confucian teaching, an individual is bounded by Three Submissions dictating the relationship between Rulers - Ruled; Father – Son; Husband – Wife (Warner, 2000) where the latter must obey orders from the former without questions in exchange for protection, security and life-long care. The precedence of superiors (rulers/father/husband) over subordinates (ruled/son/wife) is absolute and unchanged.

So, what are the institutional logics underlying Confucianism? In a nutshell, Confucian ideology advocates the collectivist ideology that the family, not individual, is the basic unit of all social organisations (Hofstede, 1991; Slote and De Vos, 1998). A person hence does not exist in isolation of his/her outer community but plays an integral part of a larger system where people survive and flourish together. Basics of social and economic activities are not derived from competition, but on principles of cooperation, coexistence, and mutual support. This 'one for all' mindset in Confucian traditions emphasises notions such as harmony, reciprocity and respect. In other words, "do not do to others what we would not want others to do to us". Since social harmony depends on a tightly hierarchical system of duties and responsibilities, disruption of harmonious social relationships and damage to the underlying hierarchical social structure must be avoided at all costs. In a Confucian institution, nothing is more dangerous than the loss

of harmony. Because adaptation to collectivity is required, this also means abandonment of self interests for the sake of mutual trust and social benefits. Opportunistic activities would immediately render the actor an outcast of society and strip him/her of all respect, which is the most degrading thing one person could experience. This consensus ideological logic is the most prominent in the preferential goal of conflict resolution where economic gains could be sacrificed for the sake of stability and harmony.

All in all, agricultural and Confucian traditions are comparable in terms of both logics and core values. It could be said that the merging of the two led to the birth of typical norms, values and behaviours of Vietnamese people, which influence continued even after Confucianism was taken over by Communism in the 20th century.

5.2.2 20th century institutional contexts: the arrival of central planning and the emergence of hybrid Confucian-central planning institutions

In the 19th century when Vietnamese feudalism faded and Chinese civilisation declined, Western culture began to find its way to Vietnam. Late 19th century, France, traumatised by defeat during the Second World War, saw the Vietnam War as a way to re-establish its standing in the world. Believing in its “rise to globalism”, America followed French footsteps into Southeast Asia (Román, 1999). At this time, Confucian values, which are arbitrary and lack of systematic rules failed to provide action plans to free the country. During this chaotic and dark time, Vietnamese intellectuals and people turned to socialist ideas in the hope to win independence. Communist principle of equality gave people hope for a brighter future, its timely arrival and its wise decision to borrow Confucian values and ethical standards to mobilise the mass helped the Communist

Party gain the support of the people and eventually led to victory (Chapter by Pham, D. N. in Gillespie and Nicholson, 2005). The era of modern Vietnamese culture took shape in the 1930s and 1940s when patriotism and Marxism-Leninism flourished. With pressing urge to integrate into the world's modern civilisation yet determined to preserve national identity, Vietnamese society was ripe to reach a new historical peak. At that time, Marxism-Leninism combined with nationalism became momentum of historical changes as it provided *a potentially powerful new lever for revolutionary change* (Porter, 1993, p. 7). Indeed, the future of the country and its people turned a new page the moment communism and socialism hailed the new national ideology. The appropriate question must be asked now is what happened to Confucian/agricultural-based institutions once Communism was in power. Did socialism replace Confucianism as the new institutional logics? Or did they somehow merge together to create a hybrid form contained elements from both? To answer, we must first look at key principles of socialism and the implications they have for Vietnamese society and economy.

At one level, the egalitarianism principle of Marxism-Leninism rejected Confucian social hierarchy and views of class but both gave legitimacy to the collective over those of the individual (Porter, 1993). This convergence of Marxism and Confucianism in reference to supremacy of public interest and duty of the state to serve its people explains why Confucian authoritarianism also contributed to Asian Communism (Peerenboom, 2002). In addition, the resistance war against the French gave the Vietnamese Communist Party the perfect opportunity and justification for centralisation of power as it was advocated that authority must not be divided and diffuse during the resistance. The bureaucracy was held together purely by the force of ideology and

coercion as party members firmly believed that their undergoing of hardship served the interests of the party, the people and the common good. This was referred to as '*socialist sense of superiority with the destiny to save mankind*' (Kornai, 1992, p. 50). This notion of institutional logics, that dictated that socialism was far better-suited for the task than capitalism, which had '*passed the stage where it could contribute to the progress of society and already showed many signs of decay*', (Kornai, 1992, p. 51), was one of the most important elements of the ideology. It was firmly believed that the supremacy of socialism was derived from its intrinsic properties to deliver prosperity once the initial period of hardship was overcome, not from its better economic policies or its ability to call forward sacrifice among other merits. Put differently, even if socialism did not flourish at some point, its triumph was inevitable hence prosperity would arrive sooner or later. Ultimately, this blinding yet extremely powerful faith was single-handedly responsible for the prolonged presence of socialism in Vietnam, which nearly cost the country its civil development. One crucial ingredient of socialist institutional logics was its views on human nature and morale. By principle, socialist system transformed people into self-sacrificing, noble individuals who put the common good above all else; and individualism was immoral therefore must be eradicated if social justice and equality were to be achieved. Another important component of socialist system was dictatorship of the proletariat and the role of the state (Kornai, 1992). The logic emphasised the support for working class against bourgeois, however, the peasants was represented by the party and did not exercise power directly. And so, the state was the '*vanguard*' of the society since it had proven its ability to lead during fights against enemies. This ideology could only lead to one conclusion, that is, the mass's interests would be decided for by the state - the people's guardian. Latent in this power structure, however, was the

protective role of the leaders, somewhat similar to that of the paternalistic father figure in Confucian philosophy, another similarity between the two institutional logics. This was one of the 'justifications for centralisation and bureaucratic organisation of power' under socialist system (Kornai, 1992). Correspondingly, the main governing principle of socialist system was supposed to be *democratic centralism* where members are allowed to express opinions freely but obliged to put party resolutions and instructions, once they are made, into practices (Porter, 1993; Gainsborough, 2002a). In reality, however, the implemented practices were somewhat closer to *bureaucratic centralism* rather than democratic centralism. These institutional characteristics of socialist political system predictably shaped the attitudes and behaviours of officials at all levels. The absence of democratic processes established bureaucratic patterns that continued even after peace was restored. This is one of the most distinctive features of socialist institutions: bureaucratic and authoritarian leadership, which runs national political system as well as organisational management.

Like any institution, Socialist institutional logics entailed their own selection of values and norms. Among others, discipline, voluntary sacrifice, vigilance, absolute loyalty and obedience were the most highly valued (Kornai, 1992). Specifically, commands and political decisions must be followed without question; independence must be avoided, self-interest must be subordinated to common interests and alert against external 'enemies' must remain high at all time. The source of legitimacy was derived not so much from his/her competencies as it was from political reliability, loyalty, fidelity and ideology, which in essence could compensate for lack of abilities or professional expertise. This notion of rewarding not only demoralised motivations, destroyed

originality and critical outlook but also bred an army of corrupted, calculating and ill-equipped bureaucrats who had eyes for nothing but power and self gains.

5.2.3 Institutional contexts at organisational level: Management institutions at

EVN

Drawing from the above discussion of broader cultural and institutional settings, this section offers an alternative look from a different angle by analysing how these institutional logics, ideologies and ideals are applied in organisational context. That is, how Confucian and central planning institutions were translated into management values, norms, routines, practices, philosophies and organisational interactions, which essentially made up an archetypal SOE of this period. The first and most distinctive feature is the norm of collective orientation. Translating into modern day's organisational institutions, many Vietnamese businesses still practice collective decision making (Ralston *et al*, 1999; Hung *et al*, 1999) and group performance appraisal (Zhu, 2002). In EVN, management practices emphasise teamwork and the essential team spirit in all aspects such as decision making, task sharing, group rewards and appraisal. Performance based salary system promoting individuals' interests is not popular since it neither matches the purpose nor goal of collective orientation. Appraisal informally (not too reliable on guidelines) bases on effectiveness and harmony of team working rather than on individual contribution. The underlying reason is the highly valued titles, status, and formality in Vietnamese society. People place great importance on fitting in harmoniously and avoid causing the others to lose face (i.e. to derogate others reputation). In conflicts, win-win situation is preferred. The issue of "face" complicates performance feedback in businesses like EVN because objective and straightforward

appraisal might incur disagreements. In such situation, accurate evaluations might likely lose to harmony preference. This collective nature of human resource management could be partially explained by one similarity between EVN (and general Vietnamese) managers and Chinese managers; that is distaste towards uncertainty caused by conflicts and disputes (Worm and Frankenstein, 2000; Davis, 1997). In general, Vietnamese traditions tend to avoid uncertainty. As people feel threatened by ambiguous situations, employers try to avoid these situations by providing greater job stability, establishing more formal rules, and rejecting nonstandard ideas and behaviour.

In organisational settings, managers and employees alike are relation- rather than task-oriented (Berrell *et al*, 1999). This practice fosters a trusting, reciprocal and long-lasting relationship within organisations since strong loyalty and close ties can prevent agency problem. Moreover, trust, which is built via socialisation prior to and during employment, mitigates the need for monitoring system. This style of management, performance monitoring and appraisal (or the lack of it) in EVN and other businesses in Vietnam sheds some lights on why informal rather than formal evaluation is more widely used (Vo and Dinh, 1997; Quang and Dung, 1998) and social outcomes such as harmony maintenance is considered more important (Kamoche, 2001).

Like other state owned businesses, EVN is surrounded by a web of relationships manifested at different levels. Together with interpersonal relations within the firm, EVN also establishes a network with government authorities and officers. During this transitional period where law and institutional foundations are neither fully established nor properly implemented; and government policies and regulations are incoherent and open for interpretation, networking seems to be the best strategy to minimise risks and

uncertainty. Hence it is not surprising for EVN to rely on connections with government for resources, privileged treatments over private participants and favourable policies such as delayed introduction of competitive market. Until now, this linkage proved to be among the most pivotal factors that guarantee EVN's survival and development.

In organisational context, other features of Confucian management institution include authoritarian, paternal management style, norms of dependence, respect for hierarchy, certainty preference, face to face personal communication, collective orientation and consensus-building. Some of these norms mirror those of agriculture-originated institutions discussed above (such as the importance of relations and personal communication, collective and consensual behaviours) hence shall not be repeated here.

According to Hofstede (1980), Vietnamese culture can be described as high power distance, high collectivism, moderate uncertainty avoidance, and high context. High power distance characteristic is present in the daily life of Vietnamese as well as in business. In the family, the father has the highest rank and makes all kinds of decision for the whole family. In organisations, managers are supposed to take up the role of father, providing guidance, protection and punishment if required, a very similar model to that of the Chinese (Redding, 1990). A clear superior – subordinate relationship means that obedience from lower level is expected in all circumstances. Like Porter (1993, p. 4) put it, *“Confucianism was a rigid hierarchical political ideology that posed the patriarchal family as the model for the political system and treated ordinary subjects as incapable of making decisions”*. This indeed is the making of an authoritarian regime. In addition, exceedingly close supervision and limited authority given to subordinates often leave employees demotivated and passive, yet is acceptable, if not desirable, under

authoritarian leadership. Latent in this is the norm of dependence where employees wait for directions instead of initiating ideas, which can be taken as disobedience, as well as an utmost respect for hierarchy, arguably slightly too much so for a healthy business development. In sum, it is not unfounded to say that for such a culturally embedded country, institutions in Vietnamese management centres on human relationships. Predictably, traditions and society are among the most powerful institutions influencing businesses like EVN, alongside linkage with government.

The second part of old institutions (prior to 1975) consisted of those of socialist origins including egalitarianism; bureaucratic – authoritarian leadership; central-planning, command-based mechanism; fixed input allocation and output targets; low level of delegation and top-down communication,; not transparent, regulated personnel policy; incentive-deprived quality control; lack of management and entrepreneurship skills; lack of financial, marketing, operational conducts. Some of these characteristics were close to Confucian counterparts such as leadership, delegation and communication hence would not be repeated. The discussion in the next section would focus on operational and strategic elements of central planning institutions.

Under socialist regime, the overwhelming role of the state was implemented by central management. The economy was essentially command-based ran by central planning apparatus via a system of forced instructions (Kornai, 1992, 2009). Fforde (2007) provided a thorough analysis of central planning mechanism in SOEs after the war. On the whole, SOEs had no control over any aspects of business including planning, finance, resources, prices or labour contracts. Functional authorities such as Ministry of Finance allocated economic resources to priority areas and inputs (scare resources and

fuels) were delivered to SOEs following planner instructions. This constraint on input choice and distribution channel of outputs meant that instead of calculating the best input mix to secure efficiency, SOEs were only required to fulfil *legally binding plan targets* determined by the plan given. Hence, SOEs were neither *cost minimisers* nor *profit maximisers*, (Fforde, 2007, p. 69) as their performance was assessed by end-contract targets rather than productivity or profits. The allocation of inputs, nevertheless, was not always stable and secure, forcing SOEs to try maximise input stocks in case output targets were threatened. In other words, capital inputs did not have fixed constraint on output gains. In addition, prices were set only for the sole purpose of controlling resource flows and ensuring adequate state revenues, thus not reflected true production costs in any way. This was the bureaucratic accounting as opposed to the efficient economic accounting system. Latent in this input-output imbalance situation was the opportunities to capitalise on under-the-table transactions since extra outputs meant profits in black market where values were much higher than state prices. Clearly, SOEs under bureaucratic control were not equipped with any of the scientific, modern type of management. Entrepreneurship skills such as planning and organising were replaced by mechanical, uncreative mode of working.

Another state controlled aspect was recruitment and dismissal of personnel. Labours were allocated according to state plans and specialised units (finance, planning, organising etc.) were directly responsible to supervisory line ministries. The passivity of SOEs in every crucial activities destroyed entrepreneurship among unit heads and deprived incentives for demand side management at all level of SOEs. Needless to say, concepts such as customer relations, financial management and planning, demand-

supply management were all alienated ideas. Simply, there was neither need nor desire for them. After all, a long period of wartime production and now bureaucratic control meant people got used to acting under the command and having no clear responsibilities. Summary of broader institutional contexts, management institutions at organisational level and their features are presented in Table 4 below.

Table 4 Old hybrid institutions (at the end of 1975)			
Institution	Values	Institutional Norms and Principles	Features of Organisational Management
Agricultural/ Confucian	Harmony	Maintain harmonious social relationships	Collective-orientation
	Stability		Harmony and consensus-building
	Cooperation	Preserve hierarchical social structure	Certainty preference
	Reciprocity		Holistic, experience-based logical thinking
	Consensus	Adapt to the collectivity	Relation-based, emotion-susceptible behaviours
	Obedience	Restrain self-interest for the benefit of the group and community	Personal, face-to-face communication
	Respect		Authoritarian – Paternalistic leadership
	Trust	Avoid conflict at all cost	Norms of dependence
	Loyalty	Precedence of the old/superior over the young/subordinate	Respect for hierarchy
	Conscience	Build mutual trust and eliminate opportunistic activities	
Socialist (central planning)	Discipline	Political line must be followed; decisions endorsed; commands obeyed	Egalitarianism
	Willing sacrifice		Bureaucratic – Authoritarian leadership
	Vigilance	Subordinate self-interests for higher interests	Command-based mechanism
	Political Reliability	Be conscious against internal and external foes	Fixed input allocation and output targets
	Loyalty	Reject all capitalist influences	Low level of delegation and top-down communication
	Compliance		
		Originality, independence, critical	

	<p>outlook are traits of individualism, disrespect, indiscipline, destructiveness</p> <p>Replace private ownership with public ownership</p> <p>State planning to overcome erroneous allocation of resources caused by markets</p> <p>Eliminate competition as it impedes innovation and is waste of resources</p>	<p>Not transparent, regulated personnel policy</p> <p>Incentive-deprived quality control</p> <p>Lack of management and entrepreneurship skills</p> <p>Lack of financial, marketing, operational conducts</p> <p>Lack of profit- and customer-orientation</p>
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5.3 Deinstitutionalisation antecedents: post war crisis (1975 -1985)

“Political, functional and social mechanisms both within and beyond the organisations are proposed as determinants of deinstitutionalisation” (Oliver, 1992, p. 566). Indicators of deinstitutionalisation are those that signify the deterioration or discontinuity of established activities. Institutionalised behaviours are under threat of replacement when existing rule-like orders lose status. Oliver (1992) suggests three major (external and organisational) sources of pressure on mature institutionalised practices: functional, political and social.

For better clarification, assessment of antecedent conditions to deinstitutionalisation of central planning in Vietnam and in EVN will be divided into external and internal categories where external factors cover perennially poor performance (high inflation, low output growth, social unrest) exacerbated by termination of external financial aid; whilst internal category looks into functional problems (inefficiency and outdated practices) leading to bottom-up fence-breaking behaviours from within SOEs.

After the war ended in 1975, Vietnam Communist Party (VCP) devoted their attention to rebuilding the country as socialist state based on the model previously applied in Soviet Union and China. Its socialist transformation was not viewed in economic terms but primarily social, as the main rules were to eradicate private ownership and trade, centralisation of industries and collectivise agriculture (Nguyen and Cooper, 1983). But the system could not deliver the prosperous and industrialised future promised by the Party. Rigid command economy and impractical allocation of resources failed to live up to expectation as the disparity between outcomes intended with central planning measures and the real 'outside' market gradually became too apparent for the government to ignore. At the heart of the problem was the official pricing system and lack of incentives for increased output and productivity. Distrusting markets, planners set prices at low level in order to maintain low wages and boost state owned enterprises profits to finance state investments (Hy, 2003). Meanwhile, scarcity of inputs meant they were offered at much higher prices at 'outside' or 'black' market, encouraging the diversion of state-supplied goods to this secondary economy and shifting workers devotion to these 'outside' activities. Distribution of income also created problems for productivity since wage was highly egalitarian and every worker was entitled to the same benefits regardless of efforts or ability. Moreover, workers were not under the pressure of losing jobs since the state also guaranteed life-long employment. The size of 'black' market continued to grow and became an important part of the economy signalling the incapability of central planning system to fine-tune the economy. Pike (1981) gave a precise and comprehensive account of the depressing shape Vietnam was in during the later 1970s, arguably even worse than during war. Among the poorest and most damaging decision makings were [...] *inappropriate high-level plans, overly rapid*

collectivisation of agriculture, deliberate destruction of existing domestic trade system [...], loss of technical skills through the expulsion of middle class [...], economic mismanagement resulting in insolvency of enterprises, supply and distribution breakdown, lack of investment capital [...] and economic corruption, (p. 86). Poverty was widespread as shortage in food (estimated 20% shortfall for 1980), consumer goods (dropped 50% in the last five years) and raw materials intensified (Pike, 1982), (McWilliams, 1983).

But why could the government persistently defend the system despite its undeniably disappointed state? Three factors explain why in the face of economic failure and increasing social unrest, central planning survived until the moment it finally met its demise in 1986: first, there existed no clearly superior alternative at that time; second, foreign aids from Soviet Union masked the scale of problems and third, the opposition to reform by one of the most powerful party leaders, the in-office Party General Secretary Le Duan. Having Soviet Union as the major supporter and sponsor of Vietnam War against French and American as well as the chief agent of communist regime, VCP also turned to Soviet Union for guidance in economic matters. In the early 1970s, Soviet Union continued to advocate socialism and its ultimate stage, communism as the superior over markets on the quest for modernisation. With this impression, VCP was left with little choice but to continue with central planning despite mounting concerns. Besides, at that time, the government was hardly willing to investigate the extent of problems since aids from Soviet Union meant inputs, no matter how scarce, were still available. Perhaps, the easier choice then would be to view the problems as transitional

rather than having to question deep-root beliefs and expectations of the system that won the country its independence and freed the people from capitalist exploitation.

Without government intervention, tremendous tension accumulated in price and distribution systems, 'fence-breaking' behaviours had become universal, no longer a merely isolate occurrence or confining to small number of people (Fforde, 1989, 1996, 2003). The majority of workers continued to focus on 'outside' activities more than state business and 'black' input market was thriving. Although these fence-breaking activities were illegal, shortage was so severe and widespread that even managers turned blind eyes so that workers could make extra living to survive. As for managers, while outputs were limited by planning targets and wages did not suffice even the most basic needs, as heads of cooperatives, desperate managers committed their own 'fence-breaking' to solve dire situations (St. John, 2006). Alongside 'official' output targets, managers started the use of allocated inputs to make additional products then sold at 'black' market for higher prices. Extra production not only improved living standards for everyone, extra outputs helped balancing yearly targets since inputs were unreliable and sometimes failed to make delivery. Latent in this situation is the irony of state economy: centralised planning and collectivising resources neither brought prosperity nor proved the supremacy of state over markets, instead it provided the motivation and opportunity for entrepreneurship to nourish and unexpected development of a market-based economy. Faith in the regime began to weaken and even the government came to realise the magnitude of their mistakes, although they were yet to admit it openly. Commitment to socialist transformation remained strong even though the leaders went from one grave mistake to another resulting in devastating consequences for the economy. Referring to

the failure to achieve targets in this period, Pham Van Dong² later admitted that they were “too ambitious” (McWilliams, 1983).

Fortunately, the table turned significantly when in 1979, the VCP agreed to loosen state controls and granted private enterprises incentives in agriculture and industry (Donnell, 1980). The decision was brought about partly by Soviet Union aid cuts in 1978-1979 but the 1979's policy reform was mainly determined by internal factors i.e. terrible state of the economy (Fforde and de Vylder, 1996). In effect, this showed the first sign of struggle between ideology and pragmatic policies (Chanda, 1984) as the Party could no longer discard the urge for economic system adjustments. However, the decision did not come easy as any decentralisation measures implied direct attacks on socialist ideology. It was then purely the matter of balancing between attaining economic recovery while ensuring socialist transformation feasible in the near future. In a way, it is not unrealistic to call this a compromise between boosting productivity and growth and allowing state organisations sufficient time to improve capacities required for socialist transformation (Duiker, 1986). The stance was then reinforced by Decision 25/CP in 1981. Decision 25/CP could be seen as the first attempt of deinstitutionalisation of central planning as *“it provided guidelines for the development of initiatives and financial autonomy in state enterprises. Recognising earlier ‘fence-breaking’ practices, these initial reforms allowed factories to acquire and employ resources [...] to increase supply outputs as long as they reported all activities outside official plans”* (St. John, 2006, p. 46). Outcomes were mildly optimistic: growth increased slightly and for the first time since 1975, the country was self-sufficient in terms of food (Duiker, 1985). Economic

² Prime Minister of united Vietnam (1976-1987)

improvement, on the other hand, angered Party members who blamed the liberating policy for putting socialist transformation in jeopardy. As a result, recentralisation was called forth (Fforde, 2003). Collectivisation accelerated but not enough to offset the expansion of private sector as product contracting³ also increased. For the past few years, the Party and the government made great attempt to juggle with economic reconstruction and finalising the last stage of socialism before becoming a true communist country. However, the revived emphasis on collectivisation and the inconsistent price controls truly began to take toll. Inflation was spiralling out of control to the point where trade was suspended in some areas while rationing of food and other consumer goods was reintroduced (Esterline, 1987). As economic performances worsened, concerning voices were harder to be silenced. Several figures with liberating ideas and open attitudes to reform started to come forward, instigated by Tran Phuong, Minister of economic affairs (1981-1982). Considered as the first promoter of pragmatic approach, in May, 1984, he conceded during interviews with foreign newspapers that *“the regime was currently facing severe problems and the mixed economy⁴ would remain in effect for several years until the state was able to play a leading role in the distribution and circulation of goods”* (Duiker, 1985, p. 99). However, the Party General Secretary (the highest post in state apparatus) at that time was Le Duan⁵, who was deeply devoted to socialist ideology and determined to see transformation reaching final stage. One might say that the Party was ignorant to not comprehend the depth of problems or too divided to act collectively. For whichever reason, they failed to face

³ The system where peasants could make arrangements to lease land within the collective in return for other products (Duiker, 1985)

⁴ Referring to the current dominance of ‘black’ market over retail and wholesale of goods

⁵ Party General Secretary (1975-1986)

reality. As the consequence, Vietnam suffered economic setback that could have been replaced by economic development if the Party and the government were able to act decisively and timely. A summary of key events during ‘antecedent’ period is provided in Table 5 below.

Table 5 Key events during ‘antecedent’ period (1975 – 1985)
<ul style="list-style-type: none"> • 1975 – 1977: Centralisation of industries, rigid command economy and mismanaged allocation of resources led to hyperinflation, material shortage, thriving ‘black’ market, fence-breaking and ultimately system failure. <ul style="list-style-type: none"> - Explanations for inactions: absence of superior alternative, foreign aids masked the magnitude of problems and fierce opposition to reform from conservative Party members. • 1978 – 1979: first domestic crisis • 1979: first loosening of state controls - private enterprises incentives granted in agriculture and industry • 1981: second loosening of state controls - Decision 25/CP legalised auxiliary plans and created early initiatives and financial autonomy in SOEs • 1982: recentralisation due to pressures from conservative members • 1983 – 1985: economic conditions worsened, reformists began to come forward <ul style="list-style-type: none"> - Explanation for inactions: absence of superior alternative, foreign aids and opposition to reform by incumbent Party General Secretary Le Duan

5.4 Deinstitutionalisation and moderating factors

Deinstitutionalisation refers to the process where taken-for-granted practices are discarded, not “*merely because better options present themselves*” (Ahmadjian and Robinson, 2001, p. 627), but because they become delegitimated hence have lost their meanings. If switching events are powerful enough to overcome resistance of old

institutions, the end-product of deinstitutionalisation will be a new set of orders reinstitutionalised to fill the logic gap and restore the disrupted mental framework. How could such legitimate ways of thinking that lay the foundation for smooth functioning of social orders ever get devalued without collapsing the whole system of thoughts? Maguire and Hardy (2009) suggest it is done through *“problematization”*, i.e. by *“substantiating and dramatising the ineffectiveness and injustice of existing system”* (Colomy, 1998, p289); in other words – to *“produce and distribute texts to promote particular meanings [...] and build a case for their abandonment [...] through the use of [...] various rhetorical strategies or particular collective action frames to provide an interpretation of the situation and frame courses of actions that appeal to existing interests. These ways, individuals try to manage meaning and delegitimise the status quo”* (Maguire and Hardy, 2009, p. 151). They also suggest that as discourse changed, *“new subject positions emerged from which actors spoke and acted in support of problematisations, which then became normalised in new bodies of knowledge”*, (Maguire and Hardy, 2009, p. 156). Analogous process occurs during deinstitutionalisation if institutional agents wish to convey their intended sensemaking accounts to others. Taking advantage of their credibility, power and influence, these sensegivers induce deinstitutionalisation by singling out cues that emphasise negative features of existing institutions as well as merits of replacements. The intentional juxtaposition of real loss if problematic institutions stay in place and potential gains from abandoning those makes this sensemaking account more appealing than alternatives. Having said that, it should not be interpreted that sensegiving would definitely deliver the intended impacts. Since sensemaking is a social and political process, meaning negotiation will be determined by power dynamics and struggles

among actors. In the deinstitutionalisation process of central planning regime, more powerful actors such as state and governments tried to use political power and social position to manipulate sensemaking of the mass. Whether it was coercive “hard” instruments like laws and regulations or persuasive and “soft” propaganda campaign, the purposes were the same: changing shared understanding. If the emergence of new narrative “market socialism” represented ideological struggle between not wanting to let go of socialism and the inevitable conversion to capitalism, the subsequent changing process of social sensemaking to accommodate new market and business concepts, was in essence, the product of social negotiation. Overtime, via rules and regulations, organisations (SOEs and private businesses alike) learned to accept ideas and practices but discarded those proven impractical to Vietnamese organisational environments and the wider Vietnamese society. Over the course of 25 years (since 1986), deinstitutionalisation of central planning and institutionalisation of “market socialism” proceeded with various speeds. Indeed, Vietnamese version of capitalism was not only shaped by the way institutional agents constrained the less powerful but also by the resistance of these groups to repression. The next chapter examines the whole process in detail by dividing into three phases, each studies institutional agent sensegiving and corresponding interpretation of receivers and the consequential industry and organisational restructuring during that period. Before moving to this, however, it is important to point out that institutional transformation is not an isolate process that manifests on its own. There are factors, both internal and external to organisation environments that could reduce or elevate the speed of deinstitutionalisation. Theorists propose that endogenously, organisations possess properties that can accelerate deinstitutionalisation, referred as entropies; and they are also endowed with inertia

qualities, so-called dissipations (Oliver, 1992). Organisational entropies are tendencies of organisational rules and logics to erode and modify on their own accounts, to deal with internal inconsistencies whilst the notion of inertia suggests coherent resistances to change. Relatively speaking, one of the strongest dissipation factors is preference for certainty and stability within organisation, especially for Confucian institutions like that of EVN. Shocks and radical changes often bring uncertainty and chaos which are mentally and emotionally disturbing. Handling these cues might be a difficult task since they do not fit into existing schema hence require modification to mental mode. In case of EVN, although employees might agree to innovation, they might not have full understanding of new concepts or lack the knowledge of how these procedures work. Uncertainty in outcomes and course of actions partially explains resistance, and in turn slow down deinstitutionalisation. Another factor likely to cause resistance is distaste of instability. This is not surprising at all, especially at the beginning of deinstitutionalisation process, since the majority of employees were born and raised during wars and spent most of their lives working under socialist regime. There are ways to raise instability tolerance and mitigate resistance including providing employees with adequate information concerning purposes, directions and detailed action plans as well as leaders setting examples as guidance. In terms of external constituents, incomplete legal framework and ambiguous reform initiatives might exacerbate anxiety and confusion. Certainly incoherent, ever-changing and open to interpretation laws and regulations offer little articulated guidelines and might even delay transition. Organisations like EVN might find it hard to commit to long term plans if changes occur constantly. These are crucial elements that influence deinstitutionalisation outcome and speed therefore must be dealt with carefully.

On the other hand, noteworthy entropies do exist to smooth the progress of institutional transformation. One of the most significant factors contributing to the successful deinstitutionalisation of command economy is because social sensemaking changed with them. As the economy restructured and legal framework improved, social expectations evolved at the same time. During central planning era, state cooperatives were not viewed as enterprises in their own rights hence were not hold responsible for any wrongdoings or failures. This expectation changed significantly since the day SOEs became legal entities and won independence in business management. Encouraged by greater freedom of speech (among other principles advocated at Sixth Party Congress by Nguyen Van Linh, 1986), the media and indirectly, the people, began to voice their opinions and in some case, concerns about the duty and responsibilities of state-owned enterprises like EVN. Much more was expected from SOEs now. Alongside social responsibilities, SOEs were expected to meet standards of international business with modern entrepreneurship and management skills. This consisted of greater customer awareness, demand side management and improved overall efficiency. Customer service has become an important requirement of business that previously did not exist. In addition, as private sector developed, it was common thinking that SOEs must boost competitiveness and more importantly make necessary preparations to forego monopoly position once competitive market arrives. To a certain extent, increasing participation and influence of the media undoubtedly play a part in facilitating and hastening deinstitutionalisation. As one of the most pivotal industries, power industry has received enormous interest not only from the government but the public and media also. Constantly being under the spotlight might bring SOEs recognition and support but also additional pressure. In analysing deinstitutionalisation process, next chapter implicitly

incorporates these moderating factors in explaining the interplays between institutions and sensemaking; that is – how institutional breakdown induce conscious sensemaking and how sensemaking, in turn, shape up institutional transition in next phase of deinstitutionalisation. The role of sensemaking will be uncovered as sensemaking during one particular period is used to explain why and how deinstitutionalisation takes the course it does.

5.5 Conclusion

In this chapter, I have thoroughly examined institutional settings surrounding the case study by tracing evolution of Vietnamese traditions through history. The significance of political, social and economic developments was particularly emphasised. Idiosyncratic institutions particularly attributed to Vietnamese contexts encompass traits of the most ancient agricultural society thousands of years ago, Confucian ways of thinking and living, as well as more recent, modern-day ideologies such as Communism and Socialism. The origin, timing of entry and contents of institutions received as much interest as institutional adjustments did since path dependence offered great insights in understanding why at particular point in time, certain institutions seemed more welcomed by certain culture. In this case, fundamental similarities between agricultural/Confucian institutions and Communism/Socialism such as norm of dependence, collective orientation and respect for hierarchy might hold the key in elucidating why Vietnamese people found Communist ideologies appealing, especially when compared against capitalism and individualist culture it stood for.

Second, with the focus of organisational settings in mind, I have paid close attention to implicitly shared traditions, values and norms as well as their institutional implications on organisational environments and practices. In referring to these organisational institutions, we often picture characters such as thoughts of dualism, harmony- and consensus-building, collective- and relationship-orientation, norms of dependence, respect for hierarchy, paternalistic/authoritarian leadership, personal communication, emotion-sensitivity, subjective thinking, high power distance, uncertainty avoidance and principles such as egalitarianism and command-based bureaucracy.

Third, I highlighted the role of Vietnam wars, apparently a major part of Vietnamese history, and their far-reaching impacts on the economy, the people and the traditions. It could be said that constant wars robbed Vietnam of its chance to realise the country's potential, but it was wars that nourished traditional values of a closely knit community. If wars could either destroy or strengthen traditions, in the case of Vietnam, it was the latter. Effectively, struggle against capitalism fostered national unity and, led to the adoption of socialist regime and ultimately facilitated the merging of Confucian institutions with socialist institutions.

Fourth, the versatility of institutions has also been shown. That is - as the country passed from one era to the next, intrinsic traditions evolved with them by aptly absorbing essential qualities and cleansing off outdated ideas while keeping core values intact. In the wake of this selective process, there remain only the most resilient traditions, which lie at the heart and core of Vietnamese society. Such values include respect for hierarchy, norm of dependence, collective and relationship orientation. The importance of institutions' ability to accommodate change will become clearer in the next chapter

when deinstitutionalisation of central planning is investigated. It will be shown and explained why certain features of Communist/Socialist institutions such as egalitarianism and command based regime are discarded but others survive.

Fifth, for the sake of clarification and presentation, crucial events of deinstitutionalisation process were examined in chronological order to reveal progressive nature of the process as well as causal linkages. This way, a series of predated events could be taken as explanatory factors and antecedents for subsequent institutional changes. Deinstitutionalisation therefore could be taken as the product of events occurred in previous periods. Along the same line, agricultural/Confucians institutions were studied prior to Communism/Socialism institutions to reveal evolution of institutions over time as well as convey clear sense of continuity.

Finally, in this research, institutional processes were not believed to be isolated from surrounding environments. This view was evidenced in the discussion of moderating factors, both external and internal to organisations, which might impact on institutional transition. In doing so, analysis of deinstitutionalisation took into account broader social changes and suggested that new sensemaking narrative was influenced by altered social shared understanding and expectations. Specifically, principles of “market socialism” were more easily implemented hence faster deinstitutionalising, because concept of social entity changed and because of customers and the media’s augmented sphere of influence. In other words, deinstitutionalisation of central planning might be initiated by one party - the government, but the outcome and pace of deinstitutionalisation are determined by social negotiation of all relevant stakeholders, including organisations. In fact, organisational rigidities could be one of the most powerful countermeasures to

deinstitutionalisation initiatives. And if powerful enough, inertias could halt or even reverse deinstitutionalisation process. Realistically, in the case of EVN, uncertainty and instability avoidance is considered one of such factors. More comprehensive discussion of these moderating factors will be incorporated in the next chapters.

The following chapter, chapter 6 will study a particular set of conditions behind economic reform in 1986, the significance and implications of these switching events, the birth of new sensemaking narrative and essentially radical reorganisation and restructuring at industry and organisational levels.

CHAPTER 6

Market socialism and organisational restructuring

6.1 Introduction

In Vietnamese people's mind, the year 1975 marks the end of feudalism, colonisation and invasion, the end of thousands of years the common people fought for their own identity, for the right to live as citizens, not as slaves on their own homeland. It is always remembered as the beginning of freedom, just like economic reform symbolised as the beginning of a new era. The spirits and ideals of market socialism spread through the country, changed the life of every business unit, every household and gained the support of the people. This chapter tells the story of how market socialism liberates one pivotal field - the electricity sector and the state-owned electricity company.

In broad perspective, this chapter carries on (from chapter 5) elaborating the first research question about the evolution of deinstitutionalisation of old management institutions, in the setting of organisational restructuring in Electricity of Vietnam (EVN). More specifically, the main aim of this chapter is to explore the nature of and the rationale behind switching events, in this case, economic reform in 1986, as the source of subsequent institutional transition.

Like chapter 5, this chapter was drawn mostly from documentations explaining macroeconomic, political and social conditions during and after switching events as well as those pertaining to the birth and development of power sector and EVN. As far as the level of analysis is concerned, the focal points of this chapter are the intermediate levels

of industry and organisation. In doing so, it enriches the strand of argument set out in previous analysis by explaining how institutional inconsistencies and inertias, if left unresolved, might induce catastrophic circumstances and system breakdown, which inevitably compel adjustment and rearrangement of unprecedented scale in some cases. Ultimately, this chapter intends to illustrate the transitional episode starting from the most dramatic moment, the switching events, all the way through the reorganisation process itself. Methodologically, it does so by detailing crucial steps and landmarks of institutional transition, via the applied context of Vietnam, and in due course revealing the journey of self-renovation of a formerly state-owned and -run unit until it becomes the corporation it is today.

As theorised by the theoretical framework in chapter 3, switching events surrounded by contradiction, uncertainty and ambiguity and as disruptive and potentially wide-ranging as they are, require immense effort to restore orders. In many cases, this involves sensegiving of institutional agents although bottom-up sensemaking is equally important. Hence, in an attempt to capture the aftermath of switching events, the economic reform in 1986, the chapter moves on to investigate the new sensemaking account (sensegiving) of 'market socialism', promoted by institutional agents (the Vietnamese Communist Party and government). The emergence of this new ideology alone is taken as clear indication of deinstitutionalisation of socialist institutions in the 'normative pillar' (Scott, 2001) since it signified dramatic changes in logics, values, principles, ideals and beliefs. Further implications and impacts of such sensegiving account will then be examined via the 'regulative pillar', that is the new rules and regulations put in place to reinforce the new belief and economic systems. In detail, the

origin and development of power sector and EVN since 1986 will be analysed consecutively. As for 'cognitive pillar', organisational and individual sensemaking is planned for chapter 7.

6.2 Switching event - economic reform (1986)

If in the early 1980s the economy enjoyed a brief economic recovery following the adoption of new policies aimed at increasing private incentives such as the crucial 'product contracts', then by 1985 the country was once again in deep water as stimulating effects began to wear off. Food output rose only 1.1 percent, causing 1.5 million tons of grain shortage as the government increased input prices without raising rice prices accordingly (Porter, 1993). Inflation skyrocketed from 50-90 percent in 1981 to 300 percent in 1985 (Hy, 2003) due to fiscal deficit, monetary mismanagement and excessive demand for consumer goods causing accelerating prices in the free market (chapter by Vo, T. T in Kornai and Qian, 2009). As a result, the purchasing power of workers declined dramatically in real terms despite government attempts at salary adjustments. At the root of deficiency problems was the situation state enterprises and cooperatives found themselves in: low labour productivity, high production cost, shortage of materials, poor quality controls causing most of them to operate only one-third of full capacity (Marr and White, 1988). In addition, slack management, non-existent training, and state bureaucratic accounting procedures masking serious problems meant state cooperatives were operating at a loss even though they fulfilled planned targets (Vo, 1988). All things considered, resource misallocation, macroeconomic imbalance, state cooperatives inefficiencies and poor living standards all contributed to a miserable year of 1985, which saw the credibility of the Party and

government hit the new lowest point. Everyone desperately waited for changes and knew that they would come soon. Then in July, 1986 the passing away of in-office General Secretary Le Duan effectively dealt final blow to the frail central planning system and put an end to command regime. The Sixth Party Congress in December, 1986 clearly acknowledged the existence and importance of private sector and declared that multi-ownership was the way forward for Vietnamese economy. The result was the revolutionary economic reform, *Doi Moi*, which changed the future of Vietnam and its people forever.

In every possible way, economic reform 1986 delivered long-awaited and much-needed shock to the whole country. This event opened a new window for the renewal of the relationships between the State and state-run enterprises, between private and public sector and promised a new, welcoming era for entrepreneurship. The reform deinstitutionalised every aspect of central planning by enhancing freedom of choice for economic units and competition, opening the economy to foreign trade and investments, liberating prices almost completely and substantially reduced subsidies to the SOE sector (Vo, 1988). So how did 1986 reform instigate sensemaking as a response to the disturbances generated by it? How did Vietnamese society and organisations shift from old viewpoints to brand new concepts, new principles and new practices? To answer this question, we must recall the nature of switching events, their role and effects during the deinstitutionalisation process. At the end of the 'incubation period' i.e. antecedents, crucial event(s) under specific conditions create disruption to previous flows of sensemaking in the form of contradiction, ambiguity and uncertainty. These, in return, require conscious sensemaking to restore lost meanings and framework.

So what was the new narrative that 1986 reform tried to convey via 'socialism with market orientation'? How could two entirely contradicting concepts such as socialism and markets possibly work together? Beresford and Fforde (1997) give a good possible definition of the changing notions of Vietnamese socialism. According to them, socialism possesses essential and dispensable components and 1986 economic reform moved away from the latter while the former remained intact. The paper suggests that 'classic' socialism consisted of three main principles: public ownership of the means of production, central planning and distribution according to labour. A group of operational principles could be indicated: central monopoly of foreign trade, state monopoly of the domestic circulation of goods, cooperative production in the agricultural and handicraft industries, planning of industrial production, state control of finance and credit, state determination of virtually all prices (including wages) and planned allocation of labour. In this sense, public ownership of the means of production could coexist with market-based circulation and production of goods as long as definitional (not operational) elements are retained. In effect, 'reformed' socialism only replaced traditional bureaucratic central planning with the authority to regulate SOE industries since it is still the sole owner of public assets. The bureaucracy might lose direct control over the quantities of input and output but it can still rule state-run enterprises indirectly by formal and informal interventions, administrative price setting, financial control, selection of management team as well as control over market entry and exit (Kornai, 2008). New meaning of socialism then implies that in theory, markets mechanism and signals are expected to replace bureaucratic commands as the driver of the economy. In reality, markets did not fill the gap but other, indirect, more subtle tools of coordination

did. Alternatively speaking, the role of the markets increased but so did the role of state. 'Reformed' socialism might have altered the form of control, not the intensity of it.

Not only that reform intensified active sensemaking due to the difference between how things have been done in the past and how things should be done from now on, it did so because deinstitutionalisation created uncertainty and ambiguity. The fact that Vietnamese reform was not based on any complete and available model (Vuong, 2004) or that the Vietnamese government favoured the use of experimental 'trial and error' method in building their own model probably explained why uncertainty and ambiguity were an inevitable part of the deinstitutionalisation process in this case. Uncertainty regarding the content and direction of restructuring of such 'spontaneous' reform (Kornai 2008) was paramount, causing problems for both SOEs and foreign companies. Ambiguity in implementation guidelines and directives also required sensemaking by clarifying cues and their meanings whereas uncertainty could only be resolved by attaining relevant information. In situations of vast uncertainty and ambiguity like this, social construction of meaning is critical more than ever as without a shared (no matter how limited and temporary) understanding of how the new institutions work, the system will fall apart.

6.3 New sensemaking account of institutional agents - 'market socialism'

Although 1986 has been known as the milestone of economic reform, antecedents of deinstitutionalisation and the first sign of subsequent sensemaking alteration appeared as early as 1979. The late 1970s saw the first serious crisis in both economic and political

affairs as well as the first wave of reform incentives. The Third Plenum of August 1979 and follow-up Decision 25/CP shifted the course of economy by legalising SOE's fence-breaking activities and encouraging agents to increase economic activities and exploit opportunities (Fforde, 2007). The most prominent feature was 'three-plan' system which permitted SOE to carry out auxiliary plans alongside compulsory state targets. However, this deinstitutionalised effort was short-lived as the Fifth Congress of Spring, 1982 confirmed recentralisation tendency when Decree 146-HDBT was promulgated to limit SOE's *'production and trade based on the unorganised market'* and *'centralise sources of commodities in the hands of the state'* (Cong Bao, 1982 as stated in Fforde, 2007). This policy stance was later reinforced by Decree 156-HDBT in 1984, the last recentralising decree before 1986 economic reform. In essence, all three policies centred on 'three-plan' system but the latter two clearly showed reinstitutionalisation of command economy as they contained detailed administrative controls to change formal incentive structure. In effect, the two Decrees entailed that SOEs were not to retain any profits and they had to obtain permission from superiors for outside plans. Obviously this was a deliberate move aimed at creating adverse impact on 'unplanned' activities (Duiker, 1985). In a way, this indicated that deinstitutionalisation failed to reach final stage (new institutions), that is, resistant work overpowered deinstitutional impacts hence reinstitutionalised to old institutions. Even though counteractive forces exist in every deinstitutionalisation cases but occasionally, they are strong enough to actually reverse the entire process, which was exactly what happened to decentralisation before 1986.

Despite failure to fully decentralise prior to 1986, policy stances and widespread bottom-up ‘fence-breaking’ activities during this period were solid indicators of ‘reformist’ narrative and deinstitutionalisation tendency (Fforde, 2007). Over ten years since 1975, Party leaders and the state had slowly transformed their sensemaking of socialist transformation and its implication for economic and social development. In 1976-77, fully trusted and committed to Marxism-Leninism, Party leaders were absolutely confident in their ability to build a socialist economy, which was “*a much easier task compared to defeating the US*”, and that “*the process of [building central-run economy and] taking the economy...from small scale production to large scale socialist production shall be largely completed within about twenty years*” (Cong Bao, 1982 as stated in Fforde, 2007, p. 168). The results, however, were disappointing. Then came the Six Resolution in 1979, which was symbolically called *bung ra* – literally translated ‘breaking open’ of private initiatives, completely reversed policies of previous years. In Six Resolution, wrongdoings were acknowledged:

Shortage was severe [...] the role of consumer goods and local industries was undermined. [...] the State and collective sectors of the economy were not adequately enhanced while the private sector was underutilised.

The main error [...] was the mechanical application of collectivisation [...] The Party leaders’ simplistic view on socialism and on the way to achieve socialism [...] without taking into account the real situation [...] had created adverse consequences (stated in Vo, 1987).

Party members also publicly admitted the magnitude of problems and for the first time hinted at more fundamental weaknesses of bureaucratic administrative system. This indicated momentous shift of opinion among leaders, who until that time insisted that problems were simply transitional and refused to question deep-rooted assumptions. In 1982, top government officers such as Pham Van Dong⁶ acknowledged previous targets to be '*too ambitious*' (McWilliams, 1983); '*the production was unstable due to material shortage*' and accepted that '*the government only controlled 60% of retail trade and 40% of wholesale trade*' (Chanda, 1984, p. 30). Although underlying causes were not mentioned, it appeared that reality began to sink in. At this point, it had become a consensus that previous miscalculated decision makings and mismanagement of resources were neither in the economy's nor the people's best interest and in fact, it might have been beneficial to acknowledge the role of markets and cut down on administrative controls.

Despite growing concern about deteriorating economic conditions, not until after the death of Le Duan, ideological transformation began to gain real momentum and exert broad impacts. The replacement of old-school politicians with innovative minds as top leaders like Truong Chinh⁷ and Nguyen Van Linh⁸ who were famously known as strong advocates of renovation and market economy, heralded a more aggressive approach to economic reform. Although Nguyen Van Linh was the prime facilitator who put economic reform in action, it was Truong Chinh who laid the foundation for revolutionary political and economic thinking. Originally a conservative, Truong

⁶ Prime Minister (1976 – 1987)

⁷ Party General Secretary for a brief period after the death of Le Duan and prior to the appointment of Nguyen Van Linh

⁸ Party General Secretary (1986 – 1991)

Chinh's standpoints changed significantly in the last few years of his life. Speaking of Truong Chinh's role in economic reform, Dao Xuan Sam, a member of economic advisory council in 1986 recalled:

By 1985, large scale economic investment projects barely showed any impacts. Cooperatives were on the verge of collapsing due to raw material shortage. Inflation was 300%, 400%, even 700% at one point. Opinions were divided: fence-breaking to repair crisis or firmly adhered to central-planned, state-subsidised mechanism. Then General Secretary Le Duan died. Sixth Party Congress was only few days away but reports sent to units were strongly opposed due to lack of new thinking and actions. Truong Chinh was then temporarily appointed as General Secretary and he made a daring, unprecedented move – rewriting plans with the mentality “reform is utterly urgent, reform for survival, reform or die”. There was no doubt that Truong Chinh was the chief author of reform as he was the only one brave enough to face reality, to recognise wishes of the people and to use his credibility for good cause. (Viet Bao, 2006)

One of the most crucial institutional changes Truong Chinh brought into play was the willingness to embrace truth. Not vague and elusive like previous public announcements, Truong Chinh in his political reports delivered at the Sixth Party Congress directly criticised early policy failings:

Previously, the Party's eagerness to develop large-scale heavy industry that surpasses the country's real capabilities was one of the errors of leftist

infantilism. We [the Party leadership] did not pay adequate attention to restoring and correcting the economy, over-emphasising on building heavy industry...resulting in too many investments with very low efficiency.

Agreed with this viewpoint, Nguyen Van Linh said:

We have proposed erroneous strategic policies. In referring to economic structure, we prioritised agriculture and heavy industry whilst undervalued consumer goods and exports. We have also made indiscriminate investment in capital construction. As a result, our investments have been scattered and inefficient. (Fifth Plenum of Central Committee)

In another remark concerning transitional priorities, Truong Chinh emphasised the difference between old and new policies:

We have yet determined clearly and consistently the viewpoints and policies regarding socialist transformation [...]. So far, we stressed changing ownership of the means of production but overlooked amending problems relating to management, organisation and distribution. We [...] favoured quantity over quality and efficiency ... (Sixth Party Congress, 1986).

In terms of socialist transformation, we must proceed on a permanent, continuous basis, by adopting adequate forms and steps for each locality and the entire country [...] and careful not to impatiently eliminate [the non-socialist sectors], causing production to fall and the market to decline (Tap Chi Cong San, 1986).

Once again, Nguyen Van Linh stood by Truong Chinh on highlighting the importance of non-socialist sectors:

As an agricultural country heading towards socialism and battered by decades of long war, we did not rightly value all economic sectors [...] and failed to consider the development of productive forces as our most important task (Sixth Party Congress, 1986).

Truong Chinh believed the key in improving political, economic and social institutions laid in the 'hard-line' campaign, which sought to alter economic thinking, address crisis of confidence and convert bureaucratic habits (Esterline, 1987). He advocated slogans and ideas such as open press, respect and bravely face reality, think and act with an objective state of mind, daringly break away from old regime, determined to create a new model, new mechanism, new logical thinking for complete transformation of political and economic systems (Sixth Plenum of the Central Committee of the Vietnamese Communist Party, July, 1986). Although he resigned and then passed away soon after (in 1988), his mottos left behind deep impressions and remained the guiding principles for economic reform in next decades. In referring to how his beliefs got translate into practical reform policies, Tran Duc Nguyen, another member of advisory council in 1986 said:

In the midst of central planning embedded with centralised mechanism, close economy and state cooperatives, Truong Chinh endorsed totally opposite 'three crucial viewpoints' – developing multi-sector economy (encouraging under-utilised private resources instead of state run monopoly); modifying economic

and investment structure (concentrating on exports, consumer goods alongside industrial goods); and finally renovating administration and management (replacing bureaucracy with autonomy and open mechanism). (Thong Tan Xa Viet Nam, 2007)

These were the policy agendas presented for economic reform at the end of 1986 although at this time, Nguyen Van Linh had replaced Truong Chinh as General Secretary. Profoundly influenced by his predecessor, Nguyen Van Linh followed the same directions and actively promoted a more flexible style of management relied on modern organisation skills and management techniques. He also sought to transfer accountability for daily governance to a body of appointed officials (St. John, 2006). His ideas and initial success at changing political habits and institutional rules was then inherited by his successor, Do Muoi⁹ and remained as one of the key principle of subsequent policies. During his speech at the Sixth Party Congress (1986), Nguyen Van Linh called for a complete and radical socio-economic renovation in order to replace a subsidy-based bureaucratic centralism with planning mechanism consistent with the principles of democratic centralism. As for the causes, he proclaimed:

'The national economy has collapsed because of falsified profits and real losses. The prices of equipment and materials were calculated at too low level for a long time, forcing the state to make up for large amount of losses. [...] While central planning should remain, the plan had to be elaborated from the bottom up and [...] under the guidance and regulation of the state to assure balance' (June, 1988, Plenum of the Central Committee).

⁹ Prime Minister (1988 – 1991) and General Secretary (1991 - 1997)

Indeed, economic reform delivered what the economy needed the most: handing SOE sector their autonomy, promoting private entrepreneurship and opening for foreign trade and investment. In doing so, institutional agents intended to institutionalise a new paradigm, one that did not deny the role of the state (and SOEs) as drivers of the economy but simply emphasised the inability of command system in doing so. The reform, hence, was supposed to develop the positive potential of all components of the economy in production and services' but also to 'continue the socialist transformation and strengthen the management of the market (Sixth Party Congress, 1986). This goal, apparently, was a total contrast to the Five Year Plan 1981 – 1985 (and in the 1980s as a whole), that is, to concentrate on a vigorous development of agriculture, to see it as top priority, to turn it into large-scale socialist production and to employ heavy industry to boost agriculture (Fifth Party Congress, 1980). In implication, new reform policies meant SOEs remained the priority (for now at least) and focus of government development plans and policies. Playing the leading role in the process of industrialisation and commercialisation of national economy, SOEs entitled to preferential treatments in terms of infrastructure foundations, financial access and institutional linkages although direct subsidies were no longer available. Since there was still a strong desire to retain control, in crucial industries such as electricity and petrol, market entry was extremely limited even though private sector participation was encouraged as stated in (Sixth Party Congress, 1986, p. 30): *'the state accepts long term existence and positive effects of the family, individual and private economies active in production and services; it guarantees the rights to property, to inherit and to legal incomes for people active in these sectors; it accepts their legal incorporation/identity and equality before the law in their production and business activities'*. Competition was

expected to be introduced in the future via a slow process and not before SOEs had sufficient time to restructure and enhance efficiency. The government cautioned that *“transitional phase onto market socialism was a complicated process which required deliberate and long term preparations thereby would be implemented by experimental approach”* (Sixth Party Congress, 1986, p. 58).

Latent in the language used by leaders and contents of reform policies was the changed meaning of concept of socialism. The goal was *‘to develop a multi-sector economy and apply the market mechanism to build socialism successfully’* but most importantly, *‘economic renovation and building a multi-sector economy operating within a market mechanism must be accompanied by the strengthening of the role of state management along socialist lines’* (Sixth Party Congress, 1986, p. 60). It was evident that the acknowledgement of the role of markets was not meant to violate socialist principles. Rather, it was the transitional phase to socialism that changed. Instead of command system, now it was market mechanisms and tools that would actualise the process of socialist transformation. Here, to justify new interpretation of socialism, market-led phase should be seen as an integral part of socialism, not adversary (Kolko, 1997). New meanings were also introduced to other elements. As a direct attack on corruptions and bureaucratic centralism, it was pronounced that *‘no members have the privilege of considering themselves an exception and of speaking and acting at variance with...orders of higher echelons’* (Sixth Party Congress, 1986, p. 87). In terms of economic matters, over the next few years, the government introduced new concepts for operationalisation of the new system. Amongst others, the most important concepts included *‘industrialisation’*, *‘modernisation’*, *‘commercialisation’* and *‘socialist*

accounting practices'. In essence, commercialisation referred to the intention that resources should be acquired and disposed of through markets rather than through administrative means (Fforde, 2007). For many large SOEs, foreign investment and joint ventures are valuable opportunities to acquire capital, modern technologies and business know-how (Wolff, 1999). If implemented, the idea implied such a radical transformation away from long-accepted, institutionalised direct allocation of resources to the new 'socialist business practices' starting with the liberalisation of prices and businesses. One crucial element of socialist business was the idea of 'socialist accounting practices' which was *'voluntary exchange based upon calculation by both parties of the economic costs and benefits involved'* (Sixth Party Congress, 1986, p. 90). In other words, enterprises should independently engage in all economic and financial activities, raising capital from profits and efficiently using funds allocated to them in the formal state budget. In response, they could make their own decisions about setting prices, salaries and employment, and were allowed to use their income for importing raw materials (Esterline, 1987).

Against expectations, the immediate aftermath of reform was rather unimpressive for the next three years. Most of much-needed reforming policies had not been fully implemented as leaders failed to agree on the pace of restructuring although commitment to reform remained strong (Cima, 1989a). Ideological conservatives made up of bureaucrats and members of military establishment continued to be one of the fiercest resistant factors to changes (Cima, 1989b). The main reason for this delay was prompted by fears that fast liberalisation would result in anarchy and destabilise the Party's control. In essence, true changes only arrived in 1989 when the Party

reemphasised the need to toughen up state sector with more aggressive restructuring policies. In sum, the period between 1986 and 1993 was concerned mainly with practical implementations of decentralisation and institutionalising new concepts and rules for market-oriented institutions including reforming SOEs planning and shifting to socialist cost- accounting (1987), new SOE charter (1988), charter of joint venture and economic cooperation (1989), revised accounting regime (1989), wage and bonus payments according to work done (September, 1990), inspection, bookkeeping and auditing practices (November, 1990) and pilot equitisation programmes of some of small SOEs (1992).

Without doubt, the new sensemaking narrative of 'socialist market' had paved the way for the most extensive and intensive transformation of political thinking, economic structure and social understanding in modern Vietnamese history. But it is agreed that policy initiatives do not always deliver their intended consequences. One of the reasons is that shared meanings are negotiated between sensegivers and sensetakers, who are capable of forming their own sensemaking thereby able to exert powerful resistant forces. As such, it should only be wise to analyse how organisations as a whole interpret sensegiving narratives from institutional agents.

6.4 Restructuring at industry level

Recognising the importance of state businesses and the urgent need to remodel, state-owned enterprise reform was initiated as part of economic renovation since 1986. Despite having been on the renovation list at roughly the same time, state owned enterprise reform did not actually launch until the mid-1990s. The initial reform of

Vietnam's power sector focused, first, on reorganisation, and second, on consolidation. Under the old centrally planned system, Vietnam's power sector consisted of three regional State-owned Power Companies (PC1, PC2, and PC3), which are in fact extensions of the former Ministry of Energy, responding mainly to the administrative needs rather than business requirements. Although regime of 'owning-controlling' ministries was relevant in the old planned economic system, it had become a bottleneck to the new market mechanism. For instance, the norm of shared responsibilities among ministries in relation to the management of state's assets meant that Ministry of Finance would have had difficulties in managing the utilisation and expansion of state capital. Moreover, none of the ministries would be held solely accountable for state assets thus led to resources wasting and inefficiencies (Ng *et al*, 2001). In an attempt to reduce direct interventions in the daily operations of power companies; to build up a corporate culture within the sector to replace the old bureaucratic atmosphere; and to develop large and internationally competitive large business units, system of 'owning - controlling' ministries were abolished. In particular, in 1994, power sector was restructured with the corporatisation of EVN and the establishment of Ministry of Industry as owner-investor institution. Corporatisation basically is the transformation of SOEs into limited liability enterprises (Van Arkadie and Mallon, 2003). According to Pham and Nguyen (2001), corporatisation is the form of restructuring to change management structure of SOE while allowing the state to retain its 100 percent ownership. Under corporatisation, the state appoints one state institution to act on its behalf as owner of state assets as opposed to the previous owning-controlling institutions. These new owner-investor institutions then exercise rights to participate in the enterprise management by appointing Boards of director, attending shareholders meetings. Under this form, basic management structure

of SOEs has not changed since the state still has authority in deciding enterprises' plans and disbursement of profits. Corporatisation, however, ensures closer supervision and tighter responsibilities and makes it possible for SOEs to raise capitals as legal entities (Wang and Wong, 1998).

Key actors in electricity sector are the government and Ministry of Industry (MOI). Other specialist ministries including Ministry of Finance, Ministry of Trade and Ministry of Labour are responsible for monitoring compliance to taxation, financial matters, salary policy, employment policy and export-import issues. Being the owner of capitals and assets in state-owned power businesses, the government has the highest authority and power in issuing resolutions, regulations and regimes regarding electricity activities. Other matters include approving developmental plans for power electricity industry proposed by MOI, making final decision on electricity retail tariffs and price policies. Ministry of Industry functions as the State agency in the following aspects: i) Drafting development master plans within a 10-15 year periods submitted to the Prime Minister for approval; ii) Setting and modifying standards, economic-technical norms regarding electricity activity and utility; iii) Developing electricity retail tariffs and doing research and proposing regimes and policies on electricity price submitted to the Prime Minister for approval; iv) Developing tariff framework for power generation, bulk power supply, and fees for transmission and distribution and surcharges for using ancillary services; v) Managing activities concerning regulating electricity activity and utility; vi) Issuing regulations and instructions to manage rule of operation for the competitive power market; vii) Inspecting implementation paces of maser plans, policies and laws at power businesses; viii) Settling complains and claims concerning electricity

activity and utility. MOI is not allowed to directly intervene by administrative orders in procedures of managing and running business and production activities in EVN's member organisations and independent power producers.

Under the Prime Minister's decision, since the beginning of 1999, construction companies have been separated from EVN, Power Designing and Investigation Companies and the Energy Centres have been renamed as Power Engineering Consulting Companies (PECC). Since 2000, to enhance market diversification and to release scarce capitals to other investment projects, generation had been open to private actors and EVN started purchase contracts with non-member producers. Private sector participation is limited to several small hydroelectric and coal-fired thermal plants. There are also two other players in Vietnam Electricity Market that are not wholly owned by EVN – IPPs (Independent Power Producers) and BOTs (Build Operate Transfers) power generators. Main difference between IPPs and BOTs is the structure of their contracts for electricity supply. IPPs sell power to EVN at guaranteed prices (via power purchase agreements) and are owned by Vinacomin, Petro-Vietnam and some small Hydro Operators. BOTs are bounded to EVN by a tolling arrangement. A tolling station is kept available for use at specified efficiencies by its owner and one that is used to convert fuel to electrical energy for a fee (a toll) when requested by its paymaster (EVN). In 2003, statistic estimated private player contribution up to 15% of all power generation.

Since 1996, the government focused on laying the foundation for a complete power market and strengthening legal institutions. After years of preparations, Electricity Law was passed on November 2004 and came into effect on July 2005. The Law aims to

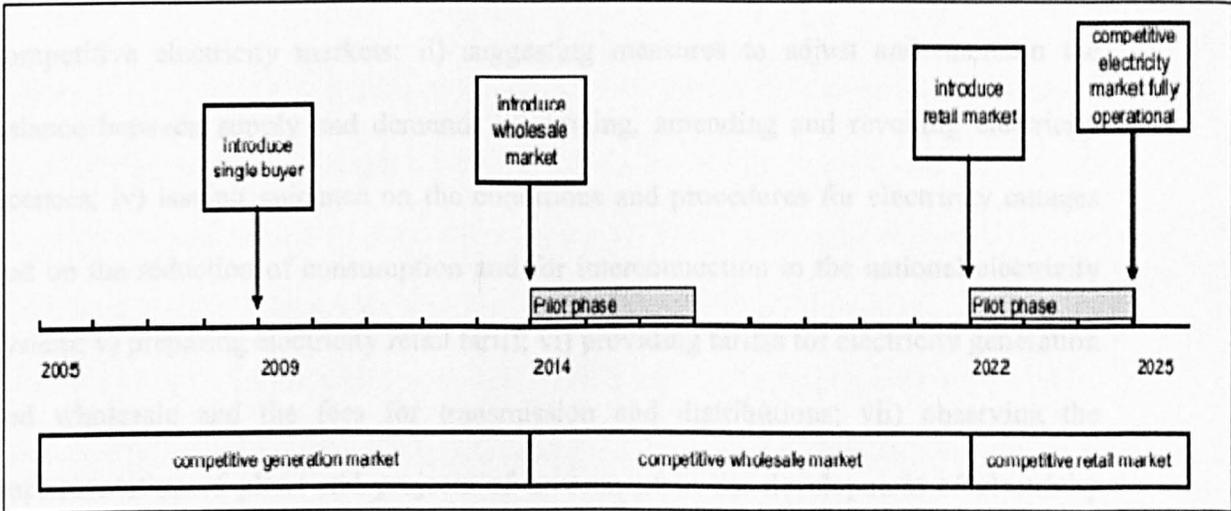
stimulate the diversification of investment in the sector, promote economical use of electricity, enhance electricity infrastructure and develop a competitive electricity market. The government hoped to improve EVN efficiency in investment, production and sales of electricity, boost EVN's attractiveness as a FDI destination, ease government burden while ensuring sustainable development of electricity sector and enhancing user rights via greater customer choice. Along with gradually encouraging private sector participation, this law was a crucial step in the restructuring process. Under this law, vertically integrated and monopolistic structure (before 2004) of electricity market was disintegrated with the separation of generation, transmission and distribution activities. According to the Law, the State maintains its monopoly over electricity transmission, regulation of the national electricity system, and the construction and operation of large power plants, which are significant for socio-economic or national defence and security reasons. In all other segments of the industry, electricity markets will be established and developed in stages. The rights and obligations of the electricity entities, in particular the choice of contractual partner and trading method, will be in line with the stages of market development as follows (Figure 6.1):

(1) Competitive electricity generation market – at this stage, electricity generators will have the right to sell electricity under a definite-term contract or to offer to sell electricity on a spot basis. Electricity wholesalers and major end users (i.e. entities that consume a relatively high quantity of electricity) will have the right to buy electricity from electricity generators under a definite-term contract or by spot trading.

(2) Competitive electricity wholesale market – electricity wholesalers will be able to sell electricity to retailers at any price, provided it is within the tariff range set for wholesale transactions.

(3) Competitive electricity retail market – electricity retailers will have the right to determine the price at which to sell electricity to end users, provided the price is within the approved tariffs. End users will have the right to choose from which electricity retailer to purchase electricity.

Figure 6.1 Roadmap for power market (2005 – 2025)



Sources: Ministry of Industry and World Bank (2006d).

Until 2005, MOI was responsible for all regulative and administrative activities. As the sector grew, this became increasingly difficult as MOI was unable to supervise every rule and regulation, causing delays in reform process. With the aim to speed up restructuring, a new authority was created under Electricity Law in 2005, Electricity Regulatory Authority of Vietnam (ERAV). ERAV is the agency assisting MOI in the

implementation of policies and in regulating electricity activities. ERAV, as an agency under Ministry of Industry, can make decisions on issues assigned by MOI and the Prime Minister. In relation with power businesses, ERAV functions as an administrative agency which manages electricity activity and utility. ERAV has the right to intervene into some stages of production and sales and utility of electricity, ensuring transparency and publicity without discrimination among electricity entities. At present, ERAV is a part of Ministry of Industry, but in the future it will soon become an independent agency. The aim is to create an objective environment for decision makings on issues related to generation and sales of electricity, and also to protect consumer interests. ERAV authorities include: i) preparing rules and guidance on the operation of competitive electricity markets; ii) suggesting measures to adjust and maintain the balance between supply and demand; iii) Issuing, amending and revoking electricity licences; iv) issuing guidance on the conditions and procedures for electricity outages and on the reduction of consumption and for interconnection to the national electricity system; v) preparing electricity retail tariff; vi) providing tariffs for electricity generation and wholesale and the fees for transmission and distributions; vii) observing the implementation of plans and projects of investment in the development of electricity sources, electricity transmission and distribution grids for compliance with the master plan; viii) determining the ratio in capacity and electricity power between electricity trading through definite contracts and electricity traded on a spot basis in each market; ix) observing the implementation of the approved tariff and settling complaints and disputes in the electricity market (Master Plan V, 2005).

The industry structure since 2005 was illustrated in Appendix C.

In general, the separation between operational, regulatory and ownership functions in the sector is still loose. ERAV's regulatory powers are limited as it is not an independent body yet. Moreover, the regulatory environment currently provides little encouragement to private investors while EVN remains a public monopoly. Although the government has decided to gradually abolish the vertically integrated model, the transformation remains incredibly slow. This, unfortunately, has some negative effects on restructuring process at EVN.

6.5 Restructuring at organisational level (EVN)

6.5.1 Preliminary reorganisation (1986 - 1994)

Before being given individual legal status in 1994, Electricity Cooperative was under direct control of state departments and governed by one-fit-all rules applied to state cooperatives and businesses. Hence, analysis of SOE reform in this section was considered directly relevant to the case study. Starting from November, 1987, as an integral part to the ongoing extensive economic reform, SOE sector underwent massive restructuring when Decision 217/HDBT regarding planning and business accounting of SOEs was issued. The content of this Decision focused on ten aspects of management of SOEs (chapter by Nguyen and Tran in Ng, Freeman and Huynh, 1996):

1. **Planning:** SOEs hereafter had the autonomy in formulating and implementing long, medium and short term operating plans based on the socio-economic guidelines of the Party and developmental plans of relevant sectors.
2. **Material supplies:** system of providing material supplies replaced by system of production factors and product procurements through economic contracts at negotiated prices.

3. **Marketing of products:** Products from mandatory plan had to be sold to designated buyers. Products outside mandatory plan should be sold to state-owned enterprises before trying to sell to other trading firms or consumers.
4. **Financial-accounting regime:** SOEs and employees were entrusted with government assets and working capital and were responsible for efficiently utilising those assets. Cost items should be clearly computed to reflect their true costs. Profits were to be calculated as equal total revenue minus total cost in order to increase profits by reducing costs and avoiding fines.
5. **Prices:** Enterprises could propose selling prices and wait for approval from pricing agencies.
6. **Monetary, credit and payment issues** from now on would be dealt directly with Central Bank.
7. **All SOEs activities** must be operated through economic contracts.
8. **Labour, salaries, wages and social issues:** SOEs were allowed to make own decision on the type of and candidates for employment, the ways of paying out salaries, wages and bonuses but had to guarantee social insurance and minimum income.
9. **Export-Import activities and economic cooperation** with foreign partners were encouraged.
10. **Collective ownership of employees of enterprises:** government entrusted assets and capitals to enterprises as a collective entity.

Together with Decision 25/CP in 1981, Decision 217/HDBT was the first two legal documents highlighting the shift to socialist cost-accounting regime, reforming economic management and confirming the autonomy of SOEs. To accompany new operations of SOEs, new SOE charter was enacted in 1988, specifying SOE as legal entities and independent accounting units where employees were allowed to exercise management rights in implementing government guidelines. In essence, the new SOE charter addressed the matters of leadership and management within SOEs (headed by managers) as well as clarified the relationship between SOEs, the government and their

superior levels (who from now only gave guidance, not control nor interference in daily operations).

But did the economy jump into recovery mode right after reform? Could deinstitutionalisation of central planning be that quick and easy? The answer is no. After reform was initiated in December, 1986, the promise of renewal and dramatic change was not delivered, not until another crisis in 1989 that finally saw reform gaining substantial momentum. Explanation for initial slow implementations of changes mainly pointed to the demarcation of opinions regarding the speed of reform. Although by now, no one opposed the ideas of renovation, conservative Party members, who feared that too fast liberalisation and changes would threaten Party's power and destabilise the already weak economy, resisted in any way they could to impede progress of implementations (Cima, 1989a). As a result, little was done despite the fact that restructuring was urgently needed. By 1989, when Soviet Union collapsed and aid was suddenly cut, the economy was thrown into the third crisis (first in 1978-1979 and second in 1985) as output slumped and inflation reached triple-digit (McCargo, 2004), (Cima, 1989b). Once again, the government had no other option but to speed up the institutionalisation and implementation of already widely supported reform policies. In many ways, the new wave of policies was a much-needed shock-therapy to the system as price liberalisation (except a few cases) and subsidy cut were introduced in one swift move. SOEs from now had to be responsible for their losses while compliance to new practices was emphasised. As countermeasures to hyperinflation, interest rates were raised to positive level in real terms whilst government lost power to 'negotiate' with SOEs for compulsory plan (due to loss of aid resources) which meant SOEs no longer

had to prioritise targeted plan over supplementary. SOEs were allowed to formulate their own production plans and resources (coal and fuel) were simply allocation of inputs at state-determined prices without output obligation (Fforde, 2007). In truth, 1989's crisis was a blessing in disguise as SOEs at last had their real breakthrough as autonomous enterprises and an opportunity to alter the relationship with the state. The period of 1989 – 1993 continued to witness more aggressive changes to the economic structure and SOE sector. Over few years, numerous policies were continuously made to enhance legal frameworks of SOEs including additional regulations on operations, financial/accounting principles; joint ventures (March 1989) and economic cooperation in production, distribution and services (April, 1989); charter specified functions, authorities and responsibilities of chief accountants (March, 1989); regulations on distribution of wages and bonuses according to work effort (September, 1990); laws on auditing and bookkeeping practices (November, 1990); and also Decision on the role of regulatory apparatus redefined responsibilities, authorities and tasks of ministries in exercising state control to limit government interventions in day-to-day operations of SOEs; regulations on equitisation¹⁰ (1992) and bankruptcy law (December, 1993).

As a whole, contents and pattern of policy reform in this period (1986 – 1993) should be assessed as pragmatic, experimental, cautious and hesitant. Restructuring policies and implementations remained piecemeal, half-measured and weakly committed, particularly those relating to the position and scope of activity of state sector in the multi-sector economy. Even though the Party and state insisted on the inevitability of reform yet their actions did not seem to have equal weights given that they were able to tolerate

¹⁰ Vietnamese version of privatisation

inconsistencies and ambiguities inherent in policy measures of this period. As motivated by pragmatic rather than ideological rationales, the reform lacked clear and coherent visions and directions. The hesitation of leaders towards fast liberalisation explained the sluggish pace of transition at the beginning. The pace, however, picked up in the latter part of this period when conservative ideologies lost out to reformist pressures. As a result, transformation began to enjoy real momentum, yet relatively modest compared to the acceleration in subsequent phase. At this point, the question regarding the role of SOEs in market socialist economy remained unsolved as they had neither legal status nor operated like a truly autonomous entity. In spite of decentralising policies to abolish direct control of state apparatus, SOEs still belonged to state department. Substantial changes should be acknowledged though as the State managed to institutionalise new sensemaking narrative, that is, 'market socialism' whereby new concepts such as socialist cost-accounting, work-based salary, planning and operating autonomy, equitisation, property rights, bankruptcy, joint venture were largely institutionalised. Albeit still primitive, market institutions began to take shape.

6.5.2 Accelerated restructuring (1994 – present)

The year 1994 saw an important change to Electricity State Cooperative (*Xi nghiep quoc doanh*). Together with other large state-run cooperatives such as Petroleum, Electricity Cooperative was restructured as state-owned enterprise (*Doanh Nghiep Nha Nuoc*), namely Electricity of Vietnam. When EVN was established, Viet Nam was emerging from a long period of closed economy. The role of the private sector in the economy was limited, and management strategies solely centred on fulfilling fixed production targets and complying with an excess of rules and regulations. The exposure of EVN staffs to

modern engineering technologies was minimal, as was its familiarity with economic, financial, and management philosophies. Since economic reform was initiated in December, 1986, electricity industry had undergone fundamental changes with the aim to separate public ownership and business operation and management. This transformation, despite having started at the same time as economic reform in 1986, only achieved substantial momentum in the 1990s, especially since the establishment of EVN in 1994. In other cases, the industry and the company are considered as two different levels of analysis. In this case, however, as EVN being the monopoly and monopsony at the same time, changes to the industry structure, in fact, are changes applied directly to EVN's ownership and organisation.

Until 1994, the power system in Viet Nam was divided into three regional power companies (PC): Power Company No. 1 (PC1), operating in the north; Power Company No. 2 (PC2), operating in the south; and Power Company No. 3 (PC3). These vertically integrated companies functioned independently in their respective territories, with different technical capabilities in power system planning, design, construction, and operation. However, since the companies operated in centrally planned system driven by production targets, not profits, the need to develop financial, planning and management skills was less pronounced. Furthermore, obsolete in-house technical capabilities did not possess electronic, computing, and communications technologies.

In May 1994, a 500-kilovolt (kV) transmission line was built to bring power from the Hoa Binh hydropower station to Ho Chi Minh City. This new line established, for the first time, an interconnected transmission grid, stretching the length of the country. It was also the impetus for major industry reorganisation later in 1994. Since gaining legal

status as State Enterprise, EVN has directly and indirectly controlled the majority of generation, transmission, distribution, bulk power and retail power supply. There was a clear distinction between commercialisation and corporatisation. Commercialisation related to the improvements of areas such as financial and accounting management, organisational structure and operational procedure, management information, and organisational procedure. Corporatisation, on the other hand, referred to the conversion of EVN and the PCs into full-fledged corporations. Under government direction, EVN goals include sufficing both domestic and industrial usage required for industrialisation, improving customer service and efficiency to maximise capital and asset utility. It has been operating in the form of a “conglomerate” or national monopoly in generation, transmission, and distribution of electricity. EVN basically operates every kinds of activity ranging from buying fuel for the power stations, balancing power generation and demand, planning development and investment, down to collecting revenues from end customers. Under EVN, generation and transmission operations were restructured into functionally separate, dependent accounting (cost) centres, while distribution was reorganised into five regionally based independent accounting (profit) centres. In the reorganised power sector, EVN is business-oriented taking profits as the primary motivation for its operations. Over the years, EVN has improved quality of service significantly by paying close attention to customer services, developing infrastructures, boosting employee productivity and most importantly, intensive ongoing restructuring. Ever since, EVN’s electricity sales increased at an average annual rate of 15% approximately. EVN has achieved substantial outcomes so far in facing the challenge of meeting the rapid increase in demand while at the same time expanding coverage across the country. In 2006, 98 percent of districts and communes had access to electricity,

household electrification reached 93 percent, up from 73 percent in 2000 (Annual report, 2006). Quality of service has also improved significantly. Transmission and distribution losses fell steadily from 21.4 percent in 1995 to 11.8 percent in 2005 (Annual report, 2005).

As part of restructuring plan and with the aim to provide a structured and safe investment environment for investors, a board of director and Chief Executive Officer (CEO) were introduced, both of which were appointed by MOI. This separation of ownership and control was a crucial part of restructuring. Under the old, state controlled regime, responsibilities and duties were not clearly spelled out, creating great opportunities for pursuing personal interests. The problem was amplified by lack of correspondence between organisational performance and manager remuneration (due to egalitarian wage system). Moreover, norm of unanimous and sharing decision making among government departments implied that no single authority was directly responsible for EVN's performance leaving further opportunity for self-benefiting behaviours. The new governance system with the supervision of Board of Director and binding responsibilities for CEO was expected to bring about changes in management thinking and practices. This Anglo-American governance was a completely new concept to EVN and to Vietnamese companies in general since under socialist regime, authorities belonged to Power Ministry and the State. Tall hierarchical design meant plans had to past through a numerous of layers before reaching final decisions, causing time-wasting red tape and enormous difficulties on daily operations.

EVN organisation structure since 1995 consists of Board of Management, General Director, functioned Departments, dependent and independent cost-account member

companies (Organisation chart - Appendix D). EVN is organised into strategic business units - distribution and retail are independent accounting units (i.e. profit centres) and transmission and generation are dependent accounting units (i.e. cost centres). The 500kV and 230kV transmission systems are owned and operated by EVN. There are ten distribution companies (known as Power Companies in Vietnam) responsible for distributing asset management (up to 110 kV), purchasing power from EVN at the internal price and in turn, selling to their customers (agriculture, industry, commerce and domestic groups) at tariffs approved by the Prime Minister. EVN Distribution Companies are responsible for regional distribution of electricity and corresponding customer services including providing information on available services and handling of complaints.

Ownership diversification was another crucial part of organisational restructuring. In Vietnamese context, this process is referred to as equitisation, which basically is partial privatisation. Despite having initiated in 1992 and reinforced in 1997, progress has been rather inadequate and only gained substantial impetus in 2002. This was due to the fact that the government willingly liberalised only small, unimportant SOEs in the past. Since 2002, large SOEs like EVN were put under pressure to elevate equitisation as intensive restructuring was urgently required to enhance efficiency further. Having said that, the process remained extremely limited and only applied to a small number of minor subsidiaries. Once again, this was due to the government's persistence in maintaining a firm grasp on EVN, for various reasons including national security and stable economy development. With plans for competitive power market well underway, this state, however, was expected to change dramatically in the next few years. How the

situation turn out is remained to be seen though as the government has yet finalised on either equitisation schedule or which units to be equitised. In addition, EVN exerted great efforts in innovating into a diversified and customer-oriented business. In terms of development and business strategies, EVN facilitated on an extensive customer base and good reputation by diversifying into promising fields such as telecommunication and insurance since 2005. To raise capitals and attract investments, EVN also published instructions on license acquirement concerning foreign investors and rules of dividend sharing. Step by step, EVN was heading towards becoming financially dependent and efficient, profit maximising and committed to service excellence.

Since 2006, EVN has become Electricity of Vietnam Corporation. EVN now operated as a corporate group as defined in the 2005 Law on Enterprises which requires, among others, that (a) contracts, transactions and other relations between the parent and the subsidiary be performed independently as if between two fully independent legal entities; and (b) separate and consolidated accounting be prepared. The purpose was to allow accounting units to be autonomous and independent of each other while minimising cross-financing and increasing financial transparency. As it currently stands, EVN holds 100 percent equity in a number of companies, including several power plants, distribution companies, transmission company and EVN Telecom. EVN also holds at least 50 percent of equity in the other subsidiaries. This move could be viewed as another step of corporatisation process and supposedly should enhance EVN's financial capacity and efficiency by offering greater authority in capital management.

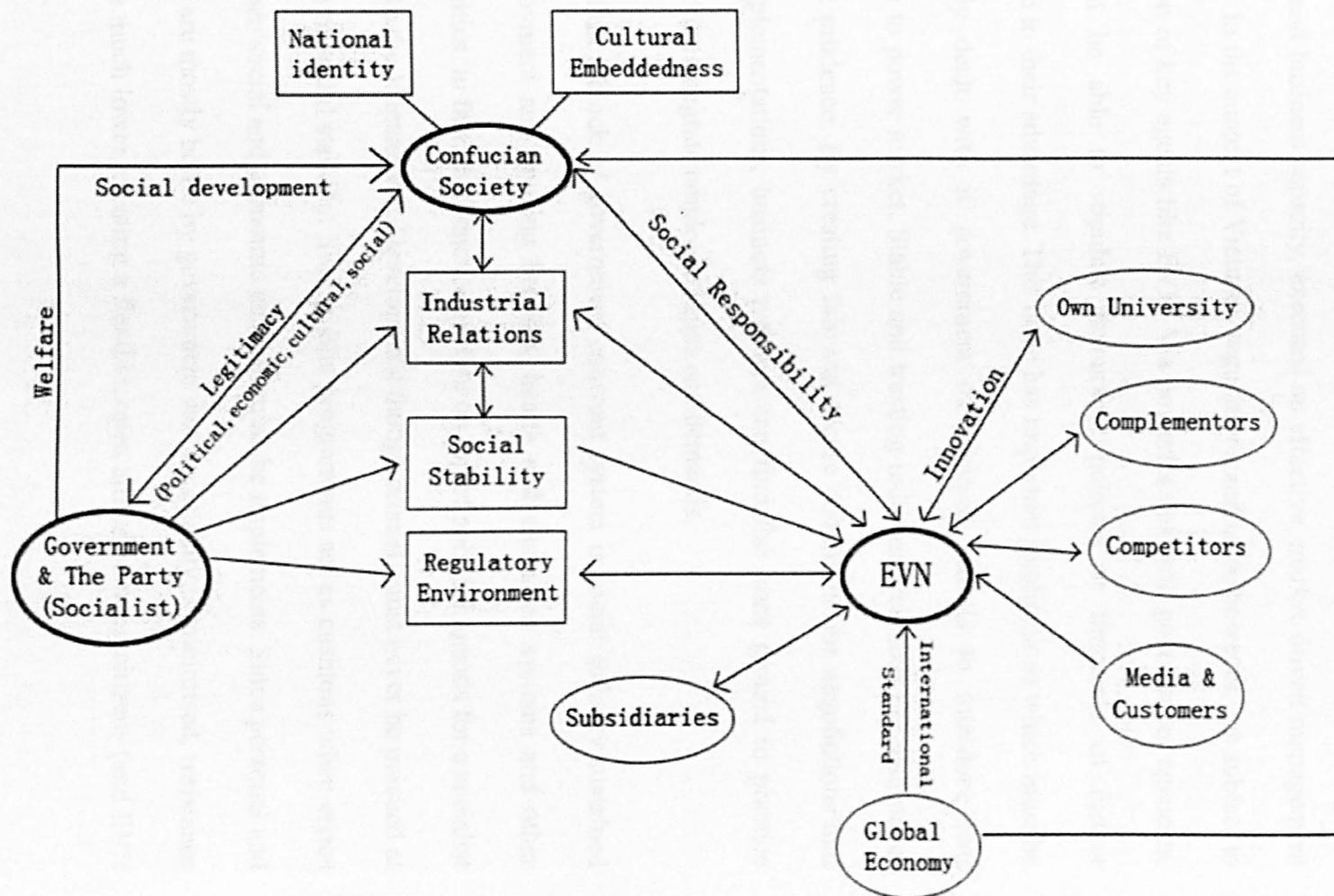
6.6 EVN's institutional linkages

This model represents dynamic and systematic relationships that affect EVN's business during this transitional phase hence it is only a primitive and approximate description, which is subject to further modifications to reflect economic, political, social and legal transformations. Figure 6.2 displays the general model.

At the heart of the model are the connections (indicated by arrows) among government of Vietnam, Vietnamese society and EVN. Some of these links are one-sided influence (represented by one-ended arrow) whilst the others are bi-directional effects (double arrow). This model is self-reinforcing process and only disintegrates when the connections are broken or altered.

The success of EVN and more general, power industry has been supported and nourished by the policies of government of Vietnam who acts as regulatory authority, facilitator of industrial relations and guardian of social stability altogether. In terms of development of power industry, via partial privatisation (equitisation) and deregulation to lessen control over EVN, government aims to stimulate entrepreneurial capacity of one of the most critical growth engine of the economy. Many aspects of business which previously belonged to government control such as worker salaries and personnel recruitment are now managerial discretion. After reform, less restrictive regulatory environment unleashes enormous power that EVN has in potential. One of the most astonishing evidence of the capacity of EVN to grow in such a short period of time is the success of recent diversified activities into telecommunication field and later

Figure 6.2 EVN's institutional links



manufacture, bank and insurance fields. Intra-firm improvements are not less impressive in any way. After equitisation, joint stock companies have gradually strengthened their organisation, personnel arrangement, reinforced and enhanced production and business capacity, executed an effective, market-driven management mechanism. In the context of Vietnam, regulations and laws, however, are subject to manipulation of key agents like EVN. Via powerful ties with government agencies, EVN might be able to stipulate favourable policies or timescale of further deregulation to their advantage. This issue has important implications which must be appropriately dealt with if government of Vietnam attends to introduce real competition to power market. Stable and trusting industrial relations are also under government prudence. By creating fair and secure conditions for negotiations and contract implementations, business partners can find the same ground to practice strategies whilst integrate employee rights and demands.

Another building block of government coherent system is social stability sustained by unemployment and housing benefits, health and education systems and other living amenities. In fact, this function is right on top of political agenda for a socialist authority like the Vietnamese. Development though crucial, must never be pursued at the expense of social stability. Such public programmes act as cushions when crises strike or when social and economic changes must be implements. Since personal and social costs are mostly borne by government and uncertainty is minimised, resistance to change is much lower, creating a flexible, open attitude among citizens (and EVN employees).

All these roles of government cannot be fulfilled if government is not legitimated by society. In the model, the link between government of Vietnam and society is

legitimated on four different sources: political legitimacy stems from political system of one Party which advocates information and responsibility sharing; economic legitimacy comes from the role of wealth redistribution and social protection and equalisation; cultural legitimacy is resided in strong ties of identity and social homogeneity; and finally social legitimacy originates from social stability that giving room for business development. The convergence of four elements of legitimacy grants government with strong support of citizens, which makes transitional phase of the nation much more manageable.

If government is seen as a welfare source to both Vietnamese society and EVN, there also exists a link between the latter. National identity and cultural embeddedness of Confucian society are the ultimate sources of the Vietnamese resilience, which in turn fuels economic and social developments. Meanwhile, individuals within that society possess a united social homogeneity and strongly embraced sense of social responsibility.

In this sense, whilst Confucian society holds the spiritual, philosophical foundation for personal and relational values, which guide and sustain EVN's culture, EVN acting as social entity, takes the responsibility to preserve national identity as well as to nurture social development. This is one of the reasons why EVN top management can never replace collectivism with extreme individualism.

Having examined the external influences, the discussion now turns to intra-industry component of the model. It is proposed that due to escalating pressure to meet demand and difficulties of augmenting infrastructure in sync with the speed of development, it might be advantageous for EVN to form a kind of network to stimulate business and innovation, at least in these first few stages of market

formation. The network components include subsidiaries, competitors, complementors and EVN's own university.

First of all, the introduction of market in power industry implies that EVN will meet greater competition from new rivals, both domestic and foreign-owned. Previously, although EVN is not the only player but with IPPs and BOTs participate only in electricity production, EVN holds the dominating position. Though, under market system once it is fully completed, competition arises from both production and distribution divisions thus is supposed to pressurise EVN to improve efficiency. However, it should be borne in mind that in Vietnam power industry, supply can hardly keep up with demand as the economy is growing at an incredible speed while infrastructure (power station etc) takes longer time. Given these supply deficiencies which cannot be resolved in a short period of time, it might be in the interests of all parties involved if EVN continues to maintain inter-organisational network with IPPs, BOTs and also establish new links with newcomers. Since majority of prospective investors are Asian (Japan, China, Taiwan, Singapore), who also cherish Confucian culture, a relational-based networking is likely to be well-functioned. Not only that networking assists firms to cope with institutional imperfections caused by uncertainty of emerging market environment, network functional needs such as financial, input, technical and management expertise and psychological benefits such as trust, security and conflict resolution are important. Governed by reciprocal and trusting cooperation, inter-organisational network offers firms risk-bearing, cost-efficiency and flexibility. Under the pressure of competition (electricity has been purchased from other countries in order to fill shortage of supply), enterprises instead of specialising in all stages of production can benefit from reciprocal subcontract and

exchange of needs with each other. In this sense, networking is as much economic activity-oriented as a political partnership.

Alongside inter-organisational networking, EVN has been developing an intra-firm networking, which consists of its own university, 25 subsidiaries and complementors. After equitisation, EVN has hybrid ownership with 5 are total state-owned and 20 of the rest are joint stock companies. Five of main subsidiaries are now private owned. Having realised the crucial role of labour quality in innovation, EVN formed its own university - Electric Engineering University, which dedicates to human resource training and development. The training activities focused on a few short training courses, e.g. strategic planning, production preparation training for new generation and network projects, equitisation and securities, telecommunication, information technology, nuclear power, etc. Not only focusing on specialist training, Electric Engineering University also improves corporate management and administration, which becomes more essential than ever since EVN developed into a complicated corporation with large number of subsidiaries and multi-lined activities. Other main actors in the network are EVN's complementors. They are equipment manufacturers and infrastructure constructors. The complementation of these units offers EVN huge augmentation since the infrastructure upgrading, carried out by EVN own infrastructure and manufacturing divisions, falls short of capacity.

The model of institutional constituents of EVN will be inadequate without considering the impacts of global economy, the media and customers. Prior to WTO, government of Vietnam acknowledged the need to meet international standards if Vietnam competitiveness is to be boosted. Now that Vietnam has successfully joined WTO, the wave of globalisation presents opportunities yet challenges at the same

time. As enormous foreign direct investments and financial aids from world-wide organisations pouring into Vietnam economy, the process of industrialisation is pushing forwards harder than ever. Manufacturing capacity and labour productivity are among the most pressurised-to-change areas. Consequently, at the least, EVN and domestic firms have to level to international standards in terms of market entities and more importantly, as growth engine, constituents of power market have to secure power supply for industrial and domestic usages. This continues to be the most challenging task EVN encounters.

The last but not least major players in the network surrounding EVN are the media and customers. With unprecedented freedom of speech, the public has gained significant power in recent decades. Government and enterprises have been paying more attention to customer demands and media responses. Being a social entity, EVN has taken social responsibilities seriously in the past but focused mainly on employees. Customer rights and demands have been neglected. Since customer body has grown stronger and the media closely scrutinises every move, new measures are required to enhance customer services. The fact that the public succeeded several times in lobbying government to postpone electricity price increase and that the media criticisms over EVN's poor performance exerted incredible pressure for innovation, evidences the power of customers and media in Vietnamese context. These powerful institutions cannot be underestimated in any way and the success of EVN partly depends on how well these links are handled.

The above model is proposed, considering the short- to medium-term situations and impacts therefore is subject to further modification once institutional contexts mature and stabilise. How the model turns out to be in the long term depends on the relative

strengths of influences such as globalisation, the ability to preserve cultural distinctiveness, government intentions and individual characteristics of EVN. However, it is not unfounded to say that emerged from Confucian society, grown after a long history of war, nourished in socialist market and confronted with globalisation with own style, the model of institutional linkages for EVN is unique. The distinctiveness is shaped by the interaction between social, political, economic and cultural actors in Vietnam. It is unwise and ungrounded to predict future model with precision but the main stream might always be the same: a market system whose core is the people and whose main facilitator is the government. The close connections between government, society and the economy might have caused delays and confusions from time to time but surprising as it might sound, it is this coherence and philosophy that uphold stability and national development.

6.7 Conclusion

In this chapter, I investigated the causes and significance of triggering event, economic reform 1986, in terms of economic policy modifications as well as its implications for organisational form, structure and practices. Together with other supporting conditions (the death of General Secretary Le Duan and dramatically deteriorating economic performances) contributed to its final fall, this revolutionary reform was largely the result of a long and difficult struggle, trying to weigh up benefits of abandoning clearly flawed central planning with costs of shaking up beliefs fundamental to the survival of Socialist society and the Communist Party. The fact that pro-reform thinking arose as early as the 1970s and prevailed in 1986 spoke volume of how strong and persistent deinstitutionalisation incentive was. Delayed actual deinstitutionalisation owed up to powerful resistance along the way; however,

in the end, the bureaucratic system had become so disintegrated that its failures could no longer be defended and its existence had proven too costly. In terms of consequences, triggering events appeared to have caused contradiction, uncertainty and ambiguity inherent in a chaotic period, like suggested in theoretical framework.

At first glance, the reform was initiated by the Party and the government, however, a closer look at fence-breaking behaviours throughout the 1970s and 1980s said otherwise. Understanding of this bottom-up pressure revealed the complicated nature of deinstitutionalisation process, whereby bottom-up participation of organisations was as influential as institutional agents', not only as resistant but also as facilitators. In contrast to what one might think, the receiving end might not always be the ones who resist and top authority might not always be the ones who initiate, as was shown in this case study. Evidently, the government could embrace both roles during the course of deinstitutionalisation and so could organisations. Their respective role in one particular episode of the process was determined by surrounding conditions as well as by motivations of each group. Hence, in this chapter, not only presenting the dynamics of one crucial milestone of deinstitutionalisation process, the triggering event; I also highlighted the possibility of substitution existed between high level authority and organisations, especially as initiators of deinstitutionalisation.

Third, I established that the first response to disruptions caused by switching event was the construction of a new sensemaking account capable of restoring lost orders in mental framework. The fact that institutional agents, in this case the government, were actively promoting one particular account, 'market socialism', confirmed the role of sensegiving in deinstitutionalisation. Obviously, this was only half of the equation whereby organisational sensemaking made up the other half. In this

analysis, I emphasised various instruments institutional agents used to construct and disseminate new sensemaking. These included the creation of new vocabulary which represented new values, principles and priorities and the use of influential authority figures as means of persuasion, whose credibility had huge impact on the success of sensegiving. The focal point of sensegiving, moreover, fell on stressing problems of existing systems while promoting advantages of the alternative. The juxtaposition of the two systems undoubtedly purported to encourage comparison, of out which the new system was likely to emerge as winner.

Fourth, I presented a detailed description of reorganisation and restructuring at industry and organisational level, resulting from this new system of 'market socialism', in the context of EVN. In doing so, it became apparent how various elements of new belief system were translated into organisational management values, norms, principles and practices. Considerations of how modifications in macroeconomic policies impacted on sector structure and organisational form were also included. Specifically, the birth of state owned EVN as legal and business-oriented entity, whose autonomy was their own, and not as a submissive governmental unit; and the transformation of power market into an integrated and self-functioning mechanism were prominent evidence of the scope of deinstitutionalisation. Analysis in this section, however, mainly provided a broad picture of institutional transition at industry and organisational level, with no connection has yet been made between these changes and sensemaking underlying such transformation. This is in fact the focus of the next chapter 7.

Analysis have been carried out on institutional agent sensemaking led to and caused by switching event (economic reform in 1986), implicitly emphasised the role of

sensegiving during deinstitutionalisation process. In combination, this chapter and the next chapter uncover one side of the coin i.e. how sensemaking impacts on institutional processes. Chapter 8 will consider the other side i.e. how institutions exert influence on sensemaking via editing and priming mechanisms. In fact, in this chapter, the triggering effect of institutions on sensemaking was described in the discussion of triggering event. It was proposed that by generating contradiction, uncertainty and ambiguity, economic reforms instigated sensemaking to restore disrupted social orders of previous command-based regime. The next chapter presents the second instalment of three-part analysis, which elaborates the nature of switching events and their impacts on sector and organisational restructuring.

CHAPTER 7

Organisational sensemaking and institutional transformation

7.1 Introduction

People and their surrounding environments are inseparable; one leaves lasting impacts on the other. If institutions' existence makes people feel compelled to do certain things then people blessed with the ability to think can react obediently or creatively with their own intention and thoughts. People also have a bearing on institutions. It is because institutions are created and dictated by the perceptions of the very people they exert influence on. If the perceptions of these individuals change, institutions change. This chapter will take a look at the nature of this relationship between institutions and organisational sensemaking, which is the collective opinion of the people who share similar backgrounds, values and traditions. The main subject of analysis is where collective sensemaking takes place: the organisation and the institution of interest is management.

From an overall perspective, this chapter is the last of the three-part analysis answering the first research question as to "how the deinstitutionalisation process evolves". In particular, it uncovers the receiving side of the relation by elaborating sensemaking, both individually and organisationally, as responses to deinstitutionalisation incentives initiated by institutional agents.

For one thing, the focus falls on the lowest level of analysis, by emphasising individual reactions to switching events. Hence, this chapter reveals insights about

the transitional process from another viewpoint, the microanalysis, the individuals, the personal side of a multifaceted process. Alternatively speaking, this chapter is concerned with the 'cognitive pillar' of the deinstitutionalisation process (Scott, 2001) and the role of sensemaking therein. That is, how sensemaking determines not only the outcome but also the speed of transformation while shaping new institutions concurrently. Nevertheless, analysis is carried out bearing in mind that sensemaking is neither independent nor free from external control and constraints. Indeed, sensemaking is considered taking into account the institutional and cultural influences which prime and edit the very sensemaking that helps shape them. This is the reciprocal relationship shared between institutions and agents, though not the only interaction at play. This chapter acknowledges that deinstitutionalisation discourse or the interplay between institutions and sensemaking is affected by internal and external forces which push and pull the process in different directions. Consideration of such factors, therefore, is a part of analysis.

The second element of this chapter is discussion of alternative institutions, which is the product and final destination of the deinstitutionalisation process. Obviously, old institutions will not simply disappear without the presence of substitutions. Whether these new institutions completely eliminate the old or whether there will be a hybrid form between the two, order must be restored. In seeking an answer, this chapter aims to provide descriptions of new institutions in place, together with explanation of the replacement or the variety of outcome.

The sensemaking evidence of deinstitutionalisation was divided into sections. The first was sensemaking of old institutions. Understanding of attitudes and emotions of the organisation (EVN) towards inflexibilities and shortcomings of old principles and

practices not only provides insights on early bottom-up deinstitutionalisation incentives but also clarifies why and how the need for adjustment came to be realised and accepted. Although indications of subsequent deinstitutionalisation might not yet be sufficiently strong from this evidence, it certainly identified the origin and fundamental rationale. Following up was evidence of substantial changes in organisational environments and how individuals and EVN as an entity made sense of it all. For the sake of clarification and comparison, deinstitutionalisation of Confucian institutions and central planning institutions were studied separately so that the scope of transformation of each element became clear. As previously stated, reinstitutionalisation of the new belief system and formalisation of new practices were crucial parts of the whole deinstitutionalisation process: they were studied next. The analysis also sought to provide details of and explanations for the current state of transition, obviously by examining sensemaking of employees and institutional agents at this time, as well as other factors.

7.2 Sensemaking and institutional makeover

7.2.1 Making sense of old institutions – the roots of bottom-up fence-breaking

Strictly speaking, before gaining legal status as state-owned, not state-run, enterprises in 1994, state organisations functioned as state departments under the direct control of state officials. After economic reform released some of this pressure and business units started to gain autonomy, managers' sensemaking changed too. Now playing a double role as institutional agents (sensegiving towards employees) as well as sensetakers (sensetaking from the Party and state), manager sensemaking held crucial insights to the deinstitutionalisation process. In particular, the process of

learning to be entrepreneurs and leader, the way they incorporated sensemaking and sensemaking of their own as well as the way they alternated between the two roles deserved close attention.

First, let us look at how managers made sense of pre-reform situations and then how this sensemaking got modified by reform initiatives. When asked about their feelings towards life right after the war and their opinion of central planning in the 1970s, cooperative leaders and workers were of the same mind. A typical answer was:

Life after the war and conditions in SOEs were very difficult. But at that time, people still lived with the wartime attitude and sympathised wholeheartedly with the Party and the state. We were eager to work hard, for the country and for our own sakes and mentally prepared for obstacles lying ahead. After the centrally-planned mechanism was put in place, we saw problems beginning to arise but all thought it was because of the war. I used to tell workers we had to embrace the hardship now for tomorrow would be better. I myself believed it as this was what the Party promised (Vice President of Business).

This hopeful mindset, however, did not last long. As misallocation of resources and bottlenecked production worsened economic conditions and shortage occurred in almost all goods, concerns and doubts began to circle. Fence-breaking behaviours and black markets thrived, in spite of the Party's efforts to repress 'wrong' attitudes and eliminate all deviant activities. Speaking of the shortage and motives for fence-breaking in the face of difficulties, one of the managers gave the following response and stressed that the majority of people shared the same feelings:

It was not like we wanted to break the laws and betray the Party. But we could not afford to be loyal and law-abiding anymore. Workers and our own

families were suffering as state wages had lost most of their value. Also, delivery of raw material was so unreliable making meeting targets so much harder. In the end, we decided to set up small workshops to produce non-list products, which were then exchanged for food and other goods or sold in the black markets. This was done 'under the table' of course because we could go to prison if found out. Superiors had to be kept in the loop because they were more likely to overlook it if this was for everyone's benefits. Fence-breaking was illegal but it helped raise living standards and ensure targets were fulfilled because we could use surplus products to cover in case of material shortage (Vice President of Business).

Unsurprisingly, employees were as much supportive of fence-breaking as managers were; as one employee from International Cooperation Department put it:

When fence-breaking started, everyone felt a sense of relief. We [employees] were more enthusiastic about 'outside' activities than we were about 'inside' – legal work commitments – as it was fence-breaking that changed our lives for the better, not the bureaucratic regime. We were particularly grateful that leaders were willing to put their jobs (and lives) on the line for all of us. We all had “chân ngoài dài hơn chân trong” – [roughly translated: the 'outside' leg is longer than the 'inside' leg]. You could say that fence-breaking was purely self-motivated.

In terms of what impacts inconsistencies inherent in pre-determined targets production had on work institutions and ethics, the comment below (Head of Emulation and Propaganda Department) was not uncommon:

Predetermined production targets, fixed work portion and egalitarian wages truly created an unhealthy work attitude. No concern was paid to the quality of goods produced or productivity as there was simply no motivation to do so. It became a sluggish, passive environment. We had sayings like this “giao gì làm nấy, chỉ đâu đánh đấy, xong rồi ngồi đấy [roughly translated: only do your work portion, no more; only do as ordered to; once finished, sit around]” . This was because we were not held responsible for waste and losses, like the saying “tôn thất không lo; lỗ lãi không chịu [roughly translated: waste is not your worry, losses are not your responsibility]. Yes, that was just how it worked.

Apparently, these quotes provided overwhelming proof of bottom-up deinstitutionalisation. Though official reform arrived later, early incentives and newly formed entrepreneurial thinking and practices to some extent signalled the upcoming storm. Despite clear evidence of the system not working as well as the Party had hoped, the leaders made no radical changes until the crisis of 1978-1979. At that point, inflation had spiralled out of control; famine threatened the collapse of the whole system and social unrest demoralised Party members and eroded the people's trust in leadership. Only then did the Party decide to make amends for the impractical fixed targets allocation, production and distribution systems by legalising SOEs' auxiliary activities in the form of the Sixth Resolution and 25/CP in 1979. Manager thoughts concerning 25/CP are well-represented by the following:

Without 25/CP, many people could have gone to prison. Fortunately, it freed up circulation of goods and accepted previous fence-breaking. We [SOEs] could officially register 'outside' plans now but had to give priority to state-

supplied targets. Spiritually, it was welcomed as a breath of fresh air although we were not under the illusion that problems would be resolved as easy as that. We were just glad that such a policy came (Director of National Load Dispatching Centre).

From the above quotes, it seemed that by the late 1970s and early 1980s, cooperative leaders and workers no longer mistook problems as war-related. Instead, they accurately pinpointed the roots of problems, that is, fundamental flaws in the Communist state economy. Although not openly discussed, confidence in the leadership was greatly damaged. In the mist of hardship and shortage, fence-breaking came as the only solution and was motivated by nothing but the survival instinct. It had a momentous impact on well-established institutional thinking and behaviour, nonetheless. For one thing, it meant that the new, self-directed, economic-oriented ways of doing things had challenged the old, passive, order-based ways; and the struggle would be largely influenced by state policies and incentives. Without warning and premeditation, economic thinking and entrepreneurship penetrated seemingly solid socialist institutions which supposedly had eradicated such sensemaking.

One interesting point to note was that regardless of roles and levels of authority, similar feelings and opinions were conveyed across the board: frustration and distress. Impacts of policy incompetence in the 1970s and 1980s on the psychological and physical wellbeing of the people were as severe, if not more so, as their impacts on economic structure and performance. The only difference was the ability of the former to produce responsive actions. Indeed, as confidence in the leadership was damaged forcing people to take matters into their own hands, a

submerged, yet persistent wave of resistance was formed and these people patiently fought their way to the final goal: autonomy. In the minds of every person, there was a sense of optimism, novelty and excitement to economic reform in 1986, as expressed by one employee (Corporate Planning Department):

The situation in 1985 was desperate yet no one knew how to turn the situation around. The political reports distributed at the beginning of 1986 were very conservative and discouraging. We could not imagine how our lives would have been if General Secretaries Truong Chinh and Nguyen Van Linh had not be appointed. Their reports were hugely reformist. We had lost all confidence towards the previous leadership but the reform brought hope. From fence-breaking, we already knew markets worked better than central planning and that we were capable of self-managing. The reform only formalised what we had been doing for a while so we could work hard without fear. We had been waiting for this day for a long time. We were all utterly glad, both managers and employees.

After decentralisation was initiated, there had been some degree of restructuring but this was regarded as piecemeal and unsystematic. In a way, this reflected the delayed implementation at the end of the 1980s and vigorous policy renewal at the beginning of the 1990s. Despite initial positive feelings and supportive opinions towards reform, all interviewees emphasised that big changes did not arrive in SOEs until they were established as State Corporations in 1994. This stemmed from the fact that prior to this important milestone, the power sector consisted of three regional units, who operated independently under the control of local state authorities. The period was viewed by managers and employees of SOEs as simply a 'preparation phase'

for major reorganisation in 1994 and the majority of them did not attribute significant feelings or events to this particular time. One explanation for this lack of interest and/or poor recall might be because SOE reform was an ongoing process. Most of the changes initiated in this period were enhanced or replaced afterwards hence comprehension of full impacts and evaluation of outcomes might only become possible after significant time has passed. In the next phase, whereby deinstitutionalisation picked up pace, differences between the central planning regime and the new management system would be clearer.

7.2.2 Deinstitutionalisation of socialist (central planning) institutions

Previous discussions in chapter 5 showed that there were two main types of institutions embedded at EVN: agricultural/Confucian institutions (consensus-building, relation- and collective-orientation, norm of dependence, respect for hierarchy, personal/face-to-face communication and authoritarian/paternalistic leadership) and central planning institutions (bureaucratic leadership, command-based, top down communication, lack of financial, planning and customer-focused mentality, motivation-deprived management and norm of passive working). The appropriate question to ask now is: How much have these institutions changed? Which ones (if not all) were eliminated and replaced? And what are new institutions like?

Out of the two main institutions, the central planning component certainly underwent more intensive and comprehensive transformation since it was mostly their features that received challenges and eventually lost legitimacy. Given positive feelings and supportive attitudes towards reform (analysed in previous sections), replacement of this element of old institutions was welcomed with open arms and progressed rather

quickly. In normal circumstances, well-established and legitimate assumptions about realities make surrounding environments stable and predictable for actors to make sense of their lives and purpose. Inconsistency and uncertainty caused by disruptions of institutional contexts require actors to develop new interpretations and sets of solutions based on these interpretations. The success of institutional change management in organisations, first and foremost, depends on managerial ability to make sense, interpret and predict economic and political situations at hand. Radical changes such as those induced by economic and SOE reforms cause psychological shocks which, unless managed properly, might disintegrate the whole system. Top management sensemaking, therefore, is not only required for appropriate strategies but also for successful implementation. The transition from a command-based bureaucratic regime to the complete opposite, self-planning and self-managing mechanism, required the development of entrepreneurship skills more than anything. Here, managers must acquire the ability to envision development strategies and the ability to translate them into practices. Fortunately, there was evidence of such market-oriented ways of thinking among the top management team, particularly when it came to EVN's role and objectives after 1994:

After restructuring, together with greater autonomy, EVN has bigger responsibilities to fulfil. As a state-owned enterprise entrusted with state assets, the priorities are to ensure sufficient power supply for the industrialisation and modernisation of the economy as well as for mass usage. With a 'leading' role in the industry, we must renovate every aspect thoroughly and extensively. In order to do that, we have deployed an equitisation programme since 2002, diversified our business, invested a great deal in training, technologies, infrastructure and modernised management

practices. We highly value sustainable growth and competitiveness in the process of integrating ourselves with the world economy (Vice President of Business).

Giving examples of significant achievements so far, it was said:

Infrastructure investments are one of the most important tasks. Over the years, EVN has invested hundreds of billions of VND¹¹ in improving the power source and the power grid network. From 2006 to 2008, we have introduced 7 new power source projects with 1.626MW capacity. By 2012, we'll have 29 new power plants with a total capacity of 10.495MW. This is the largest investment project carried out so far (Chief Officer of Transmission Company).

For sustainable growth, manpower development is pivotal. EVN has opened our own university and college to strengthen our human resources. The number of specialists and highly skilled workers increased quickly thereafter. We also send employees on overseas training programmes. Now we have acquired the necessary skills and knowledge in many areas including managerial, technical, project management, network consultancy and design (Vice President of Business).

Apparently, EVN's managers made a correct connection – an essential first stage of successful strategic response – linking opportunities and challenges arisen from institutional changes with EVN's core strengths and weaknesses. They were able to envisage future strategies and appropriate actions pivotal to the organisation given

¹¹ VND : Vietnamese Dong – currency of Vietnam

external environments. In other words, EVN attained business-oriented thinking and knowledge, which is exactly the mentality required for a successful restructuring. Compared to the previous restricted role of managers acting mainly as executors of centrally-made commands, in this aspect alone, there were momentous changes. Not only did managers receive real management duties and responsibilities, higher demands were placed on their managerial and strategic abilities, credibility and scope of influence. For managers in today's environment, legitimacy was vital. This led to the significant role of charismatic and capable leader(s) during institutional transition. In the past, the socialist regime did nothing but damage to EVN leaders' image. Employees tended to see managers not as competent leaders but basically government servants. This view changed completely after 1994 nonetheless:

I have to say, we were lucky to have them as our managers during that difficult time. By any standards, they were good leaders. Not only were they able-minded in terms of business dealing, they worked for the company's interests wholeheartedly. They were the first reason why changes were implemented as swiftly at the beginning; because we trusted them (Head of International Cooperation Department).

When questioned if more recent leadership also met the same standards and popularity, the majority of employees showed hesitation and simply shook their heads. This was not surprising at all since even the slightest ill-speaking of superiors was considered as unforgivable impertinence in the Confucian tradition. As a result, employees tended to offer explanations for any shortcomings of leadership rather than direct criticism or disagreement:

Managers today are more politics-involved than the first team (in 1994). They have to consider their interests as well as the company's. But in my opinion, once duties and responsibilities were clearly spelled out, managers found that their interests were served by serving the company's interests. In terms of ability, I think they are quite competent 'to a certain extent' [a way of avoiding frankly speaking the truth in Vietnamese context – meaning managers could have done better]. I have not heard complaints about the top management team because we could not blame EVN's difficulties solely on managerial ineffectiveness. Their hands are tied in many circumstances. But given the urgency to raise the game before the power market is completed in the near future, things should be improved soon (Deputy Head of Corporate Planning Department).

Echoing employees on the scope of real managerial power handed over by the government, managers expressed disappointment:

Managing a large and state-owned enterprise like EVN is not easy. We [managers] still have the government and the ministries to answer to. Because the power industry is one of the key sectors which the government refuses to privatise, we do not have full discretion in many areas. We could formulate development plans but they must be approved by the Ministry of industry. We are not allowed to make decisions on retail prices either. We want to pay more to employees as better incentives but cannot. How can we attract skilled labour with salaries half that offered by private companies? There are a lot of problems that need to be solved (Director of National Load Dispatching Centre).

The above comments surely gave the impression that although employees believed that inadequacies still existed, the blame did not fall on the top management team, so to speak. Managers and employees seemed to be in agreement when it came to the possible source of the problem i.e. the current state and situation of the power industry and its impact on EVN management practices. They, however, could also comprehend the implications of joining the competitive market in the future on the need for further restructuring.

Following shortly behind the emergence of entrepreneurial thinking and skills and the noted important role of leaders, one of the most discussed topics of change was the radical restructuring which occurred at EVN caused by the abolition of the command-based mechanism. This covered a wide range of issues including the division of labour into departments with defined purposes and functions, an increase in work initiative and independence, interactive communication and development of business philosophies. First and foremost, there was the opening of functional departments, which might be the most obvious and comprehensive change of all. The Chief Officer of the Transmission Company explained the meaning and importance of newly introduced and specialised departments:

You know, under central planning, we had no Accounting and Finance department, nor International Cooperation, Export-Import, Emulation and Propagation or Appraisal departments. These are new additions since 1994. Their existence alone speaks volumes. We are now a state enterprise, not a collective; therefore we must conduct ourselves as suggested by the name. On the one hand, we paid close attention to financial management by improving bookkeeping and auditing and we also recognised the benefits of business

dealings with foreign companies. One of the most crucial tasks was to raise capital and enhance the company profile therefore the export-import department was very important. But of course, we should not overlook employee-related matters. Human resource management was a new concept, we were still learning but have made good effort so far. In contrast to previous egalitarian wages, we now use performance targets and bonuses to boost motivation. These are the functions of the Emulation and Propagation and Appraisal departments. The role of these departments was fully understood and the reorganisation in general was very well-received because they served not only the company's interests but also the employees'.

At first look, it seemed that EVN had gained substantial business know-how and had recognised the importance of key business areas. It signified massive transformation of attitude and skills because such business orientation could not exist under the planned economy. Concepts such as auditing, bookkeeping, company profile, human resource management, performance-based salary or bonus would have sounded alien and irrelevant. The difference between the old and the new mindsets was striking but not unbelievable. It was partly because these skills originated well back before reform started therefore the switch did not happen overnight. The gradual transition and unpressured opportunities to experiment at that time definitely contributed positively to the learning process. Moreover, changes got accepted quickly, owing to the fact that they brought benefits to the majority of employees. Abiding by these new philosophies, company goals and objectives were adjusted correspondingly. In the past, fulfilling fixed output targets was the prime and only purpose regardless of profits, quality or customer demand. There would have been no need for financial management, international cooperation or concerns about capital raising or measures

to boost productivity. In today's environment, EVN was required to appreciate the importance of demand-side management and customer satisfaction. In the end, success criteria for state-owned enterprises like EVN was not confined to preserving and developing state assets, in order to uphold the 'leading' role of the key growth engine, their ultimate goal must be profits. If under a centrally-run regime, quantity was the only concern, nowadays, attention is also paid to the quality of the product i.e. stability of voltage¹² and stability of frequency¹³. With the final aim of profit maximisation, EVN's top management team emphasised the need for more extensive restructuring especially equitisation and diversification, highly skilled human resources and better customer services:

This [1994's reorganisation] is an opportunity as well as a challenge to EVN. We truly understand that only a high quality and diversified package followed by good customer service can build trust from the customers. We have speeded up the construction of infrastructure, concentrated on system and technology enhancement and invested a large amount of resources in collecting customer feedback in order to provide them [customers] with our best services and competitive prices.

Profit is everything these days. The general rule is that if we finish just about the targets, we get double bonus; if we do better than that, the bonus is tripled but if we make losses, there are no bonuses. If it was large losses, the salary was cut down to even lower than the minimum wage. In the electricity sector, the product has to be produced exactly at the same moment as it is used. This means that stability and safety are the most important criteria of

¹² Fluctuates between + 5% and – 10% of normal value for 220 V

¹³ Fluctuates between ± 5 % of normal value for 50 Hz

customer service. Moreover, the main product – electricity – has a long life cycle; the basic characters of this product do not change for a long time (220 V, 50 Hz). So the only way to be profitable and to be differentiated from your competitors in the future is by providing a valuable service to customers (Vice President of Business).

All in all, EVN ensured to offer a wide variety of choice to customers and to take care of customer needs for supply to reflect true demand. This was another significant step in preparing for future competition as the company has recognised customer awareness and satisfaction as core values and rightfully focused on building the company's image.

These were not the only changes by any means. The newly founded functional departments resultantly facilitated the decentralisation of administration whereby each level was given its proper responsibility and rights. If only superior-worker relations existed across the board in the past, levels of authority were now divided into managerial, department heads, group leaders and employees respectively. A lucid sphere of influence and power distribution helped increase productivity and create a norm of multi-level communication and interaction. In turn, the decentralised organisation fashioned other radical changes including those made to the nature of work, delegation and communication. Speaking of the impacts on the nature of work, one employee from the Business department said:

Under the previous regime, even though activities like planning and organising daily operations were carried out back then, they were 'hidden' because they were shared among several units; personal duties were not clearly spelled out at all. Assessment targets were done per team, not per

individual. When the company was reorganised into departments, we experienced such a big change as each department now specialised in one or a few functions only. As a result, we were given clear duties and responsibilities. One could not make an excuse like 'it was a collective failure, not mine' or rely on others to do your share of work anymore. The transformation was incredible because it seemed that everyone immediately snapped out of sleeping mode to 'shoulder' new tasks and responsibilities. We all understood that no state-subsidies meant that we must work hard for it, like the saying 'làm ăn lỗ chịu' [roughly translated: gains or losses, you bear the consequences of your own doings].

When compared to earlier work ethics described by the saying “*giao gì làm nấy, chi đâu đánh đấy, xong rồi ngồi đấy*” [roughly translated: only do your work portion, no more; only do as ordered to; once finished, sit around] and “*tôn thất không lo; lỗ lãi không chịu*” [roughly translated: waste is not your worry, losses are not your responsibility], the new way of working could not be more different. Proudly called ‘responsible spirit’, a proactive, work-focused, accountability-bearing tradition was institutionalised. It would be erroneous to think that all employees simply appreciated more responsibilities and/or regarded them as benefits although the majority did. Matching the newly endowed responsibilities was a substantial increase in power and independence. From managers to employees, all emphasised and celebrated greater freedom of work, thanks to decentralised administration. One manager complained about complete lack of power in all areas of business under the old regime:

Can you imagine that we had absolutely no power in the past? We could not even make the smallest decisions like buying more equipment, installing new transformer stations or hiring staff. At that time, technology was obsolete, infrastructure was deficient but we were not authorised to allocate funds. Everything must go through state departments and they, who 'sat above' [meaning distant planners unable to comprehend real situations] got to decide. After restructuring, restriction was relaxed. We could now mobilise funds and make our own investment decisions, improve reading meters or build power stations if we wanted to. In other words, funds went to the right places, at the right time (Director of National Load Dispatching Centre).

In terms of another aspect of independence, employees expressed similar liberalising experience in relation to individual work:

Until that time (1994), we worked like machines. We did not really think about and never questioned what we were doing. We just followed orders and the rest was not our concern because working harder did not lead to higher earnings. We would rather spend time on 'outside' activities. You know, it was very common then. But things completely changed after restructuring. Tasks were allocated and assessed individually as well as a team effort. In most cases, we only came to superiors if there was a problem we could not solve or decide on, whereas before we had to report every single thing we did and wait for further instruction. It was extremely time-consuming and demotivated. Who would want to work like a machine? Most of us felt enthusiastic and empowered as we were trusted to work on our own. It was like you became a link of a chain, small but important nonetheless. Of course,

there were people who disliked responsibilities but only a few (Head of Material and Import-Export Department).

Matching employees' opinions on the impacts of these changes on productivity augmentation, managers highlighted the effectiveness of labour usage and communication:

It [restructuring] changed how we [leaders] managed. Instead of constantly giving orders and closely monitoring every aspect, we now assign end targets and tasks to departments and let them find the best way to achieve them. Task specialisation makes better use of labour resources because they [specialists] are good at what they do. Communication is more effective as well. We [managers] only deal directly with heads of departments and do not waste time on making everyday miscellaneous decisions. Previously, whenever there were problems, no matter how small, lower-level workers had to report it to us [managers]. We then made decisions but sometimes it was unnecessary or already too late. For example, an unexpected but normal power cut or system breakdown should not have to wait for a predictable solution (Vice President of Business).

In terms of demand-side management, one of the most significant changes was the availability and development of customer services. In 1994, customer service received well-deserved attention when the Department of Emulation and Promulgation was formed. Apart from emulating programmes and competitions to boost internal productivity and cooperation, another crucial function of the department was to increase public understanding of the company by publicising (or rather 'promulgating') development plans and updating the company's activities on a

regular basis (non-existent previously). Originally, as suggested by its name, the main purpose was to raise customer awareness vis-à-vis difficulties facing the company or to seek empathies for its inadequacies (unstable power supply or uninformed power cuts were relatively common in the old days). Indeed, the specific needs of the customers were largely ignored. As time passed, the department's scope of activities had extended to cover actual customer services. Since 2000, the department got involved in managing a call centre, which was set up to provide fast and accurate service information, collect customer feedback and deal with complaints. In doing so, the purpose had switched from merely making information available to being seriously committed to the enhancement of service quality. Wishing to offer a well-rounded operation, customer services were designed to cover before-sale and after-sale servicing ranging from meter installation and repair, home-collecting payment service and network to group-of-users meter installation and consultation. According to employees, quality of service has improved significantly over the years due to many good quality measures:

The stability of the electricity supply is assessed by the so-called 'number nine standard', which is the ratio as a percentage between the time of energy supplied in a given period and the total time of this period (normally in one year). In developed countries like the U.S or the U.K, this standard is 99.99% or the time of cutting power is 0.0000001%, meaning that in one year, the time of cutting power is about 3.15 seconds. Over here, the figure was 82.5% in 2001 but increased to 90.05% in 2003. You see, our power cutting and repairing time were still high but definitely improving (Technical Department staff).

At the end of 2003, we sent 2,000 questionnaires to customers who used the package meter installation service. Most customers thought the cost of installing a new meter was reasonable but only 46% of customers were satisfied with the service. The reasons given were complicated procedures and unprofessional/unfriendly servicers. There are many things that need to be done if we are to become competitive in the next few years before the power market is introduced (Emulation and Propaganda Department member of staff).

At first view, EVN appeared to handle the transition from a command-directed to a self-operating mechanism rather well. Radical changes were put in place in almost every aspect of business ranging from organisational structure, financial and human resource management to the adaptation to the ‘quality, not quantity’ mentality. However, if we take a closer look under the surface, EVN still faced serious problems of overstaffing, a half-hearted, dependent work approach and incomplete business culture. It seemed that transformation did occur but further restructuring was done only in moderation and with hesitation. Could extensive and hard-line transition be all talk, and no actions? The last comment above in fact sheds some light on the state of current customer services and more broadly speaking, business practices at EVN. Although they had come a long way since the centrally-planned era, inadequacies existed in many areas nevertheless. For one thing, EVN lacked a comprehensive system to evaluate service quality and tools used to collect information were piecemeal and unsystematic. Attention was paid to a wide range of issues relating to quality of service but these activities were carried out by several departments simultaneously. There was no marketing division in EVN’s structure at the moment.

Currently we do not need a marketing department because as the monopoly, customers have to come to us. We do not need to worry about the market or competition, at least for now. But because of that, reports [about customer services] from different departments sometimes conflict with each other making it difficult to interpret. In the future, we definitely need a group specialising in marketing activities (Deputy Head of Business Department).

The 'monopoly attitude', like the one expressed above, were frequently encountered. In fact, 'because we are a monopoly' was the most frequent explanation to existing inefficiencies at EVN. On a broader scale, true business sense has not been fully institutionalised yet. It was correct that most employees recognised the need for, and valued the building of, a quality-oriented tradition, to be more efficient and competitive, however, the consensus stressed the non-urgency aspect of the problem. That is, providing that the opening of the competitive market has not yet arrived and government preferential treatments remained intact, restructuring and improvements could afford to be done slowly. The emphasis was placed on 'sufficiently good' rather than 'the best you could' do. Translating into the work context, it meant that the aim was to meet the requirements, not essentially to generate value i.e. seeking cost reduction or higher returns. In this sense, the norm of passively following commands was replaced by conscious, independent yet half-hearted practices. There was some degree of initiative-taking and motivation but it fell somewhat short of expectations. Surely, like enterprises elsewhere, EVN's goal was to build a 'corporate culture' where managers and employees were supposed to be profit-maximisers and motivated by work independence, empowerment or financial means at least. Could institutions that emerged at EVN be described by any of these criteria? Not quite it seems. At EVN, not only did profits tend to be interpreted with

different meanings, but work-related benefits like independence, empowerment or even financial perks were hardly effective in generating incentives. This situation, however, did not apply to the low-level workforce alone. According to the leaders, the real objective of EVN (and SOEs in general) was not profits, at least not in the sense that government would intend.

For SOEs like us, the most important thing is to make slightly higher profits every year and avoid losses at all costs. It sounds confusing to you because you think enterprises should aim to earn as high profits as they can. But here, at SOEs, if we announce high profits and bonuses, people start to question it. They would say we did not do enough to deserve that. So it is safer to just declare a little bit of profit every year so that higher figure would be easier to achieve next year (Head of Business Department).

Giving examples of this kind of half-effort and elusive behaviour, and one possible explanation, one employee (from the Business department) said:

On the contrary to the designed objective, the goal of having higher performance every single year has led to adverse consequences. In our mind, we must find a way to make this happen no matter what. Hence sometimes, instead of working extra hard, lower results were deliberately reported so we'll have an easy time next year. Underrepresentation is a common problem for any SOE. We call it 'achievement-ism', which literally means that things might be done ineffectively but still kept that ways for the sake of performance. This has become an alarming concern.

7.2.3 Deinstitutionalisation of Confucian institutions

Unlike Western individualism, Confucian institutions highly value interpersonal relations, consensus-embeddedness, norm of dependence and respect for hierarchy. The study of Quang and Vuong (2002) gave a general description of the Vietnamese management style before and after economic reform. In the past, the Confucian style of management was portrayed as paternalistic and authoritative leadership, hierarchical organisational structure, high-power distance, top-down communication pattern and collective responsibility. After restructuring in 1994, there were some positive changes but only to a certain extent. Leadership at EVN was still paternalistic although it also became more participative. Here, like a family, the family's head was responsible for making every decision even though opinion contribution was encouraged. In the business context, although heads of departments have been more involved in the decision making process via formal meetings or informal discussions, in reality, power remained highly concentrated at the top level only.

In principle, we [heads of department] are authorised to assign and organise things in our departments. But this only applied to 'normal' circumstances where nothing was out of the ordinary. If any changes are to be implemented, no matter how small, we must run it past the bosses before assigning tasks. In essence, we are only the messengers (Head of Material and Import-Export Department).

You know, not much has changed in terms of leadership and management if I am to be utterly honest. This is a very sensitive subject in the Vietnamese context. We [employees] avoid open conflicts as best we can. For example, in

meetings, you should carefully observe bosses' views and reactions before making suggestions because you are going to get in trouble if you make them lose face. No one of lower position should criticise his or her boss (Deputy Head of International Cooperation Department).

In theory, we have meetings as well as an annual employees' congress via which the higher level give out plans and instructions and collect our [employees] feedback. But these were only 'formal' measures for 'outsiders' to see. In reality, we must carry out whatever decisions the bosses decide (Corporate Planning staff).

At first thought, one might think that managers at SOEs like EVN would be able to enjoy great freedom and power; however, managers had to face a similar dilemma. They too did not have full sovereignty in seemingly simple organisational issues like payment, resulting in grave consequences occasionally:

In the past five years, we lost 4,000 highly skilled employees because EVN cannot decide our own salary policy (Vice President of Business).

The above quotes undoubtedly give the impression of an ongoing presence of top-down, paternalistic leadership, restricted channels of communication, the utmost respect for hierarchy and consensus-building ways of working at EVN. In this aspect, not much in Confucian institutions changed after restructuring. This finding was not surprising, however, because a history of prolonged war and collective socialism had made following orders familiar to everyone. In the end, these management practices were not the prime target of deinstitutionalisation incentives as Communist/socialist traditions were. Relatively speaking, it looked like such practices had yet caused no

immediate catastrophic consequences or functional problems, apart from the demoralising impact on employees' motivation. Alongside limited real delegation and work freedom, low salary was reported as one of the reasons why incentives and motivations could not have been higher at EVN despite more attention being drawn to individual opportunities for promotion. A performance-based incentive system was used, according to which excellent performance would earn workers a chance to study abroad and promotion was very likely once they returned. Responses were positive but these attempts aimed to raise enthusiasm morally, not financially. Under the old regime, worker salary was provided and managed by a government agency. Accordingly, employees received a standard salary package and benefits-in-kind including peaks, health insurance, education for children and paid holidays. Once restructuring was put in motion, workers' salaries were no longer drawn from government budgets but from EVN's profits, which were not sufficient to guarantee similar generosity. For this reason, a small salary and benefit cut was temporarily implemented at the beginning. Employees expressed considerable concerns and some were dissatisfied although they appeared to understand underlying causes. It can be said that, until now, disappointment remained manageable but the tension was mounting.

Admittedly, we somehow feel demotivated. We could sympathise with low salary in the past but in today's standard, salary at SOEs is about half of that provided by a private company. You can understand why people do not work as hard as they can now (Material and Import-Export Department staff).

7.2.4 Institutionalisation of new core values and formalisation of practices

On the quest to create ‘corporate thinking and behaviours’, the top management team proposed to institutionalise ‘EVN traditions’ represented by new core values such as quality-orientation and customer care, devotion and responsibility, cooperation and sharing, creativity and efficiency. To legitimate the new values, new rules and regulations were implemented. In such a cultural-embedded environment like that at EVN, where respect for hierarchy and rules is common, it was expected, with good reason, that regulative measures would have strong influence. Although not all employees would be comfortable with new rules, the majority of them would comply nonetheless, owing to both coercive forces and expedience motivation. To employees, the threat of isolation caused by deviant behaviours was greater than the costs of compliance. New standards of management practices included ‘corruption and bureaucracy eradication’, ‘fair and incentive-encouraging payment and training system’, ‘open and fair performance appraisal’, ‘responsible, non-avoiding, non-passing-the-blame ethics’ and ‘community value’. In referring to the most important aspects, customer service and work practices were emphasised. According to official documents, employees must give prominence to individual responsibility, fulfil their tasks to the best of their abilities, treat company’s assets like their own, eagerly contribute ideas to discussion but willingly obey orders from the higher level once a decision is made. On the other hand, managers must facilitate and appreciate suggestions from the lower level in an unbiased, objective manner. Towards customers, employees must be friendly and honest; the ‘customers come first’ slogan should be engraved.

In the attempt to create 'corporate and service traditions' at EVN, a quality assurance programme was introduced, namely ISO 9000, the Quality System Management Standard. ISO 9000 is a series of requirement standards dictating the operation of principal processes in accordance with ISO standards. The processes describe how activities connected to one other in order to obtain desired results from input of resources. ISO 9000 covers subjects such as system build-up, handling of documents and data and system improvement. More specifically, system build-up is divided into three levels: the first, most general level depicts processes and part processes; the second level features routine descriptions explaining process break-down i.e. what is done and by which part of the organisation; the final level covers detailed instructions on how tasks should be done. System improvement is designed via a process group (every process has a process owner and a process group responsible for continuous improvement and distribution of information about new methods); via internal audits (once every two years) and via staff (every employee has the opportunity to report weaknesses detected in the system). The processes encompass many areas such as market, operation, planning, finance, purchasing, development, personnel, safety, information and communication. As part of ISO 9000, conduct code handbooks specifying duties and responsibilities were provided; as well as formal written instructions regarding member roles, task sharing and inter-departmental cooperation procedures. In the past, written job descriptions, detailed areas of responsibility and contract terms did not exist. In theory, standardisation of practices should bring about significant changes:

ISO 9000 does improve productivity but only when it comes to on-the-job training of new employees. Instead of having to closely supervise and teach new employees every single thing, they can refer to ISO 9000 for almost

every task, saving us a lot of time. However, for senior employees, there was not much change since ISO was written based on what we were doing anyway. This was just to 'formalise' things, to satisfy the government. ISO still needs lots of improvement since the descriptions are rather general. Moreover, it is not easy to pinpoint assessment criteria for each and everyone because of the shared decision making tradition (Head of Corporate Planning Department).

ISO quality assurance was an interesting example of the weak impact formalisation had on management and organisation institutions. The incompetence of principal rules in inducing compliance was well-described by the expression 'new bottle, old wine' – [meaning only change the appearance, not the content]. Put differently, rules and regulations existed (on paper) and should have been able to reinforce certain standards in theory, but in practices, their authority was rather inconsequential i.e. 'all talk, no action'. This was the consensus on the subject of reconstitution outcomes at EVN. Although there were substantial and speedy changes at the start, the progress has decelerated dramatically, hence the persistent problems and inefficiencies discussed above. All in all, EVN has become an enterprise endowed with business philosophies and principles; however, the type of management practice inherent in the organisation was still packed with inconsistencies like poor assessment criteria (caused by norm of team decision making), low motivation and the avoiding attitude (due to unsatisfactory salary and insufficient work empowerment) and most importantly, 'monopoly thinking'. Objectively speaking, half of these problems were caused by the tentative approach of the government towards the competitive market and the other half were straightforward by-products of such uncertainty and ambiguity. SOEs like EVN often came under fierce criticism

for their lack of incentives and there should not be any excuse for such ineptitude, yet the government's indecision accidentally gave them a very good excuse.

7.2.5 Current states and incentives for further restructuring

It was not unexpected to find such dramatic restructuring at EVN, given huge changes in institutional contexts and reorientation of the economic apparatus. In organisational settings, a new governance system, newly founded functional departments, new goals and objectives accompanied by new rules clearly reflected new priorities. Confucian institutions of close interpersonal connections, respect for authority, harmony and teamwork orientation and norm of dependency somewhat prevented the complete deinstitutionalisation of several aspects of old institutions, especially Confucian elements. Most Communist/socialist components proved to be less inertial and quicker to succumb to challenges since their failures were clearly recognised. In addition, Communist ideologies were relatively young compared to Confucianism which had been the heart and soul of Vietnamese people for thousands of years. It came as no surprise that most Confucian ways of thinking and behaviours have hardly altered and possibly never will. At the time, it appeared that both the government and top management team understood the roots of resistance, partly due to the differences between traditional Confucian values with new beliefs and partly because institutional agents have not provided sufficient motivation to change. This was the unresolved paradox inherent in the new ideology between the 'market' element and 'socialism' counterpart. So far, there was some degree of managerial tolerance but it should not be taken as ignorance nonetheless. More than ever, EVN leaders recognised that it was now urgent to truly raise the morale of the employees, increase competitiveness as well as promote EVN's potential. Top management

realised that despite reasonable success in renovation so far, further extensive restructuring was inevitable given the current lack of satisfactory progress in many areas. In referring to equitisation, one manager stated that the nature of the power market (as a key growth engine of the economy and defence of national security) was partly responsible for the existing status as a largely state-owned (in transmission and distribution) and unattractive monopoly:

Equitisation has shown some positive outcomes. Joint stock companies have gradually strengthened their organisation and personnel arrangements, reinforced and enhanced production and business capacity, and executed a dynamic, effective, market-driven management mechanism. Thanks to those changes, the company ran profitable with higher-than-target dividend sharing ratios. Also, they have attracted a lot of domestic and foreign investments hence their market value has increased multi-fold compared to the original face value. Having said that, due to the nature of the power sector, the equitisation process remained rather slow. Difficulties and obstacles arising from the undefined power tariff mechanism between EVN and joint stock companies, unidentified public benefit fund and policy have yet been solved (Director of National Load Dispatching Centre).

Financial capacity was always listed as one of the most difficult yet crucial aspects to improve. The highlight was placed on a dramatic rise in demand in a short period of time, rendering EVN unable to cope (given current structure and legal status):

In the past, EVN managed to provide relatively sufficient power supply for industrial and household usage. However, rapidly increasing demand,

especially these past few years, is becoming more difficult to keep up with as infrastructure construction lagged behind. Building of power plants requires large funds and takes a long time to complete. After we diversified into telecommunications, banking and other businesses, the situation improved significantly. Also we have sources like ODA, issuing bonds, shares and other commercial papers, loans from domestic and foreign banks but the progress is still slow as the total amount required is just too large. We can only manage half of the total investment (\$33 billion) at present. Moreover, operating according to the mother-subidiaries model, cross-investment is a huge problem since subsidiaries are not financially independent (Deputy Head of Material and Import-Export Department).

Another huge impediment was the lack of transparency of the legal constitution and an overlapping, complicated authority line. Rigid restrictions and lack of power and responsibilities did not create direct incentives for managers and employees, hence no motivation for value creation. Here, the same tradition of shared decision making at the Ministry of Industry and ERAV, its subordinate, caused delays to organisational operation and weak reinforcement of individual responsibility. Time-consuming red tape of the bureaucracy was supposed to be removed along with the central planning apparatus yet the preference to work as teams to avoid open conflicts prevented it happening. Ultimately, Confucian consensus-centred tradition was responsible.

The underdeveloped legal framework is a huge obstacle. These include an ambiguous operation mechanism of management apparatus (MOI and ERAV) and weakly defined legal status and authority. Inefficiencies arise

from an unnecessarily complicated management mechanism between the 'mother' company – subsidiaries; between MOI – EVN. We have two deputy directors of MOI as members of the Board of Directors, but still, they are not authorised to make a decision, everything must go through the Minister for approval. It is not clear who has the highest authority in the company either because the Board of Directors works as a team. The Chairman has only one vote while the deciding vote requires seven (Emulation and Propaganda Department member of staff).

The third major concern was SOE classification (or the lack of it). There were basically two types of SOE: those in business for profits and those in business for public benefit. Currently these two forms were treated in the same way, leaving both to enjoy similar subsidies and sharing the same assessment criteria. This created opportunities for exploitation of undeserved government protection in some cases but mostly SOEs like EVN had to undertake social duties as well as commercial ones. As the Chief Officer of the Transmission Company admitted:

Uneconomical projects like rural electrification programmes are a compulsory obligation, sometimes a huge burden. We have to cross-subsidise these unprofitable investments eating away our profits considerably.

These quotes might give the impression that managers were trying to make excuses for their shortcomings. They might or might not. Nonetheless, there remained an undeniable truth; these were the real hindrances of the power market and EVN. The only solution to all these problems was competition, in all three areas: generation, transmission and distribution simultaneously. At present, the first step has been approved – a competitive generation market in 2015. In referring to this, the Director

of the National Load Dispatching Centre stressed that EVN had been fully prepared and confident of their ability to cope, in this area at least.

In terms of power generation, which is planned to become a competitive market in 2015, EVN is no longer a monopoly. Over the years, many power generation companies have been equitised. At the moment, EVN holds only 47% of market share and the figure will be 40% after the Phu My Thermal Power Plant gets equitised in 2012. By 2015, it is anticipated as 37%. In other words, EVN has been operating as a non-monopoly for a while.

On the subject of further plans for restructuring, top leaders expressed complete support, however cautioned against premature competition and its consequences.

We acknowledge existing inefficiencies but opening up to competition means companies would all compete to offer the lowest price. This might lead to system overload because current transmission and distribution systems are not able to handle that kind of demand. We are not against further restructuring but it must not be done hastily. Even right now, EVN as the 'parent' company still has a hard time seeking adequate investment funds; if EVN is completely privatised, how could subsidiaries do it? Impossible (Vice President of Business).

To sum up, the second phase (1994–present) of deinstitutionalisation of central planning showed stronger government commitment to economic reform. As a result, SOEs like EVN intensified reorganisation and restructuring to be a better fit for a 'leading' role in their individual industry. For the first half of the second phase,

substantial positive outcomes were achieved at EVN resulting in the emergence of institutionalised business-led thinking and customer-oriented practices. Nevertheless, the pace of deinstitutionalisation has slowed down in the latter half of the second phase halting the equitisation process and further restructuring. Explanations included inconsistencies in the management mechanism, at both sector and organisational levels, lack of incentives to create value due to low real authority and loose responsibilities, but mostly because of a 'monopoly attitude' among employees. In turn, this paradox could be explained by perhaps one of the most confusing and contradicting elements of the reform i.e. the role and position of SOEs and the direct implications for the private sector. On the one hand, private businesses were legalised and promoted but had to face a wall of unfavourable treatments compared to SOEs in every aspect of business. On the other hand, SOEs were supposed to stand on their own feet but continued to receive subsidies and had government protection over debts and connections for lobbying in case any challenges to their interests came up. In addition, the fact that many large SOEs like EVN continued to be charged with a mixture of social and commercial responsibilities gave them a perfect excuse from any shortcomings. Although a large part of social obligations was curtailed after 1986 (e.g. employee entitlement to free housing, education, health services), *'state enterprises were to carry out business aimed at achieving socio-economic objectives assigned by the state'*. The Government's decision to keep important SOEs under public ownership entailed the commitment to keep these social and political objectives in check (McCargo, 2004). This represented a significant ideological struggle that would not be easily resolved. To add further complication, the Party and the government seemed to prefer gradualism over shock-therapy. Reforms in Vietnam tended to be implemented step-

by-step and through trial and error. As a result, the whole reform process was coloured with uncertainty and ambiguous attentions since the government neither laid out a clear strategy nor direction for the future.

7.3 Alternative institutions: hybrid Confucian – market socialist institutions

Institutional theorists all agree that deinstitutionalisation cannot be taken out of the broader context of institutional change implying that the deterioration of old institutions takes place simultaneously with the creation of new ones. Institutionalised beliefs and practices cannot disappear without the replacement of alternatives otherwise organisational entity and orders will be lost. Having said that, new institution creation needs not cause all elements of old institutions to vanish. Some traditions proved flexible enough to evolve with new goals and practices, like those of Confucian institutions. Unlike Communist/socialist institutions, Confucian beliefs and values continued to play a large part in EVN's traditions. In other words, a hybrid form of logics and procedures between Confucian and business-led philosophy was created; even though some aspects of the modern business model have not quite arrived. Still, it is the aim. Characteristics of new institutions are summarised in Table 6 below:

Table 6	
New institutions (hybrid between Confucian and business-oriented)	
Institutions	Characteristics
Confucian	Collective-orientation Harmony and consensus-building Certainty preference Holistic, experience-based logical thinking Relation-based, emotion-susceptible behaviours Personal, face-to-face communication Authoritarian – Paternalistic leadership Norms of dependence Respect for hierarchy
Business-oriented	Performance-based payment Clear duties and responsibilities End target management mechanism Low level of delegation and top-down communication Collective orientation Not transparent, regulated personnel policy Availability of management and entrepreneurship skills Availability of financial, marketing, operational conducts Profit- and customer-orientation

Most of these features were discussed previously therefore will not be repeated here. One thing that should be kept in mind, though, is that in the future, when managers and employees at EVN have greater motivation for value creation and intensive reorganisation, the balance and interconnection between these two institutions (Confucian and business-led) might alter. The impact of globalisation might go deeper than purely inducing economic consequences and change managerial work-related values in future Vietnamese generations. Attitudes of young Vietnamese have crucial implication for the resilience of relations as young managers will move into positions of authority in the near future. Value differentials are under pressure from several factors (political, industrial, etc.) with the most important being social objectives. As companies increasingly form alliances around the world, globalisation

related forces might stimulate global homogenisation of values. It is reasonable to argue that the new Vietnamese generation, which is under the direct influence of industrialisation, score lower in collectivism and higher for individualism (typical Western value). This trend may show a demographic discrepancy due to influences such as gender, education, geographic regions, position level, company size and industry. Increasing workforce diversity caused by the arrival of the young generation and altered social expectations on work and responsibility might bring surprising changes. The new generation, born and raised in the post-war period, is different from war generation in many aspects. Compared to older employees, youth generation is more self-motivated and dynamic, enjoy independence and their own initiatives. Naturally, they dislike authoritarian leadership. This might well be the rationale for the leadership to change. However, it should not be inferred that individualism will replace Confucian values but might only replace collectivism, to a certain extent because collectivism and Confucian values might not intertwine. There need not be cultural convergence or divergence but rather cross-vergence of values from various sources. Hence some of the values might decrease in importance but not necessarily all of them. According to this view, Confucian values such as respect for hierarchy and preference for personal communication are learned within the family therefore will be passed on to the next generation, whereas Collectivism, outweighed by Individualism, might affect loyalty and norm of dependence. As a consequence, some aspects of management might be modulated accordingly. Paternalistic, personalised leadership might still be approved but human resources management might experience some changes such as the adoption of performance-based pay and reward systems. In general, the strength of relations within the firm

might not be wiped out but to a great extent the agency problem is a potential problem, especially given the large size of EVN.

One interesting yet important point to reflect on is that EVN's top management might not want to substitute collectivism with individualism per se. Individualism is only encouraged up to the point where employees are permitted to facilitate personal chances for promotion whilst harmonious team-working is still the principle. In fact, alongside the performance-based system, trade unions are promoted to create more community-based activities, within and outside work hours, to maintain a sense of collaboration. Moreover, face-to-face personal communication is still preferred, which contributes to preserving a Confucian culture within EVN.

7.4 Conclusion

In this chapter, I presented a different side of the deinstitutionalisation process, the sensemaking. If chapters 5 and 6 emphasised history, traditions and institutional impacts on organisation practice, i.e. the macro states, this chapter focused more on microfoundations, the individuals. For one thing, the deinstitutionalisation process was viewed beyond mere changes in regulations, rules and standards; it became alive with emotions, thoughts and attitudes of the very people whose lives had been touched during the process. This sensemaking approach, whether from an individual or organisational perspective, represented their collective answer to the call from the top level, the government and its reform programme. It was sensemaking that provided great insights into how deinstitutionalisation incentives came about, how they were disseminated to a broader audience and developed through time. It was also sensemaking that offered promising explanations for variations in transitional outcomes and speeds since organisational inertias and responses might be as

powerful as to delay or even impede the process. In a nutshell, evidence of sensemaking in this chapter complemented and completed macro analyses in previous chapters to provide insights about deinstitutionalisation as an institutional change process, a sensemaking process and as interactive ground for both.

In addition, having analysed antecedents and critical events that led to deinstitutionalisation in previous chapters, I came to identify sensemaking of employees towards the 'old' Socialist institutions as the first evidence of bottom up deinstitutionalisation. Fence-breaking activities prior to switching events and workers' distress towards the rigid bureaucratic system, though might not being manifested openly, were so omnipresent that they became the understated yet persistent force of change throughout. It was true that first time challenges to the old institutional system might not be successful, as shown in this case due to strong resistant efforts; their impacts were by no means short lived. Provided that the underlying rationales for fence-breaking in the first place stayed unresolved, the once failed challenges could turn into strong support for deinstitutionalisation when it eventually arrived.

Thirdly, the evidence was presented to enlighten the link between the transitional process of sensemaking and various states of deinstitutionalisation. I showed that different responses of sensemaking were responsible for different destinies of different components of old institutions. The total vanishing of central planning institutions was caused by dissatisfaction with the crippled mechanism and unanimousness of opinion meant that the changeover was fast. Ever since, modern management know-how including functional departments, customer and business orientation and responsibility-embracing ethics has replaced centralisation and

egalitarianism as the new philosophy. In contrast, some parts of Confucian institutions such as norms of dependence and delegation proved to be tricky. Among possible explanations was the meaning of Confucian beliefs in the life and society of Vietnamese people. Centred on relations and harmony, consensus-laden and collective-oriented ways of living and working are most likely to be preserved. The selective feature of deinstitutionalisation aligned the argument that old and new institutions need not be mutually exclusive but complementary instead. Of course, the outcome entirely depends on the comparability of the two.

Going further, the analysis evaluated the tendency for and impediments against further changes after having studied current states and surrounding conditions. As anticipated, institutions, especially mature and well-established ones, might be incredibly resistant. Their abilities to constrain, prime and edit sensemaking and behaviour were demonstrated not only by exerting pressure to comply but also by providing the comfort in doing so. Quite possibly, sense of stability might outweigh necessity for change. The delicate balance between these two determines the ups and downs, slow or quick speed of further deinstitutionalisation.

To complete research question one and the first half of the analysis i.e. the deinstitutionalisation process, this chapter offered descriptions of alternative institutions, which were the final destination. Bearing in mind that deinstitutionalisation in this case was ongoing, these new institutions were constructed given current conditions. The hybrid form between business-oriented and Confucian logics worked in this case giving it distinctive features; however, this would not be universal for every case.

In many ways, EVN as a restructuring state-owned enterprise is a close resemblance of the economic transformation at national level. Moving away from central planning, the competitive market and internationally recognised corporations have become the new, well-received concepts. Even though difficulties lie ahead, as always, the government has the support of its people and Vietnamese society and companies alike will continue to move forward as one united body. The process is likely to be slow though as consensus-ridden sensemaking is still the norm. It is unwise to seek a full picture of institutional settings around EVN at this moment because the Vietnamese economy is still in transition; political, economic, legal and institutional environments have yet to mature and stabilise. Institutions, which continue to co-evolve with the economy and society, will demand ongoing transformations from EVN. In turn, efforts are required at both the top management and employee levels. Although this study does not attempt to predict future institutions, it is not unfounded to say that based on evidence to date, Vietnam and EVN are likely to be able to preserve national identity and Confucian cultural quintessence despite mounting pressure to conform to globalisation and the market economy.

The next chapter will finish the analysis by answering the second research question elaborating the dynamics of the sensemaking process and the link between sensemaking and deinstitutionalisation outcome and pace.

CHAPTER 8

Sensemaking process and deinstitutionalisation outcomes

8.1 Introduction

Unexpectedly, the sensemaking process triggered by crises bears an uncanny resemblance to the ‘Five stages of loss and grief’ (Kübler-Ross, 1969). However, it is not a person you love that is lost nor your physical wellbeing threatened by terminal illness; it is that intangible parts of you which cannot be touched yet held dear are put in jeopardy – your identity, your purpose, your way of life. Some say that kind of loss is nothing compared to matters of life or death but it is life-changing all the same. The voids left behind when deep-rooted assumptions are questioned and discarded are just as devastating. Deinstitutionalisation of well-established, taken for granted institutions could potentially have those effects on organisations and individuals. Sensemaking makes its entrance right here and rescues your sanity by providing alternative views and solutions. Apparently, the question is asked: is it gratifying enough to work out how a person makes sense of a certain situation? The answer is that sometimes, the journey taken to reach the destination is just as insightful, if not more so. In this chapter, it is emphasised that organisational sensemaking during the deinstitutionalisation is a process – the process of identity reconstruction – to recover lost assumptions and to restore order which has crumbled. It is a healing process. Like any situations involving loss, individuals and the organisation as a whole go through various stages of sensemaking, from ‘denial’ to ‘acceptance’ to ‘finding solutions’ in order to cope with deinstitutionalisation. Until

things start to make sense again, everything is brought to a standstill. This chapter illustrates how EVN goes through this process.

Although chapter 7 and this chapter together celebrated the significance of sensemaking, their foci were different. If chapter 7 portrayed individual and organisational sensemaking accounts and elucidated the role of this sensemaking transformation in determining the fate of institutional makeover, this chapter sheds light on the steps of sensemaking. Alternatively speaking, chapter 7 was mainly concerned with the static contents of sensemaking accounts and not on the journey to get there or the intricate web of emotions, cognitive learning, political interests and social interactions, where lies the very essence of sensemaking. This was exactly the focus of chapter 8 and answers to research question 2: 'what impact does organisational sensemaking have on the pace and outcome of deinstitutionalisation?' In this chapter, organisational characteristics and sensemaking dynamics were analysed and built into the explanation of different forms of collective sensemaking and responses, which were then connected to certain deinstitutionalisation outcomes and speeds of transformation. The perspective employed here stressed the multifaceted nature of sensemaking believed to be influenced not just by cognitive capacity but also emotional, social and political features of the organisational environment. The relative importance of these factors varied but there was no doubt that all of them tried to make their mark on collective sensemaking.

Sensemaking was said to determine the trajectory of deinstitutionalisation but the action was definitely not one-sided. With the ability to constrain behaviours within a pre-constructed, well-approved mental framework, institutions were just as competent in steering sensemaking in the direction they desired. This mutual

interaction between institutions and sensemaking was underlined throughout the chapter, with analysis highlighting conditions hampering efforts to make sense of deinstitutionalisation and how impediments and entropies intermingled to create end-products of deinstitutionalisation.

The rest of the chapter is structured as follows. The first part discusses the organisational sensemaking process in several aspects, ranging from initial emotional response to crises and subsequent impacts of emotions, to the role of sensegiving and how trust towards leaders change the credibility of sensegiving, to institutional rigidity as impediments to deinstitutionalisation and finally how shared meaning is socially negotiated. Variation in these factors held the key to variation in collective sensemaking. The second part then linked different collective sensemaking and collective response to particular outcomes and paces of deinstitutionalisation with examples to illustrate each scenario.

8.2 Organisational sensemaking as influenced by cognitive, political, emotional and social dynamics

8.2.1 Institutional facilitation versus institutional resistance

Institutional entrepreneurship (Eisenstadt, 1980; DiMaggio, 1988) or sensegiving in its crudest form refer to the attempts to manipulate sensemaking and behaviours of others. It requires skilfully manoeuvring which cues to present, which assumptions and meanings to endorse and which courses of action to consent to. By doing these, institutional agents seek to create new cognitive frameworks, cultural traditions and normative standards. In terms of organisational sensemaking dynamics, institutional entrepreneurship represents the cognitive capability as well as the political element

of institutional process since it signifies political interests, power structure and relations. Standing in the way of agents, institutional resistance denotes the work involved in preventing changes, which caused rigidities during the deinstitutionalisation process. If agents are messengers of changes, institutions symbolise stability and certainty.

Like most change processes, deinstitutionalisation of central planning was initiated by institutional agents. One of the most effective and favoured strategies used by sensegivers to encourage changes (Gioia and Thomas, 1996; Bartunek, Krim, Necochea, and Humphries, 1999), as employed by Vietnamese Communist Party leaders in the 1980s, was highlighting merits of the new scheme while discrediting (operational aspects of) the old central planning system (refer to section 6.3 in chapter 6 for more information on the new sensemaking account of the 'socialist market'). The intentional selection of these particular cues and the juxtaposition of them were played cleverly and to great effect. Capitalising on the already-presented dissatisfaction with impractical centralised allocation and productions, the Party leaders were probably able to make potential gains of reform more attractive. The opposite – the 'market' – was apparently viewed as the logical choice. In this way, persuasive tactics worked very well, where things would otherwise have been more difficult.

Apart from the government, another group of agents which played a major role in the implementation of deinstitutionalisation of central planning were the managers. In cases of deinstitutionalisation (like this thesis) where analysis studied institutions at more than one level – national, organisational and individual – in which managers held both roles as sense-takers (from government) and sensegivers (to employees),

managers were much more than just a 'bridge' which connected the two ends. When certain policies jeopardised their benefits, due to their special position, managers could be institutional agents who were responsible to transform government policies into practices and at the same time they could be forces of powerful institutional resistance, determined to reverse policy decisions to protect their own interests. The conflict of motives made managerial sensemaking a great deal more interesting for agency vs. resistance; whichever the dominant role turned out to be, the other would always be there in the shadow. Insights from this other dual agenda revealed the complexity of managerial sensemaking, at least, and at best the interconnectedness between agency and resistance. Top leaders at EVN appeared to be in such internal conflict. On the one hand, they vocally agreed with further restructuring and the competitive power market; on the other hand, repeated attempts were made to delay the process. Arguing against (successfully) the Ministry of Industry's 2009 proposal to separate power transmission (following generation) from EVN control, EVN's chairman said:

The construction of a competitive market is necessary; however, if the project goes ahead, EVN would only manage a third of the market and the amount of capital available to us would decrease significantly with such legal status. Without those funds, EVN would not be able to maintain national power security and the social responsibilities [rural electrification] entrusted to us, which we have accomplished for so many years. This project goes against the previous policy to corporatise EVN and make EVN a key economic engine.

As for the urgency of the matter:

Big changes are needed but right now might not be the best time. We must be cautious in restructuring since hasty moves jeopardise not only this sector and this company with thousands of employees but national security as well. We need more time to deliberate.

Of course, given EVN's position and the large number of stakeholders involved, calling for caution was not irrational. But this reason was used to postpone sharing control for years. The views of top managers at EVN would not have been such a cliché if they had been able to convince that delaying was indeed essential as time would allow EVN to be better-prepared for such competition when the right time came. Their excuses would be more genuine if a timeline was confirmed for such transfer, which had yet to happen. The absence of such strong commitment hinted at other motives. Looking back at evidence of slow reorganisation in recent years at EVN (section 7.2 of chapter 7), it was not hard to recognise the unmistakable impression the managerial unwillingness to release 'monopoly prerogative' left on the 'monopoly attitude' of the employees. Whether this monopolist thinking was truly the most sensible needed not make a huge difference to employees as much as the fact that this was the view approved by managers. Other views certainly existed but the most 'legitimate' one was the one which ought to be valued highly: sensegiving – sensemaking endorsed by power.

Managers and employees were by no means the only source of resistance. Institutions and their ability to constrain and edit sensemaking within pre-existed framework were an extremely powerful resistance force. For while institutions made substance available for sensemaking less varied, they made certain things inconceivable. This held true either for types of cues, meanings, assumptions or

courses of actions. To demonstrate this point, let us consider how Confucian institutions acted out their defence against the invasion of modern organisational practices. As soon as the socialist market became the new philosophy, autonomy and active management (as opposed to passive order taking during central planning) became the new thoughts. But just like management traditions elsewhere, the Vietnamese management style matured via the process of selection. Having been internalised early on in life for all Vietnamese people and having remained at the core of society, Confucian ways of thinking played a key part in deciding which practices to adopt and how they should be modified to fit Confucian traditions as well as new goals. This was the reason why individualism was deemed unsuitable while concepts such as work independence, work empowerment and individual responsibility were more welcome although in the Vietnamese context, they were interpreted differently from those of their Western counterparts. In adaptation to Confucian traditions, these concepts became concepts 'in moderation'. Take the examples of work empowerment and independence. Theoretically speaking, after reform managers at EVN were supposed to delegate a certain amount of authority and freedom to employees according to their roles. In reality, delegation remained very limited due to the high power distance of Confucian traditions, managers remained like heads of a family who found it hard to relinquish control:

We [department heads] only have 'artificial' power. Before making any important decisions even those within our 'official' authority, we must consult them first [managers]. It is understood that we should act our roles within the little space they allow us to (Head of International Cooperation Department).

Some changes are more easily accepted than others. The centralised and rationed resource allocation system was impractical, so it got replaced. You can say that the lack of delegation tradition needs to be replaced too but it's easier said than done. Central planning was here for a short time while collective way of living is in our blood, we have learned it, lived it our whole life. Things like that take a long time to be accepted and even longer to see real change (Deputy Head of Business Department).

In terms of independence, written procedures allowed employees to complete tasks without having to rely on supervision and monitoring but team working would always be stressed. The collective-embedded culture would not allow individualism to thrive. What independence and empowerment in the harmony-oriented context actually meant was 'to take initiatives and responsibility for your actions but decisions remained under group deliberation'. The contradiction between concepts of group decision making and independence made this combination unlikely and utterly impractical. They existed alongside but worked against each other nevertheless. This was the perfect example to show how powerful institutional resistance can be. In this case, Confucian logics made individualism and insubordination unthinkable, in doing so, it caused a bottleneck in the introduction of many modern organisational practices. If sensemaking was able to determine the trajectory of deinstitutionalisation, institutions were as much capable of carrying out their own defence against changes by limiting sensemaking to certain cues and meanings. If agents and institutions were two sides of the same coin, so were sensegiving and resistance.

8.2.2 Emotions in organisational sensemaking: accelerator or inhibitor?

Crises that questioned well-respected, shared assumptions could easily throw everyone into chaos, especially ones with unprepared for, devastating prospects and a huge sphere of influence. Strong, negative feelings are often spoken of as the most prominent psychological impacts of disasters. Yet, in order to feel these kinds of emotion, a person must somehow realise that it is indeed happening. If so, this person is no longer in the 'denial' stage, which is the first response stage to crisis-ridden situations (Kübler-Ross, 1969). 'Denial' happens because people have a tendency to instinctively defend what they feel comfortable with and resist the unknown. Evidently, this was the dominant sentiment when people started to recognise signs of a failure of the central planning regime, even before proper crises appeared and triggered the 1986 reform in Vietnam. This was the period between 1975 and 1986, as one of the employees from the Material and Import-Export Department put it:

When the state system began to go wrong, we were all very worried and confused. At that time, the war had just ended and the people trusted the system that brought us freedom, we truly believed that Communism would bring prosperity. So we convinced ourselves that this was supposed to happen at the beginning, there was nothing wrong and that if we could endure it, things would eventually get better. I guess we were self-deceived then.

Another employee from the Emulation and Propaganda Department mentioned the Party's opinion at the time was partly responsible for keeping people in such faith:

In the midst of this, during their public speeches, the Party leaders persisted in saying that difficulties were temporary even though food and material shortage became so severe that we were in fear of starvation. Some people

became very angry and anxious enough to act upon it. This was when fence-breaking began because we were desperate to keep our families alive. The government was aware of these activities yet they refused to acknowledge them as the right way of doing things. Perhaps lack of better alternatives (in their opinion) added to it so the system carried on.

The fact that fence-breaking took place anyway without government consent was good evidence of the people's ability to overcome 'denial' and contemplate solutions even before leaders did. Of course, not everybody broke 'fences' because people had their own agenda, dealt with crises differently and recovered at their own speed. Some got stuck in the 'denial' stage and some willingly came to or were pushed into 'acceptance' rather quickly. In this case, the leaders seemed to take longer but it could easily be the other way round. All the same, regardless of healing speed, it was undeniable that strong negative feelings inflicted by crises hindered sensemaking and delayed deinstitutionalisation at the very least. Ironically, the greater strong negative feelings of contempt, pessimism, distrust and disappointment towards lack of actions in this period, the more likely they were to provoke strong positive emotions of joy, trust, satisfaction and optimism when changes came about at last. The polarisation of these psychological reactions, however, existed only when the awaited changes were desired, like in the case of the 1986 reform:

The situation turned around completely. From being angry, depressed, anxious, we could not be happier that the government decided to go ahead with the reform plan. The government finally was on the same lines as the people and regained the people's trust. We eagerly devoted ourselves to the reform (Corporate Planning Department staff).

This evidence was interesting since it showed how powerful emotions were in affecting thinking and behaviours. Rationality hopelessly failed when people were overwhelmed by negative situations. They made sense by not trying to make sense at all. In terms of sphere of influence, emotions were able to affect group relations and organisational sensemaking too because people experienced emotions as a group as well as individuals. Special bonds developed among people in the same situation were then built into trust, compassion and support over time. This emotional alliance facilitated opinion sharing, making people more susceptible to sensemaking of the people of the same group. In fact, the nature of relations between managers and employees before and immediately after reform offered great insights:

Back then, we were one big family, all of the same mind, same interests and same goal. We did not think of managers as someone high above but someone we could trust whole-heartedly, someone who underwent the same hardship as us. We followed their directions and guidance because we believed they were in the company's interest and our interests (International Cooperation Department staff).

This citation was so captivating not only because it confirmed the influence of emotional alliance in collective sensemaking but also because of potential effects if group dynamics changed. Instead of emotional bonding, it might well be emotional distance. As restructuring proceeded in the power sector and EVN, major changes were introduced including the formalisation of roles, duties, responsibilities and clearer power distribution. The relationship between managers and employees adjusted accordingly:

Don't get me wrong, we still believe in our leaders' ability but they now have their own interests to protect. Moreover, it is clear now they are our superiors and we must follow their orders, whether it is for our or the company's benefits or not (Corporate Planning Department staff).

It was interesting to see the delicate change in vocabulary. Managers were now referred to as 'one of them' not 'one of us'. Hidden underneath this careful yet firm expression was the conscious distinction of role, duty, power and relation. The subtle change in the notion of trust was noteworthy too. The emotional ties shared between managers and employees at the beginning of reform seemed to be severed. Leadership credibility became more about 'ability' and no longer possessed 'sincerity'. What implication did it have for organisational sensemaking when sensegiving did not have the kind of authority it did in the past? About this, one employee from the Technical Department said:

Managers' ideas are still considered the most important but we learnt to think for ourselves and on our own. We came to understand that a manager's view is not the only view and might not be the most appropriate view.

Of course, the fact that employees came to develop their own sensemaking should not be attributed to changes in emotional ties alone. Increased work independence and greater responsibilities were partly accountable. However, it was the possibility of alternative views apart from those of managers that made a difference. It meant that in situations where sensegiving differed from employees' sensemaking, meanings and orders had to be negotiated whereas previously, sensegiving could have been the only account that existed or mattered. In other words, if emotional alliance and trust between managers and employees were presented, sensegiving was

considered more credible hence more influential. On the whole, whether accelerator or inhibitor, emotions certainly had their own share of influence and their own ways of exerting pressure. Their impacts were considerably greater at the beginning of disasters since emotions were still raw, where immense feeling of loss shut down any attempt to make sense. As the initial phase passed, emotions continued to play a crucial role in organisational sensemaking, only less explicitly. These emotional alliances (or lack of them) might not be as significant as 'denial' in delaying or even halting deinstitutionalisation but they impinged on the integrity of sensegiving and changed the nature of social negotiation of meaning and orders.

8.2.3 Social process of organisational sensemaking

The last element of organisational sensemaking embraces the notion of sensemaking as a process of social construction (Berger and Luckmann, 1967) in which organisational members derive shared meanings and schemas via interactions with others in order to create orders of the workplace. Social order is therefore negotiated (Strauss, 1963); values and norms are negotiated (Fine, 1984). Looking both ways, while institutional structures denote the boundaries of negotiations, no structure is possible without negotiations. Institutional changes prompt active sensemaking and require orders to be renegotiated, a process which often involves a large number of stakeholders with different positions, motives, backgrounds and frames of reference (Maitlis, 2005). The negotiation process is involved in all kinds of interactions, whether it is intra-group or intergroup, horizontally among people of the same position or vertically between individuals of different levels. Understanding these social processes holds the key to the categorisation of organisational sensemaking, because the nature and scope of negotiations determined by power relations

essentially decide who is eligible to participate and which matters are open to discussion. The outcome of these negotiations, i.e. success or failure to attain consensual agreements, establishes the characteristics of the corresponding organisational sensemaking account.

Evidence from the case study confirmed and demonstrated three types of organisational sensemaking discussed in the theoretical model in chapter 3: interactive single account, restricted single account and interactive multiple account. The accounts were analysed based on two elements: the extent and outcome of social interaction. The first indicated the presence of multi-stakeholder participation and the second category identified collective sensemaking in terms of the effectiveness of negotiation processes. Among the three cases, 'interactive single account' could be considered as the most desirable since it represented cases where receivers of institutional initiatives were able and willing or allowed to engage in the reconstruction of new orders; and it resulted in consensus of opinions. The second best outcome was 'restricted single account' because there was only one account presented, the most crucial factor enabling changes to proceed. The difference between the first and second best scenarios lay in the lack of sensemaking inputs from other stakeholders. As participation was 'restricted' to institutional agents, this kind of account only reflected sensemaking of a small group of individuals, not necessarily the majority. This outcome was not the product of successful negotiation, if it could be called negotiation at all given only one party was involved. 'Interactive' sensemaking was richer in content and more comprehensive in approach than 'restricted' sensemaking because it showed the possibility of sensegiving being enriched and improved by other perspectives, envisioned by different groups of people from different positions within the organisation. The least favourable was

'interactive multiple account'. Although this scenario started out as potentially advantageous given the 'interactions' among parties, the outcome was not. Lack of consensus or a dominant account brought change to a halt.

The process of social negotiation led to 'interactive single account' being aptly characterised as highly dynamic, constructively rich in information, emotionally harmonious and effective overall. Each of these features pointed to different organisational aspects that played a part in shaping the final outcome i.e. scope for interaction, effectiveness of communication and emotional relations among organisational members. In this scenario, institutional agents conducted their sensegiving activities as usual in the form of government policies, regulations, the organisation's formal meetings, official rules and directives. At the same time, receivers of change were able and willing to engage in the process by expressing their opinions and actively contributing resolutions. The exchange process of sensemaking between institutional agents and receivers might have been intensive and complicated but ultimately it was successful because agreement was accomplished. For this to occur, not only must communication flow freely horizontally and vertically, credibility of sensegiving is essential. It was no surprise that trust among organisational members facilitated animated and fruitful social negotiations. A good example of 'interactive single account' was the development and finalisation of ISO 9000:2000, described by employees as 'a collective achievement' because it was 'written by employees, guided by managers and assessed by both parties'. In fact, employees felt 'drawn in and committed' because they were allowed to 'test different ideas and approaches and make recommendations to the managers on whichever worked best'. Here, we could see that managers fulfilled their roles as leaders by setting out goals and guidelines and making

imperative decisions but they trusted employees enough to let them in on the process. It made all the difference: the final version of ISO 'worked so well' as managers shaped employees' understandings but enabled them to construct their own sensemaking accounts and voice them openly. The whole process was organised, reciprocal and effective.

Despite having the same outcome, 'restricted single account' could not be more different to 'interactive single account'. Actually, it was everything that 'interactive' organisational sensemaking was not: highly controlled sensegiving, limited engagement opportunity for other stakeholders except institutional agents and emotional distance (often found in the high power distance context). In its own way, 'restricted single account' was effective in the sense that there was a dominant way of thinking which allowed organisations to function. This, however, was obtained by confining organisational sensemaking to the visions of only a small group of players. At first glance, the 'restricted single account' scenario did not appear problematic as it posed no threat to the change process; however, 'restricted' account was likely to be incomplete given the absence of other stakeholders' sensemaking. Compared to 'interactive single account', 'restricted single account' did not reflect the intricacy of reality and underestimated potential risks of such a narrow outlook. Single account stemmed from unilateral imposition rather than constructive negotiation therefore did not possess the mutuality and comprehensiveness quality of its 'interactive' counterpart. This type of organisational sensemaking was predominantly institutional agent sensegiving and social negotiation was largely non-existent. In a post-bureaucratic and paternalistic environment like EVN, this scenario was common in which top leaders considered it unnecessary to consult or include other stakeholders' perspectives because 'it gave no better result and was too time-consuming' or

because 'employees only complained about how they did not want changes'. For whatever reason, sensemaking is strictly unilateral.

As unfavourable as 'restricted' stakeholder sensemaking was, 'interactive' social processes only came with benefits if consensus was reached. The third type of organisational sensemaking, 'interactive multiple account', was in fact the least desirable because in the absence of a unanimously endorsed account, the change process slowed down dramatically, if it ever began at all. The social process inherent in this category could be described as multilateral but ineffective negotiation. Here, stakeholders actively engaged in negotiation with institutional agents but neither party was able to make their sensegiving the winning option. Failed negotiation was induced by overly rich or fragmented sensegiving and possibly exacerbated by lack of trust among participants. This kind of organisational sensemaking was rarely seen at EVN since the 'restricted single account' was by far the most common. This finding was not unexpected because 'interactive' suggested some kind of freedom of speech and action, which was unfortunately not implicitly available to other stakeholders apart from the top leaders. Interestingly, 'interactive multiple account' was found in the negotiation process to involve another set of players i.e. between the government and EVN. Being the single player for years, EVN had gathered substantial power and control, not only in terms of electricity-related activities but also in policy lobbying. EVN and other major economic corporations (petrol, coal) have been known for their (successful) attempts to delay changes. Let us consider the issue of developmental direction for EVN and the power market, for example. Both the government and EVN acknowledged the need for a new structure with the hope that competition would correct existing impediments, albeit for different reasons. If it was inefficient monopolistic behaviours at EVN that urged the government to seek

out better alternatives, financial difficulties due to demand for a large number of investment projects forced EVN into this position. Both sides, however, could not agree on the timeline. In preparation for a competitive market, the Ministry of Industry thought the time had come to disunite generation and distribution functions from EVN and open entry to private investors. EVN disagreed on the grounds of insufficient capitals and network overload if numerous players were to compete given current situations. Citing that more time was needed to enhance infrastructure and network capacity, EVN proposed a trial separation of one power plant for the time being and to reschedule competitive generation and distribution until after 2015. Failure to reach consensus in this matter was the prime obstruction of the power market restructuring. The future was yet to be decided.

8.3 Organisational sensemaking and deinstitutionalisation outcomes

Having established the impacts of emotions, cognition, power and social aspects of organisational sensemaking during the deinstitutionalisation process, the final step was to make the connection between organisational sensemaking and deinstitutionalisation outcomes. It was understood that the ways organisations responded to permanent and major changes were contingent on how new reality was viewed in regard to which meanings were appointed to new concepts, the kind of altered individual and group mentality necessitated for new roles and duties, the line of logics and routine adaptations required by new goals and new organisational identity. The construction of new orders, however, was not always fruitful and it was this relative success of social negotiation that shaped organisational response and its companion, deinstitutionalisation outcome. In general, multi-stakeholder sensemaking did better than its unilateral counterpart if consensus was attained.

Accompanying each type of organisational sensemaking, there was a certain deinstitutionalisation outcome and certain speed at which changes would occur. Organisational sensemaking at its best produced a single account, with sensemaking contributions from institutional agents as well as receivers. Given the wide and effective channel of communication, it was no surprise that the result was one of 'Developed' disposition. This meant that the original account advocated by institutional agents was augmented by different viewpoints from people of various backgrounds and positions. It was superior compared to the 'Planned' scenario created by the single account but 'restricted' the sensemaking not only in the richness of content of sensemaking account but also in terms of speed of change. 'Developed' deinstitutionalisation was deemed to generate a faster transformation process than the 'Planned' one because the inclusion of other stakeholders in the initial conceptualisation stage significantly reduced potential resistance during later implementation. In the third case, deinstitutionalisation was 'Delayed' due to contestation among equally credible accounts of sensemaking. Although communication was open, consensus was not possible, hence the slow speed of transformation.

In this case study, the period from 1975 to the present witnessed three very distinctive settings. There was evidence showing deinstitutionalisation of central planning underwent slow, high and then medium paces of transformation depending on the particular sensemaking of that individual phase. Table 7 below summarises the characteristics of each phase of the process.

Table 7 Stages of deinstitutionalisation of central planning in Vietnam

	Pre-reform	Post-reform Phase 1	Post-reform Phase 2
Organisational sensemaking	<i>Interactive multiple account</i>	<i>Interactive single account</i>	<i>Restricted single account</i>
Outcome	<i>Delayed scenario</i>	<i>Developed scenario</i>	<i>Planned scenario</i>
Pace	<i>Slow</i>	<i>High</i>	<i>Medium</i>
Description	<i>Multi-stakeholder participation in sensemaking</i>	<i>Multi-stakeholder participation in sensemaking</i>	<i>Sensemaking dominated by institutional agents</i>
	<i>No consensus</i>	<i>Consensus achieved</i>	<i>Consensus achieved</i>
	<i>Changes are minimal</i>	<i>Large-scale changes occur without impediments</i>	<i>Substantial changes occur with possibility of impediments</i>

The most notable aspect of the pre-reform phase (1975-1986) was the co-existence of official centralised resource allocation and a distribution regime alongside an unauthorised ‘black market’ and fence-breaking activities. These two economic systems represented the two separate sensemaking accounts at that time. Although the unofficial way of thinking and doing things was not permitted then, the fact that they persisted regardless emphasised the inability of institutional agents to make their system of choice more credible and binding. Besides, receivers of changes actively pursued their visions and substantiated their sensemaking to a degree. Even if fence-breaking was not legitimate by definition because it was not legalised by laws, it was no less credible, if not more so than the official system for it was given mass support and proved more efficient in practice. In this sense, the people were in fact the first agents who promoted the use of markets. Gradually the ‘market’ view attracted

greater attention as a number of government officers became advocates of 'market' principles themselves. Having received the backing of some authority figures meant fence-breaking was accepted yet consensus was far from achievable. Resistance from the opposite side remained too strong. The Party leaders persevered with the view that difficulties would resolve themselves, which unfortunately was not true. This was the reason why the pre-reform phase was best described as a standstill since neither sensemaking account showed signs of winning. Clearly the centralised distribution system was too flawed to be further implemented but doubts about market measures prevented deinstitutionalisation advancing at this stage. Overall, changes were insubstantial (refer to chapter 5 for more details on government and organisational sensemaking as well as the level of changes during this period).

The next stage was a marked contrast to pre-reform stage. The first half of the post-reform phase witnessed large-scale changes which occurred at incredible speed. This was because the main principle of reform, 'market socialism', and the motivations behind previously banned fence-breaking activities were analogous. In essence, the government just legitimised and legalised the ideas and actions already omnipresent. In doing so, it made sensemaking of this phase 'interactive single account' since both institutional agents and receivers of changes contributed to the discourse of one single view of reality. This version of reality was 'developed' from that of institutional agents by encompassing a wider range of stakeholder perspectives, impacts and consequences. In this case, market socialism was conceptualised by the government but its underlying logics had been nurtured and proved to be well-suited in an organisational setting by the people. Here, in cases of 'interactive single account', sensemaking opportunity was more evenly distributed than the other two scenarios. The distinction between institutional agents and receivers therefore

became less profound; both the government and the people became facilitators of changes at some point and not necessary simultaneously. The unanimity exhibited in 'developed' organisational response consequently capacitated the acceleration of the adjustment process. If inability to resolve disagreements originated 'delayed' deinstitutionalisation, consensus on the other hand fostered smooth transformation during 'developed' deinstitutionalisation. At EVN, when asked to describe the situation immediately after reform, one employee from the Material and Import-Export Department stressed the ease of system transfer:

Changes came about very fast. Partly because the situations called for it, partly because we all knew what needed to be done and fully supported these reforms. The core ideas of new system [market economy and modern management] were similar to what we had been doing [under the table] anyway. Of course, there were small problems here and there in the adaptation process but that was expected. The most important thing is there was no dispute. The atmosphere was urgent, but focused.

The fast-moving restructuring was not sustained during the following period, unfortunately. One might say it was not unusual for the initial stimulation to wear off once major changes had done their work. What made this case study interesting and insightful was that there was scope for further dramatic makeover; it just has not been given the chance. The second phase of post-reform could potentially have been another large-scale and intensive transformation if equitisation and competitive power market had ensued quicker. The explanation was simple: 'restricted single account' of sensemaking. The unique attribute that set this scenario apart from the others lay in the nature of how a single account was achieved. By implication,

'restricted' sensemaking denoted one-way flow of sensegiving of which consensus was derived from coercion and imposition rather than persuasion or negotiation. Latent in this so-called conformity was the possibility of disagreement and resistance since other stakeholders were deliberately or accidentally left out of the sensemaking process. Their perspectives were overlooked. 'Restricted single account' was probably biased, which control was overestimated. This was exactly the cause of the medium pace of transformation, which expressed substantial changes but not as fast as those experienced under 'interactive single account'. The reason might simply be cognitive partialness where 'restricted single account' needed to be enhanced by incorporating other stakeholders' viewpoints during the implementation process; or it could be one of a psychological nature. Unlike 'interactive' social sensemaking which carried the sense of reciprocity and fulfilment, 'restricted' sensemaking suggested a less positive emotional profile, which might become the source of opposition. The benefits of emotional alliance inherent in 'interactive' processes, which might enhance sensegiving credibility hence reduce the chance of resistance, were not available in 'restricted' sensemaking.

In the context of deinstitutionalisation of central planning and organisational restructuring at EVN, unlike the first phase of post-reform when a dramatic makeover was witnessed, seeing markets replaced by centralised bureaucratic mechanisms and order-taking state units turned into autonomous, modern-day SOEs overnight, changes in the second phase of post-reform took place relatively gradually. Piecemeal adjustments were made to the operations of authority institutions (Ministry of Industry or ERAV) and EVN structure (sparse equitisation projects and reorganisation of internal units); nothing reached the scale experienced in the first half. In this stage of deinstitutionalisation, the government exercised the

authority of institutional agents and disseminated sensegiving in the form of policies and regulations. Unlike the first half of post-reform where receivers of change engaged in sensemaking via their fence-breaking efforts, the same did not apply to the second half, either because improved economic situations did not provoke desperate actions or more proficient law enforcement prevented widespread fence-breaking. In any case, this was the typical 'restricted single account' since sensemaking was predominantly one-sided. Since organisations were largely excluded from the policy formulation stage, a bottleneck in policy implementation occurred. This was the case with equitisation at EVN, which only managed to transfer into private ownership 30 out of 55 units targeted by the government (Executive report, 2009). In explaining the situation, the Director of the National Load Dispatching Centre said:

The government did not take into account all potential problems arising from the equitisation of such a large corporation as EVN. The target is not feasible. Issues like social responsibility, granting permission of land usage, stakeholder selection or brand value evaluation are all time-consuming and complicated procedures. Take the example of social responsibility. Currently EVN has the obligation to ensure country-wide rural electrification. Any unit to be equitised still has to carry this out; and for investors, this is not a selling point. Besides, the government's ongoing control over electricity prices makes investment in the power sector an unattractive option.

Since economic reform was ongoing, there was no doubt that the deinstitutionalisation process would reveal more in due course; fortunately, retrospective analysis sufficed to demonstrate the interplay between sensemaking and

institutional processes. Looking further ahead, the 2010s should be the decade of marked improvements in the sector and better restructuring efforts on the side of EVN due to mounting pressure from rapidly increasing electricity demand over the years. The suspension of the opening of the competitive market to any further extent appears too risky to ignore; nevertheless reality is likely to disappoint. Given the norm of a lengthy, unanimousness-governed deliberation process and the divergence of opinions regarding the proper roadmap at the current time, deinstitutionalisation of previous institutions pronely impinge on another slow-pace episode. We will see what the future holds because no one is yet ready to gamble.

8.4 Conclusion

In this chapter, the analysis followed the individual steps of the sensemaking process during deinstitutionalisation of old institutions and elaborated the significance of influential factors. Sensemaking was viewed as a process and studied as such because the conceptualisation acknowledged the multifaceted quality of sensemaking and enabled the understanding of the complicated web of interactions. If analysis had only been concerned with the substance of the sensemaking account, which was important nevertheless, the chance to trace the origins of variations and anomalies would have been lost. This was due to the fact that analysis of sensemaking as a process took into consideration all the factors, remotely or directly, impacted upon the social process of collective sensemaking and also revealed the role of each factor as well as the nature of their interactions. It was the relative importance of these factors that shed light on why individuals or organisations made sense of situations in certain ways. These were cognitive, emotional, political and social dynamics of organisational sensemaking. Without explanations of discrepancy in response, we

would have been unable to comprehend why change initiatives sometimes did not generate the desired outcomes. The underlying reason was that different individuals or organisations with idiosyncratic composition of cognitive capacity, emotional intelligence, political interests and social relations had diverse ways of making sense of and dealing with unexpected situations. This was the disadvantage but also the beauty of diversity.

As a process, organisational sensemaking provoked by crises went through various stages of transformation; each stage was predominantly governed by certain factors. The analysis confirmed that during the initial episode, emotional incentives tended to override the others as shocks blocked the use of cognition. In defence against overwhelming prospects of dire situations, conscious sensemaking became irrelevant and emotionally distressed people made the situation bearable by 'denying' their existence. This finding showed that emotions and especially negative feelings caused by unfavourable incidences were so powerful that their influence during the sensemaking process could not be underestimated. Moreover, the aftermath of 'denial' stage was demonstrated to be affected by less profound yet equivalently important emotional connection. The presence of emotional alliance appeared to significantly boost the credibility of sensegiving and the chance for consensual collective sensemaking.

Thirdly, evidence showed that at a later stage of the sensemaking process, other factors seemed to be in greater balance with emotions. Active sensemaking was activated when people overcame their emotional bottleneck. Institutional agents whose actions were shaped by political goals and whose sensegiving was the product of their cognitive capacity were always the first and most active advocates of

changes. Like light and shadow, institutional facilitation was often accompanied by resistance, which took many forms including distaste towards uncertainty, distrust towards institutional agents or merely as disagreement in opinions. Overall, cognitive and political aspects of sensemaking during the deinstitutionalisation process could be summed up as the confrontation between sensegiving and resistance, where institutional agents and receivers of change both tried to influence the course of actions to best suit their interests. The outcome, however, hung in the balance between the authority of a small number of individuals and the power of the mass.

Fourthly, as the last piece of the organisational sensemaking puzzle, the chapter analysed the process of social negotiation of orders, which symbolised the common playground of all factors. Indeed, social processes conveyed the interconnectedness of all of these factors in shaping the outcome of collective sensemaking in the organisational setting or other institutional levels. Negotiation processes were the arena for cognitive capability to showcase the leading role of sensegiving, for the influence of power and political interest to be demonstrated by negotiation tactics, for emotional reactions to express themselves in terms of individual psyches and group dynamics. Social process of organisational sensemaking was said to be the one place everything comes together because features of negotiations (contents, participation rights and procedures) were implicitly determined by power relations, communication and leadership styles of individual organisational settings. This was the reason why the specific characteristics of different negotiation processes were shown to play a crucial role in shaping organisational sensemaking outcomes. Opportunities for and effectiveness of sensegiving from other stakeholders apart from institutional agents proved to be particularly important.

Lastly, it has been demonstrated that sensemaking process under the influence of emotional, political, social and cognitive dynamics resulted in three types of organisational sensemaking, which in turn explained three different paces and outcomes of deinstitutionalisation. Characterised by two key dimensions – the nature of social construction (interactive or restricted) and the form of sensemaking (singular or plural) – examples of three cases of organisational sensemaking enlightened why the deinstitutionalisation process ran considerably more smoothly and yielded better results if the sensemaking account was universally agreed upon than cases where sensemaking reflected only a limited portion of stakeholders or where multiple accounts co-existed. Moreover, the analysis chronologically presented the entire process of deinstitutionalisation of old institutions from the mid-1970s to the present time as three different phases, each accompanied with idiosyncratic collective sensemaking which orientated the fate and rate of changes. Having depicted deinstitutionalisation like this, the analysis offered an alternative view of deinstitutionalisation – as a series of individual episodes. In doing so, it was shown that the deinstitutionalisation process did not essentially progress with uniform pace throughout its course. Just as sensemaking altered to accommodate new cues, deinstitutionalisation went through a cycle of ups and downs, depending on organisational sensemaking of member episodes.

CHAPTER 9

Discussion and Conclusions

9.1 Introduction

This study seeks to understand the deinstitutionalisation process and organisational sensemaking thereof. It has done so by conducting an in-depth qualitative, case study-based empirical study of the processual nature of deinstitutionalisation and the significance of organisational sensemaking during the deinstitutionalisation process. In this chapter, I will briefly summarise the main findings, which have been discussed in the conclusions of each chapter. I will also revise the theoretical model proposed in chapter 3 in light of empirical findings as well as discussing wider implications, and contributions of the study and directions for further research.

9.2 Summary of main findings

Several significant findings emerged from this thesis and they have important implications for the theoretical development of institutional changes, sensemaking and especially deinstitutionalisation.

9.2.1 Deinstitutionalisation as a process

In referring to the first research question of ‘how the deinstitutionalisation process evolves’, it was concluded that the underlying causes of deinstitutionalisation of existing institutions were indeed institutional inconsistencies and rigidities, which failed to adapt to changes in surrounding environments. Having been underestimated as to the magnitude of troubles they potentially created, the inertias inherent in these seemingly stable institutions if overlooked had exhibited the capability to instigate

events with catastrophic consequences. The emphasis of this ‘incubation period’ fell on the missed opportunities to make timely adjustments to problematic systems. If adjustments were well-timed, they would have incurred incremental or even major changes, which were less psychologically damaging to the people involved and would not have resulted in disastrous breakdown of the whole system. Old institutions would have been able to retain most of their signature features. In this sense, the findings confirmed and reinforced the importance of institutional bottlenecks as antecedents of deinstitutionalisation as proposed in the theoretical model of chapter 3.

Secondly, the findings demonstrated the advantages of presenting deinstitutionalisation as a process because it did not occur overnight, without sign nor finished in a short period of time. With a troubled past, dramatic opening and life-altering consequences, deinstitutionalisation was certainly not a short episode of change but rather a long-haul journey with particular origins, progression and destinations. The evidence displayed the anticipated sequence of events that deinstitutionalisation was theorised (in chapter 3) to go through: old institutions – antecedents – switching events – institutional transformation – alternative institutions. This is indeed how deinstitutionalisation evolves in practice.

9.2.2 Sensemaking process during deinstitutionalisation

In terms of research question 2, concerning the role of organisational sensemaking during the deinstitutionalisation process, the study provided satisfactory evidence to verify the ideas advocated in the theoretical model set out in chapter 3. More specifically, it was gathered that emotional response, ‘denial’ to be precise, was largely the most prominent reaction to catastrophic shocks during the first episode of

deinstitutionalisation. At this point, other factors (cognitive, political and social) of organisational sensemaking were outshone and only able to exert influence in subsequent episodes once the initial emotions have subsided. All four aspects were found to be significant in shaping organisational sensemaking and strategic response to deinstitutionalisation incentives and in essence deinstitutionalisation outcomes themselves. Evidentially, the outcome depends on cultural, social-psychological and organisational characteristics such as the credibility of institutional agents, the nature of emotion relations, flow of communication and scope for stakeholder participation. Accordingly, the more credible sensegiving appears to be, the more connected institutional agents and stakeholders are emotionally, the more effective communication is, the more liberating sensemaking opportunities are, the less likely institutional resistance will become an issue. Basically, these conditions when present increase the likelihood of single interactive account which gives the best possible outcome for deinstitutionalisation and complete transformation manifests in the shortest period of time.

9.3 Theoretical implications

In this study, I have attempted to employ perspectives from institutional and sensemaking theories in the quest to enhance our understanding of the deinstitutionalisation process. The research was largely motivated by the lack of empirical and theoretical work done on deinstitutionalisation as well as studies combining the two important bodies of literature in organisational setting. In the following section, I will discuss the issues raised for institutional theory and deinstitutionalisation.

9.3.1 Implications for institutional theory

The findings of this study shed some light on the similarities and differences of institutional effects in two totally different contexts: one with mature, stabilised institutions – the Western environment; one with an emerging, transitional background – Vietnam. Given that most research on institutions and institutional processes were inspired by and indeed carried out in mature, well-known contexts, the most appropriate question to ask now is how applicable these analytic frameworks and conceptualisations are to another setting. The subsequent discussion will not repeat the lack of theoretical foundation for deinstitutionalisation but concentrates on other aspects of institutional theory.

In accordance with analysis chapters, institutional inconsistencies and bottlenecks initiated deinstitutionalisation of central planning on a national scale and at EVN on organisational and individual levels. Some modifications had been made to the policies and regulations as well as management practices, rules, norms and values to comprehend new logics. Moreover, these changes exerted influences by legitimisation of new logics, standardisation of new practices and formalisation of new values, which were very much analogous to the three channels: regulative, cognitive and normative suggested in the institutionalisation framework by Scott (2001). In this aspect, institutional theory is proficient in its analytic capacity and indeed its descriptive and predictive contents remain appropriate in the context of evolving institutions.

On the other hand, it can be argued that institutional pressures to adapt did not have such binding power in the context of Vietnam as they usually did in that of their Western counterparts, at least in this transitional phase of Vietnam's economy. This was evidenced in the partial transition to markets (market socialism) and strong

resistance to the abolition of monopoly status from many SOEs and weak law enforcement due to ineffective monitoring measures. While these potentially powerful regulative factors came up short of expectations, interestingly, cognitive and normative aspects had greater success in facilitating institutional changes. In the context of Vietnam, and EVN in particular, institutional controls were strongest not in their coercive capacity but their persuasive, inspiring nature. Individuals became enthusiastic carriers of institutional alterations not by force but by choice. They complied with restructuring, not so much for the obligations to the rules but rather for the necessity of changes. This indicated that in some cultural and institutional contexts, regulative influences might not have the same manipulative power as cognitive and normative ones and vice versa.

9.3.2 Implications for the deinstitutionalisation model

The findings nevertheless offer some new insights, which are internalised in the revised version of theoretical model of deinstitutionalisation. In previous models (Oliver, 1992 for instance), it was understood that the deinstitutionalisation process was influenced by internal and external factors, which acted as entropies and dissipations to institutional transformation and in doing so directly acknowledged the ability of institutional resistance to slow down the process. The evidence presented in this thesis went a step further and suggested that resistance, in fact, might be as powerful as being able to stop the process in its tracks and reverse the situation to pre-deinstitutionalisation status. This was the case with reinstitutionalisation, as shown in the analysis of the pre-reform episode (chapter 5) where decentralisation of the state economy could not go ahead due to opposition from a number of Party leaders. This situation, however, can only be found in the ‘incubation period’, Phase 1 in Figure 9.1 below, because once catastrophic events take place, it would be much

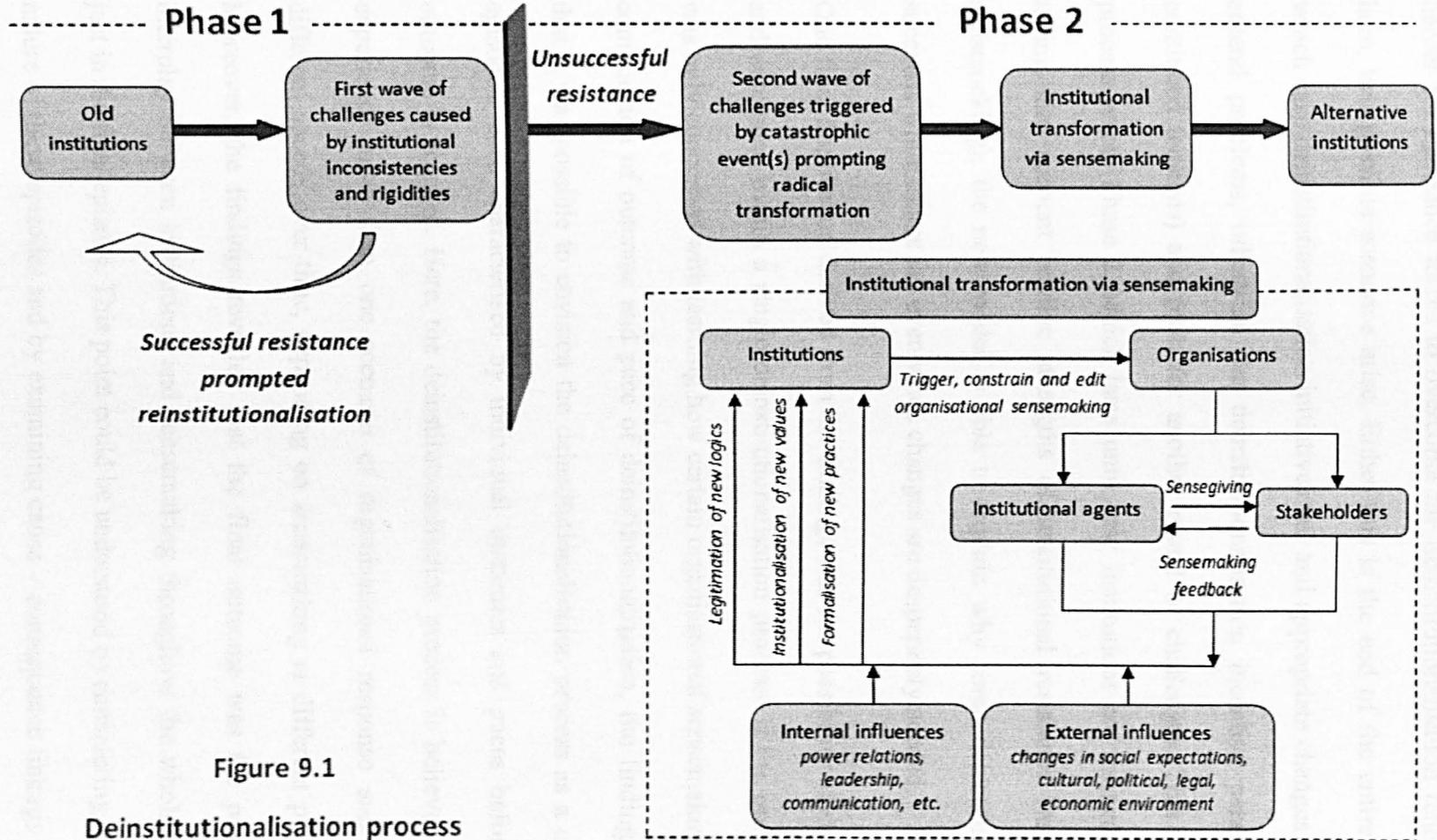


Figure 9.1
Deinstitutionalisation process

harder for resistance forces to overcome the deinstitutionalisation tendency. From here, two possible scenarios arise. Either this is the end of the entire process, in which case deinstitutionalisation initiatives fail and appropriate changes are made to amend problems, otherwise the deinstitutionalisation incentive persists (due to continued tensions) and push for another round of challenges. This is when the process enters Phase 2, which lasts until new institutions are formed. Hence, by taking into account relative strengths of institutional resistance (and indirectly sensemaking), the new model is able to explain why some deinstitutionalisation succeeds while others fail even when changes are desperately needed.

One final implication derived from the findings was the possibility of multiple paces and outcomes within a single deinstitutionalisation process. If the previous model was only concerned with learning how certain organisational sensemaking led to *one* combination of outcome and pace of deinstitutionalisation, the findings suggested that it was possible to envision the deinstitutionalisation process as a collection of episodes, each characterised by individual outcomes and paces before the final outcome is reached. Here, the deinstitutionalisation process is believed to possibly experience more than one scenario of organisational response and move with different speeds over time, depending on sensemaking at different points in time. Moreover, the findings revealed that the final outcome was the product of the interplay between institutions and sensemaking throughout the whole process, not just in the final episode. This point could be understood by considering the sequential nature of these episodes and by examining cause – consequence linkage therein. The entire series of events ensues as follows. Deinstitutionalisation started with institutional inconsistencies activating conscious sensemaking, which in turn determines features of institutional process in that particular episode. Given that

transformation is not yet complete, this unfinished state means that existing imperfections subsequently become antecedents of the next episode of makeover and trigger sensemaking once again. The process continues until new institutions settle and mature. Figure 9.2 below illustrates the proposition.

Episode A: Deinstitutionalisation initiated

- **Antecedents:** misallocation of resources
- **Switching events:** severe resource shortage
- **Reaction strategies:** fence-breaking
- **Consequences:** co-existence of central planning and 'unofficial' market activities

Episode B: Deinstitutionalisation continues



- **Antecedents:** system inconsistencies heightened

- **Switching events:** economic crisis
- **Reaction strategies:** economic reform

Episode C: Deinstitutionalisation continues

- **Consequences:** 'market socialism'



- **Antecedents:** market socialism resulted in better economic and living conditions
- **Switching events:** growing economy demanded more changes
- **Reaction strategies:** further economic reform
- **Consequences:** extensive organisational restructuring

Figure 9.2:

Sequence of deinstitutionalisation episodes

9.4 Managerial implications

This study was carried out in an organisational context therefore naturally it had relevant managerial implications. Knowledge gathered here should offer useful insights for businesses, especially managers. This section focuses on how the views of institutions and management of changes are altered by the findings.

This research was designed with the intention to give companies better understanding of the deinstitutionalisation phenomenon and its implications. The conceptualisation of deinstitutionalisation in this study indicates that deinstitutionalisation is likely to be lengthier in process, more complicated in nature and more life-changing in consequences compared to institutional changes since the source of the problems lie in the most treasured of organisational values. The uprooting of such well-embraced assumptions and deeply embedded behaviours is inclined to meet with forceful resistance or even hostile dispute, sometimes too strong for deinstitutionalisation to continue. Organisations which wish to successfully manoeuvre deinstitutionalisation need to appreciate the extent of this psychological shock and allow sufficient time for recovery. Initial resistance should be interpreted in a different light. Instead of a complete failure, a brief period of 'denial' setback should be viewed as a temporary status, an inevitable part of the whole deinstitutionalisation process, a mere obstacle to overcome in order to move forward. Managers will find that intensive, information-rich propaganda might not be the most effective strategy at this stage. Rather, a 'softer' approach would be more appropriate. This means aiding employees to accept reality or simply giving them time to take everything in.

Moreover, the two models describe what to expect throughout the course of institutional transformation as they enlighten the nature of interactions between

institutions and organisations, between managers and stakeholders and moderating factors surrounding the whole environment. With the understanding of what constraints existing institutions have on sensemaking and how organisational relationships affect organisational sensemaking, managers who can capitalise on this knowledge should be able to anticipate stakeholders' responses hence be able to execute more suitable strategies. It can be as simple as knowing how to present changes in the most appealing way or more complex coping plans that make the most of alliance among members. The finding that emotional alliance makes people more susceptible to sensemaking of others is particularly helpful as managers can concentrate on persuading a small number of individuals within these groups, knowing that they are in fact targeting a wider audience. Communication is more effective and less time-consuming this way.

Last but by no means least, as organisational sensemaking passes through various stages with various resistance factors, managers gain better control of the process by adapting their strategies to the most prominent resistance factors in each individual stage. For instance, while during the 'denial' episode the best option is to eradicate fear of instability by neutralising the distressing situations as much as possible, when it comes to social construction of meaning, attention should be paid to resolving potential hostility towards institutional agents and facilitating mutual communication simultaneously to attain consensus in sensemaking. In order to influence the final outcome, managers should tailor strategies to suit individual groups' needs as homogeneity of coping responses is prone to failure. In a nutshell, management of changes yields better results if managers are more attentive towards emotional and cultural aspects of organisations. In the context of deinstitutionalisation where a whole new world is established, it does not mean that managers should attempt to

change organisational culture completely. There might be a new way of thinking and doing things but individuals must be able to identify with them. It is difficult to imagine collective-oriented communities like the Vietnamese adopting the individualism-embraced traditions omnipresent in the West. It is nevertheless universally true that it is best to ally with organisational culture. After all, knowing yourself is half the battle.

9.5 Directions for further research

Given several outstanding questions in this thesis and existing limitations of institutional work, the following are among a few directions that further research can undertake:

- To improve on conceptualisation of institutions and strategy to encompass differences of various cultural, social, economic and political environments
- To examine the interaction between and relative strengths of mechanisms, in various institutional settings
- To improve on conceptualisation, framework and indicators (crisis-driven and other kinds) of deinstitutionalisation, in various institutional settings
- To test the comparability between institutional and sensemaking processes in other deinstitutional phenomena as well as other institutional change dynamics
- To test the connection between firm characteristics and the institutional change/deinstitutionalisation process to clarify various firm strategic responses in different contexts

- To test the interplay between institutions and sensemaking in terms of its effects on the pace of different episodes of deinstitutionalisation in different contexts

For this particular case study of EVN, there is also scope for further research. Having said that the model of institutional linkages discussed in chapter 5 is only primitive, it is well-understood that as long as the Vietnamese economy and society continue to develop, even after institutions are well-established and fairly stable, further modifications to the model are needed to encompass these transformations. In the long term, these distinctive Vietnamese management institutions might come to more closely resemble those of the West but given such strong cultural embeddedness and the determination of the Vietnamese government to preserve national identity, it is suspected that Vietnamese institutions will always be centred on people. This emphasis on social capital in many aspects (entrepreneurism, strategy, institutions, etc) and the interaction among economic, cultural, social and political forces might be the most striking features that set Vietnamese institutions apart from others. Vietnam is worthy of further attention in its own right.

9.6 Contributions of thesis

The main contributions of this research can be summarised in the following five points:

1. The first and most important contribution of this study is the conceptual and theoretical framework of the deinstitutionalisation process. Not only has it addressed one of the most under-developed areas of institutional theory – deinstitutionalisation. It does so by elaborating the entire discourse starting

from the moment mature, taken-for-granted old institutions begin to show signs of instability, which unfortunately are overlooked at organisations' perils, to the ground-breaking events that finally set all the wheels in motions, through all the emotional, political, cognitive and social processes of institutional transformation, right to the final destination – the maturation of alternative institutions. Concisely, the model reveals the fuzzy details in between, not just the two blocks at the beginning and end. Moreover, the conceptualisation of deinstitutionalisation presented here uncovers the difference between institutional change and deinstitutionalisation i.e. the missed opportunity to realise much-needed adjustments, which lays the foundation for the catastrophe-triggered aftermaths that supposedly shake organisations to their core. Indeed, it has been proved that deinstitutionalisation is more life-altering which requires more complicated sensemaking efforts and strategic responses.

2. Theoretically, the thesis has made a significant step in conciliating perspectives of institutional theory and sensemaking in a single framework. In doing so, it capitalised on the strengths of both literatures. By using variation in organisational sensemaking to explain different outcomes of deinstitutionalisation, it has offered clarification of the role of sensemaking during institutional processes. Not only are they supposed to play a key role in shaping the features of new institutions, they are just as capable in influencing the speed of how things occur. The model has great explanatory and predictability power because until now, research has been unable to link organisational versatility to the outcomes of multifaceted

deinstitutionalisation. Evidently, the model acknowledges the possibility of failure if resistance is stronger than deinstitutionalisation initiatives, in contrast to general assumption that once it starts deinstitutionalisation will definitely reach its destination. Apparently, this is conditional hence not predestined. In using the sensemaking perspective to understand deinstitutionalisation, the thesis also implicitly provides an alternative way to look at the interplay between institutions and sensemaking, especially its consequences. With the 'temporal bracketing' approach which examines characteristics of this interaction in a sequence of episodes, it shows the nature of intrinsic heterogeneity of the deinstitutionalisation process.

3. Empirically, the study has established its value as a test of institutional change effects and outcomes in an unconventional context – an emerging economy of Vietnam. The complicated nature of institutional links brings rich and fruitful knowledge of institutional effects. Unlike mature Western institutional settings which are the usual focus of mainstream research, this study investigates the significance of institutional impacts on organisations whilst institutions themselves are undergoing transformations. The investigated company is a large state-owned enterprise undergoing partial privatisation. Detailed analysis has been carried out on deeply embedded cultural and social environments of the firm in question.
4. Consistently presented throughout the thesis is the acknowledgement paid to organisational characteristics emphasising the role of agency, emotional and power relations as well as social negotiation processes in shaping the new environment and change process. Attention is also drawn to managerial

characteristics such as leadership and communication style. By taking into consideration these idiosyncrasies, the study is able to theorise different organisational sensemaking hence explanations for different deinstitutionalisation outcomes.

5. On more general grounds, this research provided an alternative way to look at group sensemaking in a relatively new setting – catastrophic but not life-threatening (as opposed to more extreme crisis sensemaking of disasters such as fires).

9.7 Concluding remarks

'Ruin is the road to transformation.' – Elizabeth Gilbert

In a world surrounded by rapidly changing environments and filled with crises and uncertainties, we must learn to deal with the unexpected, the chaotic, the ruins. And we must learn fast because events like the financial crisis, eurozone debt problems or the American downgraded credit rating are turning out to surprise us, no matter how unlikely and impossible they sounded in the past. The best defence against them is to develop an appreciation for their manifesting mechanisms, to expect the unexpected and to have crisis management programmes at the ready. New knowledge and insights of how numerous conditions interweave to create instabilities and of the price of underestimating these seemingly low risks by failing to place them in a broader context hence providing us with valuable lessons. The understanding of how members think, feel and communicate in the aftermath of events means more than ever to the survival of disaster-struck organisations, fields or international collaborations. If the models and findings in this thesis are viewed as they are intended, crises shall be seen in a different light i.e. not all gloomy and hopeless. Just like phoenixes reborn from the ashes, crises are part of the bigger picture and sometimes are necessary. Without ruins, new and better things cannot come along. Ruins should be seen as blessings in disguise for they grant us the opportunities to get rid of the broken parts, to get to the bottom of things, which no one had the incentive or the support to do so earlier. The pain of having the ideals, the values we held dear taken away from us is only temporary; how we deal with it afterwards is what changes our lives forever. It is all that matters.

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APPENDIX A

List of Participants

Preliminary Investigation Phase (March, 2007)

Category	Position/Department	Date of (formal) interview
Managers	Vice President of Business (Northern Region)	March, 2007
Heads/Deputies	International Cooperation Department	March, 2007
Heads/Deputies	Emulation and Propaganda Department	March, 2007
Employees	International Cooperation Department	March, 2007
Employees	International Cooperation Department	March, 2007

Main Investigation Phase (March, 2009 – March, 2010)

Category	Position/Department	Date of (formal) interview
Managers	Vice President of Business (Northern region)	March, 2009 March, 2010
Managers	Director of National Load Dispatching Centre	March, 2009 March, 2010
Managers	Chief Officer of Transmission Company (Northern Region)	March, 2010
Heads/Deputies	International Cooperation Departments	March, 2009 March, 2010
Heads/Deputies	International Cooperation Department	March, 2010
Heads/Deputies	International Cooperation Department	March, 2010
Heads/Deputies	Emulation and Propaganda Department	March, 2010
Heads/Deputies	Emulation and Propaganda Department	March, 2010
Heads/Deputies	Corporate Planning Department	March, 2010
Heads/Deputies	Corporate Planning Department	March, 2010
Heads/Deputies	Finance and Accounting Department	March, 2010
Heads/Deputies	Finance and Accounting Department	March, 2010

Heads/Deputies	Organisation Personnel and Training Department	March, 2010
Heads/Deputies	Technical Department	March, 2010
Heads/Deputies	Business Department	March, 2010
Heads/Deputies	Business Department	March, 2010
Heads/Deputies	Project Management Board	March, 2010
Heads/Deputies	Project Management Board	March, 2010
Employees	International Cooperation Department	March, 2009 March, 2010
Employees	International Cooperation Department	March, 2009 March, 2010
Employees	International Cooperation Department	March, 2009 March, 2010
Employees	International Cooperation Department	March, 2010
Employees	Material and Import-Export Department	March, 2010
Employees	Material and Import-Export Department	March, 2010
Employees	Material and Import-Export Department	March, 2010
Employees	Emulation and Propaganda Department	March, 2010
Employees	Emulation and Propaganda Department	March, 2010
Employees	Emulation and Propaganda Department	March, 2010
Employees	Emulation and Propaganda Department	March, 2010
Employees	Corporate Planning Department	March, 2010
Employees	Corporate Planning Department	March, 2010
Employees	Corporate Planning Department	March, 2010
Employees	Corporate Planning Department	March, 2010
Employees	Finance and Accounting Department	March, 2010
Employees	Finance and Accounting Department	March, 2010
Employees	Business Department	March, 2010
Employees	Business Department	March, 2010
Employees	Business Department	March, 2010

APPENDIX B

Interview Questions

Part 1: Details of the participant

Name:
Position:
Department:
Length of employment (months/years):

Part 2: Before 1975

1. What is your opinion of central planning system (right after the war)?
.....
2. What were the main features of your work at that time?
.....
3. How do you describe your work/work environment (e.g. ethics, productivity, satisfaction) back then?
.....
4. How do you describe the relationship among workers/between workers and superiors?
.....
5. How do you describe your style of working? Of your unit?
.....
6. How did you feel about your work?
.....
7. What was your work assessed?
.....

Part 3: 1975 – 1985

8. In terms of economic crisis in the late 1970s and early 1980s, what do you think the reasons were?
.....
9. How did it affect your unit/you work/your view of the authority?
.....
10. How did you feel/react to this difficult time?
.....
11. Did your colleagues/superiors feel/react the same way as you did? And how did it affect you?
.....
12. What is your opinion of 25/CP?
.....
13. How did it affect you and your unit?

.....
Part 4: 1986 – present

14. What do you think and feel about economic reform?
.....

15. After the reform, what changes occurred at the company/your area of work?
.....

16. How did it affect the company's objectives/orientation?
.....

17. How did these changes affect:

17.1 Your duties/emotions/ethics/satisfaction?
.....

17.2 Relationship among employees?
.....

17.3 Relationship between managers and employees?
.....

17.4 Overall productivity?
.....

18. How do you compare leadership before and after reform?
.....

19. What are the criteria for performance appraisal?
.....

20. Do these changes meet your expectation?

20.1 If no, could you explain why?
.....

21. What more do you think need to be done?
.....

22. How do you describe current values/norms/practices?
.....

23. What sources do you use to gather information about the company (e.g. colleagues, leaders, media and government websites)?
.....

23.1 Among those, which one(s) do you consider as the most credible?
.....

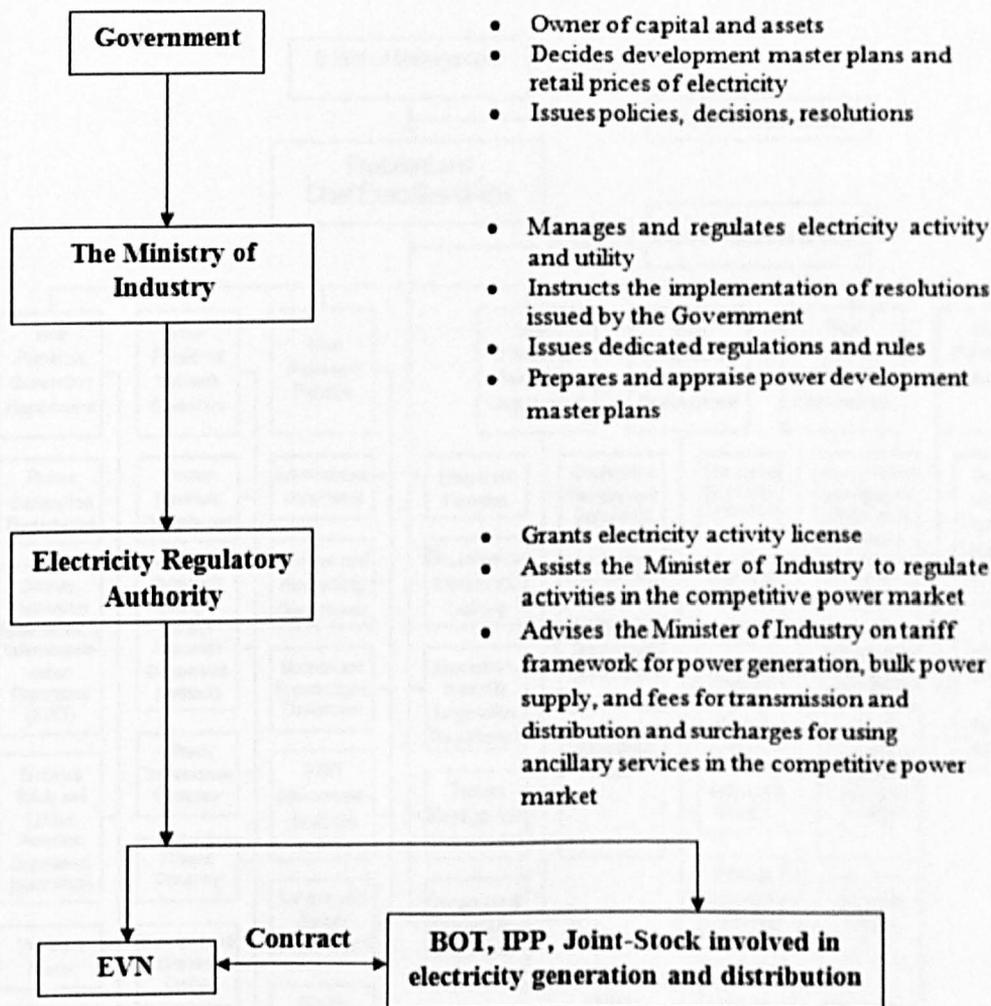
24. How do your leaders disseminate information?
.....

25. Do you (employees) get involved in decision making process?
.....

26. Do you receive guidance/support from managers/colleagues during change process? If yes, please specify methods used.
.....

APPENDIX C

Structure of Power Sector¹⁴

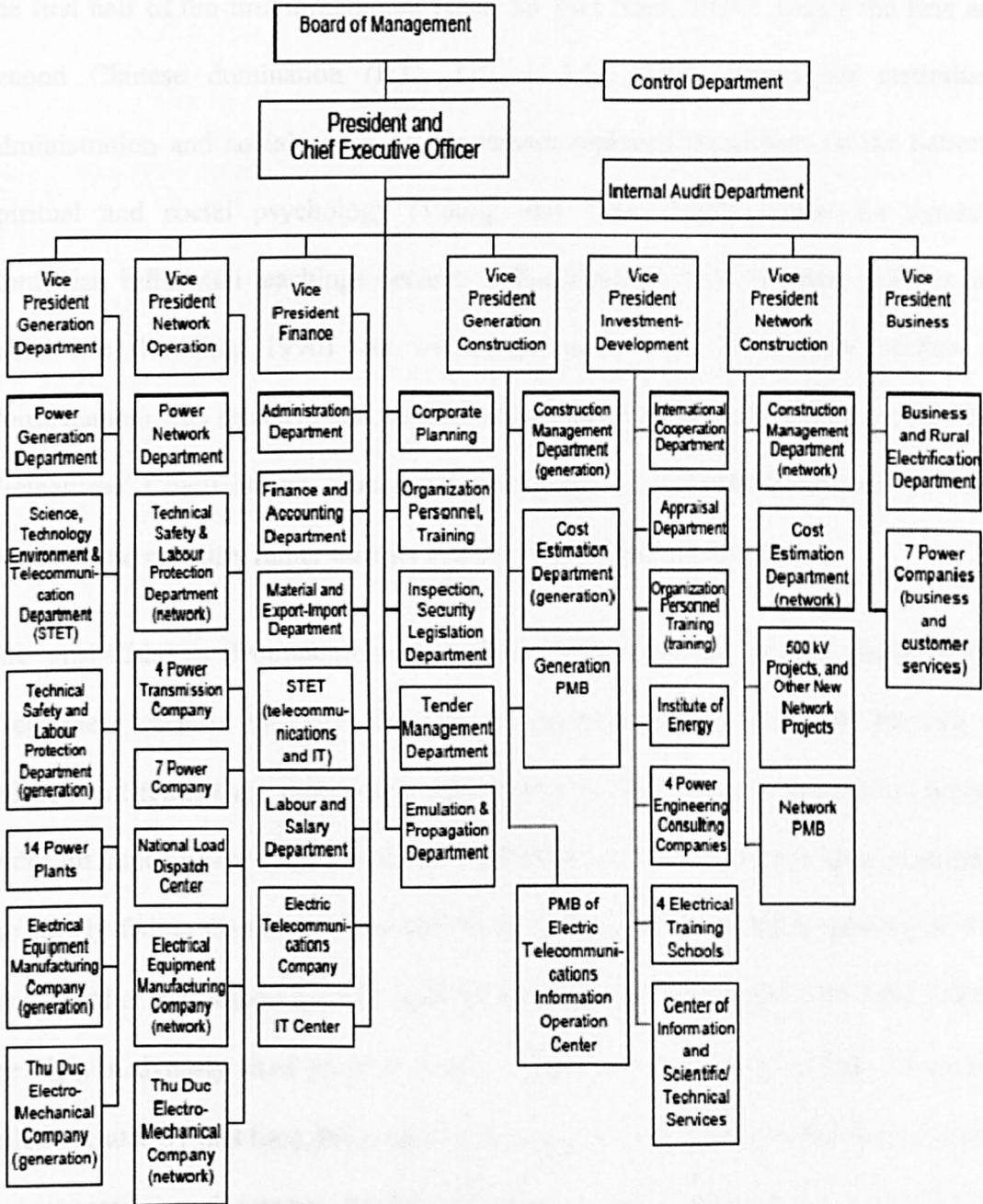


¹⁴ Note: Electricity utilities outside EVN including:

1. BOT Electricity Generation Company, domestic and international IPPs.
2. Electricity Generation Joint-Stock Companies: i) Joint-Stock companies funded by state-owned enterprises; ii) Joint-Stock companies partly funded by state-owned enterprises; Joint-Stock companies established through equitisation of EVN's Electricity plants, but EVN's stock is less than 50 percent.
3. Electricity Distribution Joint-Stock companies: i) Companies in which EVN's stock is more than 50 percent; ii) Companies in which EVN's stock is less than 50 percent.

APPENDIX D

EVN's Organisation Chart



IT = Information Technology, PMB = Project Management Board.
 Source: Annual Report of Electricity of Viet Nam, 2002.

APPENDIX E

Vietnam: A brief history

The first large Vietnamese cultural community, called *Dong Son*, was formed around the first half of the first millennium (Lich Su Viet Nam, 1971). Under the first and second Chinese domination (B.C. 110 – A.D. 220), urging for centralised administration and social order, Confucianism replaced Buddhism as the nation's spiritual and social psychology (Vuong and Tran, 2009). Under *Le* dynasty, Confucian influential teachings became well-embedded in Vietnamese politics and social life (Reading, 1990). As widespread as it was, Vietnamese version of Confucianism was selective and simplified compared to the original. It appears that Vietnamese Confucianism was most prominent in education system, political structure and morality rather than its entire system (McHale, 2004).

The post-Chinese domination period (A.D. 938) was the second peak of the Vietnamese culture: the *Dai Viet* (Great Vietnam) period. This was the era of independent feudalism; Vietnamese traditions received extensive restoration, mostly under influence of the more dominant Buddhism and Taoism at that time, alongside the slowly-fading Confucianism (Slote and De Vos, 1998). At the beginning of 19th century, after the chaotic *Le-Mac* and *Trinh-Nguyen* period (Vuong and Tran, 2009), the *Nguyen* dynasty tried hard to restore Confucian status. The attempt, however, failed because by that time, the potential and strategic position of Indochina countries had attracted French interest. Viewing Vietnam as the perfect gateway to the region, French immediately began their conquest. After establishing its rule in 1880, French started exploiting the country's rich resources and quickly implemented various measures (civilising mission), hoping to eliminate local economy and culture.

Apparently, it was not only political leadership they wanted to replace but also Vietnamese literature, thought and culture (Anderson, 2002). As colonisation lasted, old Confucian social orders were badly undermined; resources were exploited to the extreme while people were oppressed like slaves. Eventually, the French imperialism usurped administration, political, economic systems as well as education. This was no doubt the time of Western domination but how far did the French come in wiping out Vietnamese traditions and identity? By the looks of it, French succeeded in turning the country into a part of its empire. But one thing French failed to foresee or underestimated at their peril, was the fact that repression and exploitation gave the exact opposite effect to its intent. Instead of crushing national identity and traditional values, they actually stirred up burning desire for a united nation and created a generation with revolutionary attitudes (Anderson, 2005). Indeed, periods under French colonisation (1860 – 1945) and then American invasion (1945-1975) were characterised as mixture of patriotic and colonialist cultures (Wiest, 2002), which had long been one of the most prominent features of Vietnamese history as the country continuously struggled against foreign invaders. Unfortunately, even though nationalism was nurtured which should be credited for ultimate victory, repeated wars dismantled social traditions and economic structures insofar that they could hardly reach their peak. After nearly a century of colonisation, Vietnam was left with nothing but a stagnant economy that could barely feed the nation (Melling and Roper, 1991). As communist and socialist principles were extended to economic matters, Vietnamese post-war economy, like other socialist states, was heavily burdened with severe misallocation of resources, neglect of worker motivation and biased development strategy driven by heavy industrial-orientation. The state and at its centre, the Vietnamese Communist Party, controlled all economic activities and

distributions of goods. State owned cooperatives accounted for 90% of national economy since private businesses were banned. Market mechanism existed only in household economy where small household products were allowed to be produced and sold. Foreign trades were seriously restricted and monopolised by state-owned businesses (Dodsworth, 1999; Griffin, 1998).

By 1986, domestic situations were appalling with widespread shortage in almost everything. Vietnamese Communist Party and the state had no other choice but to admit socialist system, despite its success during wars, could no longer hold up the economy. Egalitarianism, the main principle of production and distribution systems could not guarantee even minimum level of goods for existence. Desperately fighting for survival but reluctant to let go of socialism completely, the state ran out of options and finally decided to abandon central planning and set economic reconstruction in motion. Key policy elements of the new concept “socialist market” consisted of decentralisation of state economic management and decision making; replacement of socialist administrative measures and controls by market alternatives; adoption of open trade and external relations; acceptance of private sector and state sector reform (Litvack and Rondinelli (1999); Kerkvliet *et al* (2003).

At present, Vietnam has changed into a socialist market economy although public sector hold on to the dominant role. Freedom to do business encouraged entrepreneurship, an illegal and boycotted concept under socialist regime. Over the years, market supporting institutions have been created and enhanced including the development of legal framework, the establishment of stock market, property rights, customer rights, public sector law, enterprise law and investment law permitting foreign companies to enter joint ventures (McCargo 2004; Tran-Nam and Pham

2003; Alpert 2005). Positive results came in quickly as underutilised resources and misallocated labour took to industrialisation and commercialisation with amazing pace and aptitude. In a few short years, Doi Moi (economic reconstruction) achieved remarkable results: annual growths have been maintained at approximately 10% ever since, akin to those of Asian tigers; standard of living has been improved and thousands of jobs created (IMF Country Report and World Bank Report, 2009). Vietnam honoured further its commitment to a “market economy with socialist twist” by joining global economic institutions such as ASEAN and WTO in 1995 and 2006. After more than two decades, 1986 reform has without a doubt transformed the country, evidenced in micro institutions like ways of thinking as well as macroeconomic structure. Institutional logics of this new era began to merge with elements of old socialism to fashion new national ideology (Murray, 1997). Despite their intrinsic differences, capitalist values such as individualism and task orientation might be more flexible than previously thought and might be able to coexist alongside traditional Vietnamese values like collective orientation, respect of hierarchy and relationship embeddedness.

In spite of successes compared to experiences of Eastern European countries so far, there remain complicated issues and difficulties if sustainable growths are to be maintained. First of all, although Vietnam has made good progress with market and capitalism, as the economy develops, commitment to “socialist market” will raise more questions than answers. For key industries like electricity, the government might find it increasingly hard to attain the right balance between how far they willingly free the market and how much control over state owned enterprises they ably let go. As long as state owned enterprises remain the leading role and the government stays reluctant to abolish the old system in one swift move, this matter is

not easily resolved. Besides, there are uncertainty regarding where this “socialist market” is heading in the long term and ambiguity caused by government’s favour of “trial and error” method to minimise aftershock impacts. Restructuring measures have been implemented step-by-step allowing time for necessary adjustments. This approach, however, might create anxiety and inconsistency that hinder future innovation. In referring to economic transition, underdeveloped market institutions and incomplete legal frameworks have been held responsible for misinterpretation and gaps in implementation process as well as prolonging development of competitive markets. This is expected to be a problem for both foreign and domestic enterprises yet state owned enterprises might find it easier to handle given government preferential treatments they receive. All things considered, unless government is willing to take a more proactive approach to institutional strengthening by making capitals more accessible to private businesses and pushing harder for healthy competition, long term economic development might suffer. Unfortunately, there is also the challenging issue of inertias embedded in planned economy such as bureaucratic management, red-tape, corruption and lack of systematic organisational practices. Sluggish state owned enterprise reform and complicated, time-consuming administrative controls only turns investment away from where it matters the most as foreign companies struggle to gain license or negotiate deals while state owned businesses take advantage of their role and connections (Ng *et al*, 1996). Crucially, transforming key state firms into competitive corporations according to international standard plays pivotal role in reform yet the government shows no sign of willing to let private sector take the lead anytime soon. The government might encourage private participants but state enterprises have always been their priority. These confusing issues of how state owned enterprises fit

into market economy and how restructuring should be done are among the most debated matters, but at the moment no satisfying answers have been given yet. It seems that uncertainty regarding this matter will remain in the picture for some time.

In sum, Vietnamese economic and social transformations seem to be well on its way. After various wars and cultural infiltration, Vietnamese traditions have taken a new identity, one that is resilient enough to retain their most intrinsic values while selectively adapt new ideas. Family is still the nuclear of society just like team-working as the central value in organisations. Vietnamese families, which contain more than one generation under one roof, is common; paternalism, respect of social order and relationship based working style remain the most important traditional traits in Vietnamese organisations. Indeed, traditions are not lost but improved; Vietnamese values and beliefs get “mixed not assimilated”. It is this ability to restore national ideology and preserve traditions while being flexible is what makes Vietnam an interesting case.